Financial Reporting

MIGROS GROUP

2009

FINANCIAL REPORTING 2009

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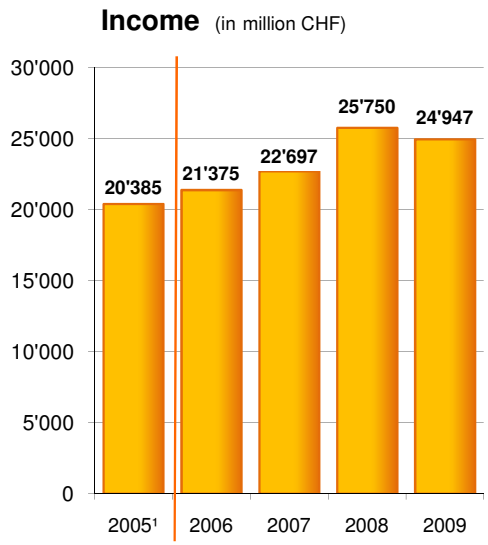

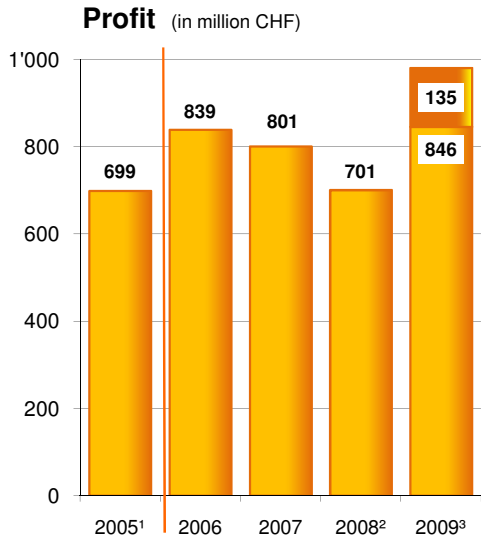

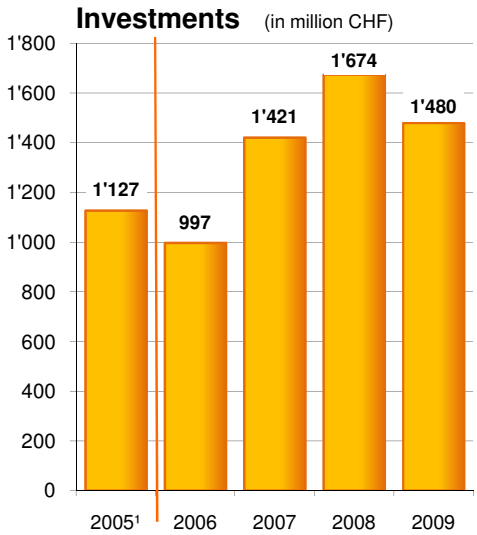

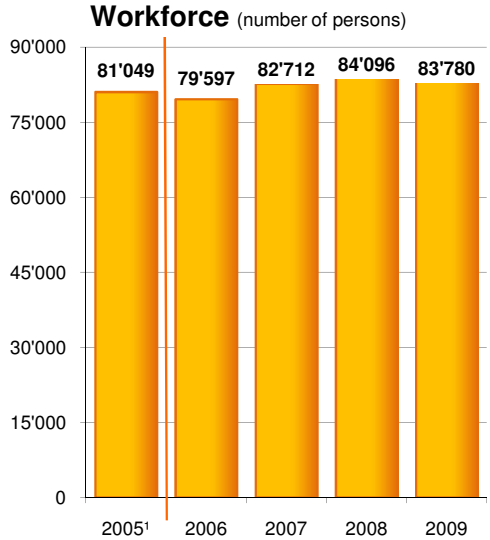

[1] The key figures are based on Swiss GAAP Accounting and Reporting Recommendations (ARR) and exclude full consolidation of Migros Bank; they can therefore only partially be compared with subsequent years.

[2] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

[3] Migros Group profit before effect from pension plans CHF 846.3 million, incl. effect from pension plans CHF 981.6 million.

Migros is different from other companies:

It is more diverse, differently organised, and has a tradition of commitment to social and cultural issues going well beyond the purely economic context. It makes sure that its customers live better every day.

Migros means nearly 84,000 employees in more than 90 companies, 10 Cooperatives, 2 million Cooperative members, CHF 846 million profit on sales of CHF 24,947 million. This is all made possible by the 99% of Swiss households that shop at Migros, go on holiday with Hotelpan, use Migros Bank, go to the Club Schools to continue their education, etc.

Key figures and ratios

in CHF million	2005[1]	2006	2007	2008 (restated)[2]	2009	Change from previous year
Income	**20'385**	**21'375**	**22'697**	**25'750**	**24'947**	-3.1%
> of which income before income from financial services business	-	20'462	21'705	24'732	23'958	-3.1%
> of which Migros retail sales	17'355	17'510	18'535	21'557	21'037	-2.4%
> of which income of the Cooperatives	14'621	14'480	14'658	15'388	15'222	-1.1%
Total Migros distribution sites	590	590	589	601	604	0.5%
Total Migros sales area m2	1'202'013	1'227'728	1'225'382	1'251'115	1'266'062	1.2%
EBITDA[3] (Earnings before interest, taxes, depreciation and amortisation)	**1'460**	**1'855**	**2'018**	**2'097**	**2'278**	8.7%
as % of income	7.2	8.7	8.9	8.1	9.1	
> of which EBITDA of the retail and industry sector	1'460	1'568	1'739	1'869	2'039	9.1%
EBIT [3] (Earnings before interest and taxes)	**607**	**948**	**1'043**	**1'113**	**1'153**	3.6%
as % of income	3.0	4.4	4.6	4.3	4.6	
Profit [3]	**699**	**839**	**801**	**701**	**846**	20.8%
as % of income	3.4	3.9	3.5	2.7	3.4	
Cash flow from operating activity	**1'378**	**311**	**1'268**	**2'472**	**2'410**	-2.5%
as % of income	6.8	1.5	5.6	9.6	9.7	
> of which cash flow of the retail and industry sector	1'378	1'235	1'946	1'887	1'495	-20.8%
Investments	**1'127**	**997**	**1'421**	**1'674**	**1'480**	-11.6%
Equity	**9'634**	**10'857**	**11'639**	**12'254**	**13'363**	9.1%
as % of balance sheet total	57.4	24.8	24.9	25.1	26.3	
> of which equity of the retail and industry sector		9'420	10'139	10'699	11'635	8.8%
> as % of balance sheet total		57.5	53.8	56.0	59.5	
Balance sheet total	**16'782**	**43'717**	**46'732**	**48'741**	**50'805**	4.2%
> of which balance sheet total of the retail and industry sector		16'385	18'833	19'088	19'564	2.5%
Expenditure for cultural, social and economic policy purposes	**112**	**116**	**127**	**120**	**114**	-4.7%
Workforce (number of persons - annual average)	**81'049**	**79'597**	**82'712**	**84'096**	**83'780**	-0.4%
Migros Cooperatives (number of members)	**1'982'033**	**1'993'543**	**2'022'060**	**2'055'044**	**2'074'259**	0.9%

[1] The key figures are based on Swiss GAAP Accounting and Reporting Recommendations (ARR) and exclude full consolidation of Migros Bank; they can therefore only partially be compared with subsequent years.

[2] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

[3] Before effect from pension plans.

Report on the financial situation 2009

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Report on the financial situation

A. Overview

A.1. Key figures and ratios

KEY FIGURES AND RATIOS *Unaudited*	Migros Group **2009**	 2008 (restated)[1]
	CHF million	
Income	**24'946.9**	25'749.8
> of which income before financial services business	**23'958.4**	24'732.0
Operating profit before effect from pension plans	**1'153.1**	1'113.3
Profit before effect from pension plans	**846.3**	700.9
Cash flow (from operating activity)	**2'409.6**	2'471.5
> of which retail and industry sector	**1'494.5**	1'887.4
Investments	**1'479.5**	1'673.8
Shareholders´ equity	**13'363.4**	12'254.0
> of which retail and industry sector	**11'634.9**	10'698.5
Balance sheet total	**50'805.2**	48'740.9
> of which retail and industry sector	**19'564.0**	19'088.1

A.2. Income statement

INCOME STATEMENT	Migros Group		Retail and Industry sector[2]		Financial Services sector[2]	
	2009	2008 (restated)[1]	**2009**	2008 (restated)[1]	**2009**	2008
	CHF million		CHF million		CHF million	
Net revenue from goods and services sold	23'701.1	24'449.5	23'703.6	24'451.3	3.4	3.4
Other operating income	257.3	282.5	259.1	284.3	0.1	0.0
Income before financial services business	**23'958.4**	**24'732.0**	**23'962.7**	**24'735.6**	**3.5**	**3.4**
Income from financial services business	988.5	1'017.8	-	-	989.4	1'019.1
Total income	**24'946.9**	**25'749.8**	**23'962.7**	**24'735.6**	**992.9**	**1'022.5**
Cost of goods and services sold	14'455.8	15'414.8	14'457.2	15'416.2	-	-
Expenses of financial services business	426.5	509.6	-	-	427.9	515.0
Personnel expenses	4'931.7	4'901.4	4'762.0	4'746.5	169.5	154.7
Depreciation	1'125.3	983.9	1'103.3	968.0	22.0	15.8
Other operating expenses	2'854.5	2'826.8	2'704.3	2'703.2	156.6	129.2
Operating profit before effect from pension plans	**1'153.1**	**1'113.3**	**935.9**	**901.7**	**216.9**	**207.8**
Effect from pension plans	171.1	-	165.8	-	5.3	-
Operating profit	**1'324.2**	**1'113.3**	**1'101.7**	**901.7**	**222.2**	**207.8**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

[2] Unaudited; before consolidation of transactions between the two sectors

A.3. Balance sheet

BALANCE SHEET	Migros Group		Retail and Industry sector[2]		Financial Services sector[2]	
	2009	2008 (restated)[1]	**2009**	2008 (restated)[1]	**2009**	2008
	CHF million		CHF million		CHF million	
Assets						
Cash and cash equivalents	**3'167.2**	3'148.8	1'236.2	1'462.9	2'478.6	2'034.0
Receivables due from banks	**383.3**	91.3	418.7	134.9	-	-
Mortgage and other customer receivables	**27'530.7**	26'476.9	-	-	27'575.5	26'516.8
Other receivables	**718.5**	905.8	719.9	874.3	-	32.1
Inventories	**2'056.0**	2'093.7	2'056.0	2'093.7	-	-
Other financial assets	**3'369.0**	3'022.4	1'179.3	1'067.3	2'189.7	1'955.0
Investments in associated companies	**96.7**	101.7	834.1	839.2	-	-
Investment property	**300.8**	327.3	269.1	295.2	31.7	32.1
Tangible assets	**11'236.7**	10'887.5	11'079.7	10'731.7	157.0	155.9
Intangible assets	**1'207.4**	1'190.9	1'094.4	1'132.5	113.0	58.4
Other assets	**738.9**	494.6	676.6	456.4	57.1	38.1
Total assets	**50'805.2**	**48'740.9**	**19'564.0**	**19'088.1**	**32'602.6**	**30'822.4**
Liabilities						
Payables due to banks	**1'063.5**	1'257.4	1'069.4	1'250.4	38.9	58.8
Customer deposits and liabilities	**23'080.1**	21'114.0	-	-	23'661.4	21'491.8
Other financial liabilities	**1'887.5**	2'224.2	1'880.5	2'208.5	7.0	15.7
Other liabilities	**2'626.0**	2'718.5	2'428.0	2'457.0	201.1	264.0
Provisions	**113.1**	120.4	110.1	115.2	3.0	5.1
Issued debt instruments	**6'525.2**	7'030.8	646.0	643.8	5'879.2	6'387.0
Liabilities from employee benefits	**527.2**	546.7	513.5	536.7	20.9	17.3
Current income tax payables	**195.4**	109.7	169.2	94.4	26.2	15.3
Deferred income tax liabilities	**1'423.8**	1'365.2	1'112.4	1'083.6	308.8	280.1
Total liabilities	**37'441.8**	**36'486.9**	**7'929.1**	**8'389.6**	**30'146.5**	**28'535.1**
Total shareholder´s equity including minority interests	**13'363.4**	**12'254.0**	**11'634.9**	**10'698.5**	**2'456.1**	**2'287.3**
Total liabilities and equity	**50'805.2**	**48'740.9**	**19'564.0**	**19'088.1**	**32'602.6**	**30'822.4**

A.4. Cash flow statement

CASH FLOW STATEMENT	Migros Group		Retail and Industry sector[2]		Financial Services sector[2]	
	2009	2008	**2009**	2008	**2009**	2008
	CHF million		CHF million		CHF million	
Cash flow from operating activity	**2'409.6**	2'471.5	1'494.5	1'887.4	1'207.7	905.0
Cash flow from investing activity	**-1'601.6**	-1'761.7	-1'428.2	-1'748.8	-173.6	-13.0
Cash flow from financing activity	**-786.3**	-371.1	-289.7	-409.0	-589.5	-62.4
Changes in cash and cash equivalents	**21.7**	**338.7**	**-223.4**	**-270.4**	**444.6**	**829.6**
Cash and cash equivalents, at beginning of year	**3'148.8**	2'834.9	1'462.9	1'758.1	2'034.0	1'204.4
Foreign exchange differences	**-3.3**	-24.8	-3.3	-24.8	-	-
Cash and cash equivalents, at end of year	**3'167.2**	**3'148.8**	**1'236.2**	**1'462.9**	**2'478.6**	**2'034.0**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

[2] Unaudited; before consolidation of transactions between the two sectors

B. Introduction

Apart from companies in the sectors Retail, Industry and Wholesaling, the Migros Group also owns Migros Bank. The Financial Services business of Migros Bank differs fundamentally from other segments of the Migros Group. It is for this reason that in the annual accounts of the Migros Group two sectors have been added in the Report on the financial situation: Below, the Migros Group without the Financial Services business is referred to as **"Retail and Industry sector"** and the Migros Bank as **"Financial Services sector"**. This separate reporting allows outsiders to gain a good insight into the results of operations, financial position and net assets of the two sectors. The table below provides an overview of the segments assigned to the sectors:

Sector	Consisting of the segments
Retail and Industry sector	Cooperative Retailing, Commerce, Industry & Wholesaling, Travel, Others
Financial Services sector	Financial Services (Migros Bank)

C. Acquisitions and disposals

During the last two years, the Migros Group has acquired and sold various companies. These transactions have interrelated effects on the income statement and balance sheet. Transactions carried out in the 2009 financial year included the following:

The Federation of Migros Cooperatives announced the acquisition of a 49 per cent share in German retailer Gries Deco Holding GmbH, Niedernberg (Germany), on 22 January 2009. Gries Deco runs 145 stores in Germany and Austria, selling home accessories, decorating products and smaller items of furniture under the name of "Depot". This investment, which is to be expanded in the medium term, will also create synergy potentials for Interio. Gries Deco Holding GmbH was included as an associated company from 1 January 2009.

The cooperative Migros Lucerne took over full ownership of the four training centres of the TC Group Innerschweiz AG, Sursee, as of 1 January 2009. The TC Group's fitness centres are more focused on families and are an optimum fit with the cooperative's four existing fitness parks. The TC Group was consolidated as of 1 January 2009. The company has been allocated to the Cooperative Retailing segment.

On 30 December 2009, Bischofszell Nahrungsmittel AG acquired 98 per cent of the equity of Weisenhorn Food Specialities GmbH, Frastanz (Austria), through a capital increase. Weisenhorn manufactures Fresh Produce/ Convenience products. By this move, Bischofszell Nahrungsmittel AG has increased its product range in a growing segment and improved its access to the important European market. The company was consolidated as of 1 October 2009. It has been allocated to the Industry & Wholesaling segment.

The Hotelplan Group sold several small investments in the 2009 financial year (for details see note 45).

The effects of the extension of the consolidation group on the Migros Group or the individual segments (from the date of consolidation) are shown below:

2009

	Income	Expenses	Profit
	CHF million	CHF million	CHF million
Segment			
Cooperative Retailing	6.7	7.1	-0.4
Commerce	7.6	9.0	-1.4
Industry & Wholesaling	9.2	9.8	-0.6
Total effect of acquisitions	**23.5**	**25.9**	**-2.4**

During the financial year 2008 mainly the following companies were acquired:
Mifroma SA, the cheese processing company of Migros, acquired 85 per cent of the shares of Emil Dörig Käsehandel AG as of 6 August 2008. The acquisition opens up opportunities for Mifroma to expand sales of cheese specialities from Eastern Switzerland as well as Appenzeller cheese, in particular, in Switzerland and abroad. Mifroma SA acquired a call option for the remaining 15 per cent of the shares. The Competition Commission approved the acquisition on 9 October 2008; the company has been consolidated as from 1 November 2008. The company was allocated to the segment Industry & Wholesaling.

Hotelplan Holding AG acquired 51 per cent of the shares of the Russian Ascent Travel Group and a call option for the remaining shares as of 28 February 2008. Ascent Travel is the definitive market leader in Russia's growing ski travel market. With the acquisition, Hotelplan continues its strategy of acquiring specialists in active value-added markets and complements Inghams Travel, the leading British ski operator, which is also a member of the Hotelplan Group. The company has been consolidated as from 1 March 2008. The company was allocated to the Travel segment.

No companies were sold by the Migros Group during the financial year 2008.

D. Income trend (sales trend) of Migros Group

The Migros Group posted income of CHF 24.9 billion, representing a decline in sales of 3.1 per cent. The Retail and Industry sector, with income of CHF 24.0 billion, recorded a drop in sales of 3.1 per cent. Lower prices of Migros products, sharply falling crude oil prices and a shrinking travel business had a major effect on the revenue of the Migros Group. Sales volumes rose in the core retail business, but as Migros invested substantially in price reductions, a decline in revenue of 2.4 per cent resulted in retailing. Because of lower market interest rates, income in the Financial Services sector was down slightly by 2.9 per cent to CHF 992.9 million, while expenses from financial services (including impairment losses) declined by a much more significant 16.9 per cent.

D.1. Income trend (sales trend) in Retail and Industry sector

Income in Retail and Industry sector

	Total income		Change from
	2009	2008	**previous year**
		CHF million	in %
Cooperative Retailing	**15'695.2**	15'777.1	-0.5%
Commerce	**5'869.7**	6'213.2	-5.5%
Industry & Wholesaling	**5'021.8**	4'967.8	1.1%
Travel	**1'631.1**	1'941.4	-16.0%
Others	**385.8**	392.0	-1.6%
Eliminations (within retail and industry sector)	**-4'640.9**	-4'555.9	1.9%
Total retail and industry sector	**23'962.7**	**24'735.6**	**-3.1%**

The activities of the regional Migros Cooperatives, the Federation of Migros Cooperatives and the services of the Group's logistics companies are combined in the **strategic segment Cooperative Retailing**. The ten regional Cooperatives generated income of CHF 15.2 billion. This represents a decrease of CHF 165.8 million or 1.1 per cent over the previous year. Market share remained stable at 36.8 per cent. The decline in income for the supermarkets was 1.0 per cent. The volumes sold were greater than in the previous year, but price reductions on the total assortment of over CHF 300 million had a negative effect on revenues. Migros offers the best value for money as constantly confirmed by independent sources. Prices in the Fresh Produce segment were 3 per cent lower, Meat retailing prices were down by an average of 5 per cent and Fruit/Vegetables were 5.5 per cent cheaper than in the previous year. According to the BFS, the decline in the cost of living in Switzerland was 0.5 per cent in 2009. The specialist markets posted a 1.2 per cent increase in income to CHF 1.3 billion, despite a decline in prices of 3 per cent on average. As every year, the regional cooperatives ensured that sales areas remained attractive and customer-oriented by means of substantial investments in new or expanded stores. The weighted sales area increased by 2.0 per cent over the previous year while weighted area productivity decreased by 2.7 per cent due to the decline in revenue. Retail Migros in other countries posted sales of CHF 204 million, just under the previous year's level. Migros has had an additional store in France since October 2009.

The **strategic segment Commerce** mainly includes the retail companies Denner, Migrol, Magazine zum Globus, Interio, Ex Libris, Office World and Le Shop. The decline in income by CHF 343.5 million to CHF 5.9 billion is mainly due to Migrol (because of the sharp fall in fossil fuel prices). During 2009, **Denner** posted income of CHF 2,763.0 million and is showing pleasing growth of 2.5 per cent in the fiercely contended discount business. This is mainly due to the fact that the company has managed to stand out with its Fresh Produce range and its expansion. The changeover to the new Fresh Produce concept was successfully completed in 2009. **Migrol** posted good sales growth in cubic metres in its fuels products with an increase of 4.3 per cent. However, revenue declined by 20.8 per cent because of the much lower prices of fossil fuels. The expansion of the new Convenience Store format **Migrolino** is making excellent progress. 136 Migrolino Shops were opened in the 2009 financial year, significantly more than planned. At year-end 2009, Migrol had converted more than 60 petrol station shops to the new format and is achieving much higher sales with it. The cooperation between Migrol and Shell was very successful in its first year. Shell is already operating 50 Migrolino Convenience Stores at its largest Shell petrol stations. **Globus** did not quite match its very good result for the previous

year, with an income of CHF 795.5 million (-1.0 per cent), despite area expansion. However, expectations were clearly exceeded. Globus was able to expand its market share in the fashion segments by further strengthening the fashion lines and extending its brand portfolio in ladies' fashions. The converted men's fashion stores of Herren Globus are showing a very healthy development. **Ex Libris** achieved the best Christmas business ever and equalled last year's record results with an income of CHF 193.2 million. The product mix, its close-to-the-customer stores, the revamped e-shop, attractive prices, customer trust and highly committed employees are the building-blocks for the success of the largest media provider in Switzerland. **Le Shop** can again look back on a very successful year. With annual revenues of CHF 131.5 million, the company grew by 17.7 per cent over the previous year. A regular customer base helped this continued growth. One third of these customers makes a purchase at Le Shop at least every two weeks. An increase was also achieved in average order value: Le Shop customers spent an average of CHF 228 (+2 per cent) per order. In a conventional supermarket the average purchase value is around CHF 33. The delivery service for frozen products which was set up in the year 2009 exceeded expectations.

The **strategic segment Industry & Wholesaling** includes, apart from 16 industrial companies also the two wholesalers Scana Lebensmittel AG and Mérat AG. With a 1.1 per cent increase in income for the segment, Migros Industry's growth slowed somewhat compared with previous years in the difficult economic environment. The growth is due to good sales with third parties in Switzerland and with the Migros Group. The growth from third-party customers is mainly due to the expansion of the bulk consumer business. Export business came under considerable pressure as a result of the economic crisis and unfavourable foreign exchange effects, but was just able to hold the previous year's level with a growth in local currency of 0.5 per cent (-6 per cent in CHF). The currency losses of Pound Sterling, the Euro and Dollar compared to the Swiss Franc had a substantial adverse effect on the result. The situation on the raw materials markets eased slightly in the 2009 financial year. Falling raw materials prices were passed on to customers in the form of lower selling prices, which led overall to a price decline of just over 1 per cent for the industry companies overall. Particularly strong growth of 6.4 per cent was achieved by the industry segment Meat, Fish and Poultry (Micarna, Mérat). In addition to product innovations, the expansion of the Catering business and the takeover of meat production from a number of Cooperatives are paying off. With product innovations (accounting for a share of sales of just over 10 per cent) and a number of company acquisitions (Weisenhorn etc.), industry companies contributed their part to the Group's strategic "Growth" initiative.

The **strategic segment Travel** registered 1,718,306 passengers in 2009, only a slight decrease compared to the previous year of 3.8 per cent. However, trips were shorter in duration, to destinations closer to home and also somewhat less luxurious, so that sales were down 16.0 per cent from CHF 1.9 billion to CHF 1.6 billion. The trend in the exchange rate of the Pound Sterling and the Euro to the Swiss Franc caused a further fall in sales of around CHF 87 million. The first financial year of the restructured Swiss organisation with the merged units Hotelplan and Travelhouse went well, while the new "Denner Reisen" and "Migros Ferien" brands surpassed their targets. The on-line travel agency travel.ch achieved record sales. Hotelplan England, with the "Inghams" brand, was doubly impacted by the financial crisis, since the Pound Sterling depreciated against the Euro and holidays in continental Europe therefore became significantly more expensive. Interhome, the leading agent for quality holiday homes, was also noticeably affected by currency influences, but was able to hold sales at the previous year's level despite the Euro's depreciation against the Swiss Franc. The Italian subsidiary reacted very swiftly to the changed environment, but this was reflected in lower sales in the short term. The sales development of the other activities is positive across the board, with all units able to increase their revenues.

D.2. Income trend in Financial Services sector

Income from financial services business amounted to CHF 989.4 million in the financial year with interest revenue totalling CHF 860.8 million or 87 per cent, constituting the main component of total income. Commission income amounted to CHF 89.2 million and financial assets and foreign exchange dealings generated a net profit of CHF 39.3 million. In the fiercely contended mortgage market, Migros Bank achieved a growth in mortgage loans of CHF 721 million or 3.0 per cent due to the company's advantageous rates. As a result of the financial crisis, Migros Bank achieved a net increase in customer deposits and liabilities of CHF 1,480 million or 6.2 per cent.

E. Operating result of Migros Group

The operating result (EBIT before effect from pension plans) of the Migros Group for 2009 was CHF 1,153.1 million, 3.6 per cent or CHF 39.8 million higher than the previous year's result of CHF 1,113.3 million. Within the Retail and Industry sector, in particular, all strategic business segments benefited from increased productivity. Advances in productivity are attributable on the one hand to profit improvement programmes which were launched in good time in the autumn of 2008 in response to the financial market crisis, and on the other hand to the steady optimisation of processes and structures at the Migros companies. The operating result (EBIT before effect from pension plans) of the Financial Services sector improved by 4.4 per cent to CHF 216.9 million thanks to the significant recovery in the financial markets compared with the previous year. The cost/income ratio that expresses the relationship between business expenditure and income rose due to one-time exceptional costs caused by a change in IT platform, to 55.6 per cent (previous year 54.6 per cent).

E.1. Operating result of Retail and Industry sector

Operating profit in retail and industry sector

	Total operating profit before effect from pension plans		Change from previous year
	2009	2008 (restated)[1]	
		CHF million	in %
Cooperative Retailing	**514.7**	532.6	-3.4%
Commerce	**156.4**	98.7	58.5%
Industry & Wholesaling	**218.1**	186.5	16.9%
Travel	**-26.6**	14.0	-290.0%
Others	**73.3**	61.2	19.8%
Eliminations (within retail and industry sector)	**-**	8.7	-100.0%
Total retail and industry sector	**935.9**	**901.7**	**3.8%**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

The optimisation of the value chain and structures is an ongoing process. Various measures for optimizing processes and structures were initiated, continued or completed during the past financial year.

The activities of the centrally managed assortments Food, Non Food and Specialist Markets are grouped in the two national distribution centres. This bundling also laid the foundations for comprehensive mechanisation of internal processes. The realisation of fully automated order picking systems in the areas of Food and Deep Frozen assortments was launched in the 2009 financial year with the aim of improving efficiency and eliminating very heavy work. The test systems are operational in both sub-projects, which are scheduled to go into operation in the year 2011. The Cooperative Eastern Switzerland also realised fully automated order picking systems for both Fruit and Vegetables and Chilled Articles at its operations centre last year. A similar step was taken at Bischofszell Nahrungsmittel AG with the “Convenience Gate” project by bundling the chilled Convenience assortments. The service to the stores can be immensely improved thanks to these steps. By tailoring delivery volumes more exactly to requirements, products are fresher and there is less waste. Bundling also leads to fewer, but better filled containers in logistics. Here, too, volume bundling makes it possible to use a highly mechanised, ergonomic order picking system.

A number of Cooperatives are working steadily on systematic programmes that will lead to a further increase in the efficiency of service delivery to the customer. For example, the Cooperative Lucerne completed the “Lean” project in the 2009 financial year. It was possible to absorb salary increases by optimising processes without reducing service and product quality. The contribution margins per hour worked were significantly increased whilst personnel costs per square metre were decreased.

In the “Store data flow” project, the interfaces between the points of sale (POS) at the regional Cooperatives and the central Migros stock management systems (Food/Near Food and Non Food, Freshness systems, systems of Migros partners) were overhauled and replaced. With this project, the technological basis was laid for the data flow of the next 15 years; it proved possible to reduce operating costs and complexity. Marketing requirements can be implemented faster and more cost-effectively. In the “Supplier Collaboration House” project, important elements are being added to the existing electronic links from suppliers to the Migros stock management systems. Even now, tens of thousands of business documents (orders, delivery notes, invoices, stocks and sales data etc.) are exchanged in electronic form between the Migros IT systems and those of the suppliers (EDI – Electronic Data Interchange). With the new “Supplier Net”, we are providing our business partners with a modern Internet-based platform through which they obtain direct access to Migros information and applications. This increases the transparency of the business processes and facilitates collaboration with Migros in a major way. In addition, new systems for comprehensive, central management of all relevant information are being introduced in the form of the “Supplier Management”, “Contract Management” and “Product Information Management” modules. These will also be available to our business partners as a source of information.

To mitigate the impact of the financial crisis, most retail companies have carried out profit improvement programmes. The most extensive programmes were executed at Globus and Hotelplan. Thanks to this programme, Globus compensated for the decline in gross income resulting from slightly lower sales and higher fixed costs due to additional sales areas. Hotelplan managed to reduce its total costs by 7.9 per cent. Not only the profit improvement programme, but also the holding structure introduced in 2008 and foreign exchange effects contributed to this positive result.

The **gross margin** and **operating result** of the Retail and Industry sector were positively influenced by new structures and procedures, monitoring and standardisation of processes and efficiency programs – in short, sustained cost management.

The change in the **gross margin** results from shifts in the individual companies' shares of income. The segment Industry & Wholesaling has a higher gross margin as a result of internal production. The segments Cooperative Retailing, Commerce and Travel have smaller gross margins because they do not have their own production facilities, but their operating costs are correspondingly lower. Any increases in efficiency and improvements in the purchasing for goods are passed on to the customers in form of reduced sales prices. Passing on the increases in efficiency to the customer has the effect of reducing the gross margin. Annual changes in the income mix result in further smaller shifts in margin.

Operating profit before effect from pension plans increased by CHF 34.2 million. The Retail and Industry sector managed to compensate for the ongoing price pressure in goods trading and the influence of adverse exchange rates. The profit improvement programmes launched at the end of 2008 in anticipation of the fallout from the economic crisis, made a prominent contribution here. Part of the savings was achieved through better supplier management. The increased use of invitations to tender, international auctions, the inclusion of procurement cooperation and bundling of the procurement volume also led to reductions in purchase prices. The partial easing in the raw materials markets led to a decline in raw materials prices. The vast majority of the advantages from more efficient procurement and lower raw materials prices were passed on to customers in the form of price reductions. The decline in prices in Cooperative Retailing amounts to more than 2 per cent. Operating costs rose less than income. Personnel expenses, which in addition to wages and salaries also include employer's pension fund contributions and other social security benefits, account for 19.9 per cent (previous year 19.2%) of costs shown in the income statement and are together with expenditure on goods and materials by far the largest cost factor. Personnel expenses increased by only CHF 15.5 million, despite salary increases of 2.8 to 3.3 per cent, which were above the sector average. This was due to careful and improved planning and the optimized use of available staff. Investment activities with total investments in the current financial year of CHF 1.4 billion (previous year CHF 1.6 billion) remain at a very high level. Depreciation has risen in line with the growth in investment volume over the years. Most of these investments are made by the Cooperatives and commercial companies for new, expanded and modernised sales outlets and by Migros Industry for the modernisation and expansion of capacity at production facilities.

E.2. Operating result of Financial Services sector

The Financial Services sector generated income from financial services business totalling CHF 989.4 million with costs of CHF 427.9 million. The net income from financial services business improved from CHF 504.1 million to CHF 561.5 million thanks to the marked recovery in the financial markets.

Net income from interest margin business remains the most important result component in the Financial Services sector, producing approximately 87 per cent of the income in this sector during 2009. Due to a good refinancing structure, the interest margin showed only a slight change. As a result, net income from interest margin business saw a rise of 2.6 per cent over the previous year.

Income from commission business suffered from customers' cautious approach to investments, so that the result fell short of the previous year's by CHF 5.8 million.

The recovery in the equity and bond markets meant that Migros Bank was able to post valuation gains on its own securities held mainly as cash reserves. Together with foreign currency translation differences, financial assets generated a gain of CHF 39.3 million, whereas a loss of CHF 1 million was recognised in the previous year.

Due to the continuous expansion of customer advisory capacities and of the branch network, staffing levels increased by 28 from the previous year to 1,290 employees. Rising requirements in the consulting and support areas, however, resulted in a steady trend towards more qualified staff. Salary adjustments as well as project-related personnel costs produced an increase in personnel costs by a total of 9.6 per cent to CHF 169.5 million.

As of 3 November 2009, Migros Bank put the Finnova IT platform into operation smoothly and on time. The platform is used to process all its banking transactions and Migros Bank expects significant savings in IT expenses of well into double-digit millions per annum as a result. The total investments for the project, which was launched in September 2007, were around CHF 100 million. The project team was made up of more than 300 in-house and external staff. The introduction of the Finnova total bank solution will enable Migros Bank to make further efficiency improvements and focus its service range even more effectively on customer needs.

The one-time exceptional costs were reflected in an increase in non-current assets and in Other operating expenses of 21.2 per cent to CHF 156.6 million.

F. Balance sheet of Migros Group

Mortgage and other customer receivables as well as customer deposits and liabilities of the Financial Services sector have had a considerable effect on the balance sheet of the Migros Group. Compared to 31 December 2008, the total assets rose by CHF 2.0 billion to CHF 50.8 billion as a result of a renewed increase in customer deposits in the financial services business. Customer deposits as per 31 December 2009 amounted to approx. 45.4 per cent of the balance sheet total (31 December 2008: 43.3 per cent).

F.1. Balance sheet of Retail and Industry sector

The balance sheet total for the Retail and Industry sector increased by 2.5 per cent to CHF19,564 million year-on-year. Increases in the balance sheet total and changes in the balance sheet structure from the previous year were mainly due to our operating businesses and financing activities. A loan from the Migros Pension Fund for CHF 340.0 million was repaid from operating cash flow in the 2009 reporting period. The balance sheet item Other financial liabilities was reduced accordingly. The increase in Receivables due from banks is caused by the prudent extension of the investment horizon for fixed-term deposits to 180 days maximum. Cash and cash equivalents fell accordingly. The carrying amount of tangible assets increased by CHF 348.0 million over the previous year, as a result of extensive investment activities by the Migros Group. During the past financial year the Migros Group invested CHF 1,402.7 million (previous year 1,580.4 million) mainly in renewing its branch network and plants in Switzerland. The Cooperatives were able to commence operations not only at 13 new sales locations, but also at 4 major redevelopments/expansions of sales locations. The Cooperative Geneva successfully opened an innovative leisure centre, the Vitam'Parc, on 19 October 2009 after several years of construction. The Cooperative Eastern Switzerland totally renovated the popular leisure centre Säntispark.

The carrying amount of Intangible assets was CHF 1,094.4 million (previous year CHF 1,132.5 million) as at 31. December 2009 and of goodwill (Intangible assets with unlimited useful life) CHF 633.4 million (previous year CHF 636.3 million). An important item in this figure is the goodwill acquired in 2007 with the Denner acquisition.

Migros recognises actuarial gains and losses on defined benefit pension schemes in profit or loss, using the "corridor approach". This approach means that the recognition of actuarial losses caused by the financial crisis as an expense in the income statement partially is deferred. Some actuarial losses had to be capitalised in the reporting period, which is the reason why the Other assets are well over CHF 200 million more than in the previous year (see also the notes in section H and notes 10 and 38).

The quoted debt securities of the Migros Group were awarded an A/outlook stable rating by Standard & Poor's. The balance sheet structure of the Retail and Industry sector remains healthy. The interest bearing net financial debts of CHF 1.6 billion (previous year CHF 2.0 billion), relative to total assets of CHF 19.6 billion, decreased by CHF 375.1 million from the previous year. Based on current EBITDA these debts can be paid off within 0.8 years. With an increase in equity of CHF 936.4 million, the proportion of shareholders' equity in total capital increased to 59.5 per cent. The principle of matched maturities, whereby shareholders' equity and long-term loan capital cover noncurrent assets, has been maintained.

