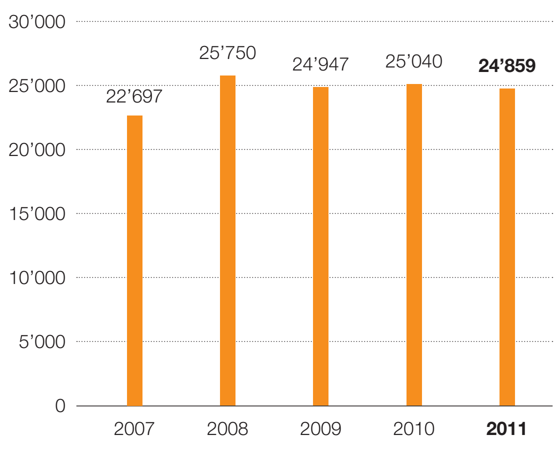
Financial reporting 2011

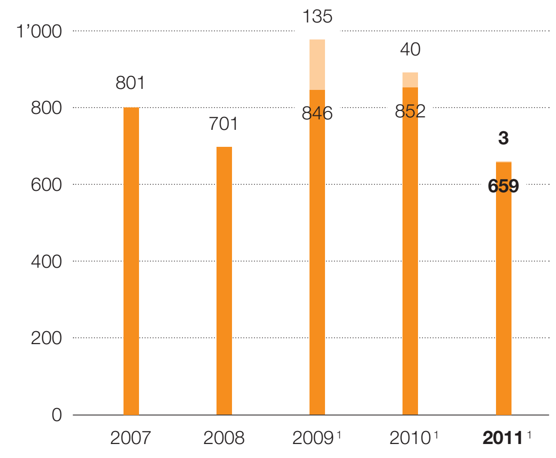
MIGROS GROUP

Development of Group results

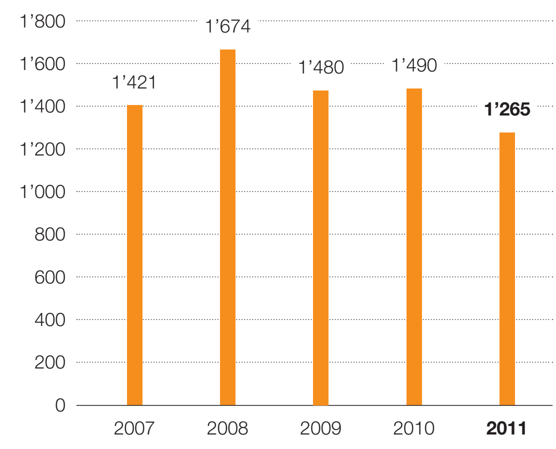
Income
[in million CHF]



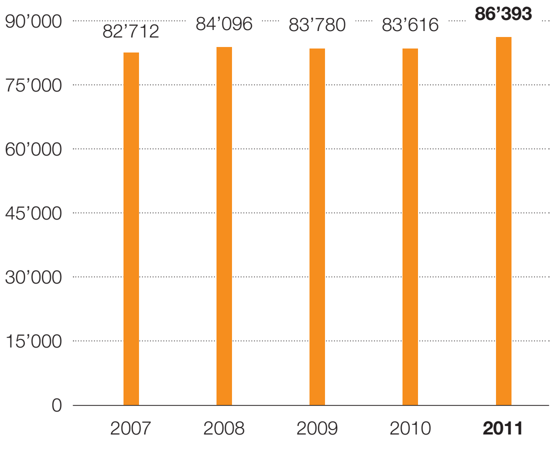
Profit
[in million CHF]



Investments
[in million CHF]



Workforce
[number of persons]



[1] Migros Group profit before effect from pension plans CHF 659.3 million, incl. effect from pension plans CHF 662.4 million (2010: CHF 851.6 million, incl. effect from pension plans CHF 891.8 million, 2009: CHF 846.3 million, incl. effect from pension plans CHF 981.6 million).