F.2. Balance sheet of Financial Services sector

During the reporting year Mortgages and other customers receivables rose by 4.0 per cent from the previous year to CHF 27.6 billion.

Interest servicing by mortgage customers remains very good. Interest outstanding (without past due and problem receivables) amount to only 0.4 per cent of total interest income from mortgages.

In order to ensure refinancing of loans to customers at any time, also under changed market conditions, Migros Bank holds significant cash reserves in the form of securities. Securities shown under the balance sheet item Other financial assets amount to CHF 2.2 billion and mainly consist of debt securities and widely diversified investment funds. During the reporting year, these cash reserves were increased by a total of CHF 234 million.

The marked credit growth was fully financed with new customer deposits. As a result of the financial crisis, Migros Bank profited from a considerable increase in new cash flow. Customer deposits and liabilities increased by CHF 2.2 billion or 10.1 per cent. Customer deposits totalled CHF 23.7 billion, corresponding to 85.8 per cent of customer lending at the end of 2009. Migros Bank consequently continues to benefit from a comfortable refinancing structure.

Due to the positive result for the year, the bank once again managed to significantly strengthen its own equity. As of 31 December 2009, the Bank's equity amounted to CHF 2,456 million, significantly above the coverage required under Swiss banking law.

G. Cash flow statement of Migros Group

On 31 December 2009 cash and cash equivalents of the Migros Group totalled CHF 3,167 million. The increase over the previous year, excluding currency influences of CHF 22 million, resulted from the cash inflows from operating activities of CHF 2,410 million less cash outflows from investing activities of CHF 1,602 million and from financing activities of CHF 786 million. Compared with the previous year, the cash flow from operating activities was relatively stable, with lower outflows from investing activities on the one hand and significantly higher cash outflows from financing activities on the other (due to, among other things, the reduction of medium-term bonds and mortgage backed loans at Migros Bank and the repayment of loans by the Federation of Migros Cooperatives).

G.1. Cash flow statement of Retail and Industry sector

At the end of 2009, cash and cash equivalents of the Retail and Industry sector came to CHF 1,236 million, representing a decrease of CHF 227 million compared with CHF 1,463 million at the end of 2008.

The cash flow from **operating activity** decreased in 2009 compared with the end of 2008 by CHF 392 million to CHF 1,495 million, mainly due to the increase in receivables due from commercial banks.

The cash outflow from **investing activity** came to CHF 1,428 million in the reporting period. The decrease compared with the previous year 2008 is partly due to a lower investment volume in 2009. Investments in non-current assets were CHF 1,403 million (previous year: CHF 1,580 million), of which CHF 1,051 million was chiefly invested in the Cooperative Retailing segment. Revenue from the sale of non-current assets (mainly real estate) led to a cash inflow of CHF 79 million. The outflow of funds from investing activity was fully financed from the cash flow generated from operating activity in the reporting period.

The outflow of funds generated by **financing activity** in the reporting period amounted to CHF 290 million. The lower cash outflow than in the previous year (2008: CHF 409 million) is due, among other things, to the long-term bonds redeemed in the previous year in the amount of CHF 350 million. In 2009, the cash outflow was mainly caused by the repayment of other financial liabilities, including a loan of CHF 340 million from the pension fund to the Federation of Migros Cooperatives.

G.2. Cash flow statement of Financial Services sector

At the end of 2009, cash and cash equivalents of the Financial Services sector amounted to CHF 2,479 million. Compared to the total of CHF 2'034 million at the end of 2008 this represents an increase of CHF 445 million.

In 2009 **operating activity** resulted in an inflow of CHF 1,208 million, compared to an inflow of CHF 905 million in the previous year. The operating inflow was mainly the result of the positive growth in customer deposits and liabilities of CHF 2,170 million. The increase in mortgage and other customer receivables resulted, on the other hand, in an outflow of CHF 1,059 million.

CHF 77 million were invested in extending the bank's infrastructure. On the other hand, non-current financial assets were increased by CHF 97 million in the reporting period. In total, **investing activity** generated a cash outflow of CHF 174 million during the reporting year compared to a cash outflow of CHF 13 million in the previous year.

Financing activity generated a cash outflow of CHF 589 million during 2009 compared to CHF 62 million in the previous year. A cash outflow totalling CHF 509 million resulted from the reduction of medium-term bonds and mortgage backed loans. CHF 80 million was paid out to the shareholder as dividends during the reporting year.

H. Pension schemes

As regards employee benefits IAS 19 differentiates between defined benefit and defined contribution pension schemes. The type of scheme determines the method of accounting treatment. In case of defined contribution plans according to IAS 19, the obligations of the employer are limited to the payment of a fixed contribution to a fund which will provide the benefits to the employee at a later stage. The actuarial risk (e.g. the effects of incorrectly estimated likelihoods of fluctuations, mortality rates) and the investment risk are borne by the employee. The employer contribution is recognised as an expense in the year the employee worked for the company. In case of a defined benefit scheme according to IAS 19, the employer is obliged to pay out an agreed amount. The employer thus bears the main share of the actuarial and investment risk. For defined benefit pension schemes the expense for the period under review is determined from the change in pension provisions, calculated using the so-called Projected Unit credit Method. Swiss BVG pension funds (BVG contribution and benefit plans) are generally regarded as defined benefit plans. Companies of the Migros Group use different, generally legally independent pension providers. The largest of these providers are the Migros Pension Fund, the Globus Group Pension Fund and the Denner Pension Fund.

The Migros Group's pension funds recovered in 2009 from the deficit caused by the financial crisis and recognised pursuant to IAS 19 at the end of 2008. However, the specific constellations of the pension funds at the end of 2008 and end of 2009 mean that the pension expense for 2009 – despite unchanged employer's benefit liabilities – no longer matches the employer's contributions paid, as it did in previous years.

The corridor approach applied by the Migros Group in order to take into account actuarial gains and losses in the area of pension funds means that the recognition of part of the actuarial losses caused by the financial crisis as an expense in the income statement is deferred, which in 2009 is equivalent to a reduction of the expense. Accordingly, the pension expense of CHF 270 million for 2009 is CHF 171 million lower than the employer's contributions paid, which were previously reported as a pension provision expense. CHF 135 million of this effect (after taxes) is reflected in the group profit.

CHF million	**2009 after effect from pension plans**	**2009 before effect from pension plans (comparable)**	**2008 (restated)** [1]
Personnel expenses	4,760.6	4,931.7	4,901.4
Operating profit	**1,324.2**	**1,153.1**	**1,113.3**
Income tax expense	285.4	249.6	209.4
Group profit	**981.6**	**846.3**	**700.9**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

I. Value-orientated management as a basis for creating value added

Value-oriented management is a recognised form of corporate financial management. For all companies, regardless of what they do, how big they are or what their legal form is, it is of central importance that they are geared to the creation of value added. Migros applies a model of value-oriented management specifically adapted to the Migros Group as a basis for its financial management. Its basis is that the Migros Group has to act just like any other company with regard to creation of value added and efficiency. The paramount objective for Migros here is to guarantee long-term success by means of sustained value added. To achieve this, differentiated targets are set for the various corporate sectors. Migros therefore differs from capital market oriented businesses in its use of the value created. The financial values created are made available to customers, to secure jobs, for the Culture Percentage or for long-term investments in major projects. Further information about this may be found in the Statement of Value Added.

The concept applied, and its methodology, are not intended solely to strengthen the notion of value added; they also improve the quality and transparency of decisions and ensure the availability of relevant financial information. This means that Migros can focus more on sustained implementation of its corporate strategy and on greater integration of strategic, financial and investment planning. Annual results, budgets and plans are assessed on the basis of established targets and new projects evaluated accordingly. Sector-specific evaluations with differentiated targets also enable the Migros Group to carry out a radical evaluation of its activities and risks, showing the value added by the corresponding sectors or projects. Key variables such as returns, growth and creation of value added are therefore a component of the group's operations and strengthen its influence in an increasingly competitive market environment. Accordingly, the key concept of value-oriented management and positive focussing on greater attractiveness are ever-present considerations.

J. Risk management and Internal Control System (ICS) in the Migros Group

J.1. Risk management and Internal Control System (ICS) in the Retail and Industry sector

J.1.1. Risk management in general

The companies of the strategic business units Cooperative Retailing, Commerce, Industry & Wholesaling, Travel and Others are active in many markets and are thus exposed to very different risks. In order to control such risks, the Migros Group operates a risk management system. The Board of Directors of the Federation of Migros Cooperatives is responsible for a comprehensive risk management across all companies of the Migros Group and ensures that risks are evaluated on time and in the appropriate manner. It also defines the underlying conditions of the risk management activities within the group. The Board of Directors is regularly informed about the risk situation in the Migros Group and the strategic business units by the Executive Board.

The risk management process is integrated in the annual financial planning and strategy process. Using a systematic risk analysis, the Board of Directors and the management of an individual Migros company identify the main risks and assess these as regards likeliness of occurrence and financial effects. The Board of Directors of the larger companies decide on suitable measures for avoiding, reducing or passing on the risks. Any risks to be borne by the company are rigorously monitored. Financial risks which may affect financial reporting are reduced by the internal control system. The results of the risk evaluation are appropriately considered during the annual analysis of the corporate strategy. The results of the risk assessments of the individual companies are summarised and grouped by strategic business units. The departmental managers carry out an overall risk assessment for their respective strategic business unit. Based on this information, the Board of Directors of the FMC will assess the influence of the main risks on the strategic business units and will consequently decide on further measures.

Internal auditors also provide a monitoring and control function. As they operate outside of the operational activities, they are able to identify any weaknesses in the internal control system and to provide measures for improving the effectiveness and efficiency of monitoring and control processes.

J.1.2. Financial risk management

As a result of its operating business activity, the Retail and Industry sector is confronted with financial risks caused by changes in interest rates, exchange rates and prices of raw materials and fuel. In order to limit these financial risks, original and derivative financial instruments are used to hedge against risks from arranged and planned transactions. Internal guidelines determine the required scope, competencies and controls. Financial instruments are only entered into with contractors of sound standing and limits set for counterparties for this purpose as well as the utilisation of such limits are constantly monitored and reported.

Exchange rate risks originate from the purchase of commodities, raw materials and services from abroad as well as to some extent from international activities e.g. Hotelplan´s travel operation. Each entity defines its maximum foreign currency exposure from which it defines its hedging requirement. The individual enterprises enter into hedging relationships with the Treasury department of the Federation of Migros Cooperatives. The Treasury department of the Federation of Migros Cooperatives is responsible for hedging against foreign currency exposure on the market in different currencies used by the Retail and Industry sector. The main currencies are the EURO and US Dollar. In particular forward exchange dealings and to some extent also foreign currency options are used as hedging instruments. On a regular basis, the individual companies report their foreign currency exposure to the Treasury department of the Federation of Migros Cooperatives, who generates the foreign exchange exposure or foreign exchange risk of the Retail and Industry sector from these figures.

As most of the liquidity and financing of the Federation of Migros Cooperatives is centralised, the interest risk can be centrally monitored and controlled. Because of the volatility of market interest rates, interest-bearing financial investments as well as lending are exposed to an interest rate risk that may have negative effects on the net worth and earnings. The interest rate risk is monitored with a simulation calculation and is mainly controlled with interest rate swaps and forward rate options.

Migros also buys a limited amount of shares to maintain liquidity. Share price fluctuations consequently have a direct effect on the result. In order to reduce share price risks to a minimum, appropriate diversification of share investments by markets, securities and sectors is observed. The risks of any loss in value are reduced by analyses before making the purchase and by regularly monitoring the performance and risks of the investments.

Raw material price risks result from the planned purchase of raw materials such as coffee and cacao, heating oil, Diesel and fuel. Where possible, price increases are passed on to customers. In order to limit the effects of raw material price fluctuations, swaps and futures are used for hedging against risks for a period of up to 18 months.

The financial requirements of the Retail and Industry sector are met by raising short- or long-term funding on the money and capital markets. Financing is essentially based on a “three-pillar” concept: the investment savings accounts of Migros employees, attracting an interest rate equivalent to the first mortgage rate of Migros Bank, bilateral credit lines from domestic and foreign banks, fully utilised at present in form of variable-interest roll-over loans and fixed-interest capital market bonds and private placements with institutional investors.

The companies within the Retail and Industry sector obtain their funding centrally from the Federation of Migros Cooperatives, providing capital at the best available cost and diversified in respect of maturity staggering and counterparties. The credit worthiness of the Retail and Industry sector is regularly checked by the credit rating agency Standard & Poor’s. Currently, the Retail and Industry sector is rated as follows: Rating by Standard & Poor’s: long-term A, outlook stable, short-term A-1.

Financial risk management helps to maintain a strong balance sheet and healthy balance sheet ratio. These activities are based on a conservative approach that places the strategic financial targets of “flexible and adequate cash flow” and “minimisation of risk” before the “achievement of a maximum return”. Long-term planning of investment activities means that a strategy can be followed that will keep the effective level of debt low and the timing of maturities staggered. This should also safeguard the continued independence of the Retail and Industry sector.

J.1.3. Insurance risk management

Insurance cover for the Retail and Industry sector is provided by the group’s own insurance and by contracts with private insurers and public law insurance institutions. Based on the actual risk situation, the potential damage and the criteria of likelihood of occurrence and extent of damage it is generally decided whether a risk is to be self financed, i.e. covered by the group’s own insurance or whether it is to be covered externally, i.e. passed on. The insurance department of the Federation of Migros Cooperatives acts as an “in-house insurance broker“ with insurance companies. Having group contracts means, firstly, that the insurance cover available is very comprehensive and extensive, and secondly that the amounts covered are high. This also ensures that all companies of the Retail and Industry sector have the best insurance cover available, at reasonable premiums.

To cover property risks (fire, storm and tempest, theft and burglary, water, EDP) the FMC operates an internal insurance scheme, under which it covers common risks itself, up to a certain total amount. Major risks and catastrophe risks are covered by a group policy. For all businesses that are part of the Retail and Industry sector, insurance cover exists for public liability and product liability risks under a basic and excess contract. Here, too, the Federation of Migros Cooperatives operates an internal insurance scheme, i.e. the company bears losses up to a certain amount per event and per year itself. Transportation risks for imports and exports are covered by an internal insurance scheme. Potential major losses are covered by reinsurance. There is a group fleet insurance to cover mandatory third-party liability insurance and comprehensive risks. For companies not subject to SUVA (the Swiss accident insurance fund), accident insurance has been concluded with private insurance companies (cover in accordance with the Swiss Accident Insurance Act UVG and in some cases supplementary insurance). Special risks such as new construction/conversion projects, machinery etc. are covered by separate policies depending on the risk situation and the extent to which they warrant insurance.

J.1.4. Tax and VAT risk management

The management of tax risks is an integral part of tax planning. Tax risks are thus those uncertainties that could have negative effects for the company in the various types of taxation. In case of associated risks (tax legislation and tax practices), process risks (correct fiscal handling of different circumstances and transactions) as well as information risks (tax evaluation based on uncertain assumptions) risks are recorded, measured and appropriate action taken, where necessary.

J.1.5. Risk management of legal cases

The annual risk assessment within the Retail and Industry sector has shown that the sector is not involved in any court or arbitration proceedings as plaintiff or defendant that could have a considerable negative effect on the economic situation. Also no administrative proceedings exist that could have a considerable adverse effect on the economic situation of the sector. Training in this subject is proactively carried out in order to avoid any legal conflicts.

Like all companies of a certain size, also the businesses of the Retail and Industry sector are confronted with third-party claims. Provisions have been set up for such claims – as far as allowed in accordance with the IFRS. The sector also enjoys extensive insurance cover, where this makes economic sense.

J.1.6. Internal Control System (ICS) in the Retail and Industry sector

The ICS in the Retail and Industry sector has a conceptional and uniform structure and encompasses the levels company – processes – IT. The decisive concept describes the technical and organisational nature of the ICS and is used by all businesses within this division. In compliance with the statutory regulations of Article 728a OR, the Retail and Industry sector has defined the goals to be fulfilled by the ICS as follows: reliable data quality and data consistency – reliable financial reporting – compliance with applicable laws and regulations – protection of assets – efficiency of operation. The aim is to achieve ICS level 3 (1 lowest level, 5 highest level), at which controls are defined, are in place, are documented and communicated to involved parties. Deviations from the standard are generally detected and corrected. The ICS is uniformly based on the COSO model and is risk focused. High and regularly occurring medium risks defined by a risk matrix (frequency of occurrence/extent of damage) are minimised by checks. The aim is to cover the following risks in particular: economic performance risks of the 5 to 7 most important business processes – personnel risks – IT and financial risks, as well as other relevant risks. The ICS can only cover risks specific to the company and sector as well as risks relating to corporate strategy to a limited extent. The Board of Directors has the overall responsibility for the ICS; the management is responsible for the operation and monitoring of the system. An ICS Manager has been appointed for each business, ensuring the operation of the system and reporting, at least once a year, the existence and functioning of the ICS to the Management and the Board of Directors. By the end of 2008, the ICS project was completed and transferred into an ongoing working process which includes continuous improvements.

J.2. Risk management and Internal Control System (ICS) in the Financial Services sector

J.2.1. Risk management in general

Risk management is a key task for any bank. It includes the detection, assessment, control and monitoring of all risks arising from business activities. The Board of Directors is responsible for determining the risk policy. Periodically the policy will be checked for its appropriateness and will be adapted, where necessary. The risk policy deals with all risk categories in detail. A specific risk policy was formulated for credit risks, financial market risks, Asset & Liability Management (balance sheet structure risks), operational risks, as well as legal and compliance risks. The risk policy defines the risk assessment as well as the method of risk restriction. For each type of risk overall limits and specific competence levels are determined.

Because of their special business activities, banks have to comply with comprehensive regulatory regulations concerning risk management, as stipulated in particular in banking legislation and circulars of the Swiss Financial Market Supervisory Authority. Quantitative regulations refer in particular to minimum levels of equity capital, liquidity provisions and risk distribution.

The Management is responsible for setting up adequate systems for monitoring risk, controlling risk in line with targets and ensuring that performance targets are met. Risk management instruments are constantly improved and adapted.

Every quarter a comprehensive risk report is submitted to the Board of Directors, informing them about the developments of risks and the compliance with specific risk limits.

The Risk Management department headed by the Chief Risk Officer is responsible for the operational implementation and monitoring of the risk policy. The Chief Risk Officer is a member of the management team of the bank. The focus is on financial risk management and in particular credit risks, financial market risks as well as Asset & Liability Management.

Every month the Risk Management department produces a comprehensive Risk Report for each of these risk categories and submits this report to the Risk Council and the Board of Directors. The Risk Report verifies that risk limits have been complied with, illustrates the different dimensions and aspects of the risk management and points out particular developments. The Risk Council discusses and assesses the current risk position of the bank and decides on measures reducing risk.

J.2.2. Financial risk management

As a result of its operational business activities the Financial Services sector is confronted with financial risks arising from changes to credit, liquidity and financial market risks.

The Financial Services sector has always pursued a restrained and somewhat conservative risk policy. The management of risk is regarded as a central core competence. Safety and the assessment of risks are of utmost importance for its activities and forms the basis for the risk strategy, risk culture and risk processes. Risks are in appropriate proportion to income generated. The paramount objective is to limit risk with the aid of risk-policy guidelines and limit structures in order to protect the bank against unexpected burdens.

The credit and counterparty risk in the Financial Services sector is that a party defaults on its obligations. Traditional bank products such as mortgages as well as trading activities present credit risks. A customer defaulting on his obligations may result in a loss for the bank. Detailed rules determine the competences graded by credit types and levels of authority.

The Financial Services sector uses a rating model with ten levels for credit-rating decisions. The model takes into consideration quality and quantity characteristics of customers required to keep accounts and their business-related securities. In corporate banking, ratings of commercial loans are checked annually. A rating procedure based on the respective mortgage is used for the mortgage business. The period after which credit checks are carried out in the mortgage business varies depending on the rating result, the personal contribution and cover. The rating model ensures that the personal contribution is managed in line with the risk of the credit transaction.

Credit transactions are in general secured. Most loans are secured by charges on land. Loans are based on conservative loan margins. For more than 90% of all mortgages the ratio of loan to market value (conservative valuations) is under 75%. Loans are only issued after current valuations for the real estate have been obtained. Most of the respective cover originates from private residential housing and is well diversified throughout Switzerland. In order to determine the sustained affordability, a technical interest rate corresponding to a long-term average interest rate is assumed for residential mortgages.

The liquidity risk contains on one hand the market liquidity risk and, on the other hand, the refinancing risk. The short-term liquidity and refinancing situation is controlled daily by central money trading. Compliance with the statutory bank criteria for short- and medium-term liquidity is in particular ensured. Medium- and long-term liquidity risks are monitored and controlled during monthly meetings of the Risk Council.

Financial market risks in the Financial Services sector mainly refers to the danger and uncertainties of price fluctuations including changes in interest rate.

In the traditional core business – the mortgage business – representing a considerable amount in the balance sheet, interest changes can have a major influence on the results. A special software is used for the central measuring, control and monitoring of interest changes in the bank ledger. In addition, effects on the balance sheet structure, value and income are determined and compared on a monthly basis. The Financial Services sector mainly uses interest rate swaps as hedging instruments against its risk exposure based on expected interest rates.

A special software is used for systematic measuring, control and monitoring of market risks in the trading ledger. A limit structure limits the risk exposure which is assessed using the “Mark to Market” measuring method. The risk exposure is produced from time to time and earnings with profit and loss figures are recorded daily and communicated to the responsible competence parties.

J.2.3. Management of legal and compliance risks

Legal and compliance risks refer to risks resulting from the legal and regulatory business environment. Predominantly these are liability and default risks, regulatory risks and behavioural risks. The department Legal Services & Compliance, reporting directly to the Chief Risk Officer, is responsible for managing the risks.

Compliance risks are legal, reputation and loss risks resulting from an infringement of legal standards and ethics. The Compliance Officer ensures that the business activities comply with applicable regulations and the due diligence of a financial intermediary. He is responsible for checking the requirements and developments on the part of the legislator, supervisory authorities and other organisations and shall ensure that instructions are changed in line with regulatory changes and are also complied with. A special IT application is used for monitoring and complying with money laundering regulations. The application identifies unusual inflows and outflows of assets as well as deviations from customer’s transaction patterns and forwards these to the responsible persons for processing. Responsibilities and measures for complying with the Obligation of Due Diligence of Banks (VSB) have been clearly defined. The implementation is continuously monitored by the Legal Services & Compliance department.

In order to prevent legal risks in transactions with customers and business partners, standardised contractual documents are used, where possible. The preventative tasks of the Legal Services & Compliance department therefore also include the legal assessment of new products and contracts.

The Legal Services & Compliance department is also responsible for recording, processing and monitoring all pending legal cases. Where necessary, specialists of the Legal Services of the Federation of Migros Cooperatives or external legal advisors are consulted.

The Legal Services and Compliance department submits a quarterly extensive report about pending or impending legal disputes and any regulatory infringements to the Risk Council. Where it is deemed necessary, respective provisions are made for such legal cases.

J.2.4. Internal Control System (ICS) in the Financial Services sector

The basic features of the Internal Control System (ICS) of Migros Bank comply with the respective regulatory regulations of the circular "Monitoring and Internal Control" published by the Swiss Financial Market Supervisory Authority.

The ICS consequently contains all control structures and control processes forming the basis for achieving business policy goals at all levels of the bank and that result in a correct banking operation. In addition to retrospective control activities, internal control also contains planning and steering activities. An effective internal control also includes control activities integrated in work processes, processes for managing risk and the compliance with applicable standards (Compliance), a risk control that is independent from the risk management as well as the Compliance function. The internal control is monitored and evaluated by internal auditors thus contributing to its continuous improvement.

The actual implementation of the circular "Monitoring and Internal Control" is regulated in general instructions issued by the bank. The bank passes on the responsibility for monitoring the processes and implementing adequate control measures to the Process and IT Security department, reporting directly to the Chief Risk Officer.

All control measures and rules of conduct apply as binding instructions for the entire bank and are also made available to respective staff and management personnel on the Intranet. These ICS instructions include, in particular, the criteria control object, purpose, periodicity, responsible parties, tools, procedures, extent of control, duty of documentation and preservation of documents. Carried out checks have to be signed, initialled and contain control notes to become valid and thus traceable. ICS Officers are appointed in the local organisational units, who report each quarter that the material and formal implementation of the controls has taken place.

K. Statement of value added

STATEMENT OF VALUE ADDED *Unaudited*	**Retail and Industry sector**	
	2009	2008 (restated)[1]
	CHF million	
Net value added	**6'708.1**	**6'617.9**
ALLOCATION		
to employees [2]	**4'762.0**	4'746.5
to culture / social (culture percentage)	**114.1**	119.7
to lenders	**87.4**	126.9
to public sector	**988.6**	980.6
- taxes [2]	***202.2***	*158.2*
- value-added taxes	***166.9***	*172.3*
- customs duties/fees/fiscal charges	***619.5***	*650.1*
to the company (self-financing) [2]	**756.0**	644.2
Net value added	**6'708.1**	**6'617.9**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs.

[2] Before effect from pension plans.

The **statement of value added of the Migros Group** in the Retail and Industry sector indicates the **added value created for the society** by the group. The aim of the group is to create a sustainable value added by striving for a future-orientated management of available resources that will safeguard the future of the business, secure jobs and guarantee public-sector contributions.

Staff costs account for the lion's share of value added with 71.0 per cent. Personnel costs increased slightly, by 0.3 per cent compared to the previous year, but are below last year's share of 71.7 per cent overall. This is because of the increase in total net value added and consequently due to the higher shares of value allocated to the public sector as well as to improved self-financing. The Retail & Industry business has 82,287 employees.

Contributions to the **"Migros Culture Percentage",** voluntary sponsorship by Migros for Culture, Society, Education, Leisure and Economy projects total around 1.7 per cent (previous year 1.8 per cent) of the value added, offering a wider section of the population access to cultural and social benefits.

Lenders receive 1.3 per cent (previous year 1.9 per cent) in the form of interest. The decrease is due to the reduction of liabilities to banks and other financial liabilities and reflects the Group's solid financial position. The **public sector** receives 14.7 per cent (previous year 14.8 per cent) in taxes, customs duties and fees. The unchanged share of value allocated to the public sector compared to the previous year is also attributable to the stable and prudent profit development in the Migros Group's Retail and Industry sector and the accrual of deferred income tax expense.

The group secures its continuation as a **going concern** and guarantees **innovation** by consistently aligning the value chain to dynamic market trends. Maintaining an adequate profit, securing jobs and passing on goods and services to customers on fair terms and conditions all serve to achieve this goal.

Joerg Zulauf
Finance Department

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Group income statement

	Notes	2009 CHF million	2008 (restated)[1] CHF million
Net revenue from goods and services sold		23'701.1	24'449.5
Other operating income	8	257.3	282.5
Income before financial services business		**23'958.4**	**24'732.0**
Interest and commission income and (net) gains on financial instruments of the financial services business	7	988.5	1'017.8
Total income	6	**24'946.9**	**25'749.8**
Cost of goods and services sold	9	14'455.8	15'414.8
Interest and commission expense and valuation allowances of the financial services business	7	426.5	509.6
Personnel expenses	10	4'931.7	4'901.4
Depreciation and amortisation	27-29	1'125.3	983.9
Other operating expenses	11	2'854.5	2'826.8
Operating profit before effect from pension plans		**1'153.1**	**1'113.3**
Effect from pension plans before income tax	10	**171.1**	-
Operating profit		**1'324.2**	**1'113.3**
Finance income	12	64.2	-73.0
Finance cost	12	-96.2	-132.5
Share of (loss)/profit from associates and joint ventures	13	-25.2	2.5
Profit before income tax		**1'267.0**	**910.3**
Income tax expense	14	285.4	209.4
Group profit		**981.6**	**700.9**

Additional information		
Effect from pension plans after income tax	135.3	-
Profit before effect from pension plans	**846.3**	**700.9**

Attribution of group profit		
Profit attributable to members of the cooperatives	985.8	701.5
Profit/(loss) attributable to minority interests	-4.2	-0.6
Group profit	**981.6**	**700.9**

[1] Restated due to changed requirements of IAS 38 concerning the timing of recognition of catalogue costs. See also Note 2.

Group statement of comprehensive income

	Notes	**2009** CHF million	2008 (restated) CHF million
Group profit		**981.6**	**700.9**
Financial assets available for sale		152.1	-37.6
Derivative financial instruments held for cash flow hedges		16.7	-26.3
Currency translation differences for foreign subsidiaries		-4.4	-34.6
Share in other comprehensive income of associates		-2.3	-
Income tax relating to components of other comprehensive income		-33.4	11.2
Other comprehensive income	16	**128.7**	**-87.3**
Group comprehensive income		**1'110.3**	**613.6**
Attribution of group comprehensive income			
Comprehensive income attributable to members of cooperatives		1'114.5	614.2
Comprehensive income attributable to minority interests		-4.2	-0.6
Group comprehensive income		**1'110.3**	**613.6**

Group balance sheet

	Notes	**31.12.2009** CHF million	31.12.2008 (restated) CHF million	01.01.2008 (restated) CHF million
ASSETS				
Cash and cash equivalents	17	3'167.2	3'148.8	2'834.9
Receivables due from banks	18	383.3	91.3	391.1
Mortgages and customer receivables	19	27'530.7	26'476.9	24'889.5
Trade receivables	20	524.4	560.3	596.6
Other receivables	20	194.1	345.5	327.7
Inventories	21	2'056.0	2'093.7	2'041.1
Other financial assets	22-26	3'369.0	3'022.4	3'323.0
Investments in associates and joint ventures	13	96.7	101.7	99.6
Investment property	27	300.8	327.3	305.3
Tangible assets	28	11'236.7	10'887.5	10'333.5
Intangible assets	29	1'207.4	1'190.9	1'072.9
Assets from employee benefits	38	482.1	292.7	256.8
Current income tax receivables		1.2	6.8	5.0
Deferred income tax assets	14	29.4	30.6	40.8
Other assets	30	226.2	157.7	202.2
		50'805.2	**48'734.1**	**46'720.0**
Non-current assets held for sale	31	-	6.8	5.8
TOTAL ASSETS		**50'805.2**	**48'740.9**	**46'725.8**
LIABILITIES AND EQUITY				
Liabilities				
Payables due to banks	32	1'063.5	1'257.4	1'439.3
Customer deposits and liabilities	33	23'080.1	21'114.0	19'391.6
Other financial liabilities	34	1'887.5	2'224.2	2'132.6
Trade payables	35	1'671.1	1'677.0	1'703.2
Other liabilities	35	954.9	1'041.5	1'058.7
Provisions	36	113.1	120.4	98.9
Issued debt instruments	37	6'525.2	7'030.8	7'340.8
Liabilities from employee benefits	38	527.2	546.7	516.2
Current income tax payables		195.4	109.7	83.9
Deferred income tax liabilities	14	1'423.8	1'365.2	1'326.1
Liabilities relating to non-current assets held for sale	31	-	-	-
Total Liabilities		**37'441.8**	**36'486.9**	**35'091.3**
Equity				
Cooperative capital	39	20.8	20.6	20.3
Retained earnings		13'291.6	12'306.2	11'604.9
Currency translation difference		-28.5	-22.9	11.7
Other reserves		64.7	-69.6	-16.9
Equity attributable to members		**13'348.6**	**12'234.3**	**11'620.0**
Minority interests		14.8	19.7	14.5
Total Equity		**13'363.4**	**12'254.0**	**11'634.5**
TOTAL LIABILITIES AND EQUITY		**50'805.2**	**48'740.9**	**46'725.8**

Statement of changes in group equity

CHF million	Notes	Attributable to members of the cooperatives						Minority interests	Total
		Cooperative capital	Retained earnings [1]	Currency translation difference	Other reserves		Equity of the cooperative members		
					Financial assets available for sale	Cash flow hedges			
Equity as per 01.01.2008		**20.3**	**11'609.5**	**11.7**	**-18.7**	**1.8**	**11'624.6**	**14.5**	**11'639.1**
Restatement due to change in IAS 38	2		-4.6				-4.6		-4.6
Equity as per 01.01.2008 (restated)		**20.3**	**11'604.9**	**11.7**	**-18.7**	**1.8**	**11'620.0**	**14.5**	**11'634.5**
Group profit			701.5				**701.5**	-0.6	**700.9**
Other comprehensive income	16			-34.6	-29.6	-23.1	**-87.3**		**-87.3**
Group comprehensive income			**701.5**	**-34.6**	**-29.6**	**-23.1**	**614.2**	**-0.6**	**613.6**
Other changes of equity									
Change in cooperative capital	39	0.3					0.3		0.3
Dividends to minority interests								-0.9	-0.9
Changes in minority interests			-0.2				-0.2	6.7	6.5
Total of all other changes in equity		**0.3**	**-0.2**				**0.1**	**5.8**	**5.9**
Equity as per 31.12.2008		**20.6**	**12'306.2**	**-22.9**	**-48.3**	**-21.3**	**12'234.3**	**19.7**	**12'254.0**

[1] An amount of CHF 2.5 millions is reserved in retained earnings for the Culture percentage. Also see Note 15.

CHF million	Notes	Attributable to members of the cooperatives						Total
		Cooperative capital	Retained earnings [1]	Currency translation difference	Other reserves		**Equity of the cooperative members**	
					Financial assets available for sale	Cash flow hedges		
Equity as per 01.01.2009		**20.6**	**12'306.2**	**-22.9**	**-48.3**	**-21.3**	**12'234.3**	**19.7**	**12'254.0**
Group profit			985.8				**985.8**	-4.2	**981.6**
Other comprehensive income	16			-5.6	119.6	14.7	**128.7**		**128.7**
Group comprehensive income			**985.8**	**-5.6**	**119.6**	**14.7**	**1'114.5**	**-4.2**	**1'110.3**
Other changes of equity									
Change in cooperative capital	39	0.2					0.2		0.2
Dividends to minority interests								-0.9	-0.9
Changes in minority interests			-0.4				-0.4	0.2	-0.2
Total of all other changes in equity		**0.2**	**-0.4**				**-0.2**	**-0.7**	**-0.9**
Equity as per 31.12.2009		**20.8**	**13'291.6**	**-28.5**	**71.3**	**-6.6**	**13'348.6**	**14.8**	**13'363.4**

[1] An amount of CHF 6.0 millions is reserved in retained earnings for the Culture percentage. Also see Note 15.

Group cash flow statement

	Notes	2009 CHF million	2008 (restated) CHF million
Profit before income tax		**1'267.0**	**910.3**
Depreciation, amortisation and impairment (net)	27-29	1'125.3	983.9
Impairment of financial assets (net)		8.8	44.2
(Profit)/loss from sale of tangible assets		-24.1	-18.2
(Profit)/loss from sale of financial assets		-28.7	43.9
Profit from associates and joint ventures	13	25.2	-2.5
Increase/(decrease) provisions		-7.2	22.1
Change to operating assets and liabilities			
(Increase)/decrease receivables due from banks		-291.5	298.4
(Increase)/decrease mortgages and customer receivables		-1'053.8	-1'587.4
(Increase)/decrease inventories		41.5	-46.6
(Increase)/decrease financial assets		-44.5	381.5
(Increase)/decrease other assets		-98.5	-22.3
(Increase)/decrease payables due to banks		-216.1	-176.3
(Increase)/decrease customer deposits and liabilities		1'966.2	1'722.4
(Increase)/decrease other liabilities		-92.2	48.9
Paid income tax expense		-167.8	-130.8
Cash flows from operating activity		**2'409.6**	**2'471.5**
Acquisition of tangible assets and investment property		-1'389.2	-1'586.8
Proceeds from sale of tangible assets and investment property		78.0	104.1
Acquisition of intangible assets		-90.0	-87.1
Proceeds from sale of intangible assets		1.2	0.1
Acquisition of financial assets		-702.7	-559.7
Proceeds from the sale of financial assets		530.7	397.9
Acquisition of subsidiaries and business activities, net of cash acquired	45	-7.4	-30.3
Proceeds from sale of subsidiaries and business activities, net of cash disposed	45	0.5	-
Acquisition of associates		-29.2	-0.2
Proceeds from sale of associates		6.5	0.3
Cash flows from investing activity		**-1'601.6**	**-1'761.7**

	Notes	**2009** CHF million	2008 (restated) CHF million
Proceeds from issuance of long-term bonds		-	-
Repayment and redemption of long-term bonds		-	-600.0
Proceeds from issuance of medium-term bonds and mortgage backed loans		738.8	362.4
Repayment of medium-term bonds and mortgage backed loans		-1'248.2	-74.9
Proceeds from issuance of other financial liabilities		176.9	1'123.3
Repayment of other financial liabilities		-453.1	-1'181.3
Dividends paid to minority interests		-0.9	-0.9
Increase in cooperative capital		0.5	0.6
Reduction in cooperative capital		-0.3	-0.3
Cash flows from financing activity		**-786.3**	**-371.1**
Changes in cash and cash equivalents		**21.7**	**338.7**
Cash and cash equivalents, at beginning of year		3'148.8	2'834.9
Foreign exchange differences		-3.3	-24.8
Cash and cash equivalents, at end of year		**3'167.2**	**3'148.8**
Cash and cash equivalents include:			
Petty cash/postal accounts/bank accounts		1'959.5	2'166.5
Fixed-term deposits with an original maximum maturity of 90 days		1'207.7	982.3
Total cash and cash equivalents	17	**3'167.2**	**3'148.8**
Cash flows from operating activities include:			
Interest received		917.5	922.7
Interest paid		-457.3	-595.5
Dividends received		6.2	6.8

Notes to the Migros Group financial statements

1. Information about the Migros Group

The Migros Group (also referred to below as “the group”, or “Migros”) is Switzerland’s largest retailer. Apart from their core business of Cooperative Retailing and other commerce (e.g. Denner, Globus), group companies are active in various other business segments. For example, in the sector Industry & Wholesaling Migros manufactures goods (Migros own brands; e.g. Chocolat Frey) in other sectors Migros provides financial (Migros Bank) and travel services (Hotelplan Group). Migros is also actively committed to culture, society, leisure, education and the economy. The key activities of the Migros Group are presented in the segment reporting in Note 6. Note 48 contains a list of group entities.

The Migros Group is a cooperative federation, consisting of 10 independent regional Cooperatives, which jointly held the cooperative capital of the Federation of Migros Cooperatives (FMC). The FMC coordinates the activities of the Migros Group and formulates the group’s strategy. The effect of its federal structure is that the Migros Group can be regarded as an economic entity under an integrated management. The Migros Group financial statements are prepared with the aim of presenting the profit or loss, financial position and the cash flows of this economic entity.

Because of the legal and statutory arrangements of the 10 Cooperatives and of the FMC, the group financial statements differ from the consolidated annual financial statements of a group with a traditional holding structure. Accordingly, the group’s financial statements are not based on the FMC as the parent company, but represents an aggregation of the annual financial statements of the 10 Cooperatives and the other Migros entities. The total capital of the 10 Cooperatives represent the capital of the group.

The registered office of the FMC is at Limmatstrasse 152, 8005 Zurich (Switzerland).

The present Migros Group financial statements were approved by the Board of Directors on 11 March 2010. The Assembly of Delegates took note of the Migros Group financial statements on 27 March 2010.

2. Basis of preparation

Conformity with IFRS

The present Migros Group financial statements have been prepared in conformity with the provisions of the law and with the International Financial Reporting Standards (IFRS). These standards comprise the IFRS as issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) as well as the interpretations of the International Financial Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC).

Critical accounting estimates and judgments

Preparation of the annual financial statements of the Migros Group in conformity with IFRS necessitates the use of accounting estimates and judgments that may affect the reported assets and liabilities, revenue and expenditure, and also the disclosure of contingent assets and liabilities in the reporting period. Although to the best of the knowledge and belief of the executive management these accounting estimates have been made on the basis of current events and possible future operations of the Migros Group, the actual results ultimately achieved may differ from these estimated values. Areas that may incorporate a greater number of uncertain accounting estimates and judgments are clarified in Note 5.

Presentation according to decreasing liquidity

The financial services business contributes more than half of the balance sheet total of the Migros Group. To take the characteristics of the financial services business and their significance into account, the Migros Group balance sheet is grouped by decreasing liquidity and not into current and non-current items. Finance income (interest and commission income, plus gains on financial instruments) and finance costs (interest and commission costs, plus allowances) from the financial services business, together with the underlying cash flows are presented as operational items. Finance income and finance costs of entities that are not involved in the financial services business are reported in finance income or finance expenses.

Different reporting date

The financial year of the Migros Group corresponds in principle to the calendar year. By way of variation, the Hotelplan Group is included on the basis of the subgroup financial statements of the Hotelplan Group as at 31 October. Interim financial statements have not been prepared. Significant transactions in the Hotelplan Group between 31 October and 31 December are taken into account in the group financial statements.

Amendments to accounting policies

The Migros Group financial statements are based on all published Standards and Interpretations, insofar as these are relevant to the group’s business and were in effect for financial years that began on 1 January 2009, or are early adopted by the group. Listed below are the new and amended standards and interpretations published at the date of preparation of the group financial statements described regarding their adoption status and effects for the Migros Group:

(a) New or amended standards and interpretations which are effective for financial years beginning on 1 January 2009:

With the new version of IAS 1 "Presentation of Financial Statements", the financial statements of the Migros Group contain a statement of comprehensive income for the first time in addition to the income statement. The comprehensive income reported here also contains, in addition to the profit of the Migros Group (profit or loss for the period), other comprehensive income which includes all changes in equity for the period that do not have any underlying owner-related transactions and are not recognised in profit and loss. Additional information on other comprehensive income can now be found in Note 16. As a result, the information disclosed until now for other comprehensive income no longer appears in the note relating to "Other reserves" or in the statement of changes in equity. These changes only affect the presentation of the financial statements. The newly published IAS 1 also requires the balance sheet to be presented at the beginning of the earliest comparative period if there are retrospective changes to the financial statements. This requirement also affects the 2009 financial statements of the Migros Group due to the retrospective change in recognising catalogue costs described below. A balance sheet as of 1 January 2008 is shown accordingly.

The amended standard IAS 23 "Borrowing Costs" requires that borrowing costs attributable to the acquisition, construction or production of a qualifying asset be capitalised as part of the cost of that asset. In 2009, the first year that this new standard was applied, no borrowing costs requiring capitalisation as a result of the amended IAS 23 were incurred. Any significant effects in the future are also not expected.

The amendment to IFRS 7 "Improving Disclosures about Financial Instruments" provides for enhanced disclosure of the fair value measurement of financial instruments and information about liquidity risk. This additional information can be found in Note 4. All financial instruments measured at fair value are shown for the first time in a fair value hierarchy for the 2009 financial year broken down by the information used for the fair value valuation. In the area of liquidity risk, the Migros Group reports additional information on financial guarantees for the 2009 financial year and the previous year, 2008. In addition, the future liquidity flows are now also shown for financial assets relevant for managing liquidity risks in addition to financial liabilities.

Of the amendments made to standards as part of the IASB's annual improvement process that are to be applied for financial years starting on or after 1 January 2009, only the changed requirements for recognising expenses of advertising catalogues will affect the 2009 financial statements of the Migros Group. According to this amendment, catalogue costs now have to be reported as expenses as soon as the catalogues are available to the company. Because catalogue costs were previously reported in the Hotelplan Group differing to this new rule, the previous year's figures have been adjusted whereby the effects of the changes were recognised against the retained earnings as of 1 January 2008. The effects on the balance sheet, income statement and cash flow statement for the year 2008 are summarised below. There are also other changes in individual notes where the changed figures from the previous year's balance sheet and income statement items appear. This is indicated by the comment "restated" in the previous year's column.

Effects of the changed method on the timing of recognising catalogue costs:

CHF MILLION	Notes	Value before restatement	Restatement	Value after restatement
Effects on the balance sheet at 01.01.2008				
Other assets				
Accrued income		101.1	-6.3	94.8
Current income tax payables		-1'327.8	1.7	-1'326.1
Equity (retained earnings)		**11'609.5**	**-4.6**	**11'604.9**
Effects on the balance sheet at 31.12.2008				
Other assets	30			
Accrued income		91.0	-5.9	85.1
Current income tax payables	14	-1'366.7	1.5	-1'365.2
Equity (retained earnings)		**12'310.6**	**-4.4**	**12'306.2**
Effects on the income statement 2008				
Other operating expenses	11			
Advertising		-507.2	0.4	-506.8
Income tax expense				
Deferred income tax	14	-52.9	-0.2	-53.1
Group profit		**700.7**	**0.2**	**700.9**
Effects on the cash flow statement 2008				
Profit before income tax		909.9	0.4	910.3
Change to operating assets and liabilities				
(Increase) / decrease other assets		-21.9	-0.4	-22.3
Cash flows from operating activity		**2'471.5**	**0.0**	**2'471.5**

IFRS 8 "Operating Segments", which replaces Standard IAS 14 "Segment Reporting", requires information in segment reporting to be presented on the same basis as that used for internal reporting to the executive management. The Migros Group has chosen to apply IFRS 8 earlier, as of 1 January 2008.

The amendments of "Puttable Instruments and Obligations Arising on Liquidation" affecting IAS 32 and IAS 1 were published in February 2008 (applying to financial years starting on or after 1 January 2009). Financial instruments which according to the previous version of IAS 32 had to be classified as liabilities can now under certain conditions be shown as equity. This elaboration of the definition of equity does not affect the Migros Group.

IFRIC 13 “Customer Loyalty Programmes” requires an entity which grants award credits under customer loyalty programmes to allocate part of the revenue from the original sale of the award credit and to defer it as a liability. The award credit is thus recognised as an independent component of the sale transaction. The deferred part of the revenue cannot be recognised as income until all obligations under the award credit have been fulfilled. The guidance stipulated in the interpretation for the valuation and recognition of customer loyalty programmes corresponds to the valuation and recognition methods already applied by the Migros Group. IFRIC 13 does not therefore have any effects on the group financial statements.

(b) New or amended standards and interpretations which have been early adopted by the Migros Group:

In November 2009 the IASB published an amendment to IFRIC 14 / IAS 19 on "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". According to the amendment, an economic benefit always results from an employer’s voluntary payments to a pension plan with a surplus. This amendment applies to financial years beginning on or after 1 January 2011. The Migros Group applied the requirements of IFRIC 14 early to its 2009 financial statements. The group statement is not affected by the application of these requirements.

(c) New or amended standards and interpretations which are not yet effective for financial years beginning on 1 January 2009 and have not been early adopted by the Migros Group:

The IASB has published a revised version of IFRS 3 “Business Combinations” in January 2008 (applying to financial years starting on or after 1 July 2009). The group will consider this and any resulting adjustments of IAS 27 “Consolidated and Separate Financial Accounts” prospectively for any business combination with acquisition dates after 1 January 2010. Business combinations with acquisition dates before this date will not be adjusted. Effects on the future results and the financial situation of the Migros Group depend on the scope and structure of future business combinations.

The amendments of “Puttable Instruments and Obligations Arising on Liquidation” affecting IAS 32 and IAS 1 were published in February 2008 (applying to financial years starting on or after 1 January 2009). Financial instruments which according to the previous version of IAS 32 had to be classified as liabilities can now under certain conditions be shown as equity. This elaboration of the definition of equity does not affect the Migros Group.

Amendments of IAS 39 published in July 2008 affect “Eligible Hedged Items” and come into force in financial years starting after 1 July, 2009. On one hand, this revision establishes the conditions under which inflation poses a risk that can be hedged against using Hedge Accounting. On the other hand the IASB comments on the use of options for hedging against one-sided risks. No major effects are expected for the Migros Group from this revision.

As part of its annual improvement process, the IASB again issued a compilation of standard amendments in April 2009. These amendments affect 12 individual standards. For the most part they are to be applied to financial years starting after 1 July 2009 or 1 January 2010. At present it is assumed that there will be no major effects of these amendments for the Migros Group.

Another amendment to IAS 39 and IFRIC 9 from June 2009 relates to "Embedded Derivatives". The amendment states that when a financial asset is reclassified from financial assets held for trading purposes, any embedded derivatives have to be assessed and, if necessary, separately accounted in financial statements. No significant effects resulting from these amendments are anticipated for the Migros Group.

In November 2009, IAS 24 "Related Party Disclosures" was amended. The standard now incorporates a partial exemption from disclosure obligations for government-related entities, provides a more precise definition of a related party and clarifies that the disclosure obligations also apply to floating contracts not shown in the balance sheet. This revised standard applies to financial years beginning on or after 1 January 2011. This amendment is unlikely to have any significant effect on the Migros Group financial statements.

Also in November 2009, the IASB published the new IFRS 9 standard for "Classification and Measurement of Financial Instruments", thus concluding the first part of the three-phase project to replace IAS 39. Under the new standard, there are now only two measurement categories for financial assets instead of the previous four. In addition to assigning and measuring financial instruments for these two categories, requirements for derivatives and possible reclassifications were also revised. The new standard has also resulted in amendments to a number of other standards, in particular IFRS 7 "Financial Instruments: Disclosures". IFRS 9, together with the other amendments announced in the project to replace IAS 39, must be applied for financial years starting 1 January 2013. Earlier adoption is permitted. These new requirements to replace IAS 39 will have a significant effect on the balance sheet and reporting of financial instruments in the Migros Group. It will only be possible to assess the effects more accurately, however, once the entire IASB project has been completed.

(d) New or amended standards and interpretations which have no relevance for the group financial statements:

Amendments to IFRS 2 “Share-based Payments” as regards “Vesting Conditions and Cancellations” (effective from 1 January 2009) and “Group Cash-Settled Share-based Payment Transactions” (effective from 1 January 2010): No share-based payments are made within the Migros Group.

Revision of IAS 32 for "Classification of Rights Issues" denominated in a foreign currency (effective from 1 February 2010): No rights are issued within the Migros group in a currency other than the functional currency.

IFRIC 15 “Agreements for the Construction of Real Estate” (effective from 1 January 2009): This interpretation specifies the recognition of revenue for real estate constructed for sale to third parties and therefore according to customer specification. The Migros Group generally does not construct any such real estate.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective from 1 October 2009): The Migros Group does not hedge net investments in foreign operations using hedge accounting.

IFRIC 17 “Distributions of Non-cash Assets to Owners” (effective from 1 July 2009): As a Cooperative, Migros does not make any direct distributions to owners.

IFRIC 18 “Transfers of Assets from Customers” (effective from 1 July 2009): This interpretation affects situations in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services and is therefore particularly relevant for the supply sector. The Migros Group does not provide such supply services for which customers provide an item of property, plant and equipment.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2010): The entities of the Migros Group do generally not extinguish liabilities to third-parties by issuing equity instruments.

The new or amended standards and interpretations that are effective after 1 January 2009 or later and have not been adopted early will be applied in the financial year 2010 or later.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis for preparation

The Migros Group financial statements are presented in Swiss Francs (CHF). All amounts are rounded up to the nearest hundred thousand CHF, unless otherwise stated. Amounts of less than CHF 0.05 million are shown as CHF “0.0” and amounts which represent zero are shown as “–“. The group financial statements have been prepared under the historical cost convention. Exceptions to this rule are set out in the following accounting policies. For example, derivative financial instruments and certain categories of financial assets are recognised in the balance sheet at fair value.

Consolidation policies

(a) Subsidiaries

Subsidiaries are fully consolidated if the Migros Group has the power to govern the financial and operating policies of the entity, which generally means a direct or indirect shareholding representing more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Migros controls an entity. Subsidiaries newly acquired during the reporting year are included in the consolidated financial statements of the Migros Group from the date on which effective control is transferred to the group, and all entities sold are deconsolidated from the date that control ceases.

Acquisitions of subsidiaries are recognised for accounting purposes using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in the purchase of an entity are measured initially at their fair values, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Migros Group’s share of the net assets of the entity is recognised as goodwill. In the reverse case, if the cost of acquisition is less than the fair value share of the net assets of the subsidiary acquired, the difference is recognised directly in profit and loss.

Inter-company transactions, receivables and debts, plus unrealised gains/losses on transactions between group companies are eliminated when the financial statements of the Migros Group are prepared.

(b) Joint ventures

Joint ventures are entities jointly controlled by contractual agreement between one or more partners. They are recognised using the equity method. The equity method is explained in more detail under c) Associates.

(c) Associates

Associates are entities in which the Migros Group has a significant influence on the financial and business policy, which generally means a direct or indirect shareholding representing between 20% and 50% of the voting rights. They are initially recognised at cost, and thereafter using the equity method. The goodwill paid for associates is included in the carrying amount of the investment concerned. The group’s share in the current gains and losses of associates is recognised in income and shown separately in the group’s statement of income. If the share in the losses is equivalent or greater than the investment in the associate, no further losses are recognised unless further obligations have been entered into. Unrealised gains and losses from transactions with associates are eliminated to the extent of the interest in the associate.

(d) Minority interests and transactions with minority interests

The minority interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully owned by the group. Minority interests are reported separately in the income statement, in the statement of comprehensive income and equity of the group. Migros handles transactions with minority interests in the same way as transactions with third parties (“parent company model”). Disposals to minority interests result in gains and losses in the group financial statements that are recorded in the income statement. Purchases from minority interests result in goodwill, representing the difference between any consideration paid and the relevant share of the fair value of the net assets of the subsidiary.

Segment reporting

Information about operating segments is disclosed on the same basis as applied to internal reporting to executive decision makers. Within the Migros Group the Executive Board of the Federation of Migros Cooperatives is the chief operating decision maker which monitors the allocation of resources and the assessment of performances.

Foreign currency translation

(a) Functional and presentation currency

Each subsidiary prepares its own financial statement in its functional currency, i.e. in the currency of the primary economic environment that it operates in. The financial statements of the Migros Group are presented in Swiss Francs (CHF), which is the presentation currency of the Migros Group.

b) Translation from transaction currency into functional currency

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or using monthly average exchange rates, provided these are a reasonable approximation thereof. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for translation differences that are recognised as cash flow hedges directly in “other equity reserves” via other comprehensive income.

Translation differences on non-monetary financial assets (such as shares) classified as “available for sale”, are not recognised in profit or loss but in “other equity reserves” via other comprehensive income.

(c) Translation of functional currency into presentation currency

The annual financial statements of all subsidiaries that are not prepared in CHF (no subsidiary has the functional currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- assets and liabilities at year-end rates (exchange rate on the balance sheet date); and
- income and expenses at average exchange rates for the year.

The resulting foreign currency translation differences are recognised directly in equity under “currency translation difference“ via other comprehensive income.

Any currency translation difference arising from the sale of a foreign subsidiary is recognised in profit and loss as part of the disposal proceeds.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated from the functional currency into the presentation currency at the closing rate.

Revenue Recognition

Revenue comprises the fair value of proceeds received or due from the sale of goods and services. It is recognised net, after deduction of sales or value-added taxes, returns and rebates, plus deferrals of awards under customer loyalty programmes. Transactions with group entities and the resulting gains or losses are eliminated. Income is recognised when the amount can be reliably measured, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the specific conditions listed below have been satisfied.

(a) Income from retailing and sales of goods

Income from the retailing business is recognised at the date of sale to customer. Income from sales of goods are recognised in the income statement when the risks and rewards associated with the title to the goods have been transferred to the customer.

(b) Income from the travel business

Income from the travel business is recognised, after taking income reducing items into account, at the date of performance (commencement of travel by customer).

(c) Income from financial services

Commission income and income from the financial services business are recognised on an accrual basis as soon as the corresponding service has been provided. Interest income on mortgage loans and other customer borrowing, and financial assets are deferred on an accrual basis. The effective interest method is used to measure interest income on fixed interest financial instruments (except for financial instruments at “fair value through profit or loss”).

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

Payments from the Culture Percentage

Payments made as part of the “Migros Culture Percentage” are a voluntary commitment by Migros in the areas of culture, social, education/training, leisure and the economic policy, and are charged to “other operating expenses”. The funding of this commitment is embodied in the statutes and regulations of the Cooperatives (including the FMC). These entities are obliged to expend, on a four-year average, at least 0.5% (FMC 0.33%) of their retail sales revenue for cultural, social and economic policy purposes. Under IFRS, underspending within the four-year period does not qualify as a liability, nor overspending as an asset. Accordingly, provisions are only created for payment obligations to third parties existing on the balance sheet date. Compliance with the statutory and regulatory provisions is therefore evidenced by calculating the so-called “Culture Percentage retained earnings reserve”. It gives details of underspending on payments under the Culture Percentage that must still be recovered in future years. Note 15 contains further information about payments under the Culture Percentage and the “Culture Percentage retained earnings reserve”.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, postal giro and sight deposits held at banks, and short-term highly liquid investments with a maximum original maturity of 90 days. These are initially measured at cost or fair value, respectively, and subsequently at amortised cost.

Receivables due from banks

Receivables due from banks include amounts due under money market investments and receivables from central banks and commercial banks with originally more than 90 days to maturity. Receivables due from banks are initially measured at cost, respectively at fair value plus external transaction costs that can be directly allocated at commencement. Receivables due from banks are subsequently measured at amortised cost. Premiums or discounts, if any, and external transaction costs are amortised using the effective interest method. If no premiums, discounts or external transaction costs arise, measurement is based on the nominal amount less deductions for impairment or uncollectibility, if any.

Mortgages and other customer receivables

Mortgages and other customer receivables are loans by the financial services business that are granted directly to the borrower. Loans are recognised when the funds flow to the borrower. Receivables granted or acquired are initially measured at cost or fair value plus external transaction costs that are directly attributable to the acquisition of this financial asset. Mortgages and other customer receivables are subsequently measured at amortised cost. Premiums or discounts, if any, together with external transaction costs, are amortised using the effective interest method. Amortised costs correspond to the cost at initial recognition less capital repayments, plus or minus amortisation of premiums, discounts and transaction costs, and deductions for impairment or uncollectibility, if any.

Mortgages and other customer receivables are reviewed at regular intervals for recoverability. Credit commitments are individually assessed, taking into account the character of the borrower, their financial situation, payment record, existence of any guarantors, and if necessary the realisable value of any collateral. All mortgages and other customer receivables classified in counterparty-specific terms as not at risk are grouped economically into homogenous portfolios that are tested together for impairment and their value adjusted if necessary on the basis of historical probability of failure. If there is objective evidence that the whole amount owed, according to the original contractual terms, or the corresponding consideration of a receivable will not be collected, an impairment loss will be recorded. Impairments of mortgages and other customer receivables are recognised in the income statement under the heading interest and commission expenses and impairment losses on the financial services business. On submission of a loss certificate, or if a waiver is granted, the receivable is derecognised and charged to the corresponding allowance account.

Trade and other receivables

Trade and other receivables are initially measured at cost respectively fair value. They are subsequently measured using the effective interest method at amortised cost, less impairments, if any. Impairments in profit and loss are recognised in other operating expenses.

Inventories

Inventories are stated at the lower of purchasing or manufacturing cost and net realisable value. The valuation base for the most important inventories is the average-cost method. Costs include production overheads, based on normal utilisation of production capacities. Borrowing costs are not capitalised. The net realisable value is equivalent to the estimated selling price, less direct selling costs and finishing costs, if any.

Cumulative gains and losses arising from cash flow hedges of purchases and recognised in other equity reserves are transferred on the occurrence of the hedged purchase to inventory costs.

Other financial assets

The Migros Group classifies its financial assets into the categories measured at “fair value through profit or loss”, “held to maturity”, “available for sale” or “loans”. The classification depends on the actual purpose for which a financial asset is acquired. The management makes the classification on acquisition and reviews it at each balance sheet date.

(a) Fair value through profit or loss

The category "fair value through profit or loss" distinguishes between two sub-categories: financial assets held for trading, and those that are designated on acquisition as "fair value through profit or loss". Derivative financial instruments are also divided into this category, provided they are not designated as hedging instruments. Financial assets held for trading are interest-bearing securities and investment securities (shares), which have been acquired by the Migros Group with the intention of selling them in the near term. Financial assets are designated to the category "fair value through profit or loss" if they are managed and their performance measured on the basis of fair value according to risk management or investment strategy; the financial asset in question incorporates an embedded derivative (e.g. convertible bond); or the financial asset shares a risk with another financial asset (including financial liabilities), and both of them are reversed by changes to fair value.

b) Held to maturity

The category "held to maturity" covers interest-bearing securities, where the Migros Group has both the possibility and the intention of holding these to maturity. The Migros Group has neither on the balance sheet date of the current nor the previous year held financial assets in this category.

(c) Available for sale

Interest-bearing securities and investment securities (shares) that are not allocated to another category are classified as "available for sale". Minority interests over which the Migros Group has neither a significant influence nor control are also allocated to this category.

(d) Loans

The category "loans" covers interest-bearing receivables from related foundations, public law institutions and other third parties with an original term of more than 90 days. It does not include mortgages and other customer receivables under the financial services business, or receivables due from banks.

All financial assets with the exception of "loans" are recognised on the trading date on which the Migros Group entered into the obligation to buy or sell an asset. "Loans" are recognised on the settlement date. Financial assets are initially measured at fair value plus external transaction costs. In the "fair value through profit or loss" category, transaction costs are recognised on acquisition as an expense in income statement. Financial assets are derecognised when the rights to receive payments from the financial asset have lapsed, or if essentially all risks and income from the financial asset have been transferred to a third party. Financial assets in the categories "fair value through profit or loss" and "available for sale" are subsequently measured at fair value, those in the categories "loans" and "held to maturity" at amortised cost, using the effective interest method.

Gains and losses (realised and unrealised), including interest and dividend income from financial assets in the category "fair value through profit and loss" are recognised in the income statement at the time they occur.

Changes in the fair value of monetary financial assets (e.g. interest-bearing securities) in the "available for sale" category are divided into: (a) effects of the use of the effective interest method, (b) changes in fair value, and (c) currency translation differences. The effects of the use of the effective interest method and currency translation differences are recognised in profit and loss. Adjustments to the fair value are recognised in other equity reserves via other comprehensive income, not through profit and loss. Changes in the fair value of non-monetary financial assets (e.g. shares) in the "available for sale" category are recognised directly in other equity reserves via other comprehensive income.

If financial assets in the "available for sale" category are sold or impaired, the cumulative changes in fair value in other equity reserves are reversed through profit and loss. Interest income on "available for sale" financial assets are recognised in interest income. Dividend income from financial assets of the "available for sale" category are recognised in income statement when the legal right is established.

Exchange gains and losses, plus interest and dividend income on financial assets are recognised as follows: (a) in interest and commission income and gains (net) on financial instruments of the financial services business, in the case of financial assets of the financial services business, and (b) in finance income in the case of financial assets of other businesses.

Measurement of the fair value of quoted financial assets is based on the official stock market price (bid price) achieved in an active market. A market is deemed to be active if transactions between knowledgeable, willing contracting partners who are independent of each other ("arm's length transactions") regularly take place. If there is no active market, or in the case of unlisted financial assets, a recognised measurement method is used. Recognised measurement methods include comparisons with recent market transactions, the fair value of other, essentially identical financial assets as well as calculations of discounted cash flows and option price models. One exception to this are unlisted equity instruments whose fair value cannot be reliably determined, and also derivative financial instruments that on the one hand relate to such equity instruments and on the other hand envisage a delivery of such unlisted instruments. These unlisted equity instruments and derivative financial instruments are recognised in the balance sheet at cost.

At each balance sheet date, the Migros Group assesses whether there is any objective evidence of permanent impairment of a financial asset or group of financial assets. Examples of objective evidence of permanent impairment are substantial financial difficulties of the borrower; breach of contract, such as default or delay in interest or redemption payments; or financial redevelopment. In the case of non-monetary financial assets (e.g. shares) in the "available for sale" category, the following factors are objective evidence of impairment:

- a significant reduction in the fair value of at least 20% below cost, or
- a decrease in the fair value below cost that lasts over a period of two consecutive balance sheet dates.

If a need for an impairment is determined on the basis of these information, the cumulative loss in other equity reserves as the difference between cost and current fair value is transferred to the income statement as an impairment loss. Impairment losses on non-monetary financial assets may no longer be reversed through profit and loss, and reversals of impairment losses are therefore recognised in other equity reserves via other comprehensive income. Reversals of impairment losses on monetary financial assets are recognised in profit and loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value in the balance sheet on the date of conclusion of the contract, and subsequently remeasured on the balance sheet date at fair value. The treatment of changes in the fair value depends on whether or not a derivative financial instrument is designated as a hedging instrument (hedge accounting). The Migros Group applies the following cases of hedge accounting: (a) hedging of the risk on the change in the fair value of an asset or liability recognised in the balance sheet (fair value hedge) or (b) hedging of the risk of fluctuations in cash flows in connection with an asset or liability recognised in the balance sheet, or the risk associated with a planned future transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the various derivative financial instruments that are used in hedge accounting are disclosed in Note 25. The change from the cash flow hedge reserves is presented in the statement of changes in equity and in Note 16 as part of the other comprehensive income.

(a) Fair value hedge

Changes in the fair values of derivative financial instruments that qualify for a fair value hedge are recognised in profit and loss together with the change in fair value of the hedged underlying transaction (asset or liability) allocable to the hedged risk, and the carrying amount of the underlying transaction recognised in the balance sheet at amortised cost is adjusted accordingly.

If a hedging instrument no longer meets the requirements for a fair value hedge, the carrying value of the hedging instrument at that time is used as a basis for calculating a new effective interest rate for the underlying transaction, on which the amortisation is based for the remainder of the term.

The fixed interest issued debt instruments (mortgage backed loans) by the Migros Group under the financial services business that are exposed to risk arising from the change in fair value caused by interest rate changes are hedged by interest rate swaps.

(b) Cash flow hedge

The effective portion of a change in the fair value of a financial derivative designated for a cash flow hedge is recognised in other equity reserves via other comprehensive income, not through profit and loss. The ineffective portion of a hedging transaction is recognised immediately in profit and loss.

The cumulative fair value changes in other equity reserves are transferred to the income statement in the same period in which the hedged expected transaction influences the profit or loss for the period (e.g. when an expected purchase or sale occurs). The profit or loss from the hedge on the financial derivative is recognised in profit and loss in the same item as the hedged underlying transaction.

If a hedging instrument is sold or exercised, or the conditions for hedge accounting are no longer satisfied, the cumulative changes of the fair value remain in other equity reserves until the expected underlying transaction has taken place. If that is no longer expected, the cumulative changes in fair value in the other equity reserves are transferred to the income statement. The profit or loss on the hedge on derivative financial instruments to cover non-financial assets, such as the purchase of inventories in foreign currencies, is transferred from other equity reserves to the cost of the non-financial asset.

Future purchases of inventories in foreign currencies that are exposed to risk arising from a change in the fair value caused by foreign currency fluctuations are hedged by forward exchange transactions. Future sales of heating oil by the Migros Group, which are exposed to a risk arising from changes in the fair value caused by changes in the market price, are hedged by commodity futures. The variable-rate rollover credits shown under “payables due to banks”, which are exposed to a risk of changes in fair value caused by interest rate changes, are hedged by interest rate swaps.

(c) Derivative financial instruments that do not meet the requirements for a hedging transaction

Certain derivative financial instruments do not satisfy the requirements of a hedging transaction, even though they are used for hedging purposes as part of the Migros Group’s risk strategy. Changes in the fair value of these derivative financial instruments, which do not satisfy the strict preconditions, are recognised in profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are set off against each other if at the present time there is a legal right to offset the recognised amounts against each other, or if there is an intention to set off on a net basis, or simultaneously to cancel the relevant liability by realising the affected asset.

Investment property

Investment property is measured at cost and depreciated by the straight line method on the basis of its useful life; depreciation is charged to the income statement:

Buildings	20 to 67 years
Fixed equipment	5 to 20 years

Finance costs are only capitalised in the case of newly created or converted investment properties that represent qualified assets. Qualified assets are those assets for which a significant time period is required to bring them into their intended functional state. Mixed-use properties are classified as investment property or as tangible assets, depending on the degree of own use. The fair value of investment property disclosed in Note 27 has been determined using the discounted cash flow (DCF) method. The fair value of a property is determined from the total of all expected future net income, discounted to the balance sheet date (before tax, interest, depreciation and amortisation). External experts are not generally employed to calculate fair value.

For the DCF valuation, payments flows are modelled over 10 years. A perpetual annuity is applied to the subsequent period (residual value). In this case, there is no explicit modelling for inflation (implicit method). To calculate the present value of future payment flows, these are discounted on the balance sheet date. The discount rate reflects the expectations of a sustainable yield realisable from rental income appropriate to the risk.

Tangible assets

Tangible assets consist of buildings required for operations (such as sales outlets, operations centres, warehouse buildings), operating equipment and machinery (such as shop fittings, conveyors, warehousing systems), and other tangible assets (such as furniture, vehicles and EDP equipment).

Tangible assets are recognised at cost, less cumulative depreciation. Cost also includes all transaction costs attributable to the purchase. If parts of a fixed asset have different useful lives, these are kept and depreciated as separate items. Depreciation is calculated by the straight line method on the basis of the following estimated useful lives:

Buildings	20 to 53 years
Operating equipment, machinery	5 to 30 years
Furniture, vehicles	5 to 10 years
EDP equipment	3 to 7 years

The estimated useful lives are reviewed annually and adjusted if necessary.

Land, which is recognised in tangible assets, is not depreciated. Subsequent capitalisations of expenses on existing fixed assets are recognised only if it is probable that an additional economic benefit can be generated from them. Repair and maintenance costs are recognised as an expense. Finance costs are only capitalised in the case of newly created or converted tangible assets that represent qualified assets. Qualified assets are those assets for which a significant time period is required to bring them into their intended functional state.

The value of tangible assets is tested at the level of the smallest identifiable group of assets or cash generating units (CGUs), generating inflows of funds that are to the greatest possible extent independent of inflows of funds of other assets or other groups of assets. Tangible assets are checked for impairment where results or changes to the circumstances at Cooperative level indicate that the carrying amount can possibly be no longer achieved. In addition specific value retention considerations are made for shopping centers, where value drivers, assumed at the time the investment decision was made, can no longer be continuously achieved. For the industrial companies falling under the segment Industry & Wholesaling, the CGUs are defined for each business segment or company. For the segment Commerce, value retention is checked at the level of sales formats or companies.

Gains and losses from the disposal of a fixed asset are recognised in other operating income respectively in other operating expenses as the difference between the net disposal proceeds and the carrying amount.

Leasing (finance leases and rental)

(a) The Migros Group as lessee

Finance lease agreements:
Lease agreements for properties, facilities and other tangible assets where the Migros Group essentially assumes all risks and rewards connected with ownership are classified and treated as finance leases. The fair value of the leased asset or the carrying amount of the lease payments, if that is lower, is recognised at the beginning of the lease agreement in tangible assets. Each lease payment is divided into amortisation and interest. The amortisation portion is deducted from the capitalised lease debt, which is recognised under other financial liabilities. Tangible assets in finance leases are depreciated over the useful life or the lease term, whichever is the shorter.

Operating lease agreements (rental):
Other lease agreements are classified as operating lease agreements. The lease payments are recognised on a straight line basis over the lease term as an expense in the income statement.

(b) The Migros Group as lessor

Investment property that is leased under operating lease agreements is recognised in the Migros Group's balance sheet as investment property.

Intangible assets

(a) Goodwill

Goodwill arises on the purchase of a subsidiary or an associate entity. It corresponds to the amount by which the cost of the acquisition exceeds the group's share in the fair value of the identified net assets of the entity purchased by the Migros Group at the acquisition date. Goodwill on the purchase of a subsidiary is recognised in intangible assets and tested for possible impairment every year. The goodwill paid for associate entities is included in the carrying amount of the investment concerned, and the full carrying amount of the investment is tested for impairment. Goodwill is recognised at cost, less impairment, if any. Any impairment recognised on goodwill cannot be reversed in subsequent periods. On the disposal of an entity, the relevant goodwill is accounted for in the operating result.

For the purpose of testing impairment of the goodwill, the goodwill is allocated to the cash generating units (CGU). A CGU is the smallest identifiable group of assets which generate cash inflows that are largely independent of the cash flows from other assets or other groups of assets.

These conditions apply for the segment Cooperative Retailing at Cooperative level, for the segment Commerce at sales format or company level, for the segment Industry & Wholesaling at business unit or company level and for the segment Travel at the organizational unit or company level. The other business areas have no material goodwill.