Key figures and ratios

CHF million, **except where indicated**		2007	2008	2009	2010	**2011**	**Change from previous year in %**
Income		**22'697.0**	**25'749.8**	**24'946.9**	**25'040.3**	**24'858.8**	**- 0.7**
↳ of which income before income from financial services business		21'705.0	24'732.0	23'958.4	24'080.4	23'893.6	- 0.8
↳ of which Migros retail sales		18'535.4	21'557.0	21'037.2	21'199.8	21'058.6	- 0.7
↳ of which income of the Cooperatives		14'658.0	15'387.6	15'221.8	15'164.2	14'661.9	- 3.3
Total Migros distribution sites	Number	589	601	604	610	623	2.1
Total Migros sales area	m²	1'225'382	1'251'115	1'266'062	1'293'204	1'332'397	3.0
EBITDA [1] (Earnings before interest, taxes, depreciation and amortisation)		**2'018.3**	**2'096.8**	**2'278.4**	**2'315.7**	**2'116.2**	**- 8.6**
as % of income	%	8.9	8.1	9.1	9.2	8.5	
↳ of which EBITDA of the retail and industry sector		1'739.2	1'869.3	2'039.2	2'001.8	1'791.2	- 10.5
EBIT [1] (earnings before interest and taxes)		**1'043.0**	**1'112.9**	**1'153.1**	**1'176.2**	**979.0**	**- 16.8**
as % of income	%	4.6	4.3	4.6	4.7	3.9	
Profit [1]		**801.0**	**700.7**	**846.3**	**851.6**	**659.3**	**- 22.6**
as % of income	%	3.5	2.7	3.4	3.4	2.7	
Cash flow from operating activity		**1'268.0**	**2'471.5**	**2'409.6**	**1'999.0**	**1'126.7**	**- 43.6**
as % of income	%	5.6	9.6	9.7	8.0	4.5	
↳ of which cash flow of the retail and industry sector		1'946.0	1'887.4	1'494.5	1'855.1	1'347.4	- 27.4
Investments		**1'421.0**	**1'673.9**	**1'479.5**	**1'490.2**	**1'265.3**	**- 15.1**
Equity		**11'639.0**	**12'254.0**	**13'363.4**	**14'294.0**	**14'878.4**	**4.1**
as % of balance sheet total	%	24.9	25.1	26.3	27.3	27.0	
↳ of which equity of the retail and industry sector		10'139.0	10'698.5	11'634.9	12'412.4	12'893.2	3.9
as % of balance sheet total	%	53.8	56.0	59.5	62.1	63.6	
Balance sheet total		**46'732.0**	**48'740.9**	**50'805.2**	**52'374.5**	**55'181.4**	**5.4**
↳ of which balance sheet total of the retail and industry sector		18'833.0	19'088.1	19'564.0	19'973.1	20'256.8	1.4
Expenditure for cultural, social and economic policy purposes		**127.3**	**119.7**	**114.1**	**114.9**	**117.6**	**2.3**
Workforce/Migros Cooperatives							
Workforce (number of persons - annual average)	Number	82'712	84'096	83'780	83'616	86'393	3.3
Migros Cooperatives (number of members)	Number	2'022'060	2'055'044	2'074'259	2'086'294	2'091'188	0.2

[1] Before effect from pension plans.

Report on the financial situation of Migros Group

A. Overview

A.1. Key figures and ratios

CHF million	Migros Group 2011	Migros Group 2010
Income	24'858.8	25'040.3
↳ of which income before income from financial services business	23'893.6	24'080.4
Operating profit [1]	979.0	1'176.2
Profit [1]	659.3	851.6
Cash flow (from operating activity)	1'126.7	1'999.0
↳ of which cash flow of the retail and industry sector [2]	1'347.4	1'855.1
Investments	1'265.3	1'490.2
Equity	14'878.4	14'294.0
↳ of which equity of the retail and industry sector [2]	12'893.2	12'412.4
Balance sheet total	55'181.4	52'374.5
↳ of which balance sheet total of the retail and industry sector [2]	20'256.8	19'973.1

[1] Before effect from pension plans.
[2] Unaudited; before consolidation of transactions between the two sectors.