(b) Software and software development

Purchased software licences are recognised at cost. This comprises the purchase price and additional costs incurred for commissioning (customising, etc.). Internal and external costs connected to the internal development of entity-specific software applications are capitalised as intangible assets if there are likely to be future benefits over a number of years. All other costs connected with software development and maintenance are recognised as an expense. Capitalised software is depreciated on a scheduled basis over its expected useful life (3-10 years).

(c) Trademarks, licences, patents, publishing rights

Trademarks, licences, patents and publishing rights are recognised at cost. The cost of trademarks, licences, patents and publishing rights that were acquired as part of the purchase of a subsidiary corresponds to their fair value on the acquisition date. The intangible assets capitalised in this category have a finite useful life, and are depreciated on a schedule basis (5-25 years).

Impairment of non-financial assets

Non-financial assets with an indefinite useful life (e.g. goodwill) are not depreciated on a scheduled basis, but are subject to an annual impairment test. Non-financial assets with a finite useful life that are depreciated are subject to an impairment test if there is objective evidence of possible impairment.

Impairment is recognised if the recoverable amount is lower than the carrying amount of the asset. The recoverable amount is the higher of its fair value less costs to sell (estimated sale proceeds after deduction of all costs incurred that are directly connected to the sale) and the value in use (carrying amount of the estimated future cash inflows and outflows from use). In order to test the impairment of the goodwill and tangible assets a respective allocation to the cash generating units (CGU) is made.

The impairments on a non-financial asset in earlier periods (with the exception of impairment on goodwill) are tested annually to ascertain whether they should be reversed.

Non-current assets held for sale and discontinued operations

Non-current assets (or groups of non-current assets) are classified as assets held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the carrying amount or fair value, less sale costs, whichever is the lower. They are recognised separately in the balance sheet.

Discontinued operations relate to activities that have either been sold or are classified as being held for sale. These are recognised separately in the balance sheet and the income statement.

Payables due to banks

Payables due to banks are measured at their amortised cost using the effective interest method, which generally corresponds to the nominal value.

Customer deposits and liabilities

Customer deposits and liabilities arise from liabilities to customers in the form of savings and investments such as savings, private, investment and retirement accounts, plus current accounts and time deposits. Customer deposits and liabilities originate exclusively from the financial services business. They are measured at amortised cost using the effective interest method, which generally corresponds to the nominal value.

Other financial liabilities

The following balance sheet items are recognised in other financial liabilities:

(a) Finance leases

See section above, “Leasing (finance leases and rental)”.

(b) Derivative financial instruments

Negative fair values of derivative financial instruments are recognised in this item. See section above on derivative financial instruments and hedge accounting.

(c) Other financial liabilities

Financial liabilities recognised in other financial liabilities are those that neither represent payables due to banks nor originate from the financial services business. These include, for example, personnel investment accounts and loans. Other financial liabilities are measured at amortised cost using the effective interest method, which generally corresponds to the nominal amount.

Trade payables and other liabilities

Trade payables and other liabilities are measured at amortised cost, which generally corresponds to the nominal value.

Provisions

Provisions for guarantees, restructuring, onerous contracts and other legal claims are recognised when the Migros Group has a present obligation (legal or constructive) arising from a past event that is likely to result in an outflow of resources, and the amount can be reliably estimated. No provisions are created for future losses. If the amount of the obligation cannot be reliably estimated, it is recognised as a contingent liability. Measurement is based on the best possible estimate of the expected expense. If there is a significant effect of the time value of money, the provision is discounted. Restructuring provisions are not recognised until a detailed plan has been submitted and a public announcement made.

Issued debt instruments

Issued debt instruments include bonds issued on the capital market, mortgage backed loans and medium term bonds from the financial services business and private placements. Issued debt instruments are initially recognised at cost, i.e. at the fair value of the consideration received less transaction costs. The difference between cost and repayment amount (nominal amount) is recognised in interest expense over the term in profit and loss, using the effective interest method.

Employee benefits

Benefits paid by the Migros Group to employees cover all forms of compensation granted in exchange for employee services provided, or under special circumstances. Employee benefits include short-term benefits, post-employment benefits (pension obligations), other long-term benefits and termination benefits.

(a) Short-term benefits

Short-term employee benefits are benefits that are payable within twelve months of the end of the reporting period, such as wages, salaries, social security contributions, annual leave and overtime claims, and non-monetary benefits to active employees. Recognition of short-term benefits is done on an accrual basis.

(b) Post-employment benefits (pension obligations)

The pension arrangements of the Migros Group are tailored to local circumstances in respect of entry and range of benefits. Funding is generally shared by the employer and the employees. The majority of employees in Switzerland are insured under the company provisions by defined benefit plans (Migros Pension Fund, pension fund of the Globus companies, etc.) in respect of age, disability and death. In other countries old-age provision is mainly covered by defined contribution state plans. The primary benefits under this form of provision are pensions, which are paid post-employment.

The obligations recognised in the balance sheet from defined benefit pension plans correspond to the present value of the defined benefit obligation at the balance sheet date plus any unrecognised actuarial gains, less the fair value of the plan assets, unrecognised actuarial losses, and adjustments of past service costs not yet recognised. Defined benefit obligations are calculated annually by independent actuaries, using the projected unit credit method.

The actuarial gains and losses to be recognised pro rata correspond to the cumulative unrecognised actuarial gains and losses at the end of the previous reporting period that exceed the greater of the following amounts: 10% of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the allocable fair value of the plan assets at that date.

Past service cost such as that arising from benefit improvements that increase the employees’ present entitlement (vested benefits), is recognised immediately in profit and loss. Where the entitlement to benefit improvement will only arise in the future, past service cost is recognised in profit and loss on a straight-line basis over the remaining vesting period.

Contributions to defined contribution plans that are made on a contractual, legal or voluntary basis are recognised directly in profit and loss. Once the contributions owing have been paid, the group has no further obligations.

(c) Other long-term benefits

Other long-term employee benefits are benefits that fall due twelve or more months after the balance sheet date. In the Migros Group, these are primarily long-service awards. These benefits are determined in accordance with actuarial principles. The amount recognised in the balance sheet corresponds to the present value of the obligation thus calculated at the balance sheet date.

(d) Termination benefits

Examples of termination benefits are settlements and benefits under social plans. Such benefits are recognised as an expense in profit and loss immediately at the date of termination of the employment.

Income tax liabilities

Current income taxes are recognised on an accrual basis, based on the operating profit or loss of the consolidated entities recognised locally in the reporting year.

Deferred income taxes are deferred on all temporary taxable or tax-deductable differences between the tax and IFRS values according to the liability method. However, deferred income taxes are not recognised if they are linked to the initial recognition of an asset or liability arising from a transaction that does not relate to a business combination and where recognition has no effect on the accounting or taxable profit. Deferred income taxes are measured using the tax rates that are expected to apply to the period in which an asset is realised or a debt discharged. In this case the tax rates used are those valid at or announced prior to the balance sheet date.

Deferred income tax asset on loss carryforwards are capitalised only if it is probable that there will be future gains which can be used to offset the tax on the loss carryforwards.

Deferred income tax is not recognised on temporary differences in connection with investments in subsidiaries and associate entities, where the reversal date can be controlled by the group and which will not be realised in the foreseeable future.

Equity

(a) Cooperative capital

The cooperative capital consists of the cooperative capital amounts of the 10 Cooperatives.

(b) Retained earnings

Retained earnings comprise the retained profits of the Migros Group and the profit of the year under review.

(c) Currency translation difference

The currency translation difference includes the currency translation differences arising from the conversion into the presentation currency, CHF, of the annual financial statements of foreign subsidiaries that are not denominated in CHF.

(d) Other reserves

Other reserves include adjustments to the fair value of “available for sale” financial assets, and of derivative financial instruments for cash flow hedges.

(e) Minority interests

Minority interests represent the share in the profit or loss and net assets of subsidiaries that are not wholly owned by the group.

Government grants

Government grants are recognised when it is certain that the requisite conditions will be met and that the grants will flow to the Migros Group. Grants for assets are deducted from the cost of the assets concerned. They are recognised over the useful life of the assets in income statement by means of the reduced depreciation amounts. Grants related to income are recognised in the income statement in the same period as the reduction of the corresponding expenses which they were approved to compensate, or, if these cannot be clearly determined, as other operating income.

4. Risk management

4.1 Risk management within the Migros Group

The Migros Group operates its own risk management. The risk management process is part of the annual strategy and financial planning process of the Migros Group. The Board of Directors of the Federation of Migros Cooperatives is responsible for a comprehensive risk management across all entities of the Migros Group.

Based on a systematic risk analysis, the most significant risks are identified and their likelihood of occurrence and financial effects are evaluated by the entities. The results are summarized in an individual risk report for each company and are each year discussed by the Board of Directors. The larger entities of the Migros Group introduce suitable measures for preventing, reducing or passing on such risks. Risks born by the entities themselves are rigorously monitored. Financial risks effecting the financial reporting are reduced by the internal control system. The risk reports of the individual companies are combined to a final report for each strategic business unit to which generally a top-down risk analysis/evaluation is added. The final report for each strategic business unit will be discussed by the Board of Directors of the FMC. The results of the risk evaluation shall be appropriately considered in the annual examination of the business units and corporate strategies.

Detailed information about financial risk management can be found in the below Note 4.2.

4.2 Financial risk management and capital risk management

The below overview shows the financial instruments of the Migros Group divided into categories for the respective balance sheet date:

Financial instruments by categories

	Fair value through profit or loss					
31.12.2009	**Trading portfolio**	**Designated**	**Available for sale**	**Derivative financial instruments for hedge accounting**	**Loans, receivables and liabilities**	**Total**
Million CHF						
Financial assets						
Cash and cash equivalents	-	-	-	-	3'167.2	**3'167.2**
Receivables due from banks	-	-	-	-	383.3	**383.3**
Mortgage and other customer receivables	-	-	-	-	27'530.7	**27'530.7**
Trade receivables	-	-	-	-	524.4	**524.4**
Other receivables	-	-	-	-	194.1	**194.1**
Other financial assets	358.3	269.1	2'363.9	1.5	376.2	**3'369.0**
Total financial assets	**358.3**	**269.1**	**2'363.9**	**1.5**	**32'175.9**	**35'168.7**
Financial liabilities						
Payables due to banks	-	-	-	-	1'063.5	**1'063.5**
Customer deposits and liabilities	-	-	-	-	23'080.1	**23'080.1**
Other financial liabilities	48.7	-	-	8.2	1'830.6	**1'887.5**
Trade payables	-	-	-	-	1'671.1	**1'671.1**
Other liabilities[1]	-	-	-	-	631.6	**631.6**
Issued debt instruments	-	-	-	-	6'525.2	**6'525.2**
Total financial liabilities	**48.7**	**-**	**-**	**8.2**	**34'802.1**	**34'859.0**

	Fair value through profit or loss					
31.12.2008	**Trading portfolio**	**Designated**	**Available for sale**	**Derivative financial instruments for hedge accounting**	**Loans, receivables and liabilities**	**Total**
Million CHF						
Financial assets						
Cash and cash equivalents	-	-	-	-	3'148.8	**3'148.8**
Receivables due from banks	-	-	-	-	91.3	**91.3**
Mortgage and other customer receivables	-	-	-	-	26'476.9	**26'476.9**
Trade receivables	-	-	-	-	560.3	**560.3**
Other receivables	-	-	-	-	345.5	**345.5**
Other financial assets	354.2	166.4	2'143.4	2.2	356.2	**3'022.4**
Total financial assets	**354.2**	**166.4**	**2'143.4**	**2.2**	**30'979.0**	**33'645.2**
Financial liabilities						
Payables due to banks	-	-	-	-	1'257.4	**1'257.4**
Customer deposits and liabilities	-	-	-	-	21'114.0	**21'114.0**
Other financial liabilities	97.2	-	-	23.1	2'103.9	**2'224.2**
Trade payables	-	-	-	-	1'677.0	**1'677.0**
Other liabilities[1]	-	-	-	-	676.9	**676.9**
Issued debt instruments	-	-	-	-	7'030.8	**7'030.8**
Total financial liabilities	**97.2**	**-**	**-**	**23.1**	**33'860.0**	**33'980.3**

[1] excluding accrued expenses

In their operating activities, Migros Group entities are exposed to a multitude of financial risks. The most significant financial risks arise from changes in foreign exchange rates, interest rates, commodity and share prices, as well as from credit and liquidity risk.

In its financial risk management, the Migros Group distinguishes between the Retail and Industry sector (Cooperative Retailing, Commerce, Industry & Wholesaling, Travel and Others) and the Financial Services sector (Migros Bank). Management of financial risk in the two sectors is independently structured, and both sectors are monitored by the responsible executive bodies. The tables of the financial risk management show gross values, i.e. including the relationship between the two sectors. The risk control function and responsibility for independent risk control lies with the management of the individual businesses. The Board of Directors is responsible for independent monitoring of the risks.

4.2.1 Financial risk management in Retail and Industry sector

Responsibility for financial risk management in the Retail and Industry sector is allocated to different management levels:

- Financial risk management is based on uniform policies and guidelines laid down by the executive group management.
- The boards of directors of the different entities are responsible for strategy, supervision and control of the corresponding group entities and the financial risk management including the determination of each entity's risk tolerance.
- The executive management of the different entities is responsible for the implementation, management and monitoring of the financial risk management, in particular the risk tolerance as defined by the board of directors.

The retail businesses (Migros Cooperatives, Globus companies, Denner), industry companies and service companies are independently responsible for their own treasury functions.

Simulation calculations are made to be able to estimate the effects of different market conditions. The simulation calculations are described in the presentation of the individual market risks.

Risks are regularly monitored. In conformity with the internal risk policy, derivative financial instruments are used to manage and hedge individual risks. In the Retail and Industry sector, no financial risks are incurred that involve a non-assessable risk at the date of conclusion of the transaction.

Market risks

a) Foreign Exchange risks

As a retail group whose main sales activity is in Switzerland, a significant proportion of the purchasing of commodities is done in other countries, in foreign currencies. There are other foreign currency operations in other countries (e.g. in the travel business).

Foreign exchange rate fluctuations – mainly against the euro (EUR), US dollar (USD) and pound sterling (GBP) – can therefore have a considerable effect on the income statement, especially in the form of transaction risks on the purchases of goods and services in foreign currencies, and to a limited extent in the form of translation risks from foreign group companies (Hotelplan).

Each company defines its maximum foreign currency exposure. Within clearly defined tolerance values, a certain volatility in trading as a result of currency fluctuations is acceptable. The individual group entities have a hedging relationship with the FMC Treasury. The Treasury Department of the FMC is responsible for hedging the foreign currency exposure on the market in the different currencies used by the Retail and Industry sector. Forward exchange transactions are the principal form of hedging instruments used.

Foreign exchange risks are regularly monitored at individual company level. The individual group companies regularly report their foreign currency exposure to the FMC's Treasury Department, which calculates the foreign currency exposure or exchange risk on the basis of a hypothetical change in the risk variables on the portfolio of financial instruments at the reporting date. It is assumed that the portfolio at the reporting date is representative for the whole year.

Balance sheet by currency

CHF million

31.12.2009	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	1'072.1	73.9	11.8	56.8	21.6	**1'236.2**
Receivables due from banks	406.2	12.5	-	-	-	**418.7**
Trade receivables	433.3	83.3	2.2	3.7	3.2	**525.7**
Other receivables	163.1	27.2	0.9	2.4	0.6	**194.2**
Other financial assets	1'076.0	82.3	14.7	1.1	5.2	**1'179.3**
Total financial assets	**3'150.7**	**279.2**	**29.6**	**64.0**	**30.6**	**3'554.1**
Financial liabilities						
Payables due to banks	-1'019.8	-49.6	0.0	0.0	0.0	**-1'069.4**
Other financial liabilities	-1'857.8	-17.8	-3.1	-0.1	-1.7	**-1'880.5**
Trade payables	-1439.6	-202.3	-17.7	-6.0	-5.6	**-1'671.2**
Other liabilities	-460.0	-24.4	-0.3	-25.6	-6.4	**-516.7**
Issued debt instruments	-646.0	-	-	-	-	**-646.0**
Total financial liabilities	**-5'423.2**	**-294.1**	**-21.1**	**-31.7**	**-13.7**	**-5'783.8**
Foreign currency net exposure before hedging	**-2'272.5**	**-14.9**	**8.5**	**32.3**	**16.9**	**-2'229.7**
Foreign currency derivatives	-694.8	578.2	130.3	-53.7	34.7	**-5.3**
Foreign currency net exposure after hedging	**-2'967.3**	**563.3**	**138.8**	**-21.4**	**51.6**	**-2'235.0**

31.12.2008	CHF	EUR	USD	GBP	Other	Total
Total financial assets	2'956.2	341.1	64.4	130.9	46.8	**3'539.4**
Total financial liabilities	-5'923.4	-284.3	-39.0	-45.8	-28.0	**-6'320.5**
Foreign currency net exposure before hedging	**-2'967.2**	**56.8**	**25.4**	**85.1**	**18.8**	**-2'781.1**
Foreign currency derivatives	-795.0	654.9	156.3	-82.4	51.1	**-15.1**
Foreign currency net exposure after hedging	**-3'762.2**	**711.7**	**181.7**	**2.7**	**69.9**	**-2'796.2**

[1] Including hedging of future purchases and sales in foreign currencies

Results of the sensitivity analysis:
If the EUR were to strengthen against the CHF on 31 December 2009 by 5% (31.12.2008: 5%), the pre-tax profit would have been CHF 8.1 million (31.12.2008: CHF 13.6 million) higher. Other reserves (equity) would have been higher by the amount of CHF 20.1 million (31.12.2008: CHF 22.0 million). Were the EUR to weaken against the CHF the effect on the pre-tax profit and Other reserves would be the reverse.

If the USD were to strengthen against the CHF on 31 December 2009 by 5% (31.12.2008: 5%), the pre-tax profit would have been CHF 1.2 million (31.12.2008: CHF 2.2 million) higher. Other reserves (equity) would have been higher by the amount of CHF 5.7 million (31.12.2008: CHF 6.9 million). Were the USD to weaken against the CHF the effect on the pre-tax profit and Other reserves would be the reverse.

If the GBP were to strengthen against the CHF on 31 December 2009 by 5% (31.12.2008: 5%), the pre-tax profit would have been CHF 2.3 million (31.12.2008: CHF 4.7 million) higher. Other reserves (equity) would have been lower by the amount of CHF 3.3 million (31.12.2008: CHF 4.5 million). Were the USD to weaken against the CHF the effect on the pre-tax profit and Other reserves would be the reverse.

b) Interest rate risks

The Retail and Industry sector is exposed to interest rate risk because of the volatility of market rates. Demand funds, money market, bond investments and derivative financial instruments are all subject to interest rate risk that can materially affect the profit and loss and financial position. There are also interest rate risks on the financing side, created by variable rate rollover credits from national and international banks, fixed-rate borrowings on the capital market, and variable rate staff investments accounts.

The Retail and Industry sector area is mainly funded through the FMC on the loan capital market and the employees' staff investment accounts. The risk of fluctuating interest rates is mainly managed by means of the ratio of fixed- to variable-rate borrowings. If necessary, the resulting interest rate risks are hedged with appropriate financial instruments.

Interest rate risk is monitored using a simulation calculation. This represents the effects of interest rate changes on finance income and cost, and where appropriate on Other reserves (equity).

Interest rate risk

CHF million

31.12.2009	Interest rate adjustment within 0 - 3 months	3 - 12 months	1 - 5 years	> 5 years	no-interest bearing	Total
Financial assets						
Cash and cash equivalents	1'079.9	-	-	-	156.3	**1'236.2**
Receivables due from banks	365.2	53.5	-	-	-	**418.7**
Trade receivables	34.9	-	-	-	490.8	**525.7**
Other receivables	58.6	1.2	0.0	-	134.4	**194.2**
Other financial assets	327.8	199.3	236.1	197.7	218.4	**1'179.3**
Total financial assets	**1'866.4**	**254.0**	**236.1**	**197.7**	**999.9**	**3'554.1**
Financial liabilities						
Payables due to banks	-795.4	-138.0	-130.3	-4.6	-1.1	**-1'069.4**
Other inancial liabilities	-1'722.1	-26.8	-42.1	-78.1	-11.4	**-1'880.5**
Trade payables	-	0.0	-	-	-1'671.2	**-1'671.2**
Other liabilities	-126.4	-0.1	-	-	-390.2	**-516.7**
Issued debt instruments	-	-596.0	-50.0	-	-	**-646.0**
Total financial liabilities	**-2'643.9**	**-760.9**	**-222.4**	**-82.7**	**-2'073.9**	**-5'783.8**
Interest rate repricing net exposure before hedging	**-777.5**	**-506.9**	**13.7**	**115.0**	**-1'074.0**	**-2'229.7**
Interest derivatives	300.0	250.0	-350.0	-200.0	-	**-**
Interest rate repricing net exposure after hedging	**-477.5**	**-256.9**	**-336.3**	**-85.0**	**-1'074.0**	**-2'229.7**

31.12.2008	Interest rate adjustment within 0 - 3 months	3 - 12 months	1 - 5 years	> 5 years	no-interest bearing	Total
Total financial assets	1'538.2	70.5	513.6	250.8	1'166.3	**3'539.4**
Total financial liabilities	-2'645.8	-378.8	-1'034.7	-112.7	-2'148.5	**-6'320.5**
Interest rate repricing net exposure before hedging	**-1'107.6**	**-308.3**	**-521.1**	**138.1**	**-982.2**	**-2'781.1**
Interest derivatives	100.0	-200.0	-100.0	200.0	-	**0.0**
Interest rate repricing net exposure after hedging	**-1'007.6**	**-508.3**	**-621.1**	**338.1**	**-982.2**	**-2'781.1**

Results of the sensitivity analysis:
If market rates had been 0.25% (25 basis points) higher on 31 December 2009, the pre-tax profit would have been CHF 4.0 million higher (31.12.2008: CHF 1.2 million lower). If market rates had been 25 basis points lower on 31 December 2009, the pre-tax profit would have been CHF 4.0 million lower (31.12.2008: CHF 1.2 million higher). In 2009 the pre-tax result reflected a more sensitive reaction to the changes in market interest rate due to stronger hedging against higher interest.

A changed interest rate level would also affect Other reserves (equity) due to the change in the market value of fixed-interest bonds in the “available for sale” category and of interest rate swaps classified as cash flow hedges.

If market rates had been 25 basis points higher on 31 December 2009, the Other reserves (equity) would have been CHF 4.0 million (31.12.2008: CHF 5.2 million) lower. If market rates had been 25 basis points lower on 31 December 2009, the Other reserve (equity) would have been CHF 4.0 million (31.12.2008: CHF 5.2 million) higher. Equity reacted less sensitively to the changes in market interest rate as the volume of invested debt instruments (bonds) had moderately decreased.

c) Share price risks

The FMC only purchases shares to a lesser extent to invest its liquid resources. These shares are either measured at “fair value through profit or loss” or classified as “available for sale”. Share price fluctuations therefore have a direct impact on the result and/or the amount of Other reserves (equity). To minimise the share price risk, care is taken to ensure reasonable diversification of share investments based on markets, securities and sectors. Loss of value risks are reduced by analyses before the purchase and by the constant monitoring of the investments’ performance and risks.

Share price risk is monitored using a simulation calculation. This represents the effects of changes in share prices on the income statement and on equity. With few exceptions, share investments of the Retail and Industry sector are listed. The sensitivity of the share price risk is determined when the following change occurs in the index:

		2009			2008	
Index	**Index change**	**Change in result**	**Change in equity[1]**	Index change	Change in result	Change in equity[1]
Swiss Market Index	**5.84%**	**CHF +2.4 m**	**CHF +8.6 m**	10.17%	CHF +5.0 m	CHF +7.5 m
MSCI World	**6.71%**	**CHF +0.9 m**	**CHF 0.0 m**	9.58%	CHF +2.1 m	CHF 0.0 m

[1] Other reserves respectively other comprehensive income

If the assumed changes of the two indices had been reflected in stock markets listings on 31 December 2009, the pre-tax result would have been CHF 3.3 million (31.12.2008 CHF 7.1 million) higher and Other reserves (equity) would have been CHF 8.6 million (31.12.2008 CHF 7.5 million) higher. If the indices had been lower, the effect on the pre-tax result and Other reserves would be the reserve.

Due to the significantly lower volatilities of the two indices and the lower share volumes in the category “fair value through profit or loss“, profits in 2009 were less sensitive to changes in fair value. Due to the higher share volumes the stock portfolios in the category “available for sale“ show a significant increase in sensitivity of Other reserves (equity) as regards to stock market development.

d) Commodity price risks

The Retail and Industry sector is exposed to commodity price risk as regards operating stock in the fuel and heating oils business (Migrol). Migrol uses commodity futures to eliminate mostly of this risk and the risk of prospective customer orders.

Credit risks

Credit risks comprise the counterparty risk on marketable securities, the default risk on derivative financial instruments, current account balances and time deposits, and to a lesser extent the credit risk on open trade receivables. The maximum credit risk corresponds to the carrying amounts.

Counterparty risk is reduced in principle by purchasing bonds from debtors which carry at least an “investment grade” rating or an equivalent rating from a major Swiss bank. In individual cases, bonds are also purchased from debtors with a lower rating, but only after a thorough analysis and positive assessment of any potential risks. To prevent cluster risks, the bond portfolio is broadly diversified.

The default risk on derivative financial instruments, current account balances and time deposits is reduced by selecting as counterparties only highly reputable banks, financial institutions, or also, in the case of time deposits, (public-law) entities which carry at least an “investment grade” rating or an equivalent rating from a major Swiss bank.

A rigid limits system restricts the exposure per counterparty and is constantly adjusted in line with developments in ratings and credit default swap-spreads as well as general market developments.

The Retail and Industry sector of the Migros Group is operationally only subject to a very low credit risk, because transactions with customers are usually in cash. Of the existing trade receivables, these are mainly receivables by the industry companies and from the travel, oil and fuel business. In the case of new customers, their credit rating is determined by a detailed credit rating test and subsequently by permanent monitoring of open claims.

Analysis of credit risks of receivables due from banks and financial assets neither past due nor individually impaired at the balance sheet date

	Investment Grade[1]		Non-Investment Grade		Not rated		Total	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	**418.7**	134.9	**-**	-	**-**	-	**418.7**	134.9
Other financial assets								
Fair value through profit or loss	**179.5**	87.8	**-**	-	**-**	0.6	**179.5**	88.4
Available for sale	**347.2**	382.0	**-**	-	**20.0**	20.0	**367.2**	402.0
Derivative financial instruments for hedge accounting	**1.5**	0.2	**-**	-	**-**	-	**1.5**	0.2
Loans	**-**	-	**-**	-	**380.0**	351.7	**380.0**	351.7
Total	**946.9**	604.9	**-**	-	**400.0**	372.3	**1'346.9**	977.2

[1] S&P: Grades from AAA to BBB / Moody's: Grades Aaa to Baa3 or equivalent ratings of Swiss major banks

There are some guarantees held for the above receivables and finance assets.

Analysis of financial instruments past due but not individually impaired at the balance sheet date

	Past due					
	< 3 months		> 3 months		Total	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	**-**	-	**-**	-	**-**	-
Trade receivables	**99.4**	102.3	**8.7**	7.8	**108.1**	110.1
Other receivables	**4.6**	12.7	**2.9**	1.7	**7.5**	14.4
Other financial assets						
Fair value through profit or loss	**-**	-	**-**	-	**-**	-
Available for sale	**-**	-	**-**	-	**-**	-
Loans	**-**	-	**-**	-	**-**	-
Total	**104.0**	115.0	**11.6**	9.5	**115.6**	124.5

There are some guarantees held for the above receivables and financial assets.

Analysis of financial instruments individually impaired at the balance sheet date

	Gross amount		Provision for impairment		Carrying amount after provision for impairment	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	**-**	-	**-**	-	**-**	-
Trade receivables	**20.4**	16.5	**-14.0**	-11.5	**6.4**	5.0
Other receivables	**8.4**	6.6	**-8.4**	-0.2	**0.0**	6.4
Other financial assets						
Available for sale	**-**	15.0	**-**	-3.5	**-**	11.5
Loans	**6.4**	14.5	**-4.1**	-10.0	**2.3**	4.5
Total	**35.2**	52.6	**-26.5**	-25.2	**8.7**	27.4

There are some guarantees held for the above receivables and financial assets.

Liquidity risks

The Retail and Industry sector entities are in principle responsible for managing their own liquid resources. Investment of liquid resources and the procurement of loans for bridging tight liquidity positions, and also to fund investments, can be undertaken centrally at the FMC, which assumes the function of an internal group bank. This function enables the FMC to control most of the liquidity flow within the Retail and Industry sector.

To ensure that the resulting liquidity demands can be satisfied at any time, the FMC holds sufficient cash reserves and easily realisable securities. In addition, its high credit standing in the Retail and Industry sector enables it to raise cash resources for financing purposes at favourable terms on the national and international money and capital market.

Liquidity risk by contractual maturity - undiscounted (gross)

CHF million	Maturing within				
31.12.2009	**0 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	1'236.2	-	-	-	**1'236.2**
Receivables due from banks	365.8	53.5	-	-	**419.3**
Trade receivables	520.6	3.2	1.9	-	**525.7**
Other receivables	162.5	31.5	0.2	-	**194.2**
Other financial assets					
Net interest income from interest rate swaps	0.0	1.5	0.6	-	**2.1**
Forward exchange contract gross cash inflow	178.2	92.5	-	-	**270.7**
Forward exchange contract gross cash outflow	-175.4	-90.5	-	-	**-265.9**
Debt instruments	256.1	171.5	260.0	263.5	**951.1**
Others	101.2	61.6	167.2	6.1	**336.1**
Total other financial assets	360.1	236.6	427.8	269.6	**1'294.1**
Total financial assets	**2'645.2**	**324.8**	**429.9**	**269.6**	**3'669.5**
Financial liabilities					
Payables due to banks	-89.8	-297.3	-699.2	-	**-1'086.3**
Other financial liabilities					**-**
Gross liabilities from finance leasing	-0.8	-6.7	-35.6	-70.6	**-113.7**
Commitments for purchasing financial assets	-	-	-	-	**-**
Net interest payments for interest rate swaps	-0.8	-9.3	-13.0	-3.5	**-26.6**
Forward exchange contract gross cash inflow	402.0	385.4	63.6	-	**851.0**
Forward exchange contract gross cash outflow	-408.2	-389.3	-63.8	-	**-861.3**
Others	-1'722.0	-4.6	-8.9	-13.7	**-1'749.2**
Total other financial liabilities	-1'729.8	-24.5	-57.7	-87.8	**-1'899.8**
Trade payables	-1'637.1	-33.2	0.0	-0.9	**-1'671.2**
Other liabilities	-397.2	-118.7	-0.5	-0.3	**-516.7**
Issued debt instruments	-1.9	-16.3	-91.5	-601.0	**-710.7**
Financial guarantees	-0.1	-0.1	-59.5	-51.7	**-111.4**
Irrevocable credit commitments	-	-	-	-	**-**
Total financial liabilities	**-3'855.9**	**-490.1**	**-908.4**	**-741.7**	**-5'996.1**

CHF million	Maturing within				
31.12.2008	**0 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	1'460.7	-	2.2	-	**1'462.9**
Receivables due from banks	133.3	1.5	0.1		**134.9**
Trade receivables	537.7	21.1	1.2	-	**560.0**
Other receivables	215.1	87.8	11.4	-	**314.3**
Other financial assets					
Net interest income from interest rate swaps	-1.3	2.7	17.2	4.3	**22.9**
Forward exchange contract gross cash inflow	111.1	130.7	1.1	-	**242.9**
Forward exchange contract gross cash outflow	-98.4	-117.4	-1.1	-	**-216.9**
Debt instruments	13.3	24.1	534.4	313.7	**885.5**
Others	80.6	115.3	83.3	13.5	**292.7**
Total other financial assets	105.3	155.4	634.9	331.5	**1'227.1**
Total financial assets	**2'452.1**	**265.8**	**649.8**	**331.5**	**3'699.2**
Financial liabilities					
Payables due to banks	-175.7	-278.5	-837.2	-	**-1'291.4**
Other financial liabilities					
Gross liabilities from finance leasing	-0.8	-6.9	-29.0	-79.7	**-116.4**
Commitments for purchasing financial assets	-	-	-	-	**-**
Net interest payments for interest rate swaps	1.4	-2.3	-10.1	-1.6	**-12.6**
Forward exchange contract gross cash inflow	269.3	376.6	-	-	**645.9**
Forward exchange contract gross cash outflow	-285.8	-398.2	-	-	**-684.0**
Others	-1'478.4	-255.3	-349.1	-11.7	**-2'094.5**
Total other financial liabilities	-1'494.3	-286.1	-388.2	-93.0	**-2'261.6**
Trade payables	-1'573.1	-103.4	-0.5	-	**-1'677.0**
Other liabilities	-409.0	-130.9	-0.8	-	**-540.7**
Issued debt instruments	-52.2	-16.3	-628.6	-25.8	**-722.9**
Financial guarantees	-0.1	-0.1	-42.1	-36.6	**-78.9**
Irrevocable credit commitments	-	-	-	-	**-**
Total financial liabilities	**-3'704.4**	**-815.3**	**-1'897.4**	**-155.4**	**-6'572.5**

The amounts cannot be reconciled with the balance sheet figures as under Liquidity risk the flows of funds are shown as undiscounted, nominal values with contractual maturities and as future contractual flows of funds are also included.

Fair values of financial instruments

Part of the financial assets and liabilities is measured at fair value. Depending on which market data are incorporated into the fair value valuation, the financial instruments measured at fair value are assigned to one of the three levels of the fair value hierarchy below. These levels are defined as follows:

- Level 1: The fair value is based on quoted prices on active markets for identical assets or liabilities.
- Level 2: The fair value does not stem from quoted prices as in Level 1 but is based on market information that is directly (e.g. in the form of prices) or indirectly (derived from prices) observable.
- Level 3: The fair value is determined using non-observable market data.

All financial instruments that are traded directly and regularly on stock exchanges or with which regularly market transactions take place are assigned to Level 1. As regards derivative financial instruments, publicly traded crude oil contracts used to hedge the oil and fuel business in particular are assigned to Level 1. Level 2 contains all financial instruments that are not directly traded on stock exchanges, but whose fair value is primarily based on observable market data, e.g. on the market prices of similarly listed instruments. All derivatives traded “over the counter” are also reported here, including foreign currency and interest hedges in the Migros Group. The financial instruments assigned to Level 3 whose fair value is not primarily based on observable market data mostly include non-listed minority interests whose fair value is approximated particularly using “Discounted Cash Flow” methods in the Migros Group.

31.12.2009	**Level 1**	**Level 2**	**Level 3**	**Total**
CHF million				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss [1]				
Debt instruments	151.4	20.7	-	**172.1**
Equity instruments	92.2	4.4	0.5	**97.1**
Total financial assets at fair value through profit or loss	**243.6**	**25.1**	**0.5**	**269.2**
Financial assets available for sale				
Debt instruments	336.0	10.0	21.3	**367.3**
Equity instruments	148.0	-	9.7	**157.7**
Total financial assets available for sale	**484.0**	**10.0**	**31.0**	**525.0**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	-	7.4	-	**7.4**
Designated for hedge accounting	0.7	0.8	-	**1.5**
Total derivative financial assets	**0.7**	**8.2**	**-**	**8.9**
Total financial assets measured at fair value	**728.3**	**43.3**	**31.5**	**803.1**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	-1.0	-40.7	-	-41.7
Designated for hedge accounting	-	-8.2	-	-8.2
Total financial liabilities measured at fair value	**-1.0**	**-48.9**	**-**	**-49.9**

[1] Without derivative financial instruments of the “fair value through profit or loss" category. These derivatives are reported separately in this table in the section "Derivative financial instruments".

In the 2009 reporting year, there were no significant transfers between Levels 1 and 2. The following transactions took place for the financial instruments assigned to Level 3 during the year.

Financial instruments Level 3 2009 CHF million	Fair value through profit or loss Equity instruments	Financial assets Available for sale Debt instruments	Available for sale Equity instruments	Total
As per 1 January 2009	**1.8**	**20.0**	**9.3**	**31.1**
Gains / (losses) recognised				
in the income statement	0.0	0.5	-	**0.5**
in the other comprehensive income	-	0.8	0.5	**1.3**
Additions	-	-	0.2	**0.2**
Disposals	-1.3	-	-0.3	**-1.6**
Transfers to level 3	-	-	-	**-**
Transfers out of level 3	-	-	-	**-**
Foreign exchange differences	-	0.0	-	**0.0**
As per 31 December 2009	**0.5**	**21.3**	**9.7**	**31.5**
Gains / (losses) included in profit / (loss) for financial instruments held at the end of the reporting period	0.0	0.5	-	**0.5**

The following positions are not recognised at fair value but at amortised cost:

Fair values of financial instruments carried at amortised cost

	Carrying amount		Fair value	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Financial assets				
Receivables due from banks	**418.7**	134.9	**418.7**	134.9
Other financial assets				
Loans	**376.2**	356.2	**382.3**	356.8
Total	**794.9**	491.1	**801.0**	491.7
Financial liabilities				
Payables due to banks	**1'069.4**	1'250.4	**1'096.9**	1'248.1
Other financial liabilities [1]	**1'830.6**	2'103.9	**1'830.9**	2'104.1
Issued debt instruments	**646.0**	643.8	**678.3**	677.5
Total	**3'546.0**	3'998.1	**3'606.1**	4'029.7

[1] Without derivative financial instruments

4.2.2 Capital risk management in the Retail and Industry sector

For capital risk management purposes, the Retail and Industry sector is oriented to the requirements of the rating agency and of the lending banks to maintain the current rating. The long-term aim is to achieve:

- a maximum ratio of net financial liabilities to adjusted equity of 30%, and
- a minimum ratio of adjusted equity to balance sheet total of 40%.

Ratios based on IFRS	**31.12.2009**	31.12.2008 (restated)
	CHF million	CHF million
Payables due to banks	**1'069.4**	1'250.4
Other financial liabilities (interest bearing)	**2'006.9**	2'314.8
Issued debt instruments	**646.0**	643.8
Total financial liabilities	**3'722.3**	4'209.0
Less		
Cash and cash equivalents	**1'236.2**	1'462.9
Other financial assets	**858.8**	743.7
Total financial assets	**2'095.0**	2'206.6
Net financial liabilities	**1'627.3**	2'002.4
Total equity (without minority interests)	**11'620.2**	10'678.8
Elimination other reserves	**-8.5**	47.4
Total adjusted equity	**11'611.7**	10'726.2
Ratio of net financial liabilities to adjusted equity	**14.0%**	18.7%
Balance sheet total	**19'564.0**	19'088.1
Ratio of adjusted equity to balance sheet total	**59.4%**	56.2%

The ratio of net financial liabilities to adjusted equity has changed by 4.7% to 14.0% due to an increase in adjusted equity and a decrease of financial liabilities. For the same reason the ratio of adjusted equity to the balance sheet total changes by 3.2% to 59.4%

4.2.3 Financial risk management in the Financial Services sector (Migros Bank)

Assumption of risks is one of the entrepreneurial functions of a bank, for which it is compensated by corresponding risk premiums. Consciously handling risks is therefore a key element in a bank's success. The Financial Services sector therefore regards financial risk management as one of its core competencies. Banks are also subject to extensive regulatory provisions relating to the individual types of risk, and compliance with those is regularly monitored by the auditors and the supervisory authorities.

The Financial Services sector traditionally adopts a conservative risk policy, concentrating its activities on business areas where risks tend to be moderate.

The bank's basic risk policy is set out in the organisational rules, and regulated in detail in the competence regulations and directions.

The board of directors is the most senior body responsible for financial risk management, setting out the levels of competence and limits. The board also regulates the method of risk measurement and limitation. The board of directors is kept fully informed by the executive management about the development of all risks at its quarterly board meetings.

Within the executive management, the Chief Risk Officer is responsible for daily financial risk management. He or she heads the Risk Office, which is an independent unit that monitors compliance with credit authorities and risk limits and is also responsible for measurement and reporting of risks.

At operational level, overall responsibility for financial risk management rests with the Risk Council. This is comprised of members of the executive management and other field specialists. The Risk Office advises the Risk Council at its monthly meetings about the development of all risks. Depending on how risks have developed, and the estimation of future market trends, it is within the competence of the Risk Council to decide to take on additional risk, or to order the hedging of existing risks.

Credit risks

Credit risk, or counterparty risk relates to the risk that a party will not meet the obligations it has entered into. Credit risks exist both on traditional bank products (e.g. mortgages) and also on its trading activities. If a customer fails to meet its obligations, the result may be a loss for the bank.

To limit credit risk, there is a level-based approval procedure in place for new credits. The credit decision-making process distinguishes between the internal competence of a branch and that of the head office or the board of directors, according to separate competence regulations. The approval procedure is based on a clear division between credit application and credit approval (four-eye principle). Because of the high volume of mortgage business, most transactions can be decided by internal authority. The internal decision-making pathways are short. The Central Credit Committee is responsible for supervising all credits transacted in respect of the applicable credit policy and compliance with the bank's relevant global instructions.

The maximum credit risk in the financial services sector is equivalent to the carrying amount of receivables or financial assets. In the case of off-balance-sheet transactions, the credit risk is as follows:

Off-balance-sheet transactions

	31.12.2009	31.12.2008
	CHF million	CHF million
Financial guarantees	**331.3**	397.9
Irrevocable credit commitments	**242.2**	268.7
Total	**573.5**	666.6

Most of the lending in the financial services sector relates to mortgage loans. These loans are secured on real estate, which can only be realised if the borrower ultimately defaults.

In measurement of real estate, the principle which applies is that the market value must be equivalent to no more than the purchase price (lending base for funding). In all cases, the market value is reviewed on the basis of own assessments, or on expert reports from representative architects, and always works from conservative values (land, buildings, rate of capitalisation, etc.). The measurement of individual real estate assets is done using a standardised form for market value estimates. In the owner-occupier homes sector (single-family house, privately owned flats) the bank uses actual values. Where there are special factors, such as properties for which there are only a few prospective buyers, the market values are corrected downwards. In the case of investment properties (apartment blocks and business premises) measurement is based in principle on the capitalized earnings value. The capitalisation rate is fixed according to the property-specific features (region, position, condition, rental structure, level of rental compared to surrounding area). In the case of investment properties, the real value is determined solely to assess whether it is reasonable. If a lower real value points to a clear discrepancy between these two values, a combined value is determined, with the weighting of two to three times the capitalized earnings value and one or two times the real value. For commercial and industrial properties, measurement is also based on the capitalized earnings value. In sectors of higher risk, the capitalisation rate is increased.

Credit quality of outstanding mortgages and other customer receivables
The Financial Services sector uses a rating model with ten rating levels to support the credit rating decision. It takes qualitative and quantitative elements into consideration for customers who are required to keep accounts and their business-specific collateral. For business customers, the ratings of commercial credits are reviewed annually. In the mortgage business, a rating procedure is used that is based on the value of the loan. The credit review period in the mortgage business varies according to the rating level, the amount of the commitment and the collateral received. The rating model ensures that the credit commitment is managed appropriate to the risk involved.

Analysis of mortgages and customer receivables neither past due nor individually impaired at the balance sheet date

Break down of receivables by rating levels (type of collateral)

Internal rating level	**Mortgages in %**		**Receivables in %**		**Total cumulative**	
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
1	**2.2%**	2.2%	**2.8%**	4.0%	**2.2%**	2.4%
2	**14.8%**	14.5%	**10.5%**	8.5%	**14.4%**	14.0%
3	**36.4%**	35.4%	**23.9%**	26.8%	**35.2%**	34.5%
4	**24.0%**	24.5%	**27.8%**	35.7%	**24.4%**	25.5%
5	**18.1%**	18.4%	**26.5%**	17.5%	**18.9%**	18.3%
6	**3.4%**	3.9%	**6.6%**	5.7%	**3.7%**	4.1%
7	**0.6%**	0.7%	**1.5%**	0.8%	**0.7%**	0.7%
8	**0.5%**	0.4%	**0.4%**	1.0%	**0.5%**	0.5%
9	**0.0%**	0.0%	**0.0%**	0.0%	**0.0%**	0.0%
10	**0.0%**	0.0%	**0.0%**	0.0%	**0.0%**	0.0%
Total in %	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%
Total in CHF million	**24'754.5**	24'001.2	**2'588.8**	2'232.9	**27'343.3**	26'234.1

The bank estimates that rating levels 1-5 correspond to an investment grade rating.

Lending margins
The Financial Services sector works on a secured basis for most of its credit business. More than 90% of customer lending is granted on that basis, with the emphasis on mortgage lending. Credit allocation is based on conservative lending margins. In more than 90% of the total mortgage business, the amount of the loan is less than 75% of the prudently estimated market value. Current valuations of the properties to be mortgaged are part of each credit advance. Most of the corresponding collateral comes from the private housing sector, and is well diversified throughout Switzerland. To prepare a sustainable feasibility assessment, in the case of owner-occupier housing, a technical rate of interest is assumed that corresponds to a long-term average rate.

Identification of default risks
Commitments where there is an increased risk (limits exceeded, arrears of interest, etc.) are closely monitored and dealt with. Handling is done in principle by the account holding branch. Depending on the amount of the loan and the complexity of the credit item, the central credit committee will also be involved. The branches send monthly lists of exceeded limits and half-yearly credit risk lists with comments to head office. To assess the need for impairment where debts are at risk, the liquidation value (estimated realisable value) of the credit collateral is determined. The liquidation value is determined from a current internal or external market value estimate, based on a visit to the site. The usual value reductions, maintenance costs and liquidation expenses not yet incurred are deducted from the estimated market price.

Analysis of credit risks of receivables due from banks and financial assets neither past due nor individually impaired at the balance sheet date

	Investment Grade[1]		**Non-Investment Grade**		**Not rated**		**Total**	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	-	-	**-**	-	**-**	-	**-**	-
Other financial assets								
Fair value through profit or loss	**128.7**	217.7	**28.0**	7.0	**-**	-	**156.7**	224.7
Available for sale	**1'770.3**	1'608.8	**-**	-	**-**	-	**1'770.3**	1'608.8
Derivative financial instruments for hedge accounting	-	2.0	**-**	-	**-**	-	**-**	2.0
Total	**1'899.0**	1'828.5	**28.0**	7.0	**-**	-	**1'927.0**	1'835.5

[1] S&P: Grades from AAA to BBB / Moody's: Grades Aaa to Baa3

Analysis of financial instruments past due but not individually impaired at the balance sheet date

	Past due						**Secured[1]**	
	< 3 months		**> 3 months**		**Total**		**Fair Value**	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	**-**	-	**-**	-	**-**	-	**-**	-
Mortgages	**24.7**	31.6	**115.0**	117.7	**139.7**	149.3	**139.7**	149.3
Customer receivables	**-**	-	**62.7**	59.5	**62.7**	59.5	**25.7**	24.4
Other financial assets								
Fair value through profit or loss	**-**	-	**-**	-	**-**	-	**-**	-
Available for sale	**-**	-	**-**	-	**-**	-	**-**	-
Total	**24.7**	31.6	**177.7**	177.2	**202.4**	208.8	**165.4**	173.7

[1] Mortgage-backed security

The Financial Services sector regards credit receivables as at risk if it appears unlikely, on the basis of the available information and events, that debtors will be able to meet their future obligations. Credit receivables are classed as at risk at the latest when the contractually fixed payments on the capital amount, and/or the interest and corresponding commissions have been outstanding for 90 days or more.

Individual impairments for credit risks are based on the following principles:

- The credit receivables are measured individually, taking into account the debtor's credit standing and the available collateral at liquidation values.
- Once there is no longer any guarantee that the credit receivable will be repaid by the expected payments, the presumed credit loss is covered by corresponding impairments for the difference between the carrying amount and the present value of estimated futures cash flows.

A credit status audit is carried out on all at-risk receivables at least twice a year, and impairment done where necessary. An impairment on at-risk receivables will only be reversed when the credit status has improved to such an extent that it can be assumed that capital repayment and interest payments will be made on time in accordance with the terms of the contract.

Analysis of financial instruments individually impaired at the balance sheet date

	Gross amount		Provision for impairment		Carrying amount after provision for impairment		Secured[1] Fair Value	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Receivables due from banks	**-**	-	**-**	-	**-**	-	**-**	-
Mortgages	**72.1**	94.6	**-49.7**	-51.0	**22.4**	43.6	**22.4**	43.6
Customer receivables	**69.3**	90.9	**-47.7**	-49.0	**21.6**	41.9	**16.7**	36.9
Other financial assets								
Available for sale	**-**	-	**-**	-	**-**	-	**-**	-
Total	**141.4**	185.5	**-97.4**	-100.0	**44.0**	85.5	**39.1**	80.5

[1] Mortgage-backed security

Interbank business/trading business
The Financial Services sector controls counterparty and/or default risks on trading activities and interbank transactions by means of credit limits on each counterparty, and these are also based primarily on the rating, in addition to other criteria. The relevant control figures for the credit risks are submitted to the Risk Council on a monthly basis for discussion.

Risk concentration
Under the Federal Banking Act, credit commitments that exceed 10% of the bank's equity must be reported to the supervisory authorities. In the year under review, as in the previous year, there were no such reportable commitments.

The Financial Services sector is centred mainly on mortgages. For the bank, this results in a concentration of risk on the Swiss real estate market. However, this risk concentration is considerably reduced by the structure of the credit portfolio. Accordingly, over 90% of the loan portfolio relates to residential housing, and the average credit amount is just CHF 0.4 million.

Market risks

Financial market risks are deemed to include mainly the risks and uncertainties of price fluctuations, including interest rate changes. Volatility changes, correlation modifications to the base products and derivatives can also be included, as well as possible changes to dividend payments. Above certain levels, trading liquidity can also have a corresponding impact on price formation, and thus alter the fluctuation risk. Market and trading risk is considerably affected by the behaviour of market operators.

a) Interest rate risks

In the traditional core business of interest margin, interest rate changes can have a major impact on earnings. The Risk Office is responsible for the systematic measurement and monitoring of interest rate risk. The Risk Council is responsible for controlling interest rate risk, based on these assessments and forecasts of future interest rate trends. Interest rate swaps are the principal means of controlling risk exposure.

The estimation of the effects of interest rate change on profit and loss is based on a dynamic income simulation, taking a number of scenarios as a basis. In this case, the main scenario assumes a parallel shift of 1% in the yield curve over six months.

According to this scenario, with a 1% rise in interest rates, pre-tax profit would have been CHF 48 million (31.12.2008: CHF 26 million) lower. Had interest rates fallen by 1%, pre-tax profit would have been CHF 48 million (31.12.2008: CHF 26 million) higher. The result in 2009 reacted more sensitively to changes in market rates than in 2008 as the risk exposure had increased due to the above average increase of fixed interest customer lending.

A change in interest rates would also affect the fair value of "available for sale" fixed-interest bonds, and therefore Other reserves (equity).

If market rates had been 1% higher on 31 December 2009, Other reserves (equity) would have been lower by CHF 62 million (31.12.2008: CHF 53 million). Had interest rates been 1% lower on 31 December 2009, Other reserves (equity) would have been CHF 62 million (31.12.2008: CHF 53 million) higher. Other reserves reacted more sensitively in 2009 to market rate changes than in 2008 because of the increased portfolio of invested debt instruments (bonds).

b) Share price risks

Trading is centralised, and conducted by a team of specialists. The systematic measurement, control and monitoring of market risks in the trading book is done using special software. A limits structure restricts risk exposure, which is measured using the "mark-to-market" method. Scenario analyses are prepared periodically, and the earnings situation, with profit and loss figures for illustration, is communicated on a daily basis to the appropriate authorities.

To minimise the share price risk, share investments are subject to an appropriate level of diversification based on markets, securities and branches. The risk of any loss in value is reduced by analyses before purchase and by regular monitoring of the investments' performance and risks.

Share price risk is monitored using a simulation calculation, representing the effects of changes in share prices on the income statement and on equity. With few exceptions, share investments in the Financial Services sector are listed on the stock market.

If share prices had been 10% higher on 31 December 2009, the pre-tax profit would have been CHF 1 million (31.12.2008: CHF 3 million) higher. Had share prices on 31 December 2009 been 10% lower, the pre-tax profit would have been CHF 1 million (31.12.2008: CHF 3 million) lower.

Because of the smaller share portfolio, a change in share prices in 2009 would have had less impact on the pre-tax profit than in 2008.

As no listed shares of the category “available for sale” were held in the Financial Services sector on the balance sheet date, sensitivity cannot be calculated for Other reserves (equity).

c) Foreign exchange risk

As a retail bank that operates exclusively within Switzerland, the Financial Services sector is only exposed to a low volume of foreign currency risk in its business activity. Relevant foreign currency items arise solely from security investments in foreign currencies, stocks of banknotes and private accounts held in euros.

The maximum permitted foreign currency exposure for each currency is set out in the organisational rules and/or in the relevant limits regulation. The Foreign Exchange and Money Market Trading Department is responsible for hedging foreign currency exposure on the market. The main hedging instruments used are forward exchange contracts.

Foreign currency exposure is calculated monthly by the Risk Office and transmitted to the Risk Council.

Calculation of foreign currency exposure is based on a hypothetical change in exchange rates relative to the holdings of financial instruments on the reporting date. It is assumed that the holdings on the reporting date are representative for the whole year.

Balance sheet by currency

CHF million

31.12.2009	**CHF**	**EUR**	**USD**	**GBP**	**Other**	**Total**
Financial assets						
Cash and cash equivalents	1'556.3	734.3	109.5	23.8	54.7	**2'478.6**
Receivables due from banks	-	-	-	-	-	**-**
Mortgage and other customer receivables	27'564.5	7.4	2.9	0.1	0.6	**27'575.5**
Other receivables	-	-	-	-	-	**-**
Other financial assets	2'189.7	-	-	-	-	**2'189.7**
Total financial assets	**31'310.5**	**741.7**	**112.4**	**23.9**	**55.3**	**32'243.8**
Financial liabilities						
Payables due to banks	-20.5	-3.3	-1.1	-0.1	-13.9	**-38.9**
Customer deposits and liabilities	-22'442.4	-975.2	-150.3	-30.9	-62.6	**-23'661.4**
Other financial liabilities	-7.0	-	-	-	-	**-7.0**
Other liabilities	-118.1	-	-	-	-	**-118.1**
Issued debt instruments	-5'879.2	-	-	-	-	**-5'879.2**
Total financial liabilities	**-28'467.2**	**-978.5**	**-151.4**	**-31.0**	**-76.5**	**-29'704.6**
Foreign currency net exposure before hedging	**2'843.3**	**-236.8**	**-39.0**	**-7.1**	**-21.2**	**2'539.2**
Foreign currency derivatives	-128.3	37.8	63.7	9.2	17.6	**-**
Foreign currency net exposure after hedging	**2'715.0**	**-199.0**	**24.7**	**2.1**	**-3.6**	**2'539.2**

31.12.2008	**CHF**	**EUR**	**USD**	**GBP**	**Other**	**Total**
Total financial assets	29'728.3	633.1	117.5	22.8	36.2	**30'537.9**
Total financial liabilities	-27'035.6	-826.1	-143.0	-29.6	-57.5	**-28'091.8**
Foreign currency net exposure before hedging	**2'692.7**	**-193.0**	**-25.5**	**-6.8**	**-21.3**	**2'446.1**
Foreign currency derivatives	23.1	-22.2	1.8	-	2.7	**-**
Foreign currency net exposure after hedging	**2'715.8**	**-215.2**	**-23.7**	**-6.8**	**-18.6**	**2'446.1**

Results of the sensitivity analysis:
If the EUR had been 5% stronger against the CHF on 31 December 2009, the pre-tax profit would have been CHF 10 million (31.12.2008: CHF 11 million) lower. If the EUR had been weaker, the effect would be the reverse. In 2009, the profit sensitivity was virtually unchanged to the stronger CHF relative to the EUR.

If the USD had been 5% stronger against the CHF on 31 December 2009, the pre-tax profit would have been CHF 1 million higher (31.12.2008: CHF 1 million lower). If the USD had been weaker, the effect would be the reverse. In 2009, profit only reacted slightly to the stronger CHF relative to the USD just as in the previous year.

As no instruments of the category “available for sale” are held in foreign currency in the Financial Services sector and no foreign currency hedging transactions are held as cash flow hedges, sensitivity cannot be calculated for Other reserves (equity).

Liquidity risks

Liquidity risk includes on the one hand market liquidity risk, and on the other cash flow risk. The result of the latter is that an entity is not in a position to fulfil its financial obligations because of a lack of refinancing facilities.

The liquidity and/or refinancing situation in the short-term sector is controlled daily by central money trading. Medium- and long-term aspects are analysed and monitored in Asset & Liability Management.

The Risk Council is advised of the current situation monthly as part of the balance sheet reporting procedure, and also receives evaluations and comparative data on the benchmarks to be maintained under banking legislation, submitted quarterly.

To ensure that there is adequate liquidity, the legislature has decreed minimum stipulations for short-term and medium-term liquidity. These minimum stipulations are constantly maintained.

Compliance with liquidity requirements specified by the banking legislation

	Short-term liquidity		**Medium-term liquidity**	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Creditable liquidity	**892.6**	727.2	**3'013.1**	2'643.2
Required liquidity	**138.7**	141.2	**1'245.9**	1'133.4
Excess liquidity	**753.9**	586.0	**1'767.2**	1'509.8
Degree of compliance	**543.5%**	515.0%	**241.8%**	233.2%

Liquidity risk by contractual maturity, not discounted (gross)

CHF million	Maturing within				
31.12.2009	**0 - 3 months**	**3 - 12 months**	**1 - 5 year(s)**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	2'478.6	-	-	-	**2'478.6**
Receivables due from banks	-	-	-	-	**-**
Trade receivables	9'086.4	3'219.1	12'694.1	4'049.5	**29'049.1**
Other receivables	-	-	-	-	**-**
Other financial assets					
Net interest income from interest rate swaps	-	-	-	-	**-**
Forward exchange contract gross cash inflow	77.7	51.7	-	-	**129.4**
Forward exchange contract gross cash outflow	-77.0	-51.3	-	-	**-128.3**
Debt instruments	353.3	133.7	1'099.2	512.5	**2'098.7**
Others	262.6	-	-	-	**262.6**
Total other financial assets	616.6	134.1	1'099.2	512.5	**2'362.4**
Total financial assets	**12'181.6**	**3'353.2**	**13'793.3**	**4'562.0**	**33'890.1**
Financial liabilities					
Liabilities due to banks	-39.1	-	-	-	**-39.1**
Customer deposits and liabilities	-22'726.5	-1'023.9	-38.6	-	**-23'789.0**
Other financial liabilities					
Net interest payments for interest rate swaps	-0.9	-2.5	-13.6	-	**-17.0**
Forward exchange transactions gross cash inflow	76.4	51.0	-	-	**127.4**
Forward exchange transactions gross cash outflo	-77.0	-51.3	-	-	**-128.3**
Others	-	-	-	-	**-**
Total other financial liabilities	-1.5	-2.8	-13.6	-	**-17.9**
Other liabilities	-118.1	-	-	-	**-118.1**
Issued debt instruments	-1'274.7	-751.9	-2'538.8	-2'057.1	**-6'622.5**
Financial guarantees	-331.3	-	-	-	**-331.3**
Irrevocable loan commitments	-242.2	-	-	-	**-242.2**
Total financial liabilities	**-24'733.4**	**-1'778.6**	**-2'591.0**	**-2'057.1**	**-31'160.1**

CHF million	Maturing within				
31.12.2008	**0 - 3 months**	**3 - 12 months**	**1 - 5 year(s)**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	2'034.1	-	-	-	**2'034.1**
Receivables due from banks	-	-	-	-	**-**
Trade receivables	13'171.3	2'222.0	9'453.7	3'135.3	**27'982.3**
Other receivables	32.1	-	-	-	**32.1**
Other financial assets					
Net interest income from interest rate swaps	0.1	-	0.6	-	**0.7**
Forward exchange contract gross cash inflow	144.8	96.6	-	-	**241.4**
Forward exchange contract gross cash outflow	-145.4	-96.9	-	-	**-242.3**
Debt instruments	261.0	133.7	1'099.2	512.5	**2'006.4**
Others	119.6	-	-	-	**119.6**
Total other financial assets	380.1	133.4	1'099.8	512.5	**2'125.8**
Total financial assets	**15'617.6**	**2'355.4**	**10'553.5**	**3'647.8**	**32'174.3**
Financial liabilities					
Liabilities due to banks	-59.1	-	-	-	**-59.1**
Customer deposits and liabilities	-20'546.9	-1'023.9	-38.6	-	**-21'609.4**
Other financial liabilities					
Net interest payments for interest rate swaps	-0.2	-0.6	-3.2	-	**-4.0**
Forward exchange transactions gross cash inflow	145.4	96.9	-	-	**242.3**
Forward exchange transactions gross cash outflo	-144.8	-96.6	-	-	**-241.4**
Others	-	-	-	-	**-**
Total other financial liabilities	0.4	-0.3	-3.2	-	**-3.1**
Other liabilities	-138.5	-	-	-	**-138.5**
Issued debt instruments	-245.6	-1'050.5	-3'706.6	-2'199.6	**-7'202.3**
Financial guarantees	-397.9	-	-	-	**-397.9**
Irrevocable loan commitments	-268.7	-	-	-	**-268.7**
Total financial liabilities	**-21'656.3**	**-2'074.7**	**-3'748.4**	**-2'199.6**	**-29'679.0**

Fair values of financial instruments

Part of the financial assets and liabilities is measured at fair value. Depending on which market data are incorporated into the fair value valuation, the financial instruments measured at fair value are assigned to one of the three levels of the fair value hierarchy below. For more information on the definition and content of these levels, please see the respective explanations in the Retail and Industry sector (see section 4.2.1).

31.12.2009 CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Fnancial assets at fair value through profit or loss [1]				
Debt instruments	155.7	-	-	**155.7**
Equity instruments	34.1	144.7	15.2	**194.0**
Total financial assets at fair value through profit or loss	**189.8**	**144.7**	**15.2**	**349.7**
Financial assets available for sale				
Debt instruments	1'683.6	86.7	-	**1'770.3**
Equity instruments	-	-	68.6	**68.6**
Total financial assets available for sale	**1'683.6**	**86.7**	**68.6**	**1'838.9**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	-	1.1	-	**1.1**
Designated for hedge accounting	-	-	-	**-**
Total derivative financial assets	**-**	**1.1**	**-**	**1.1**
Total financial assets measured at fair value	**1'873.4**	**232.5**	**83.8**	**2'189.7**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	-	-7.0	-	**-7.0**
Designated for hedge accounting	-	-	-	**-**
Total financial liabilities measured at fair value	**-**	**-7.0**	**-**	**-7.0**

[1] Without derivative financial instruments of the "fair value through profit or loss" category. These derivatives are reported separately in this table in the section "Derivative financial instruments".

In the 2009 reporting year, there were no significant transfers between Levels 1 and 2. The following transactions took place for the financial instruments assigned to Level 3 during the year.

	Financial assets		
Financial instruments Level 3 **2009** CHF million	**Fair value through profit or loss** Equity instruments	**Available for sale** Equity instruments	**Total**
As per 1 January 2009	**32.7**	**38.3**	**71.0**
Gains / (losses) recognised			
in the income statement	-6.1	-	**-6.1**
in the other comprehensive income	-	20.7	**20.7**
Additions	-	9.6	**9.6**
Disposals	-11.4	-	**-11.4**
Transfers to level 3	-	-	**-**
Transfers out of level 3	-	-	**-**
Foreign exchange differences	-	-	**-**
As per 31 December 2009	**15.2**	**68.6**	**83.8**
Gains / (losses) included in profit / (loss) for financial instruments held at the end of the reporting period	-0.4	-	**-0.4**

The following positions are not recognised at fair value but at amortised cost:

Fair values of financial instruments carried at amortised cost

	Carrying amount		Fair value	
CHF million	**31.12.2009**	31.12.2008	**31.12.2009**	31.12.2008
Financial assets				
Receivables due from banks	**-**	-	**-**	-
Mortgages and customer receivables	**27'575.5**	26'516.7	**28'469.5**	27'424.5
Total	**27'575.5**	26'516.7	**28'469.5**	27'424.5
Financial liabilities				
Payables due to banks	**38.9**	58.8	**38.9**	58.0
Customer deposits and liabilities	**23'661.4**	21'491.8	**23'643.6**	21'526.0
Other financial liabilities				
Issued debt instruments	**5'879.2**	6'387.0	**6'073.3**	6'607.1
Total	**29'579.5**	27'937.6	**29'755.8**	28'191.1

4.2.4 Capital risk management in the Financial Services sector

In the Financial Services sector, capital risk management is oriented primarily to the equity rules under the banking legislation. These define a minimum ratio between risk-weighted assets and eligible own funds. Additional own funds are required for contingent liabilities and market risks incurred. In the long term, the Financial Services sector aims to exceed the legally required cover in own funds by at least 40%.

Capital adequacy requirements of the Financial Services sector

	31.12.2009	31.12.2008
	CHF million	CHF million
Capital resources required and creditable as per the banking legislation		
Credit risks	**1'133.7**	1'070.4
Market risks	**39.6**	37.2
Risks not related to counterparties	**117.9**	58.4
Operating risks	**81.1**	81.1
Total capital resources required	**1'372.3**	1'247.1
Equity as per IFRS	**2'456.1**	2'295.8
Corrections due to banking legislation[1]	**-29.2**	20.6
Creditable capital resources as per the banking legislation	**2'426.9**	2'316.4
Excess creditable capital resources	**1'054.6**	1'069.3
Excess in % of required resources	**76.8%**	85.7%

[1] The difference between equity recognised under IFRS and eligible capital resources under the Banking Act results primarily from the different treatment of deferred income tax liabilities and the limited eligibility of the collectively assessed credit loss allowance, which may only be counted as supplementary capital up to a level not exceeding Tier 1 core capital.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, as well as future expectations that appear reasonable under the particular circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. There is also an explanation of the accounting principles that might have a significant impact on the group financial statements because of the management's assessment.

(a) Fair values of financial assets and financial instruments

The fair value of financial assets and financial instruments that are not traded in an active market (e.g. non-listed equity instruments and derivatives traded "over the counter"), is determined by using valuation techniques. This means making assumptions that rely on observable market data. The discounted cash flow method (DCF) was used to determine the fair value of some unlisted "available for sale" financial assets. The DCF calculation is based on Bloomberg yield curves, taking the relevant parameters (rating, term, etc.) into account.

(b) Impairment of "available for sale" financial assets

The Migros Group follows the guidelines of IAS 39 to determine whether there is an impairment that is not of a temporary nature. To determine an impairment, the management draws on a number of factors in its assessment, such as time development, scope of the impairment, branch, technological environment, development of credit default swap spreads and so on. This procedure is thus based on significant estimates that involve some uncertainty. In the reporting year, financial assets in the category "available for sale" of the Retail and Industry sector were impaired. See Note 12 Financial income and costs.

(c) Useful lives of tangible assets

The useful lives of tangible assets are defined on the basis of current technical conditions and past experiences. However, the actual useful lives can vary from those originally determined, as a result of technological change and market conditions. Where variations from the useful lives as originally defined do occur, these are adjusted.

(d) Impairment of tangible assets

The recoverability of tangible assets and other assets is always reviewed when there is specific evidence that the carrying amounts have been overstated. Recoverability is determined on the basis of management estimates and assumptions regarding the future benefit to be derived from these assets. The values actually arrived at may differ from these estimates. In connection with investment projects, uncertainties as regards cost overruns and income targets can exist. See also Note 28 Tangible assets.

(e) Impairment of goodwill

The group conducts a review at least once a year to determine whether there is any impairment of goodwill. This requires estimates of the values in use of the cash generating units (CGU) to which the goodwill was allocated. Calculation of the value in use requires estimations by the management of the expected future cash flows from these CGU. A reasonable discount rate is also chosen to calculate the present value of these cash flows. See also Note 29 Intangible assets.

(f) Employee benefit obligations

Pension costs and pension obligations are determined annually by independent actuaries using the "projected unit credit method". The calculations are based on different actuarial assumptions, such as expected long return on plan assets, expected wage and pension trends, life expectancy of the insured employees or the discount rate for pension scheme obligations. Because of the long-term nature of these calculations, there is a degree of uncertainty involved in the assumptions that are made.

(g) Income tax

As the group is liable to pay tax in various countries and cantons, some estimated figures must be used for calculating provisions for taxation. Consequently, differences between the actual results and assumptions made by management can affect future tax expenditure and tax refunds. Based on appropriate estimates, provisions for taxation are made for obligations whose cost and likelihood of occurrence cannot be determined with certainty.

(h) Deferred income tax assets

Deferred income tax assets on unused loss carryforwards are recognised when it is probable that there will be future profits available to offset these loss carryforwards against tax. The assessment of recoverability of the recognised deferred income tax assets is based on assumptions regarding future realisable gains.

6. Segment reporting

Segment reporting contains information about the business segments as well as additional details about the group split into different regions.

6.1 Determination of operating segments

The operating segments of the Migros Group are determined based on the organizational units internally reported to the Executive Board of the Federation of Migros Cooperatives as the chief operating decision maker responsible for all segments. For the purpose of internal reporting, the Migros Group is divided into five strategic business segments that, because of their key role, are reportable operating segments. Other activities that are not assigned to these strategic business segments but that support the group as a whole are generally independent operating segments. As such activities on their own are not large enough to be shown as an individual segment, they are grouped together under the Others segment. This results in the following six business segments differing by the products and services they produce or offer:

- **Cooperative Retailing:**
  All activities of the Migros Cooperatives (supermarkets, hypermarkets, wholesale, catering, specialist markets, leisure, Club schools), services of logistics companies of the group (transport of goods, central warehouse) and services provided by the Federation of Migros Cooperatives (central purchasing, etc.) including all commitments of the Migros group relating to the Migros “Culture Percentage”.
- **Commerce:**
  Sale of goods and rendering of services by Denner (discount retailer) Globus (warehouses, men´s wear), Interio (furniture stores), Office World (office equipment), LeShop (Internet retail stores), Ex Libris (entertainment media) and Migrol (heating and fuel oils, convenience stores).
- **Industry & Wholesaling:**
  Production and sale of goods by Migros industry companies within and outside of the group.
- **Financial Services:**
  Services provided by Migros Bank in the Financial Services sector.
- **Travel:**
  Organization, provision of tour operator and travel agent as well as other related tourist services through the Hotelplan Group.
- **Others:**
  Business activities of Limmatdruck (editing/publishing, packaging) and of Liegenschaften-Betrieb AG (property management).

6.2 Information about operating segments

The internal reporting is completely based on the measurement methods used for the IFRS group financial statements, according to Note 3.

The performance of the segments is, in particular, evaluated based on the operating profit. This also applies to the segment Financial Services because the income and expenses from the financial services business also constitute part of the operational activities and thus of the operating result before finance income. Transactions between the segments are generally based on market prices.

As regards segment assets and segment liabilities the Financial Services segment differs from the other five operating segments, together forming the Retail and Industry sector of the Migros Group. Whilst for the Financial Services segment internal reporting focuses on total assets and total liabilities, the other segments only show net amounts under assets and liabilities, containing only certain asset and liability items. These net amounts for the segment assets (Net Operating Assets) include inventories, investment property, tangible assets, intangible assets as well as trade receivables an trade payables. The net amount for segment debt (net borrowing) is the difference between interest-bearing liabilities and financial assets realisable at short notice.

The definition of segment investments applies to all business segments and shows in each case the investments in long-term assets, including investment property, tangible assets as well as intangible assets.

In the reporting year as in the previous year, other expenditure and income not affecting liquidity include, in particular, provisions created or written back not affecting liquidity.