A.2. Income statement

	Migros Group		Retail and Industry sector [1]		Financial Services sector [1]	
CHF million	2011	2010	2011	2010	2011	2010
Net revenue from goods and services sold	23'586.0	23'809.7	23'586.9	23'810.9	3.6	3.7
Other operating income	307.6	270.7	308.1	269.7	2.5	3.5
Income before financial services business	**23'893.6**	**24'080.4**	**23'895.0**	**24'080.6**	**6.1**	**7.2**
Income from financial services business	965.2	959.9	–	–	965.3	960.2
Total income	**24'858.8**	**25'040.3**	**23'895.0**	**24'080.6**	**971.4**	**967.4**
Cost of goods and services sold	14'302.5	14'550.7	14'303.7	14'552.1	–	–
Expenses of financial services business	369.7	371.8	–	–	369.9	372.2
Personnel expenses	5'038.5	4'934.9	4'865.2	4'765.0	172.6	170.5
Depreciation	1'137.2	1'139.5	1'103.7	1'103.1	33.4	36.4
Other operating expenses	3'031.9	2'867.2	2'934.9	2'761.7	103.4	111.5
Operating profit before effect from pension plans	**979.0**	**1'176.2**	**687.5**	**898.7**	**292.1**	**276.8**
Effect from pension plans	3.9	50.5	3.8	48.9	0.1	1.6
Operating profit	**982.9**	**1'226.7**	**691.3**	**947.6**	**292.2**	**278.4**

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

A.3. Balance sheet

CHF million	Migros Group 2011	Migros Group 2010	Retail and Industry sector [1] 2011	Retail and Industry sector [1] 2010	Financial Services sector [1] 2011	Financial Services sector [1] 2010
ASSETS						
Cash and cash equivalents	4'569.4	3'125.4	1'424.4	1'333.0	3'252.2	2'297.0
Receivables due from banks	30.1	178.5	31.3	179.7	–	–
Mortgages and other customer receivables	30'858.3	28'854.0	–	–	30'871.9	28'872.3
Other receivables	742.1	725.3	742.6	725.8	0.0	0.0
Inventories	2'162.5	2'042.2	2'162.5	2'042.2	–	–
Other financial assets	2'418.9	3'337.1	1'083.9	1'193.9	1'335.0	2'143.2
Investments in associated companies and joint ventures	108.8	94.5	846.2	831.9	–	–
Investment property	299.8	293.5	269.1	262.4	30.7	31.1
Tangible assets	11'747.8	11'602.1	11'592.1	11'443.6	155.8	158.4
Intangible assets	1'380.9	1'275.2	1'285.7	1'167.8	95.1	107.4
Other assets	862.8	839.7	819.0	785.8	37.0	47.3
	55'181.4	**52'367.5**	**20'256.8**	**19'966.1**	**35'777.7**	**33'656.7**
Non-current assets held for sale	–	7.0	–	7.0	–	–
BALANCE SHEET TOTAL	**55'181.4**	**52'374.5**	**20'256.8**	**19'973.1**	**35'777.7**	**33'656.7**
LIABILITIES AND EQUITY						
Payables due to banks	528.7	737.1	502.2	708.4	38.9	46.9
Customer deposits and liabilities	25'891.3	24'300.9	–	–	26'000.9	24'801.4
Other financial liabilities	2'030.6	1'771.0	2'017.3	1'756.7	13.3	14.4
Other liabilities	2'621.9	2'702.6	2'465.4	2'559.1	157.1	149.4
Provisions	116.5	111.6	110.7	108.6	5.8	3.0
Issued debt instruments	7'060.5	6'309.3	598.8	648.3	6'461.7	5'661.1
Liabilities from employee benefits	517.5	520.1	505.7	508.3	18.8	19.5
Current income tax payables	89.6	140.3	46.9	107.2	42.7	33.1
Deferred income tax liabilities	1'446.4	1'487.6	1'116.6	1'164.1	327.0	320.4
Total liabilities	**40'303.0**	**38'080.5**	**7'363.6**	**7'560.7**	**33'066.2**	**31'049.2**
Total equity including non-controlling interests	**14'878.4**	**14'294.0**	**12'893.2**	**12'412.4**	**2'711.5**	**2'607.5**
BALANCE SHEET TOTAL	**55'181.4**	**52'374.5**	**20'256.8**	**19'973.1**	**35'777.7**	**33'656.7**