Information by operating segment

2009 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconci-liation[1]	**Total Group Migros**
Income									
from third parties	15'356.0	5'831.1	943.6	992.0	1'630.8	193.4	**24'946.9**	-	**24'946.9**
from other segments	339.2	38.6	4'078.2	0.9	0.3	192.4	**4'649.6**	-4'649.6	-
Total income	15'695.2	5'869.7	5'021.8	992.9	1'631.1	385.8	**29'596.5**	-4'649.6	**24'946.9**
Operating profit before effect from pension plans	514.7	156.4	218.1	216.7	-26.6	73.3	**1'152.6**	0.5	**1'153.1**
Effect from pension plans	108.0	10.3	32.9	5.3	5.0	9.6	**171.1**	-	**171.1**
Operating profit	622.7	166.7	251.0	222.0	-21.6	82.9	**1'323.7**	0.5	**1'324.2**
Segment assets	8'637.5	1'839.8	2'009.3	32'607.8	109.3	734.7	**45'938.4**	4'866.8	**50'805.2**
Segment liabilities[2]	2'064.7	155.3	194.8	30'141.9	-150.5	365.6	**32'771.9**	4'669.9	**37'441.8**
Other information									
Investments	1'050.7	117.8	150.7	76.8	12.4	71.1	**1'479.5**	-	**1'479.5**
Depreciation, amortisation	680.8	131.6	172.6	21.2	19.7	38.3	**1'064.2**	-	**1'064.2**
Impairment[3]	52.7	-	9.1	37.0	-	2.3	**101.2**	-	**101.2**
Reversal of impairment[3]	-	-0.2	-	-24.9	-0.3	-	**-25.4**	-	**-25.4**
Other expenditure (income) not affecting liquidity	41.8	13.0	3.3	-	2.0	3.1	**63.2**	-	**63.2**

2008 (restated) CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconci-liation[1]	**Total Group Migros**
Income									
from third parties	15'481.9	6'165.5	945.8	1'021.2	1'940.9	194.5	**25'749.8**	-	**25'749.8**
from other segments	295.2	47.7	4'022.0	1.3	0.5	197.5	**4'564.2**	-4'564.2	**-**
Total income	15'777.1	6'213.2	4'967.8	1'022.5	1'941.4	392.0	**30'314.0**	-4'564.2	**25'749.8**
Operating profit before effect from pension plans	532.6	98.7	186.5	207.5	14.0	61.2	**1'100.5**	12.8	**1'113.3**
Effect from pension plans	-	-	-	-	-	-	**-**	-	**-**
Operating profit	532.6	98.7	186.5	207.5	14.0	61.2	**1'100.5**	12.8	**1'113.3**
Segment assets	8'472.8	1'846.6	1'978.6	30'822.4	141.8	714.2	**43'976.4**	4'764.5	**48'740.9**
Segment liabilities[2]	2'076.8	313.3	236.3	28'529.4	-136.9	338.2	**31'357.1**	5'129.8	**36'486.9**
Other information									
Investments	1'157.0	189.9	193.9	93.4	15.2	24.4	**1'673.8**	-	**1'673.8**
Depreciation, amortisation	614.2	111.1	162.7	15.8	22.0	36.8	**962.6**	-	**962.6**
Impairment[3]	22.1	1.3	6.1	22.1	-	-	**51.6**	-	**51.6**
Reversal of impairment[3]	1.6	-	-	11.2	-	-	**12.8**	-	**12.8**
Other expenditure (income) not affecting liquidity	48.7	10.6	6.4	-	2.4	2.1	**70.2**	-	**70.2**

[1] The reconciliation includes the elimination of connections between segments. The reconciliation only contains further items (see below overview) under segment assets and segment liabilities.

[2] In the segments of the Retail and Industry sector, segment liabilities represent a net value between the interest-bearing loan capital and financial assets realisable at short notice. A negative value of this net amount means that the financial assets realisable at short notice exceed the interest-bearing loan capital.

[3] Incl. impairments and reversals of impairments on liabilities and financial assets of the Financial Services segment.

Reconciliation from segment to group statement

Reconciliation of profit	2009	2008 (restated)
	CHF million	CHF million
Operating profit		
Total segments	**1'323.7**	1'100.5
Eliminations	**0.5**	12.8
Operating profit		
Migros Group	**1'324.2**	1'113.3
Financial profit	**-57.2**	-203.0
Profit before income tax Migros Group	**1'267.0**	910.3

Reconciliation of assets	2009	2008 (restated)
	CHF million	CHF million
Total segment assets	**45'938.4**	43'976.4
Trade payables	**1'671.1**	1'677.0
Non-operative assets	**8'597.5**	8'122.2
Eliminations	**-5'401.8**	-5'034.7
Total assets Migros Group	**50'805.2**	48'740.9

Reconciliation of liabilities	2009	2008 (restated)
	CHF million	CHF million
Total segment liabilities	**32'771.9**	31'357.1
Financial assets realisable at short notice	**2'905.9**	3'076.4
Non-interest-bearing liabilities	**4'252.7**	4'203.2
Eliminations	**-2'488.7**	-2'149.8
Total liabilities Migros Group	**37'441.8**	36'486.9

6.3 Information by region

The Migros Group operates mainly in Switzerland and in countries just across the Swiss boarder. Income and assets are allocated to the regions of Switzerland and Other Countries depending on the location of the sites producing the goods and rendering the services. The region Switzerland consequently contains all activities of the Swiss Migros companies including their export to other countries. The region Other Countries contains all activities of the foreign companies of the Migros Group. These mainly consist of companies in Germany, England, France and Italy. The shown long-term assets contain investment property, tangible assets as well as intangible assets held at the respective balance sheet date.

Information by region

CHF million	**Switzerland**	**Other countries**	**2009 Total**	Switzerland	Other countries	2008 Total
Total income from third parties	23'937.0	1'009.9	**24'946.9**	24'500.6	1'249.2	25'749.8
Long-term assets	12'476.3	268.6	**12'744.9**	12'185.5	220.2	12'405.7

Explanations to the income statement

7. Net income from the financial services business

	2009 CHF million	2008 CHF million
Interest income		
Cash and cash equivalents	**7.5**	28.3
Receivables due from banks	**-**	-
Mortgages and customer receivables	**805.5**	851.7
Financial assets available for sale	**43.7**	39.4
Unwinding of discount	**3.2**	3.5
Total Interest income	**859.9**	922.9
Interest expense		
Payables due to banks	**-1.1**	-2.9
Customer deposits and liabilities	**-215.1**	-290.0
Issued debt instruments	**-182.3**	-188.6
Total Interest expense	**-398.5**	-481.5
Impairments [1]		
Financial assets available for sale	**-**	-
Receivables due from banks	**-**	-
Mortgages receivables	**-18.5**	-11.3
Customer receivables	**-17.7**	-10.8
Total Impairments	**-36.2**	-22.1
Reversals of impairments [1]		
Financial assets available for sale	**-**	-
Receivables due from banks	**-**	-
Mortgage receivables	**12.7**	5.7
Customer receivables	**12.2**	5.5
Total Reversals of impairments	**24.9**	11.2
Net interest income	**450.1**	430.5
Commission income		
Mortgages and customer receivables	**4.6**	2.6
Securities and investment business	**58.2**	66.0
Income from other services	**26.5**	27.0
Total Commission income	**89.3**	95.6
Commission expense	**-16.7**	-17.2
Net commission income	**72.6**	78.4
Income from financial assets		
Profits / (losses) from financial assets at fair value: Trading portfolio	**14.0**	-52.0
Profits / (losses) from financial assets at fair value: Designated	**-**	-
Profits / (losses) from financial assets at fair value: available for sale	**-4.8**	-0.1
Dividends received from financial assets availabe for sale	**1.5**	5.2
Foreign exchange differences, net	**28.6**	46.2
Income from financial assets	**39.3**	-0.7
Total Profit from the financial services business	**562.0**	508.2

Disclosed in the financial statements of the Migros group under:		
Interest and commission income as well as (net) gains on financial instruments of the financial services business	**988.5**	1'017.8
Interest and commission expense as well as valuation allowances of the financial services business	**-426.5**	-509.6
Total Profit from the financial services business	**562.0**	508.2

[1] Of financial assets, mortgage and customer receivables and receivables due from banks.

8. Other operating income

	2009 CHF million	2008 CHF million
Income from advertising services	**31.4**	52.1
Internally generated assets (Tangible and Intangible)	**15.4**	17.8
Revenue from the disposal of		
investment property	**14.0**	15.6
tangible assets	**12.0**	5.7
intangible assets	**-**	0.1
investments	**0.0**	0.0
Other operating income	**184.5**	191.2
Total other operating income	**257.3**	282.5

Other operating income includes income from regular sidelines. This income includes government grants in connection with export contributions amounting to CHF 4.2 million (2008: CHF 4.5 million). Other forms of government grants directly benefiting the Migros Group amount to CHF 0.04 million (2008: CHF 0.00 million).

No outstanding conditions and other income uncertainties in connection with government grants shown in the accounts existed at the respective balance sheet date.

9. Cost of goods and services sold

	2009 CHF million	2008 CHF million
Cost of goods and services sold	**14'370.7**	15'376.9
Inventory change	**85.1**	37.9
Total cost of goods and services sold	**14'455.8**	15'414.8

Material and service costs include government grants in favour of Migros Industry (mainly in the form of customs duty refunds and milk refunds) totalling CHF 10.7 million (2008: CHF 12.3 million) as reduction of costs. No other forms of government grants, directly benefiting the Migros Group, existed at the respective balance sheet date.

No outstanding conditions and other income uncertainties in connection with government grants shown in the accounts existed at the respective balance sheet date.

10. Personnel expenses

	Notes	2009 CHF million	2008 CHF million
Wages and salaries		**3'846.7**	3'800.7
Pension schemes and social insurance based on employer contributions		**441.5**	442.1
Social insurance and other social security benefits		**470.3**	462.2
Other personnel expenses		**173.2**	196.4
Personnel expenses based on employer contributions		**4'931.7**	4'901.4
Absence of asset ceiling (effect from pension plans)		**-171.1**	-
Total personnel expenses		**4'760.6**	4'901.4
Pension schemes and social insurance based on employer contributions		**441.5**	442.1
Absence of asset ceiling (effect from pension plans)		**-171.1**	-
Pension schemes and social insurance according to IFRS	38	**270.4**	442.1

In 2009, by agreement with the social partners, Migros companies granted a salary increase - individual and performance-related - of between 2.8% and 3.3%. Expenses for salaries and wages did not increase in a commensurate amount due to the reduction in full-time positions from 62,412 (2008) to 61,734 (2009).

The Migros Group recognises actuarial gains and losses on defined benefit pension schemes in the income statement, using the "corridor approach". Under this approach, corrections in the value of pension plan surpluses are included under pension costs as per IFRS provided the employer derives no economic benefit from the surpluses ("asset ceiling"). In the financial years up to 2008, the main pension schemes of the Migros Group had a surplus. Application of the above-mentioned accounting method resulted in the pension costs as per IFRS largely correlating with the employer contributions paid. Due to the deficits measured in accordance with IAS 19 in

2008, the effects of the asset ceiling were largely absent in 2009. Consequently, pension costs as per IFRS was CHF 171.1 million lower than the employer contributions, which were within the same range as the prior year.

As a result of the IAS 19 requirement of the corridor approach to defer the reconstruction of actuarial losses as expenses or actuarial gains as income in the income statement, certain prior-year losses related to the financial crisis were also capitalised in 2009.

The other personnel expenses comprise mainly payroll charges for staff employed on a temporary basis.

Staff costs include government grants totalling CHF 0.5 million (2008: CHF 0.5 million) shown as a reduction of costs.

11. Other operating expenses

	2009	2008 (restated)
	CHF million	CHF million
Rental and building-lease cost	**530.8**	531.9
Losses from the disposal of		
investment property	**-**	0.2
tangible assets	**2.2**	3.0
intangible assets	**0.0**	-
investments	**0.5**	0.0
Maintenance	**360.9**	367.3
Energy and consumables	**448.3**	448.2
Advertising	**470.1**	506.8
Administration	**330.3**	338.4
Other operating expenses	**711.4**	631.0
Total other operating expenses	**2'854.5**	2'826.8

Other operating expenses include costs of services relating to IT, logistics and transportation as well as levies, fees property and capital taxes. The increase in these costs was caused among other things by Migros Bank (change in IT platform).

On 1 January 2009 an amendment of IAS 38 came into force which required a change in the periodic recording of Migros Group catalogue costs. This change necessitated a retrospective change to the prior-year figure, as a result of which advertising costs for 2008 were reduced by CHF 0.4 million (for an overview of the effects of the change, see Note 2).

12. Finance income and cost

Finance income	2009 CHF million	2008 CHF million
Interest income		
Cash and cash equivalent	**3.1**	22.1
Receivables due from banks	**3.9**	14.1
Financial assets available for sale	**13.0**	13.9
Loans	**3.6**	3.5
Unwinding of discount	**-**	-
Other interest income	**9.3**	16.1
Total Interest income	**32.9**	69.7
Profit from financial assets		
Profits / (losses) from financial assets at fair value: Trading portfolio	**6.7**	-43.3
Profits / (losses) from financial assets at fair value: Designated	**22.2**	-56.5
Profits / (losses) from financial assets at fair value: available for sale	**4.0**	12.7
Dividends received form financial assets available for sale	**3.1**	3.1
Foreign exchange differences, net	**4.1**	-25.4
Total Profit from financial assets	**40.1**	-109.4
Reversals of impairments of financial assets and receivables due from banks		
Financial assets available for sale	**3.5**	-
Loans	**-**	0.0
Receivables due from banks	**-**	-
Total Reversals of impairments of financial assets and receivables due from banks	**3.5**	0.0
Impairments of financial assets and receivables due from banks		
Financial assets available for sale	**-11.7**	-33.2
Loans	**-0.6**	-
Receivables due from banks	**-**	-
Debt waiver of receivables	**0.0**	-0.1
Total Impairments of financial assets and receivables due from banks	**-12.3**	-33.3
Total finance income	**64.2**	-73.0
Finance costs		
Interest expense		
Payables due to banks	**-9.4**	**-33.8**
Issued debt instruments	**-20.4**	**-25.0**
Other financial liabilities	**-1.2**	**-20.2**
Finance leasing	**-4.4**	**-4.5**
Provisions: Present value adjustments	**-**	**-**
Other interest expense	**-56.3**	**-46.5**
Total Interest expense	**-91.7**	**-130.0**
Other finance costs	**-4.5**	**-2.5**
Total finance cost	**-96.2**	**-132.5**

While the low interest rates on money and equity markets resulted in lower interest income and expense, the recovery on financial markets led to a significant increase in profit from financial assets.

Impairments of financial assets of the category “Available for sale” in the amount of CHF 11.7 million relate fully to equity instruments (shares).

13. Associates and joint ventures

Investments in associates and joint ventures

	2009 CHF million	2008 CHF million
As per 1 January	**101.7**	99.6
Acquisition including share of profit	**22.3**	2.7
Changes not affecting net income	**-2.0**	-
Reclassifications	**-**	-0.3
Reversals of impairment	**-**	-
Impairments	**-18.3**	-
Disposals	**-7.0**	-0.3
Foreign exchange differences	**-**	-
As per 31 December	**96.7**	101.7

Share of profit from associates and joint ventures

	2009 CHF million	2008 CHF million
Share of profit	**-6.9**	2.5
Investment impairment	**-18.3**	-
Others	**-**	-
Total share of profit	**-25.2**	2.5

Additional information on associates

Financial year	**Assets**	**Liabilities**	**Revenue**	**Profit**
CHF million				
31.12.2009	**615.1**	**326.2**	**759.4**	**-72.2**
31.12.2008	578.5	265.5	637.4	6.6

The associated companies with their current shareholding are specified in Note 48 of the Migros Group financial statements.

14. Income tax expense

	2009 CHF million	2008 (restated) CHF million
Current income tax expense	**259.5**	150.6
Current income tax expense of previous years	**-0.1**	5.7
Total current income taxes	**259.4**	156.3
Deferred income tax expense/(income)	**36.4**	58.8
Changes to income tax rates	**-10.4**	-5.7
Total deferred income taxes	**26.0**	53.1
Total income tax expense	**285.4**	209.4

Reconciliation of expected and effective income tax expense

	2009	2008 (restated)
	CHF miilion	CHF million
Profit before income tax	**1'267.0**	910.3
Weighted average tax rate in %	**20.9%**	21.1%
Expected income tax expense	**264.8**	192.1
Reasons for increase/decrease		
Non-tax-deductible expenses	**3.1**	2.3
Tax-exempted income (incl. income from investments)	**-0.2**	-2.3
Use of non-capitalized tax loss carryforwards	**-3.3**	-3.2
Non-capitalization of deferred income tax assets on period losses	**37.0**	19.5
Non-deductible impairments of goodwill	**-**	0.2
Tax on gains from disposal of properties (Zurich model)	**-1.8**	-
Changes to tax rates	**-10.4**	-5.7
Income tax expense of previous years	**-0.1**	5.7
Other effects	**-3.7**	0.8
Total effective income tax expense	**285.4**	209.4
Effective income tax rate	**22.5%**	23.0%

In 2009, the expected income tax expense - calculated by multiplying the pre-tax profit with the applicable tax rate - deviated by CHF 20.6 million (previous year CHF 17.3 million) from the effective income tax expense. This deviation is mainly due to tax losses carried forward from stores currently in the phase of start-up for which no deferred income tax credits could be capitalised.

The deferred tax income from changes in taxation rates of CHF 10.4 million in 2009 was primarily the result of changes in taxation laws in the Cantons of Basel City and Lucerne. In 2008 the effect of 5.7 million was mainly due to changes in taxation laws in Cantons of Appenzell Innerrhoden, St. Gallen and Aargau.

Development of the deferred tax liabilities (net):

	2009	2008 (restated)
	CHF million	CHF million
As per 1 January	**1'334.6**	1'285.3
Changes to the scope of consolidation	**0.8**	7.5
Recorded through profit and loss	**26.0**	53.1
Recorded directly in equity[1]	**33.4**	-11.2
Foreign exchange differences	**-0.4**	-0.1
As per 31 December (net)	**1'394.4**	1'334.6

[1] On financial assets classified as "available for sale" and derivative financial instruments held for cash flow hedges.

The amounts shown in the group balance sheet are made up of the following items:

	Deferred income tax assets		Deferred income tax liabilities	
	31.12.2009	31.12.2008 (restated)	**31.12.2009**	31.12.2008 (restated)
	CHF million	CHF million	**CHF million**	CHF million
Reasons for deferred income tax				
Cash and cash equivalents	**-**	-	**-**	-
Receivables	**0.1**	0.1	**6.0**	7.9
Inventories	**0.0**	0.0	**129.5**	132.9
Tangible assets	**2.0**	1.8	**679.4**	672.5
Intangible assets	**15.9**	18.4	**86.5**	95.4
Other financial assets	**3.4**	14.2	**55.5**	37.2
Tax losses carry forwards	**53.8**	38.0	**-**	-
Other assets	**0.2**	1.5	**65.9**	57.7
Liabilities from employee benefits	**2.0**	2.1	**117.0**	90.3
Financial liabilities	**21.2**	21.6	**1.8**	3.7
Other liabilities	**2.2**	2.0	**323.5**	320.0
Total	**100.8**	99.7	**1'465.1**	1'417.6
Valuation allowance	**-30.1**	-16.6	**-**	-
Netting	**-41.3**	-52.4	**-41.3**	-52.4
Total Deffered income tax in balance sheet	**29.4**	30.6	**1'423.8**	1'365.2

The deferred income tax liabilities on other liabilities mainly derive from the different treatment of the flat-rate allowances in the financial services business under banking legislation and the IFRS.

Deferred income tax assets and liabilities are offset against each other, provided it is permitted to offset current tax refunds against due income tax liabilities and where the income tax refers to the same tax subject.

Deferred income tax liabilities related to undistributed profit of group companies are not taken into consideration, as dividend payments, originating mainly from Swiss companies, are subject to participation deduction.

List of unused tax loss carry forwards for which no deferred income tax assets have been recognised:

	31.12.2009	31.12.2008
	CHF million	CHF million
Maturity in 1 year	**7.6**	17.9
Maturity in 2 years	**8.9**	7.4
Maturity in 3 years	**4.5**	8.4
Maturity in 4 years	**2.7**	0.6
Maturity in 5 years	**13.8**	1.3
Maturity after 6 years	**201.5**	93.6
No maturity	**75.8**	23.0
Total of unused tax loss carry forwards	**314.8**	152.2

Income tax effects on tax losses carried forward can only be taken into consideration if adequate taxable results can be produced in future against which the tax loss carry forwards can be offset. The evaluation of whether tax effects can be capitalised depends on the expected development of the business and the existence of tax savings options over a time period of three to five years.

In 2009 no deferred income tax assets have been recognised on tax losses of CHF 91.8 million carried forward, chiefly relating to new stores currently in the phase of start-up. The evaluation of whether such losses carried forward can be offset is carried out again each year up to their maturity (2016).

15. Expenditure for cultural, social and economic policy purposes

Funding provided by Migros Culture Percentage is a voluntary commitment by Migros in the areas of culture, society, education, leisure and the economy. With its institutions, projects and activities Migros makes culture and education broadly accessible to the population. The following funding is provided for the different areas:

Expenditure for cultural, social and economic policy purposes

	2009 CHF million	2008 CHF million
Culture	**26.9**	27.6
Education/training	**61.6**	64.2
Social	**9.0**	7.8
Leisure and sport	**8.2**	12.0
Economic policy	**2.5**	2.4
Administration	**5.9**	5.7
Special expenditure	**-**	-
Total expenditure for cultural, social and economic policy purposes	**114.1**	119.7

The financing of this item of expenditure is specified in the statutes and rules of the Cooperatives (incl. the FMC). The Cooperatives have undertaken to spend at least 0.5% (FMC 0.33%) of their retail sales - over a four-year average - for cultural, social and economic policy purposes. Some of the funds are, for instance, used to support the Club schools. This expenditure is included in the operating expenses.

According to the IFRS, shortfalls within the four-year period do not qualify as obligations and excess expenditure does not qualify as an asset. Provisions are thus only made for performance obligations towards third parties existing at the balance sheet date. Compliance with the stipulations of the statutes and rules is thus verified by the calculation of the so-called "Culture Percentage Reserve". The calculation highlights any shortfalls in Culture Percentage expenditure that has to be made up over the coming years.

Culture percentage reserve	**2009 CHF million**	2008 CHF million
Minimum expenditure required	**116.7**	117.9
Incurred expenditure	**114.1**	119.7
Excess/(shortfall) in expenditure for the financial year	**-2.6**	1.8
Excess/(shortfall) in expenditure for 4-year period	**17.8**	20.0
Culture percentage reserve as per 31 December	**-6.0**	-2.5

In the financial year 2009 the Migros Group incurred expenditure relating to the Culture percentage that fell below the minimum specified in the statutes by CHF 2.6 million. The Federation of Migros Cooperatives and one Cooperative slightly fell short of the minimum expenditure in 2009. On 31.12.2009 a reserve for the Cultural percentage of CHF 3.5 million was formed.

The Culture Percentage Reserve is part of the retained earnings.

Explanations to the statement of comprehensive income

16. Other comprehensive income

	2009	2008
	CHF million	CHF million
Financial assets available for sale		
Fair value adjustments	**143.1**	-58.1
Transfer from sales to income statement	**0.8**	-12.7
Transfer of impairments to income statement	**8.2**	33.2
Deferred income tax	**-32.4**	8.0
Derivative financial instruments held for cash flow hedges		
Fair value adjustments	**17.9**	-19.7
Transfer to income statement	**-10.7**	-17.8
Transfer to the acquisition cost of non-financial assets	**9.5**	11.2
Deferred income tax	**-1.3**	3.2
Currency translation differences for foreign subsidiaries		
Currency translation differences	**-4.4**	-34.6
Transfer to income statement relating to (partial) disposals of foreign subsidiaries	**-**	-
Deferred income tax	**-**	-
Share in other comprehensive income of associates		
Change in share of other comprehensive income	**-2.3**	-
Deferred income tax	**0.3**	-
Other comprehensive income	**128.7**	-87.3

The share in other comprehensive income of associates includes currency translation differences and fair value adjustments of cash flow hedges. The statement of changes in equity discloses these under the respective equity items.

Explanations to the balance sheet

17. Cash and cash equivalents

	31.12.2009 CHF million	31.12.2008 CHF million
Petty cash/postal accounts/bank accounts	**1'959.5**	2'166.5
Fixed-term deposits with an original maximum maturity of 90 days	**1'207.7**	982.3
Total cash and cash equivalents	**3'167.2**	3'148.8

18. Receivables due from banks

	31.12.2009 CHF million	31.12.2008 CHF million
Money market papers	**-**	-
Receivables due from central banks	**-**	-
Receivables due from other commercial banks	**382.4**	91.2
Receivables from reverse-repurchase agreements[1]	**-**	-
Cash deposits on securities borrowed	**-**	-
Other receivables due from banks	**0.9**	0.1
	383.3	91.3
Provision for impairment	**-**	-
Total receivables due from banks	**383.3**	91.3
[1] Covered by financial assets with a fair value of	**-**	-

Receivables due from banks are held in connection with the management of liquid assets and include, in particular, fixed-term deposits with an original maturity of more than 90 days.
The increase in receivables due from other commercial banks is caused by the prudent extension of the investment horizon for fixed-term deposits to 180 days maximum.

19. Mortgages and customer receivables

By type of engagement	**31.12.2009 CHF million**	31.12.2008 CHF million
Mortgages		
- Residential property	**22'738.0**	22'099.5
- Office and commercial property	**1'265.5**	1'197.6
- Manufacturing and industry property	**737.7**	716.3
- Other mortgages	**206.3**	200.3
Customer receivables	**2'694.8**	2'374.9
	27'642.3	26'588.6
Provision for impairment	**-111.6**	-111.7
Total mortgages and customer receivables	**27'530.7**	26'476.9

By type of collateral		
Mortgages	**26'040.7**	25'039.1
Securities	**-**	-
Sureties or other collateral	**296.3**	287.7
Unsecured	**1'305.3**	1'261.8
	27'642.3	26'588.6
Provision for impairment	**-111.6**	-111.7
Total mortgages and customer receivables	**27'530.7**	26'476.9

Mortgages and customer receivables in the financial services business increased by CHF 1.1 billion due to strong demand on the Swiss real estate market.

Changes to the provision for impairment

CHF million		2009			2008	
Provision for impairment	**Mortgages**	**Customer receivables**	**Total**	Mortgages	Customer receivables	Total
As per 1 January	**57.0**	**54.7**	**111.7**	52.2	92.6	144.8
Changes to the scope of consolidation	**-**	**-**	**-**	-	-	-
Impairments	**18.5**	**17.7**	**36.2**	11.3	10.8	22.1
Reversal of impairments	**-12.7**	**-12.2**	**-24.9**	-5.7	-5.5	-11.2
Unwinding of discounts	**-**	**-**	**-**	-	-	-
Disposals	**-5.9**	**-5.5**	**-11.4**	-0.8	-43.2	-44.0
Foreign exchange differences	**-**	**-**	**-**	-	-	-
As per 31 December	**56.9**	**54.7**	**111.6**	57.0	54.7	111.7

The mortgage business of the financial services business is mainly secured and in the Swiss real estate market. Mortgages are based on conservative lending margins.

Pledged or assigned assets as well as assets under reservations of title	**31.12.2009 CHF million**	31.12.2008 CHF million
Mortgages pledged to mortgage bond bank	**4'931.3**	4'988.3
Loans from mortgage bond bank	**3'650.7**	3'457.5

Receivables from finance leases (as lessor)	**31.12.2009 CHF million**	31.12.2008 CHF million
Reported receivables from finance leases		
Remaining contract terms		
Up to one year	**11.9**	10.8
More than one and up to five years	**83.3**	75.5
More than five years	**23.8**	21.6
Total receivables from finance leases[1]	**119.0**	107.9
Not guaranteed residual values in favour of lessor	**-**	-
Accumulated valuation allowances for outstanding minimum lease payments	**-**	-
Contigent income recognised in profit and loss	**-**	-

[1] Are shown under customer receivables

As part of its client lending Migros Bank also offers finance leasing. Generally, investment goods with a value of CHF 200.000 to CHF 2 million are financed. The leasing period depends on the economic live of the investment object and generally lasts for three to six years. Upon expiration of the leasing period, the investment goods are purchased for a symbolic residual amount.

20. Trade receivables and other receivables

	31.12.2009 CHF million	31.12.2008 CHF million
Trade receivables	**549.6**	581.2
Other receivables	**203.3**	351.6
	752.9	932.8
Provision for impairment	**-34.4**	-27.0
Total trade receivables and other receivables	**718.5**	905.8

Other receivables include refund claims for VAT, tax credits, receivables from credit card companies and security deposits. The reduction in other receivables is due among other things to the absence of refund claims for VAT related to construction projects completed in previous years.

Changes to the provision for impairment

	2009 CHF million	2008 CHF million
As per 1 January	**-27.0**	-25.8
Changes to the scope of consolidation	**0.0**	-
Impairments	**-17.9**	-4.3
Reversal of impairments	**1.8**	0.4
Unwinding of discounts	**-**	-
Disposals	**8.6**	2.8
Foreign exchange differences	**0.1**	-0.1
As per 31 December	**-34.4**	-27.0
Debt losses shown under other operating costs	**0.6**	2.1
Pledged receivables	**-**	-

21. Inventories

	31.12.2009 CHF million	31.12.2008 CHF million
Raw materials and consumables	**343.1**	342.8
Work in process	**58.1**	63.3
Finished products	**282.1**	290.9
Goods for resale	**1'353.1**	1'377.5
Legal required stock	**19.6**	19.2
Total inventories	**2'056.0**	2'093.7
Pledged inventories	**-**	-

Inventories were subject to impairments totalling CHF 7.6 million (previous year: CHF 7.9 million); reversals of impairment amounted to CHF 4.2 million (previous year 1.4 million.).

22. Other Financial assets

Change of other financial assets 2009		Fair value				Amortized costs	Total
CHF million		Fair value through profit or loss Trading portfolio[1]	Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans	
	Notes	23/25	23	24	25	26	
As per 1 January 2009		**354.2**	**166.3**	**2'143.4**	**2.2**	**366.2**	**3'032.4**
		-	-0.3	0.0	-	0.3	**0.0**
Changes to the scope of consolidation		140.6	343.7	224.1	0.0	134.2	**842.6**
Additions		36.9	29.9	-0.2	-	3.9	**70.5**
Fair value gains/(losses) through profit and loss		-	-	143.1	3.7	-	**146.8**
Fair value gains/(losses) recognised directly in equity							
Reclassifications		-	-	-	-	-	**-**
- within financial assets							
- Non-current assets held for sale		-	-	-	-	-	**-**
Disposals		-173.5	-270.5	-146.2	-4.4	-114.3	**-708.9**
Foreign exchange differences		0.0	0.0	-0.3	-	-4.0	**-4.3**
As per 31 December 2009		**358.3**	**269.1**	**2'363.9**	**1.5**	**386.3**	**3'379.1**
Change of provision for impairment							
As per 1 January 2009						**-10.0**	**-10.0**
Changes to the scope of consolidation						-	**-**
Impairments						-0.6	**-0.6**
Reversal of impairments						-	**-**
Unwinding of discounts						-	**-**
Reclassifications						-	**-**
Disposals						0.5	**0.5**
Foreign exchange differences						-	**-**
As per 31 December 2009						**-10.1**	**-10.1**
Balance sheet value							
1 January		**354.2**	**166.3**	**2'143.4**	**2.2**	**356.2**	**3'022.4**
31 December		**358.3**	**269.1**	**2'363.9**	**1.5**	**376.2**	**3'369.0**
Pledged other financial assets							0.2

[1] Including derivative financial instruments held for trading purposes.

In 2009 no reclassifications were carried out within financial assets.

In 2009, unrealised gains of CHF 3.5 million and unrealised losses of CHF 11.7 million on financial assets of the category "available for sale" measured at fair value were transferred to the income statement from Other reserves, resulting in a net loss of CHF 8.2 million. See also Note 12 Finance income and cost and Note 16 Other comprehensive income.

Change of other financial assets 2008		**Fair value**				**Amortized costs**	**Total**
CHF million		Fair value through profit or loss		Available for sale	Derivative financial instruments for hedge accounting	Loans	
		Trading portfolio[1]	Designated				
	Notes	23/25	23	24	25	26	
As per 1 January 2008		**676.8**	**89.2**	**2'169.6**	**9.4**	**386.7**	**3'331.8**
Changes to the scope of consolidation		-	-	-	-	-	**-**
Additions		0.1	192.9	264.0	-	102.8	**559.8**
Fair value gains/(losses) through profit and loss		14.6	-59.5	0.6	0.1	0.1	**-44.1**
Fair value gains/(losses) recognised directly in equity		-	-	-58.1	2.6	-	**-55.5**
Reclassifications							
- within financial assets		-	-	-	-	-	**-**
- Non-current assets held for sale		-	-	-	-	-	**-**
Disposals		-337.3	-56.3	-232.6	-9.9	-106.8	**-742.9**
Foreign exchange differences		-	0.0	-0.1	-	-16.6	**-16.7**
As per 31 December 2008		**354.2**	**166.3**	**2'143.4**	**2.2**	**366.2**	**3'032.4**
Change of provision for impairment							
As per 1 January 2008						**-8.8**	**-8.8**
Changes to the scope of consolidation						-	**-**
Impairments						-	**-**
Reversal of impairments						0.0	**-**
Unwinding of discounts						-	**-**
Reclassifications						-	**-**
Disposals						-	**-**
Foreign exchange differences						-1.2	**-1.2**
As per 31 December 2008						**-10.0**	**-10.0**
Balance sheet value							
1 January		**676.8**	**89.2**	**2'169.6**	**9.4**	**377.9**	**3'323.0**
31 December		**354.2**	**166.3**	**2'143.4**	**2.2**	**356.2**	**3'022.4**
Pledged other financial assets							0.2

[1] Including derivative financial instruments held for trading purposes.

In 2008 no reclassifications were carried out within financial assets.

In 2008, unrealised losses of CHF 33.2 million on financial assets of the category “available for sale” were transferred as impairments to the income statement for Other reserves. See also Note 12 Finance income and cost and Note 16 Other comprehensive income.

23. Financial assets at fair value through profit or loss

	31.12.2009 CHF million	31.12.2008 CHF million
Debt instruments		
Listed on stock exchanges	**307.1**	116.2
Not listed	**20.7**	141.5
Total Debt instruments	**327.8**	257.7
Equity instruments		
Listed on stock exchanges	**85.5**	152.1
Not listed	**205.6**	55.4
Total Derivative financial instruments held for trading purposes	**291.1**	207.5
Total Equity instruments	**8.5**	55.3
Total Financial assets at fair value through profit or loss	**627.4**	520.5

The increase in financial assets (measured at fair value through profit and loss) results from the increased investment of cash holdings in listed debt instruments with a short remaining time to maturity, as well as to the increased investment in unlisted shares of funds.

24. Financial assets available for sale

	31.12.2009 CHF million	31.12.2008 CHF million
Debt instruments		
Listed on stock exchanges	2'019.5	2'022.3
Not listed	118.0	-
Total Debt instruments	**2'137.5**	2'022.3
Equity instruments		
Listed on stock exchanges	148.0	73.4
Not listed	78.4	47.7
Total Equity instruments	**226.4**	121.1
Total Financial assets available for sale	**2'363.9**	2'143.4

Since the inflow of new customer deposits in the financial services business was well above credit growth, the liquidity surplus was partly invested in additional financial assets of the "available for sale" category.

25. Derivative financial instruments

Derivative financial instruments held for trading purposes[1]

CHF million	31.12.2009 Replacement values positive	31.12.2009 Replacement values negative	31.12.2009 Contract volume	31.12.2008 Replacement values positive	31.12.2008 Replacement values negative	31.12.2008 Contract volume
Interest instruments						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Swaps	**1.7**	**30.6**	**880.0**	22.0	18.0	1'030.0
Options	**0.2**	**1.0**	**400.0**	-	6.3	650.0
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Interest instruments	**1.9**	**31.6**	**1'280.0**	22.0	24.3	1'680.0
Foreign currency instruments						
Over the counter (OTC)						
Futures	**5.3**	**8.8**	**116.6**	32.7	43.1	584.6
Swaps	**1.3**	**1.1**	**168.8**	-	0.1	14.8
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Foreign currency instruments	**6.6**	**9.9**	**285.4**	32.7	43.2	599.4
Commodities						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**-**	**0.9**	**4.9**	-	2.6	22.1
Options	**-**	**-**	**-**	-	-	-
Total Commodities	**-**	**0.9**	**4.9**	-	2.6	22.1
Investment instruments						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**6.3**	**27.4**	0.6	27.1	73.8
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Investment instruments	**-**	**6.3**	**27.4**	0.6	27.1	73.8
Total Derivative financial instruments held for trading purposes	**8.5**	**48.7**	**1'597.7**	55.3	97.2	2'375.3

[1] Are disclosed as part in the category "Fair value through profit or loss: trading portfolio"

The Migros Group purchases various derivative financial instruments for the purpose of hedging as part of its risk strategy without hedge accounting being used. Also, various derivative financial instruments are used to optimise liquidity yields and financing costs. All these instruments are shown under "derivative financial instruments held for trading purposes".

Due to sustained low interest rates, many sold (written) interest rate options expired worthless and were not renewed to the same extent, thereby significantly reducing the contract volume for interest rate derivatives.

Derivative financial instruments held for cash flow hedges

CHF million	31.12.2009 Replacement values positive	31.12.2009 Replacement values negative	31.12.2009 Contract volume	31.12.2008 Replacement values positive	31.12.2008 Replacement values negative	31.12.2008 Contract volume
Interest instruments						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Swaps	**0.2**	**3.3**	**150.0**	-	1.7	100.0
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Interest instruments	**0.2**	**3.3**	**150.0**	-	1.7	100.0
Foreign currency instruments						
Over the counter (OTC)						
Futures	**0.6**	**4.9**	**830.9**	0.2	20.5	640.9
Swaps	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Foreign currency instruments	**0.6**	**4.9**	**830.9**	0.2	20.5	640.9
Commodities						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Swaps	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**0.7**	**-**	**15.7**	-	0.9	5.1
Options	**-**	**-**	**-**	-	-	-
Total Commodities	**0.7**	**-**	**15.7**	-	0.9	5.1
Total Derivative financial instruments held for cash flow hedges	**1.5**	**8.2**	**996.6**	0.2	23.1	746.0

Additional information about cash flow hedges

	2009 CHF million	2008 CHF million
Amounts reclassified from equity to the income statement		
Cost of goods and services sold (currencies & commodities)	**-11.2**	-18.6
Finance costs	**0.5**	0.8
Total amounts recognised in income statement	**-10.7**	-17.8
Ineffective amounts recognised in the income statement	**0.0**	0.1
Amounts reclassified from equity to the purchase costs of non-financial assets		
Inventories	**9.8**	11.2
Tangible assets	**-0.3**	-
Total amounts recognised in the cost of non-financial assets	**9.5**	11.2

The risks associated with a part of the variable-interest liabilities to banks (roll-over loans) are hedged with interest rate swaps.

The gains and losses from interest-related financial derivatives shown under equity (Other reserves) at the balance sheet date are constantly recognised in profit or loss up to the point in time of the repayment of the hedged payables to banks.

The Migros Group uses forward exchange contracts to hedge against currency risks in commodity purchasing.

In principle, the hedged future foreign exchange purchases are carried out within the next 12 months. The gains and losses from currency-related financial derivatives shown under equity (Other reserves) at the balance sheet date are recognised in profit or loss or under purchasing costs of non-financial assets (inventories, tangible assets) in the period in which the hedged transaction occurs. Hedged inventory purchases are therefore recognised in profit or loss within the next 12 months, while hedged tangible asset purchases are spread over the useful lives of the tangible assets.

As regards the purchase of raw material, the business segment Commerce (Migrol) is exposed to raw material price risks. It uses futures to hedge against risks from future cash flows.

The gains and losses from raw material related financial derivatives shown under equity at the balance sheet date are recognised within the next 6 months in profit or loss.

The Migros Group has no planned, future transactions involving hedging, whose occurrence is no longer likely.

Derivative financial instruments held for fair value hedges

CHF million	**31.12.2009**			31.12.2008		
	Replacement values		**Contract**	Replacement values		Contract
	positive	**negative**	**volume**	positive	negative	volume
Interest instruments						
Over the counter (OTC)						
Futures	**-**	**-**	**-**	-	-	-
Swaps				2.0	-	140.0
Options	**-**	**-**	**-**	-	-	-
Traded on stock exchanges						
Futures	**-**	**-**	**-**	-	-	-
Options	**-**	**-**	**-**	-	-	-
Total Derivative financial instruments held for fair value hedges	**-**	**-**	**-**	2.0	-	140.0

Interest rate swaps are used in the financial services business as hedging instruments for the fair value risk of fixed-interest debenture loans.

In expectation of a sustained low interest level, interest rate swaps were no longer designated as fair value hedges on the balance sheet date.

Additional information about fair value hedges

	2009	2008
	CHF million	CHF million
The following amounts were recognised in the income statement based on fair value hedges (interest rate risks)		
Profit/ (loss) from the hedged item	**-2.0**	0.3
Profit/ (loss) from the hedging instruments	**2.0**	-0.2
Total effect of fair value hedging for interest costs issued debt instruments	-	0.1

Total derivative financial instruments

CHF million	**31.12.2009**			31.12.2008		
	Replacement values		**Contract**	Replacement values		Contract
	positive	**negative**	**volume**	positive	negative	volume
Held for cash flow hedging	**1.5**	**8.2**	**996.6**	0.2	23.1	746.0
Held for fair value hedging	**-**	**-**	**-**	2.0	-	140.0
	1.5	**8.2**	**996.6**	2.2	23.1	886.0
Held for trading purposes[1]	**8.5**	**48.7**	**1'597.7**	55.3	97.2	2'375.3
Total derivative financial instruments	**10.0**	**56.9**	**2'594.3**	57.5	120.3	3'261.3

[1] Are recognised in the category "Fair value through profit or loss: trading portfolio"

26. Loans

	31.12.2009 CHF million	31.12.2008 CHF million
Loans to public sector	**0.0**	40.2
Loans to private sector	**386.3**	326.0
Various	**-**	-
	386.3	366.2
Provision for impairment	**-10.1**	-10.0
Total loans	**376.2**	356.2

The increase in loans to private sector primarily concerns loans granted to associates.

27. Investment property

	2009 CHF million	2008 CHF million
Acquisition costs		
As per 1 January	**488.6**	458.3
Additions from		
- changes to the scope of consolidation	**-**	1.8
- acquisitions	**5.6**	22.2
- capitalized costs	**0.0**	-
Subsequent adjustment of fair values (IFRS 3)	**-**	-
Reclassifications		
- from/to tangible assets	**-34.9**	17.2
- from/to "Non-current assets held for sale"	**-**	-
- from assets under construction	**-**	-
Disposals	**-16.6**	-10.6
Foreign exchange differences	**0.1**	-0.3
As per 31 December	**442.8**	488.6
Accumulated depreciation and impairment provision		
As per 1 January	**-161.3**	-153.1
Changes to the scope of consolidation	**-**	-
Additions	**-6.3**	-3.7
Impairments	**-2.3**	-0.6
Reversal of impairments	**-**	-
Reclassifications		
- from/to tangible assets	**16.9**	-5.8
- from/to "Non-current assets held for sale"	**-**	-
Disposals	**11.0**	1.9
Foreign exchange differences	**0.0**	0.0
As per 31 December	**-142.0**	-161.3
Balance sheet value		
1 January	**327.3**	305.3
31 December	**300.8**	327.3
Additional information about investment property		
Fair value as per 31 December	**514.0**	565.4
Investment property - finance lease	**-**	-
Rental income from investment property	**23.4**	24.4
Maintenance and operating costs for investment properties generating rental income during the period	**3.4**	7.1
Maintenance and operating costs for investment properties not generating rental income during the period	**0.9**	5.6
Existence and extent of restrictions with regard to sale	**-**	-
Contractual obligations to purchase, construct and maintain investment property	**-**	-

28. Tangible assets

2009 CHF million	Land & buildings	Plant, machinery & equipment	Other tangible assets	Assets under construction	Total
Acquisition costs					
As per 1 January	**9'726.3**	**10'088.0**	**1'610.2**	**476.1**	**21'900.6**
Addition from					
- changes to the scope of consolidation	12.2	19.4	0.9	0.1	**32.6**
- acquisitions	206.0	498.4	115.0	559.7	**1'379.1**
- capitalized costs	0.0	0.3	-	4.6	**4.9**
Subsequent adjustment of fair values (IFRS 3)	-	-	-	-	**-**
Reclassifications					
- within tangible assets	245.4	121.9	13.1	-380.4	**-**
- from/to investment property	33.3	5.5	0.0	-3.9	**34.9**
- from/to "Non-current assets held for sale"	-	-	-	-	-
Disposals	-169.5	-328.6	-101.7	-21.0	**-620.8**
Foreign exchange differences	-2.9	-0.6	-0.0	1.0	**-2.5**
As per 31 December	**10'050.8**	**10'404.3**	**1'637.5**	**636.2**	**22'728.8**
Cumulated depreciation and impairment provision					
As per 1 January	**-3'703.3**	**-6'195.4**	**-1'113.9**	**-0.5**	**-11'013.1**
Changes to the scope of consolidation	-	-3.2	-0.5	-	**-3.7**
Additions	-298.4	-567.9	-113.4	-0.2	**-979.9**
Impairments	-50.1	-8.2	-	-	**-58.3**
Reversal of impairments	-	-	-	-	**-**
Reclassifications					
- within tangible assets	0.1	-0.5	0.4	-	**-**
- from/to investment property	-15.6	-1.3	0.0	-	**-16.9**
- from/to "Non-current assets held for sale"	-	-	-	-	**-**
Disposals	155.1	323.8	100.0	-	**578.9**
Foreign exchange differences	0.6	0.3	0.0	-	**0.9**
As per 31 December	**-3'911.6**	**-6'452.4**	**-1'127.4**	**-0.7**	**-11'492.1**
Balance sheet value					
1 January	**6'023.0**	**3'892.6**	**496.3**	**475.6**	**10'887.5**
31 December	**6'139.2**	**3'951.9**	**510.1**	**635.5**	**11'236.7**
Additional information about tangible assets					
Tangible assets - finance leasing	39.6	2.3	0.5	-	**42.4**
Pledged or restricted title of tangible assets	1'047.4	6.6	0.0	-	**1'054.0**
Contractual obligation to purchase construct and maintain tangible assets	-	-	-	-	**-**
Reimbursements/compensation received from third parties	-	4.0	1.2	0.2	**5.4**

Impairments carried out in 2009 mainly affect the segment Cooperative Retailing. Impairments totalling CHF 52.7 million were made by the Cooperatives Migros Aare, Migros Eastern Switzerland and Migros Geneva or their subsidiaries for shopping centres and fitness parks. Additional impairments of CHF 5.5 million were recognised in the segment Industry & Wholesaling for deficit-ridden production plant. The recoverable amounts of these assets were in each case determined by a value-in-use analysis using a discount rate of 4.5% and 5.5% respectively.

In 2009 the Migros Group received government grants amounting to CHF 1.1 million (2008: CHF 0.1 million) for tangible assets which were directly deducted from the costs of the assets concerned.

2008 CHF million	Land & buildings	Plant, machinery & equipment	Other tangible assets	Assets under construction	Total
Acquisition costs					
As per 1 January	**8'887.3**	**9'777.3**	**1'579.8**	**890.3**	**21'134.6**
Addition from					
- changes to the scope of consolidation	8.2	4.2	0.0	-	**12.4**
- acquisitions	451.2	593.7	118.1	398.6	**1'561.6**
- capitalized costs	-	0.5	-	2.5	**3.0**
Subequent adjustment of fair values (IFRS 3)	-	-	-	-	**-**
Reclassifications					
- within tangible assets	530.4	196.0	17.0	-743.4	**0.0**
- from/to investment property	-9.5	4.0	0.0	-11.7	**-17.2**
- from/to "Non-current assets held for sale"	-11.3	-	-	-	**-11.3**
Disposals	-115.0	-481.3	-102.3	-51.4	**-750.1**
Foreign exchange differences	-15.0	-6.4	-2.4	-8.8	**-32.5**
As per 31 December	**9'726.3**	**10'088.0**	**1'610.2**	**476.1**	**21'900.6**
Cumulated depreciation and impairment provision					
As per 1 January	**-3'574.8**	**-6'113.6**	**-1'112.7**	**-0.1**	**-10'801.1**
Changes to the scope of consolidation	-	-1.1	-	-	**-1.1**
Additions	-236.9	-544.4	-103.7	-0.4	**-885.4**
Impairments	-10.7	-9.7	-0.6	-	**-21.1**
Reversal of impairments	1.4	-	-	-	**1.4**
Reclassifications					
- within tangible assets	6.5	-6.2	-0.3	0.0	**0.0**
- from/to investment property	5.4	0.4	0.0	-	**5.8**
- from/to "Non-current assets held for sale"	4.5	-	-	-	**4.5**
Disposals	96.2	474.9	101.7	0.0	**672.8**
Foreign exchange differences	5.1	4.3	1.7	-	**11.1**
As per 31 December	**-3'703.3**	**-6'195.4**	**-1'113.9**	**-0.5**	**-11'013.1**
Balance sheet value					
1 January	**5'312.5**	**3'663.7**	**467.1**	**890.2**	**10'333.5**
31 December	**6'023.0**	**3'892.6**	**496.3**	**475.6**	**10'887.5**
Additional information about tangible assets					
Tangible assets - finance leasing	32.7	2.0	0.6	-	**35.3**
Pledged or restricted title of tangible assets	947.7	6.0	0.0	-	**953.7**
Contractual obligation to purchase construct and maintain tangible assets	1.0	-	-	-	**1.0**
Reimbursements/compensation received from third parties	0.5	1.2	-	-	**1.7**

Impairments carried out in 2008 mainly affect the segment Cooperative Retailing. This includes impairments for a shopping centre of the Cooperative Migros Waadt (CHF 8.7 million) requiring modernisation, a sustained deficit-ridden Fitness Park of the Cooperative Migros Zurich (CHF 8.2 million) and several smaller renovation programs of Cooperatives.

The recoverable amounts of these assets were in each case determined by a value in use analysis using a discount rate of 4.5%.

The reversal of impairment carried out in 2008 relates to two real estate plots in the segment Cooperative Retailing for which the reasons of the impairments recognised in previous periods no longer exist.

Fire insurance value of investment property and tangible assets	**31.12.2009 CHF million**	31.12.2008 CHF million
Movable property	**9'911.7**	9'417.2
Real estate	**13'546.8**	13'011.1
Total	**23'458.5**	22'428.3

29. Intangible assets

2009 CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Develop-ment costs	Intangible assets in development	
		purchased		*created by group*		**Total**
Acquisition costs						
As per 1 January	**655.4**	**226.5**	**428.5**	**175.9**	**3.4**	**1'489.7**
Addition from						
- changes to the scope of consolidation	3.9	0.0	8.7	-	-	**12.6**
- acquisitions	-	73.7	4.9	2.7	8.5	**89.8**
- capitalized costs	-	-	-	0.1	-	**0.1**
Adjustment due to recognition of a deferred tax asset	-	-	-	-	-	**-**
Subsequent adjustment of fair values (IFRS3)	-6.4	-	-	-	-	**-6.4**
Reclassifications						
- within intangible assets	-	0.2	0.2	1.5	-1.9	**-**
- from/to "Non-current assets held for sale"	-	-	-	-	-	**-**
Disposals	-	-4.5	-2.4	-	-1.1	**-8.0**
Foreign exchange differences	-0.1	0.0	-0.8	0.7	0.0	**-0.2**
As per 31 December	**652.8**	**295.9**	**439.1**	**180.9**	**8.9**	**1'577.6**
Accumulated depreciation and impairment provision as per 1 January	**-19.1**	**-112.4**	**-57.7**	**-109.6**	**0.0**	**-298.8**
Changes to the scope of consolidation	-	0.0	0.2	-	-	**0.2**
Additions	-	-21.2	-33.6	-23.2	-	**-78.0**
Impairments	-	-	-	-	-	**-**
Reversal of impairments	-	-	-	-	-	**-**
Reclassifications						
- within intangible assets	-	-	-	-	-	**-**
- from/to "Non-current assets held for sale"	-	-	-	-	-	**-**
Disposals	-	4.5	2.3	-	-	**6.8**
Foreign exchange differences	-0.3	0.0	-0.1	-	-	**-0.4**
As per 31 December	**-19.4**	**-129.1**	**-88.9**	**-132.8**	**0.0**	**-370.2**
Balance sheet value						
1 January	**636.3**	**114.1**	**370.8**	**66.3**	**3.4**	**1'190.9**
31 December	**633.4**	**166.8**	**350.2**	**48.1**	**8.9**	**1'207.4**
Additional information about intangible assets						
Intangible assets with indefinite useful life	633.4	-	-	-	-	**633.4**
Pledged or restricted title	-	-	-	-	-	**-**
Obligations to purchase intangible assets						**-**
Research and development costs recognized as expense						**38.2**

Capitalised development costs mainly comprise the costs of IT solutions developed in-house (applications, customising of standard solutions). The main development costs include, in particular, SAP software licenses as well as development costs for a reservation system.

Additions deriving from the changes in the scope of consolidation are mainly due to company acquisitions made in the segments Cooperative Retailing and Commerce (see change to the scope of consolidation). Details of the company acquisitions are provided in Note 45.

Additions from purchases are mainly due to the new IT platform for Migros Bank and a new stock management system at Globus. The subsequent adjustment of the fair values results from adjustments in the purchase price from earlier acquisitions.

2008 CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Develop-ment costs	Intangible assets in development	
		purchased		*created by group*		**Total**
Acquisition costs						
As per 1 January	**581.8**	**150.7**	**400.6**	**168.4**	**4.9**	**1'306.4**
Addition from						
- changes to the scope of consolidation	9.5	-	28.5	-	-	**38.0**
- acquisitions	-	78.9	2.2	2.3	1.8	**85.2**
- capitalized costs	-	-	-	1.2	0.7	**1.9**
Adjustment due to recognition of a deferred tax asset	-	-	-	-	-	**-**
Subsequent adjustment of fair values (IFRS3)	69.8	-	-	-	-	**69.8**
Reclassifications						
- within intangible assets	-	0.7	-0.7	4.0	-4.0	**-**
- from/to "Non-current assets held for sale"	-	-	-	-	-	**-**
Disposals	-3.3	-3.3	-0.8	-	-	**-7.4**
Foreign exchange differences	-2.4	-0.5	-1.3	0.0	-	**-4.2**
As per 31 December	**655.4**	**226.5**	**428.5**	**175.9**	**3.4**	**1'489.7**
Accumulated depreciation and impairment provision as per 1 January	**-22.9**	**-96.0**	**-28.8**	**-85.8**	**0.0**	**-233.5**
Changes to the scope of consolidation	-	-	-	-	-	**-**
Additions	-	-18.8	-30.7	-23.8	-	**-73.3**
Impairments	-1.1	-	-	-	-	**-1.1**
Reversal of impairments	-	-	-	-	-	**-**
Reclassifications						
- within intangible assets	-	-0.7	0.7	-	-	**-**
- from/to "Non-current assets held for sale"	-	-	-	-	-	**-**
Disposals	3.3	2.9	0.6	-	-	**6.8**
Foreign exchange differences	1.6	0.2	0.5	-	-	**2.3**
As per 31 December	**-19.1**	**-112.4**	**-57.7**	**-109.6**	**0.0**	**-298.8**
Balance sheet value						
1 January	**558.9**	**54.7**	**371.8**	**82.6**	**4.9**	**1'072.9**
31 December	**636.3**	**114.1**	**370.8**	**66.3**	**3.4**	**1'190.9**
Additional information about intangible assets						
Intangible assets with indefinite useful life	636.3	-	-	-	-	**636.3**
Pledged or restricted title	-	-	-	-	-	**-**
Obligations to purchase intangible assets						**69.8**
Research and development costs recognized as expense						**38.2**

Capitalised development costs mainly comprise the costs of IT solutions developed in-house (applications, customising of standard solutions). The main development costs include, in particular, SAP software licenses as well as development costs for a reservation system.

Additions deriving from the changes in the scope of consolidation are mainly due to company acquisitions made by Hotelplan (see change to the scope of consolidation). Details on the company acquisitions are provided in Note 45.

The subsequent adjustment of the fair values results from adjustments in the purchase price from earlier acquisitions.

Additions from purchases are mainly due to the new IT platform of Migros Bank.

Goodwill and intangible assets with undetermined useful life

In the purchase accounting, goodwill is allocated to the cash generating units, which again are part of an operating segment.

CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total
Carrying amounts as at 31.12.2009							
Goodwill	110.8	365.6	94.6	-	62.4	-	633.4
Intangible assets with indefinite useful life	-	-	-	-	-	-	-
Total carrying amount	**110.8**	**365.6**	**94.6**	**-**	**62.4**	**-**	**633.4**
31.12.2008							
Goodwill	108.6	366.2	94.6	-	66.9	-	636.3
Intangible assets with indefinite useful life	-	-	-	-	-	-	-
Total carrying amount	**108.6**	**366.2**	**94.6**	**-**	**66.9**	**-**	**636.3**

The determination of the recoverable amount is based on a value in use. This assessment contains future cash-flow projections according to approved budgets and financial planning.

In order to determine the recoverability of the Goodwill value, a nominal discount rate of 4.5% in used in the segment Cooperative Retailing and Industry & Wholesaling 7.0% to 10% in the segment Commerce and 9.0% to 11.0% in the segment Travel. The value in use is generally determined for a period of five years. For additional years a growth rate of 1.0% to 3.0% is assumed.

30. Other assets

	31.12.2009 **CHF million**	31.12.2008 (restated) CHF million
Prepayments	**70.5**	27.9
Real estate from collateral loans[1]	**6.9**	3.4
Accrued interest income	**52.9**	41.3
Other accured income	**95.9**	85.1
Total other assets	**226.2**	157.7

[1] From financial services segment

31. Non-current assets held for sale

Non-current assets held for sale

	31.12.2009 **CHF million**	31.12.2008 CHF million
Financial assets	**-**	-
Investment property	**-**	-
Tangible assets	**-**	6.8
Intangible assets	**-**	-
Total non-current assets held for sale	**-**	6.8

On 31.12.2009 there were no non-current assets held for sale. The non-current assets of Liegenschaften-Betrieb AG held for sale on 31.12.2008 were sold during the financial year 2009.

32. Payables due to banks

	31.12.2009	31.12.2008
	CHF million	CHF million
Payables from money market papers	**0.1**	0.9
Payables due to central banks	**-**	-
Payables due to other commercial banks	**991.7**	1'199.5
Payables from repurchase agreements	**-**	-
Cash deposits for securities lent	**-**	-
Mortgage-backed payables	**71.7**	57.0
Total payables due to banks	**1'063.5**	1'257.4

The decrease in liabilities due to commercial banks is predominantly the result of the scheduled repayment of funding related to acquisitions in previous years.

33. Customer deposits and liabilities

	31.12.2009	31.12.2008
	CHF million	CHF million
Savings and investment deposits	**20'531.2**	17'163.0
Other liabilities	**2'548.9**	3'951.0
Total customer deposits and liabilities	**23'080.1**	21'114.0

The increase in customer deposits and liabilities is due to the sustained increase in the inflow of new funds. Due to low interest rates on fixed-term deposits, there was a significant shift from other customer liabilities to savings deposits.

34. Other financial liabilities

		31.12.2009	31.12.2008
	Notes	**CHF million**	CHF million
Liabilities from finance leases		**68.7**	67.5
Derivative financial instruments	25	**56.9**	120.3
Staff accounts		**0.4**	0.6
Staff investment accounts		**1'378.9**	1'293.8
Other financial liabilities		**382.6**	742.0
Total other financial liabilities		**1'887.5**	2'224.2

The personnel investment accounts earn interest at a preferential rate. The rate is equivalent to Migros Bank´s variable interest rate for first-time mortgages. The account is limited to a deposit of CHF 200,000 for active employees of the M-Community and CHF 100,000 for retired employees. The funds deposited are subject to withdrawal at 3 months´ notice for drawings over CHF 25.000.

A loan of CHF 340.0 million, by the Federation of Migros Cooperatives to the pension fund, included in Other financial liabilities at the previous balance sheet date, was repaid in the reporting year.

Liabilities from finance leases

CHF million	**31.12.2009 Nominal**	**Discount[1]**	**Present value[2]**	31.12.2008 Nominal	Discount[1]	Present value[2]
Remaining contract terms						
Up to one year	**7.5**	**4.0**	**3.5**	7.7	4.4	3.3
More than one and up to five years	**35.6**	**15.5**	**20.1**	29.0	15.5	13.5
More than five years	**70.6**	**25.5**	**45.1**	79.7	29.0	50.7
Total liabilities from finance leases	**113.7**	**45.0**	**68.7**	116.4	48.9	67.5

[1] Future financing costs

[2] Carrying amounts in the balance sheet

Additional information about finance leases	**31.12.2009 CHF million**	31.12.2008 CHF million
Contingent lease payments recorded in the income statement	**2.7**	2.6
Expected future minimum lease payments from sub-lease contracts	**-**	-

Finance leases mainly comprise long-term rental agreements for real estate. Apart from finance leases, the Migros Group also operates rental and lease agreements, which due to their economic content have been classified as operating lease agreements. See also Note 41.

35. Trade payables and other liabilities

	31.12.2009 CHF million	31.12.2008 CHF million
Trade payables	**1'671.1**	1'677.0
Other liabilities	**631.6**	676.9
Accrued expenses		
Course fees of Club Schools	**54.0**	50.4
Rent	**7.3**	7.1
Interest	**84.1**	107.4
Other accrued expenses	**177.9**	199.7
Total trade payables and other liabilities	**2'626.0**	2'718.5

Other accrued expenses include obligations from customer loyalty programs such as M-Cumulus.

36. Provisions

CHF million	Guarantees	Restruct-uring	Onerous contracts	Legal cases	Others	Total
As per 1 January 2008	**17.4**	**4.3**	**36.1**	**11.1**	**29.9**	**98.9**
Changes to scope of consolidation	-	-	-	-	-	**-**
Addition	22.3	9.5	5.5	3.9	37.4	**78.6**
Usage	-21.9	-2.1	-3.5	-2.3	-18.3	**-48.1**
Release	-0.4	-0.4	-1.7	-1.9	-4.0	**-8.4**
Unwinding of discounts	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Foreign exchange differences	0.0	-0.1	0.0	-0.1	-0.4	**-0.6**
As per 31 December 2008	**17.5**	**11.2**	**36.4**	**10.7**	**44.6**	**120.4**
of which current	*9.6*	*11.1*	*7.2*	*10.5*	*32.5*	***70.9***
Changes to scope of consolidation	-	0.0	-	0.0	0.0	**0.0**
Addition	17.8	14.4	3.1	6.3	34.1	**75.7**
Usage	-18.4	-8.8	-7.7	-4.5	-31.0	**-70.4**
Release	-1.0	-1.3	-4.7	-0.6	-4.9	**-12.5**
Unwinding of discounts	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Foreign exchange differences	0.0	0.0	-	0.0	-0.1	**-0.1**
As per 31 December 2009	**15.9**	**15.5**	**27.1**	**11.9**	**42.7**	**113.1**
of which current	*9.1*	*9.2*	*5.8*	*7.4*	*23.4*	***54.9***

Provisions for restructuring increased during the financial year 2009 due to agreed and communicated restructuring measures in different companies of the Migros Group.

Other provisions contain various types of provisions and consist mainly of obligations for transportation and liability claims as well as reinstatement costs from rental agreements.

37. Issued debt instruments

	31.12.2009 CHF million	31.12.2008 CHF million
Long-term bonds issued	**942.9**	939.1
Mortgage backed loans[1]	**3'650.7**	3'457.5
Medium-term bonds[1]	**1'831.6**	2'534.2
Private placements	**100.0**	100.0
Total issued debt instruments	**6'525.2**	7'030.8
of which subordinated	**-**	-

[1] From financial services segment

The increase in medium-term bonds is due to the increased inflow of new funds in the financial services business.

No defaults in payment or contract infringements occurred in issued debt instruments during the reporting and previous year.

Detailed overview of long-term bonds issued

Emitter	Securities number	Year of issue	Interest rate nominal	Interest rate effective	Curr-ency	Maturity	Nominal amount	Carrying amount
							CHF million	CHF million
Migros Bank	1940496	2004	2.75	2.99	CHF	21.09.2012	150.0	149.0
Migros Bank	2868940	2007	2.75	2.91	CHF	09.02.2015	250.0	247.9
Federation of Migros Cooperatives	1833656	2004	2.5	3.42	CHF	03.05.2011	200.0	197.6
Federation of Migros Cooperatives	3087408	2007	2.875	3.02	CHF	04.06.2013	200.0	199.1
Federation of Migros Cooperatives	3405577	2007	3.125	3.31	CHF	28.09.2012	150.0	149.3
Total long-term bonds issued							**950.0**	**942.9**

No long-term bonds were issued or redeemed in the reporting period.

38. Assets and liabilities from employee benefits

CHF million	Assets from employee benefits 31.12.2009	Assets from employee benefits 31.12.2008	Liabilities from employee benefits 31.12.2009	Liabilities from employee benefits 31.12.2008
Type of benefit				
Short-term benefits	**17.9**	22.2	**303.7**	319.7
Post-employment benefits:				
Defined contribution plans	**0.1**	0.0	**0.7**	0.7
Post-employment benefits:				
Defined benefit plans	**464.1**	270.5	**-**	-
Other long-term benefits	**-**	-	**203.5**	206.9
Termination benefits	**-**	-	**19.3**	19.4
Total employee benefits	**482.1**	292.7	**527.2**	546.7

Reconciliation of the present value of the defined benefit obligation and of the fair value of the plan assets to the amounts disclosed

CHF million	31.12.2009	31.12.2008
Present value of the defined benefit obligation	**-17'223.1**	-16'780.7
Plan assets at fair value	**17'499.5**	15'838.5
Surplus / (Deficit)	**276.4**	-942.2
Unrecognised actuarial (gains)/losses	**220.5**	1'247.8
Unrecognised past service cost	**-**	-
Assets not recorded due to the asset ceiling	**-32.8**	-35.1
Present value of pension plan assets not financed through a fund	**-**	-
Net assets in the balance sheet from defined benefit plans	**464.1**	270.5

Companies of the Migros Group use different, generally legally independent pension providers. These are primarily defined benefit plans according to IAS 19.The position recognised in the balance sheet under defined benefit pension plans corresponds to the present value of the defined benefit obligation at the balance sheet date plus any unrecognised actuarial gains, less the fair value of the plan assets, any not yet recognised actuarial losses, and any adjustments of past service costs not yet recognised. If this formula produces a negative value, an asset must be recognised in the balance sheet for defined benefit pension plans. This asset is limited to the smaller of the result of the above formula and the total economic benefit for an employer in the form of future reductions in contributions plus any unrecognised actuarial losses.

According to IFRIC 14, in the case of a surplus an economic benefit in form of reduced contributions is achieved for defined benefit pension plans if the present value of the future service cost according to IAS 19 is greater than the discounted future prescribed contributions. Where future contributions exceed the future cost in this comparative cost calculation, no economic benefit results according to IFRIC 14 from a surplus and thus no pension scheme assets (but also no liabilities). However, an economic benefit always results from an employer's voluntary payments (employer contribution reserves less waiver of application) to a pension plan with a surplus. The related calculations are made by qualified independent pension experts. At the end of 2009 the large pension plans of the Migros Group (Migros pension fund, pension fund of the Globus companies and the Denner pension fund) had recovered, and therefore reverted from the IAS 19 deficit at the end of 2008 to an IAS 19 surplus cover situation. While the comparative cost calculation according to IFRIC 14 does not result in an economic benefit from any of the pension funds, the Migros pension fund, the Denner

pension fund and various smaller pension funds provide an economic benefit in the form of potential future reductions in contributions from employer contribution reserves, which results in a pension scheme asset. As a result of the financial crisis, the asset was additionally increased by cumulative unrecognised actuarial losses on all pension funds.

The present value of the defined benefit obligation has changed as follows:

	31.12.2009	31.12.2008
	CHF million	CHF million
As per 1 January	**16'780.7**	15'609.2
Changes to the scope of consolidation	**2.3**	-
Service cost (net)	**423.0**	387.0
Interest cost	**531.3**	545.3
Employee contributions	**210.2**	209.6
Actuarial gains/(losses)	**5.5**	752.8
Benefit payments	**-730.9**	-731.0
Past service cost	**-**	16.2
Plan curtailments	**-**	-
Plan compensations	**-**	-
Foreign exchange differences	**1.0**	-8.4
As per 31 December	**17'223.1**	16'780.7

The fair value of the plan assets has changed as follows:

	31.12.2009	31.12.2008
	CHF million	CHF million
As per 1 January	**15'838.5**	18'091.5
Changes to the scope of consolidation	**1.1**	-
Expected return on plan assets	**689.8**	841.3
Actuarial gains/(losses)	**1'030.0**	-3'024.3
Employer contribution	**459.2**	462.7
Employee contributions	**210.2**	209.6
Benefit payments	**-730.9**	-731.0
Plan compensations	**-**	-
Foreign exchange differences	**1.6**	-11.3
As per 31 December	**17'499.5**	15'838.5

Investment categories of the plan assets and expected return

	Investment categories		**Expected**
in %	**31.12.2009**	31.12.2008	**return**
Equity securities	**25.6%**	20.5%	**5.51%**
Debt securities	**34.8%**	37.8%	**2.61%**
Mortgages	**4.7%**	6.6%	**3.00%**
Alternative investments	**4.7%**	4.7%	**5.44%**
Real estate	**26.2%**	27.2%	**4.62%**
Other	**4.0%**	3.2%	**1.88%**
Total	**100.0%**	100.0%	

The expected return on the plan assets are based on estimations of the projected long-term income of existing capital investments.

Plan assets include debt instruments (e.g. bonds, deposit certificates) of the FMC and of Migros Bank totalling CHF 176 million (2008: CHF 600 million).

Plan assets also include real estate totalling CHF 717 million (2008: CHF 679 million), used by the Migros Group.

The Migros Group estimates that it will pay contributions of CHF 423 million into the plan in 2010.

Amounts from defined benefit and defined contribution plans recorded in the income statement

	Notes	**2009 CHF million**	2008 CHF million
Service cost		**633.2**	596.6
Interest cost		**531.2**	545.3
Employee contributions		**-210.2**	-209.6
Expected return on plan assets		**-689.8**	-841.3
Recognised actuarial losses / (profits)[1]		**3.6**	1'619.4
Effects from plan curtailments and plan compensations		**-**	-
Past service cost		**-**	16.2
Effects from the asset ceiling (IAS 19.58b)		**-2.3**	-1'289.4
Pension cost for defined benefit plans		**265.7**	437.2
Pension costs for defined contribution plans		**4.7**	4.8
Total pension costs	10	**270.4**	442.0
Actual investment income on plan assets		**1'719.9**	-2'183.0

[1] incl. effect of IAS 19.58A

Whereas in the past the pension cost for defined benefit pension schemes correlated with the employer contributions for occupational pension provisions, the pension cost for 2009 was CHF 171.1 million below the employer contributions paid (see also Note 10). As a result of the IAS 19 requirement of the corridor approach to defer the recognition of actuarial losses as expenses or actuarial gains as income, certain prior-year losses related to the financial crisis were also capitalised in 2009. As a result of the deficit recorded at the end of 2008, the income statement for 2009 contains no compensatory effect from the asset ceiling. However, while there was this marked reduction in pension costs for defined benefit pension schemes in 2009, the level of employer contributions remained unchanged.

Under the corridor approach, IAS 19 also requires that certain actuarial gains are immediately recorded in the income statement where a loss results from the postponement of their recognition in accordance with the corridor approach simply due to actuarial gains that occurred in the current period. In the case of the Globus and Denner pension funds, this resulted in 2009 in the immediate recognition of certain actuarial gains occurring in the period.

Likewise, actuarial losses must be immediately recognised in the income statement where a profit results from recognition of pension scheme asset simply due to actuarial losses that occurred in the current period. In accordance with this rule, actuarial losses were immediately recognised for various smaller pension funds.

Underlying actuarial assumptions

	31.12.2009 in %	31.12.2008 in %
Discount rate	**3.25%**	3.25%
Expected return on plan assets	**4.40%**	4.70%
Future salary increases	**2.00%**	2.00%
Future pension increases	**1.00%**	1.00%

In order to calculate obligations and the cost of defined benefit pension schemes, actuarial and other assumptions have to be made at company and country level. The above assumptions are weighted average values.

Based on an asset and liability management study conducted in 2009, the expected long-term return on plan assets was reduced from 4.70% to 4.40%.

A reduction of the discount interest rate by 0.25% to 3.00% would not change the pension scheme assets shown in the balance sheet.

Development of the surplus / deficit

	31.12.2009 CHF million	31.12.2008 CHF million	31.12.2007 CHF million	31.12.2006 CHF million	01.01.2006 CHF million
Present value of the defined benefit obligation	**-17'223.1**	-16'780.7	-15'609.2	-16'238.1	-15'766.3
Fair value of the plan assets	**17'499.5**	15'838.5	18'091.5	17'627.7	16'621.9
Surplus / (deficit)	**276.4**	-942.2	2'482.3	1'389.6	855.6
Experience-based adjustment of the plan obligations	**0.9**	-21.5	1.0	0.3	
Experience-based adjustment of the plan assets	**1'030.0**	-3'024.3	-465.2	186.7	

39. Cooperative capital

Cooperative capital - Documentation

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--/40.--	Total share certificates
01.01.2008	2'021'463	299	2'021'762
Change in share certificates	31'599	-31	31'568
31.12.2008	**2'053'062**	**268**	**2'053'330**
Change in share certificates	21'196	-28	21'168
31.12.2009	**2'074'258**	**240**	**2'074'498**

Change in cooperative capital CHF thousand

01.01.2008	20'215	6	20'221
Change in cooperative capital	316	-1	315
31.12.2008	**20'531**	**5**	**20'536**
Change in cooperative capital	212	-1	211
31.12.2009	**20'743**	**4**	**20'747**

Cooperative capital - Statutary provisions:

Share certificates:	Each cooperative issues its own registered share certificates.
Liability:	The assets of a Cooperative are exclusively liable for the commitments of that Cooperative. Any personal liability on the part of Cooperative members is excluded.

Further explanations

40. Maturity of financial assets and liabilities

The Balance sheet structure of the Migros Group is in the order of liquidity. The below table offers an overview of maturities (short-term; long-term) of the financial assets and liabilities by carrying amounts.

CHF million	**31.12.2009 current**	**non-current**	**Total**	31.12.2008 current	non-current	Total
Financial Assets						
Cash and cash equivalents	**3'167.2**	**-**	**3'167.2**	3'148.8	-	3'148.8
Receivables due from banks	**383.3**	**-**	**383.3**	91.3	-	91.3
Mortgages and customer receivables	**13'168.3**	**14'362.4**	**27'530.7**	15'208.2	11'268.7	26'476.9
Trade receivables	**524.4**	**-**	**524.4**	560.3	-	560.3
Other receivables	**194.1**	**0.0**	**194.1**	345.4	0.1	345.5
Other financial assets	**1'514.9**	**1'854.1**	**3'369.0**	812.6	2'209.8	3'022.4
Total financial assets	**18'952.2**	**16'216.5**	**35'168.7**	20'166.6	13'478.6	33'645.2
Financial liabilities						
Payables due to banks	**378.6**	**684.9**	**1'063.5**	116.4	1'141.0	1'257.4
Customer deposits and liabilities	**23'041.2**	**38.9**	**23'080.1**	21'078.3	35.7	21'114.0
Other financial liabilities	**1'767.3**	**120.2**	**1'887.5**	1'781.6	442.6	2'224.2
Trade payables	**1'671.1**	**-**	**1'671.1**	1'677.0	-	1'677.0
Other liabilities[1]	**631.6**	**-**	**631.6**	676.9	-	676.9
Issued debt instruments	**1'741.6**	**4'783.6**	**6'525.2**	1'313.2	5'717.6	7'030.8
Total financial liabilities	**29'231.4**	**5'627.6**	**34'859.0**	26'643.4	7'336.9	33'980.3

[1] excluding accrued expenses

As a result of falling interest rates, expiring or new mortgages were increasingly arranged for the long-term and at fixed rates instead of variable rates in the Financial Services business. This resulted in an increase in the proportion of long-term mortgages and customer receivables. The increased customer deposits and liabilities in the Financial Services business were predominantly invested over the short term.

41. Operating Leases

The Migros Group as lessee

At the balance sheet date the Migros Group had open obligations from irrevocable operating leases, maturing as follows:

	31.12.2009 CHF million	31.12.2008 CHF million
Remaining contract terms		
Up to one year	**500.9**	414.3
More than one and up to five years	**1'674.4**	1'357.8
More than five years	**2'450.1**	2'798.1
Total future liabilities from operating leases	**4'625.4**	4'570.2
Minimum lease payments	**514.0**	515.2
Contingent lease payments	**13.4**	13.5
Income from sub-lease relationships	**-73.6**	-77.7
Net payments from operating leases and sub-lease contracts affecting net income	**453.8**	451.0
Expected future payments from sub-lease contracts	**272.6**	267.7

Payments for operating leases relate mainly to rent for real property. Payments from sub-lettings equate to lease payments received by the Migros Group from sub-lettings under operating leases.

The Migros Group as lessor

At the balance sheet date the Migros Group had contractually agreed the following irrevocable minimum lease payments:

	31.12.2009	31.12.2008
	CHF million	CHF million
Remaining contract terms		
Up to one year	**182.4**	199.9
More than one and up to five years	**532.0**	567.4
More than five years	**238.7**	196.0
Total future receivables from operating leases	**953.1**	963.3
Contingent lease payments received	**9.7**	9.4

Future receivables from operating leases include payments the Migros Group will receive in future as income from renting out its own properties to third parties. The variable indexed part of the rental income realised in the period will be shown as contingent lease payments received.

42. Contingent liabilities and contingent receivables

The Migros Group and its subsidiaries are continuously confronted with legal disputes, claims and actions, which in most cases originate from normal business activity. Apart from the provisions shown in the Balance Sheet (see Note 36) the Board of Directors is not aware of any new facts since the last balance sheet date that could significantly influence the 2009 annual accounts.

Most of the contingent liabilities originate from the operational banking business of the Migros Bank.

Contingent liabilities

Contingent liabilities from the financial services business	**31.12.2009**	31.12.2008
	CHF million	CHF million
Guarantees for loans and similar instruments	**174.0**	178.7
Performance guarantees and similar instruments	**157.3**	219.2
Contractual loan commitments	**242.2**	268.7
Capital commitments	**32.3**	19.3
Total contingent liabilities from the financial services business	**605.8**	685.9
Other contingent liabilities		
Guarantees	**103.2**	73.4
Sureties	**1.6**	5.5
Others	**-**	0.6
Total other contingent liabilities	**104.8**	79.5

Contingent liabilities from the financial services business declined by CHF 80 million in the normal course of customer business. Guarantees under "Other contingent liabilities" mainly include guarantees issued by the Hotelplan Group for the travel business as well as guarantees issued by the Federation of Migros Cooperatives in favour of associates.

Contingent assets

	31.12.2009	31.12.2008
	CHF million	CHF million
Contingent assets	**3.4**	**-**
Total Contingent assets	**3.4**	**-**

Contingent assets contain sums receivable in connection with legal disputes of contracting partners.

43. Fiduciary business

Fiduciary placements are funds Migros Bank places with third-party banks for account of customers. Migros Bank is neither responsible for any defaults by the third-party bank nor are creditors able to access placed assets.

Fiduciary transactions	**31.12.2009**	31.12.2008
	CHF million	CHF million
Fiduciary placements with third party banks for account of the customers	**28.2**	412.1

Due to a significant reduction in money market interest rates, the majority of fiduciary placements in the financial services business were not renewed.

44. Information about relationships with related parties

31.12.2009	Associates	Joint ventures	Key mananagement personnel[1]	Pension funds	Other related parties[2]	**Total**
CHF million						
Balance sheet						
Cash and cash equivalents	-	-	-	-	-	**-**
Mortgages and customer receivables	-	-	3.8	-	-	**3.8**
Trade receivables	0.6	-	-	0.1	0.1	**0.8**
Other receivables	0.0	-	-	39.5	18.3	**57.8**
Other financial assets	69.4	-	-	-	-	**69.4**
Provision for impairment	-	-	-	-	-	**-**
Other assets	-	-	-	-	-	**-**
						-
Customer deposits and liabilities	-	-	-	-0.2	-	**-0.2**
Other financial liabilities	-	-	-	-10.0	-2.8	**-12.8**
Trade payables	-1.5	-	-	-1.6	-0.2	**-3.3**
Other liabilities	-	-	-	-117.3	-3.3	**-120.6**
Income statement						
Net revenue from goods and services sold	6.6	-	-	1.9	3.5	**12.0**
Other operating income	0.2	-	-	0.8	8.3	**9.3**
Interest and commission income	-	-	0.1	-	-	**0.1**
Interest and commission expenses	-	-	-	0.0	-	**0.0**
Cost of goods and services sold	-0.2	-	-	0.0	0.0	**-0.2**
Other operating expenses	-7.2	-	-	-14.0	-9.2	**-30.4**
Recognised impairment expenses	-	-	-	-	-	**-**
Finance income	1.3	-	-	0.1	0.4	**1.8**
Finance cost	-	-	-	-2.3	-1.0	**-3.3**
Issued guarantees	52.0	-	-	-	-	**52.0**

[1] Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives.
[2] Other related entities include foundations such as Eurocentres and the «Im Grünen» foundations.

Transactions between the Migros Group and the key management persons are in the case of external members of the Board carried at fair value and in the case of staff engaged as key management persons at standard employee conditions.

In the reporting year the Federation of Migros Cooperatives granted various new loans and financial guarantees to associates. There were no investments in joint ventures in 2009. In 2009 the Federation of Migros Cooperatives repaid the loan granted by the pension funds in the prior year.

31.12.2008	Associates	Joint ventures	Key mananagement personnel[1]	Pension funds	Other related parties[2]	**Total**
CHF million						
Balance sheet						
Cash and cash equivalents	-	-	-	-	-	**-**
Mortgages and customer receivables	-	-	4.1	-	-	**4.1**
Trade receivables	0.7	-	-	0.1	0.0	**0.8**
Other receivables	0.0	-	-	4.0	35.0	**39.0**
Other financial assets	-	5.9	-	-	-	**5.9**
Provision for impairment	-	-5.9	-	-	-	**-5.9**
Other assets	-	-	-	-	0.0	**0.0**
Customer deposits and liabilities	-	-	-	-8.7	-	**-8.7**
Other financial liabilities	-	-	-	-375.0	-4.4	**-379.4**
Trade payables	-1.6	-	-	-	-0.2	**-1.8**
Other liabilities	-	-	-	-98.6	-11.4	**-110.0**
Income statement						
Net revenue from goods and services sold	9.2	-	-	2.0	3.5	**14.7**
Other operating income	0.1	-	-	0.9	8.2	**9.2**
Interest and commission income	-	-	0.1	-	-	**0.1**
Interest and commission expenses	-	-	-	-0.1	-	**-0.1**
Cost of goods and services sold	-0.1	-	-	-0.1	0.0	**-0.2**
Other operating expenses	-7.7	-	-	-13.7	-13.9	**-35.3**
Recognised impairment expenses	-	-	-	-	-	**-**
Finance income	0.6	-	-	0.5	7.5	**8.6**
Finance cost	-	-	-	-21.8	-0.6	**-22.4**
Issued guarantees	-	-	-	-	-	**-**

[1] Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives.
[2] Other related entities include foundations such as Eurocentres and the «Im Grünen» foundations.

Transactions between the Migros Group and the key management persons are in the case of external members to the Board carried out at fair value and in case of staff being engaged as key management persons at standard employee conditions.

Shorter-term loans of the Federation of Migros Cooperatives due from pension funds existed on 31.12.2008. These total CHF 340.0 million and are included under Other financial liabilities.

Personnel expenses of key management personnel	**2009 CHF million**	2008 CHF million
Short-term benefits	**11.9**	11.3
Post-employment benefits	**1.8**	1.8
Other long-term benefits	**0.0**	0.0
Termination benefits	**-**	-
Total personnel expenses of key management personnel	**13.7**	13.1

45. Business combinations and disposals

During the financial year 2009 the following material transactions took place:

Business combinations	Note	Segment Cooperative Retailing 2009		Segment Commerce 2009		Segment Industry & Wholesaling 2009		Total 2009	
CHF million		Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]
Cash		0.4	0.4	4.6	4.6	2.4	2.4	**7.4**	**7.4**
Receivables		0.4	0.4	1.5	1.5	6.6	6.6	**8.5**	**8.5**
Inventories		0.1	0.1	1.5	1.0	3.6	3.6	**5.2**	**4.7**
Other financial assets		0.3	0.3	-	-	0.1	0.1	**0.4**	**0.4**
Tangible assets and investment property		3.0	2.9	8.1	7.7	18.1	7.9	**29.2**	**18.5**
Intangible assets (w/o goodwill)		5.1	-	2.6	0.1	1.2	0.4	**8.9**	**0.5**
Other assets		0.1	0.1	0.0	0.0	0.4	0.1	**0.5**	**0.2**
Financial liabilities		-2.8	-2.8	-10.3	-10.3	-12.6	-11.4	**-25.7**	**-24.5**
Trade payables		-0.3	-0.3	-0.8	-0.8	-5.0	-5.0	**-6.1**	**-6.1**
Provisions		-	-	-	-	0.0	0.0	**0.0**	**0.0**
Deferred income tax liabilities		-0.1	-	-0.2	-	-0.5	-	**-0.8**	**-**
Other liabilities		-3.8	-0.5	-3.5	-3.5	-2.3	-2.3	**-9.6**	**-6.3**
Addition net assets		**2.4**	**0.6**	**3.5**	**0.3**	**12.0**	**2.4**	**17.9**	**3.3**
Minority participations								**-0.1**	
Goodwill	29							**3.9**	
Cost of acquisition								**21.7**	
of which attributable to capital investment								**-4.6**	
Acquired cash								**-7.4**	
Future obligations								**-2.3**	
Net outflow of funds								**7.4**	

[1] Fair value according to Purchase Accounting. Fair value analyses were made for all balance sheet categories; where essential a valuation adjustment was carried out.
[2] Carrying amount of acquired companies immediately prior to take-over as per IFRS.

In the 2009 reporting year various small companies were acquired, including TC Gruppe Innerschweiz AG in the fitness area and Weisenhorn Food Specialities GmbH in the industry area. The effects of all business combinations in 2009 are shown in the overview.

The companies and businesses acquired in 2009 produced a combined loss of CHF 2.4 million for the year of acquisition. If these acquisitions had been completed by 1 January 2009, the Migros Group would have achieved approximately CHF 29.3 million higher revenues and an approximately CHF 1.3 million lower result for the 2009 financial year.

Disposal of subsidiaries

CHF million	Segment Travel 2009 Carrying amount
Cash	**0.5**
Receivables	**0.9**
Inventories	**-**
Other financial assets	**0.4**
Tangible assets	**0.1**
Intangible assets	**0.0**
Other assets	**0.0**
Financial liabilities	**-0.3**
Trade payables	**-1.4**
Provisions	**0.0**
Deferred income tax liabilities	**-**
Other liabilities	**-**
Translation differences	**-**
Disposal of net assets	**0.2**
Profit from the disposal of subsidiaries	**0.9**
Sales price	**1.1**
Disposed of cash	**-0.4**
Deferred sales price payments	**-0.2**
Net inflow of funds	**0.5**

In 2009 the Hotelplan Group disposed of small subsidiaries in Germany and France.

During the financial year 2008 the following material transactions took place:

Business combinations	Note	**Segment Cooperative Retailing 2008**		**Segment Industry & Wholesaling 2008**		**Segment Travel 2008**		**Total 2008**	
CHF million		Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]	Fair Value[1]	Carrying amount[2]
Cash		0.2	0.2	0.8	0.8	3.9	3.6	**4.9**	**4.6**
Receivables		0.1	0.1	1.6	1.6	2.3	2.3	**4.0**	**4.0**
Inventories		-	-	2.3	2.3	-	-	**2.3**	**2.3**
Other financial assets		-	-	0.1	0.1	0.1	-	**0.2**	**0.1**
Tangible assets and investment property		-	-	13.0	10.4	0.2	0.2	**13.2**	**10.6**
Intangible assets (w/o goodwill)		-	-	1.4	0.5	27.1	-	**28.5**	**0.5**
Other assets		-	0.1	0.1	0.1	0.1	-	**0.2**	**0.2**
Financial liabilities		-0.1	-0.1	-2.0	-2.0	-3.9	-3.5	**-6.0**	**-5.6**
Trade payables		-	-	-1.0	-1.0	-0.4	-0.4	**-1.4**	**-1.4**
Provisions		-	-	-	-	-	-	**-**	**-**
Deferred income tax liabilities		-	-	-0.8	-	-6.7	-0.1	**-7.5**	**-0.1**
Other liabilities		-	-	-	-	-	-	**-**	**-**
Addition net assets		**0.2**	**0.3**	**15.5**	**12.8**	**22.7**	**2.1**	**38.4**	**15.2**
Minority participations								**-7.0**	
Goodwill	29							**9.5**	
Cost of acquisition								**40.9**	
of which attributable to capital investment									
Acquired cash								**-4.9**	
Future obligations								**-5.7**	
Net outflow of funds								**30.3**	

[1] Fair value according to Purchase Accounting. Fair value analyses were made for all balance sheet categories; where essential a valuation adjustment was carried out.
[2] Carrying amount of acquired companies immediately prior to take-over as per IFRS.

In 2008, the Migros Group acquired several small companies, including the Ascent Travel Group, Emil Dörig Käsehandel AG and others. The effects of these business combinations are shown in the overview.

The companies and businesses acquired in 2008 produced a combined loss of CHF 3.0 million for the year of acquisition. If these acquisitions had been completed by 1 January 2008, the Migros Group would have achieved approximately CHF 56.4 higher revenues and an approximately CHF 0.7 million lower result.

During the reporting year 2008 the Migros Group did not dispose of any subsidiaries or business operations.

46. Foreign exchange rates

The following exchange rates were used for converting the accounts of foreign subsidiaries into Swiss Francs (reporting currency):

	Year-end rates		Average rates for the year	
	31.12.2009	31.12.2008	**2009**	2008
1 EUR	**1.49**	1.49	**1.51**	1.58
1 GBP	**1.67**	1.57	**1.69**	1.98
1 USD	**1.03**	1.07	**1.08**	1.08

47. Events after the balance sheet date

After the balance sheet date and up to the release of the publication of the annual accounts by the Board of the Federation of Migros Cooperatives, various equity interests were acquired. In particular, in the Travel segment a majority interest was acquired in bta first travel ag, one of the largest business travel operators in Switzerland. In addition, in January 2010 the Federation of Migros Cooperatives acquired the remaining 30% of shares in Denner AG as planned, as a result of which it now owns 100% of the shares.

48. Scope of consolidation

Segment / Company	Domicile	Accounting method [1)]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest % [2)]
Cooperative Retailing						
Migros Cooperative Aare	Moosseedorf	F	Switzerland	CHF	4 617	M
cha chà AG	Moosseedorf	F	Switzerland	CHF	1 000	100
FlowerPower Fitness und Wellness AG	Moosseedorf	F	Switzerland	CHF	100	100
Gäu Park AG	Egerkingen	F	Switzerland	CHF	5'000	100
LFS AG	Moosseedorf	F	Switzerland	CHF	200	100
Neue Brünnen AG	Bern	F	Switzerland	CHF	1 000	100
Shopping-Center Brünnen AG	Bern	F	Switzerland	CHF	918	100
Shoppyland, Shoppy	Moosseedorf	F	Switzerland	CHF	100	100
Time-Out	Moosseedorf	F	Switzerland	CHF	100	100
VOI AG	Moosseedorf	F	Switzerland	CHF	100	100
Migros Cooperative Basel	Basel	F	Switzerland	CHF	1 749	M
Migros Deutschland GmbH	DE-Lörrach	F	Other countries	EUR	10 000	100
Semiba AG	Münchenstein	F	Switzerland	CHF	100	100
Migros Cooperative Geneva	Carouge	F	Switzerland	CHF	1 136	M
Centre Balexert SA	Vernier	F	Switzerland	CHF	500	100
Fondation Mi-Terra	Carouge	F	Switzerland	CHF	50	100
ILEM SA	Plan-les-Ouates	E	Switzerland	CHF	530	34.4
S.A. Migros en France (SAMEF)	Carouge	F	Switzerland	CHF	8 985	100
Migros France SAS	FR-Etrembières	F	Other countries	EUR	3 500	100
M-Loisirs	FR-Etrembières	F	Other countries	EUR	750	100
E.R.A.S.M. (Expansion Rhône-Alpes Supermarchés Migros)	FR-Etrembières	F	Other countries	EUR	1 446	100
Neydsuper SA	FR-Etrembières	F	Other countries	EUR	1 166	100
SCI des Voirons	FR-Cranves-Sales	F	Other countries	EUR	991	100
S.R.M. (Société des restaurants Migros S.à.r.l.)	FR-Etrembières	F	Other countries	EUR	600	100
SCI Les Blanchardes	FR-Etrembières	F	Other countries	EUR	1	100
SCI M-Etrembières	FR-Etrembières	F	Other countries	EUR	1	100
SCI M-Thoiry	FR-Etrembières	F	Other countries	EUR	1	100
SCI Neydgalerie	FR-Etrembières	F	Other countries	EUR	1	100
SCI Neydloisirs	FR-Etrembières	F	Other countries	EUR	1	100
SCI Neydmigros	FR-Etrembières	F	Other countries	EUR	1	100
Société immobilière du Marché de gros de l'alimentation SA (SIMGA)	Carouge	E	Switzerland	CHF	2 625	40.83
Migros Cooperative Lucerne	Dierikon	F	Switzerland	CHF	1 718	M
Parkwirtin „Einfache Gesellschaft"	Sursee	F	Switzerland	CHF	585	84.62

Segment / Company	Domicile	Accounting method [1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest % [2]
TC-Gruppe Innerschweiz AG	Sursee	F	Switzerland	CHF	420	100
Migros Cooperative Neuchâtel-Fribourg	La Tène	F	Switzerland	CHF	1 162	M
Marin Centre SA	La Tène	F	Switzerland	CHF	17 300	100
Strega SA	La Tène	F	Switzerland	CHF	100	100
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	3 970	M
Randenburg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400	73.0
Società Cooperativa fra produttori e consumatori Migros-Ticino	Sant'Antonino	F	Switzerland	CHF	855	M
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	713	M
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1 523	M
Parking Pré de la Tour S.A. Pully	Pully	E	Switzerland	CHF	5 325	24.61
Migros Cooperative Zurich	Zurich	F	Switzerland	CHF	3 092	M
ACTIV FITNESS AG	Meilen	F	Switzerland	CHF	650	100
Migros Beteiligungen AG	Rüschlikon	F	Switzerland	CHF	1 000	100
Angehrn Holding AG	Gossau SG	E	Switzerland	CHF	500	30
Federation of Migros Cooperatives Owned by the regional Migros Cooperatives	Zurich	F	Switzerland	CHF	15 000	100
Migros (Hong Kong) Ltd.	HK-Kowloon	F	Other countries	HKD	100	100
Migros Liegenschaften GmbH	DE-Lörrach	F	Other countries	EUR	5 120	100
Migros-Verteilbetrieb Neuendorf AG	Neuendorf	F	Switzerland	CHF	4 500	100
Migros Verteilzentrum Suhr AG	Suhr	F	Switzerland	CHF	35 000	100
SA Pedemonte Melano	Melano	F	Switzerland	CHF	50	100
Sportxx AG	Zurich	F	Switzerland	CHF	100	100
SSP-Informatik AG	Zurich	F	Switzerland	CHF	100	100
TKL Tiefkühllager AG	Neuendorf	F	Switzerland	CHF	2 500	100
Commerce						
Denner AG	Zurich	F	Switzerland	CHF	15 000	70
EG Dritte Kraft AG	Wollerau SZ	F	Switzerland	CHF	600	100
Ex Libris AG	Dietikon	F	Switzerland	CHF	3 000	100
Gries Deco Company GmbH	DE-Niedernberg	E	Other countries	EUR	63	49.05
Interio AG	Dietikon	F	Switzerland	CHF	1 000	100
Demosa AG	Unteriberg	F	Switzerland	CHF	300	100
Le Shop S.A.	Ecublens	F	Switzerland	CHF	4 500	90.5
Magazine zum Globus AG	Spreitenbach	F	Switzerland	CHF	33 000	100
Migrol AG	Zurich	F	Switzerland	CHF	52 000	100
Widmer AG Brenn- und Treibstoffe	Oftringen	F	Switzerland	CHF	200	100
migrolino AG	Bern	F	Switzerland	CHF	6 000	100
cevastore GmbH	Bern	F	Switzerland	CHF	50	100
Office World AG	Zurich	F	Switzerland	CHF	1 000	100

Segment / Company	Domicile	Accounting method [1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest % [2]
Industry & Wholesaling						
Aproz Sources Minérales SA	Nendaz	F	Switzerland	CHF	850	97.6
Bischofszell Nahrungsmittel AG	Bischofszell	F	Switzerland	CHF	6 000	100
Weisenhorn Food Specialities GmbH	AT-Frastanz	F	Other countries	EUR	2 236	98.4
Centravo AG	Zurich	E	Switzerland	CHF	2 400	24.83
Chocolat Frey AG	Buchs AG	F	Switzerland	CHF	4 000	100
Cremesso AG	Zurich	F	Switzerland	CHF	200	100
Delica AG	Birsfelden	F	Switzerland	CHF	1 000	100
Estavayer Lait SA	Estavayer-le-Lac	F	Switzerland	CHF	3 500	100
Jowa AG inkl. Produktionsstätten	Volketswil	F	Switzerland	CHF	10 000	100
Jowa France S.A.R.L.	FR-Etrembières	F	Other countries	EUR	750	100
Mibelle AG	Buchs AG	F	Switzerland	CHF	2 000	100
Micarna SA incl. Micarna AG, Bazenheid branch	Courtepin	F	Switzerland	CHF	10 000	100
Mérat & Cie. AG	Bern	F	Switzerland	CHF	50	100
Schlachtbetrieb St.Gallen AG	Gossau SG	E	Switzerland	CHF	9 000	42.2
TMF Extraktionswerk AG	Kirchberg SG	E	Switzerland	CHF	1 200	15
Midor AG	Meilen	F	Switzerland	CHF	2 000	100
Mifa AG Frenkendorf	Frenkendorf	F	Switzerland	CHF	2 000	100
Mifroma SA	Ursy	F	Switzerland	CHF	3 000	100
Dörig Käsehandel AG	Urnäsch	F	Switzerland	CHF	200	85
Alois Koch Käsehandel AG	Gonten	F	Switzerland	CHF	250	100
Mifroma France SA	FR-Chalamont	F	Other countries	EUR	1 105	99.4
M Industry USA Inc.	US-Delaware	F	Other countries	USD	700	100
M Industry Canada Inc.	CA-Saint John NB	F	Other countries	CAD	300	100
Riseria Taverne SA	Torricella-Taverne	F	Switzerland	CHF	100	100
Scana Lebensmittel AG	Regensdorf	F	Switzerland	CHF	9 000	100
Swiss Industries GmbH	DE-Weil am Rhein	F	Other countries	EUR	125	100
Financial Services						
Migros Bank	Zurich	F	Switzerland	CHF	700 000	100
Travel						
Hotelplan Holding AG *incl. subsidiaries:*	Opfikon	F	Switzerland	CHF	10 000	100
Switzerland						
com.on Aktiengesellschaft	Zurich	F	Switzerland	CHF	100	80
Hotelplan Management AG	Opfikon	F	Switzerland	CHF	500	100
Inghams Schweiz AG	Opfikon	F	Switzerland	CHF	100	100
Interhome AG	Opfikon	F	Switzerland	CHF	4 500	100
International Holiday Services AG	Opfikon	F	Switzerland	CHF	100	51
MTCH AG	Opfikon	F	Switzerland	CHF	2 400	100

Segment / Company	Domicile	Accounting method [1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest % [2]
Travel Holding Company AG	Opfikon	F	Switzerland	CHF	100	51
travelwindow AG	Zurich	F	Switzerland	CHF	100	60
Vacando AG	Opfikon	F	Switzerland	CHF	100	80
Belgium						
Interhome SA	BE-Bruxelles	F	Other countries	EUR	126	100
Germany						
ESCO-Reisen Freiburg GmbH	DE-Freiburg i.Br.	F	Other countries	EUR	308	100
Interhome GmbH	DE-Düren	F	Other countries	EUR	31	100
Finland						
Interhome Oy	FI-Helsinki	NC	Other countries	EUR	17	20
France						
Hotelplan Inghams Sarl	FR-Chamonix	F	Other countries	EUR	8	100
Interhome Gestion Sarl	FR-Paris	F	Other countries	EUR	77	100
Interhome Sarl	FR-Paris	F	Other countries	EUR	131	100
Mer et Soleil Provence SA	FR-Hyères	F	Other countries	EUR	2 400	100
Greece						
Horizontes Club Holidays Ltd.	GR-Athens	F	Other countries	EUR	18	100
United Kingdom						
Bladon Group PLC	GB-London	F	Other countries	GBP	1 960	100
Filoxenia Ltd.	GB-London	F	Other countries	GBP	30	100
Hotelplan Ltd.	GB-London	F	Other countries	GBP	1 000	100
Hotelplan (Transport) Ltd.	GB-London	F	Other countries	GBP	2	100
Hotelplan (UK Group) Ltd.	GB-London	F	Other countries	GBP	500	100
Inntravel Ltd.	GB-London	F	Other countries	GBP	500	100
Interhome Ltd.	GB-Twickenham	F	Other countries	GBP	50	100
Itinerary Ltd.	GB-London	F	Other countries	GBP	100	100
Westbury Travel Ltd.	GB-London	F	Other countries	GBP	30	100
Italy						
Gattinoni Travel Network s.r.l.	IT-Lecco	E	Other countries	EUR	855	34
Hotelplan Italia S.p.A.	IT-Milan	F	Other countries	EUR	5 100	100
Interhome Srl	IT-Milan	F	Other countries	EUR	30	100
Netherlands						
Interhome BV	NL-Rijswijk	F	Other countries	EUR	70	100
Austria						
Hotelplan Intern. Reiseorganisation GesmbH	AT-Innsbruck	F	Other countries	EUR	36	100
Interhome GesmbH	AT-Innsbruck	F	Other countries	EUR	80	100
travelwindow GmbH	AT-Vienna	F	Other countries	EUR	35	100

Segment / Company	Domicile	Accounting method [1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest % [2]
Poland						
Interhome Sp z oo	PL-Warsaw	F	Other countries	PLN	201	74.4
IHOM Sp z oo	PL-Warsaw	F	Other countries	PLN	1 001	96.8
Russia						
Ascent Avia Services OOO	RU-Moscow	F	Other countries	RUB	10	51
Ascent Travel International OOO	RU-Moscow	F	Other countries	RUB	10	51
Interhome OOO	RU-Moscow	F	Other countries	RUB	10	80
Sweden						
Interhome AB	SE-Stockholm	F	Other countries	SEK	100	100
Spain						
Horizonte Club España SA	ES-Barcelona	F	Other countries	EUR	274	100
Interhome Srl.	ES-Barcelona	F	Other countries	EUR	70	100
Czech Republic						
dialogs 24/7	CZ-Prague	F	Other countries	CZK	200	100
Interhome Sro	CZ-Prague	F	Other countries	CZK	4 000	100
Tunisia						
Horizonte Tunisie Sarl in Liquidation	TN-Midoun, Djerba	F	Other countries	TND	50	100
Others						
Ferrovia Monte Generoso SA	Mendrisio	NC	Switzerland	CHF	3 500	100
Liegenschaften-Betrieb AG	Zurich	F	Switzerland	CHF	18 000	100
Betriebsgesellschaft Zentrum Glatt AG	Wallisellen	F	Switzerland	CHF	200	100
Kornhof GmbH	Zurich	F	Switzerland	CHF	2 000	100
S.I. Soleya S.A.	Avry	F	Switzerland	CHF	2 000	55
Limmatdruck AG	Spreitenbach	F	Switzerland	CHF	6 000	100
Zeiler AG	Spreitenbach	F	Switzerland	CHF	1 000	100

Legend

[1] Accounting method: F = fully consolidated
E = accounted for under the equity method
NC = not consolidated

[2] Interest: P = parent company

Report of the statutory auditor

Report of the statutory auditor
to the Board of Directors of
Federation of Migros Cooperatives
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Migros Group, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and notes (pages 1 to 85), for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 906 CO in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker	Hans Peter Heiber
Audit expert	Audit expert
Auditor in charge	

Zurich, 11 March 2010

Glossary of technical terms

Agio/disagio (of financial instruments)
Agio is a premium and disagio – opposite of agio – a discount on the nominal value of a financial instrument. Typically, agio and disagio result from the issue of shares, bonds and loans. For example, an agio results from a bond issue which offers an interest rate above the normal average return currently offered by similar types of bonds available on the capital market.

Capital risk management
The aim of capital risk management is an active and goal-directed management of equity capital in order to maintain good ratings and sound capital ratios. In the financial services business, the capital risk management is based on the bank's equity capital regulations and in retail and industry sector on the requirements of the rating agencies and lending banks.

Cash flow (cash flow from operating activity)
Profit before income tax, depreciation and impairments, plus expenditure not affecting liquidity, less income not affecting liquidity and changes in operating assets and liabilities.

Cost-Income ratio
The Cost-Income ratio is the most important ratio for measuring the efficiency of banks. In order to calculate the Cost-Income ratio, a bank's operating costs (staff costs plus Other operating costs) are compared to its net operating income (income from financial services business less cost of financial services) for the respective financial year.

EBIT (Earnings before interest and taxes)
Earnings before financial profit and income (operating profit) tax.

EBITDA (Earnings before interest, tax, depreciation and amortization)
Earnings before finance income and cost, income tax, depreciation on tangible assets, amortisation on intangible assets and investment property.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
The terms fair value and market value are used synonymously.

Financial risk management
Financial risk management covers all measures relating to monitoring, measuring, minimizing and securing financial risks the Migros group has entered into as part of its business activities.

Free cash flow (retail and industry sector)
Cash flow from operating and investing activities. Measure of flexibility for the retail and industry sector; the higher the Free Cash flow, the more room is available to the management for financial decisions.

Income (sales)
The income (sales) of the Migros group consists of Net revenue from goods and services sold, Other operating income and Income from financial services business with third parties.
The terms income and sales are used synonymously.

Income from financial services business
Income from financial services business consists of income from interest and commission and (net) gains on financial instruments of the financial services business.

Investments
New and replacement investments in tangible, intangible assets and investment property.

Key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing, controlling the activities of the Migros Group, directly or indirectly. The key management personnel of the Migros group include the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives.

Net borrowing (retail and industry sector)
Total of interest-bearing liabilities less liquid assets, receivables and short-term realizable securities.

NOA (Net Operating Assets) (retail and industry sector)
Key figure for operating assets consisting of inventories, investment property, tangible assets, intangible assets as well as trade receivables and trade payables.

Net revenues from goods and services sold
Net revenues from goods and services sold (excl. VAT) are revenues generated by the Migros group from its core business.

Other comprehensive income
Other comprehensive income covers income and expenses which are not charged to profit or loss for the period but recognised directly under Other equity components. The main components are currency translation differences resulting from foreign currency conversions of subsidiaries outside Switzerland (recorded under Currency translation differences) and fair value changes to specific financial instruments (recorded under Other reserves). Other comprehensive income therefore contains in particular provisional income or expenses which are recognised in the income statement and hence in profit or loss for the period only when realised e.g. when the concerned financial instruments are sold.

Other operating income
Other operating income is income from regular side-line business, i.e. income generated in indirect connection with the core business.

Profit / loss
Profit or loss for the period is the performance measure calculated in the income statement which is the focus of analysis and communication within the Migros Group. It includes all income and expenses with the exception of other comprehensive income.

Projected Unit Credit Method
The Projected Unit Credit Method is used for determining the cash of a defined benefit pension obligation. The method is based on an additional part of the final benefit claim being earned during each year of service and it values each of these benefit modules separately, in order to calculate the final obligation. The valuation of the benefit modules is based on actuarial assumptions (development of salaries and pensions, discounting rate, life expectancy, etc.), to allow best possible estimation of the actual costs after termination of employment.

Sensitivity analysis
The sensitivity analysis of the financial risk management provides information about the sensitivity of a result to changes in assumptions (e.g. interest rate, exchange rates).

Statement of comprehensive income
The statement of comprehensive income covers all components of "Profit / Loss“ and "Other comprehensive income" for the period and therefore corresponds to all changes in equity with the exception of shareholder transactions such as dividend payments or capital increases.

Workforce
Number of employees on the reporting date.

IMPRINT

MIGROS-GENOSSENSCHAFTS-BUND
Limmatstrasse 152
Postfach
8031 Zürich

www.migros.ch