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

A.4. Cash flow statement

CHF million	Migros Group 2011	Migros Group 2010	Retail and Industry sector [1] 2011	Retail and Industry sector [1] 2010	Financial Services sector [1] 2011	Financial Services sector [1] 2010
Cash flow from operating activity	1'126.7	1'999.0	1'347.4	1'855.1	- 503.3	248.4
Cash flow from investing activity	- 438.9	- 1'464.8	- 1'207.1	- 1'344.2	767.9	- 126.8
Cash flow from financing activity	759.1	- 585.8	- 46.0	- 423.9	690.6	- 303.2
Changes in cash and cash equivalents	**1'446.9**	**- 51.6**	**94.3**	**87.0**	**955.2**	**- 181.6**
Cash and cash equivalents, at beginning of year	3'125.4	3'167.2	1'333.0	1'236.2	2'297.0	2'478.6
Foreign exchange differences	- 2.9	9.8	- 2.9	9.8	–	–
Cash and cash equivalents, at end of year	**4'569.4**	**3'125.4**	**1'424.4**	**1'333.0**	**3'252.2**	**2'297.0**

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

B. Introduction

Apart from companies in the sectors Retail, Industry and Wholesaling, Migros Group also owns Migros Bank. The financial services business of Migros Bank differs fundamentally from other segments of Migros Group. For this reason, in the annual accounts of Migros Group two sectors have been added in the report on the financial situation: Below, Migros Group without the financial services business is referred to as **«the Retail and Industry sector»** and Migros Bank as **«the 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 strategic business units (sector)
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, 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 2011 financial year included the following:

In 2009, the Federation of Migros Cooperatives acquired a 49% share in the German retailer Gries Deco Holding GmbH, Niedernberg (Germany), with the aim of expanding this investment in the medium term. Under the leadership of the Federation of Migros Cooperatives, a growth strategy was devised together with Gries Deco at the end of 2010. With financing from the Federation of Migros Cooperatives, work on implementing this strategy has been ongoing since the start of 2011. Since this means that Migros Group in effect controls Gries Deco, since 1 January 2011, the company has no longer been reported as an associate but instead as a fully consolidated subsidiary with a shareholding of 51.1%. Gries Deco runs 224 stores in Germany and Austria, selling home accessories, decorating products and smaller items of furniture under its Depot brand.

On 11 August 2011, the Hotelplan Group announced the acquisition of a 26% share in Germany's Inter Chalet Ferienhaus-Gesellschaft mbH, Freiburg im Breisgau (Germany). The investment in Inter Chalet, which is to be increased in the medium term, will enable the Hotelplan Group to exploit synergies with Interhome, one of its subsidiaries. With more than 500 employees, Inter Chalet and Interhome together market some 50'000 holiday homes and generate sales in excess of EUR 300 million. Inter Chalet was included as an associate as of 1 November 2011.

As of 1 July 2011, rlc packaging group based in Hanover (Germany) acquired Limmatdruck AG, Spreitenbach, as well as its subsidiary, Zeiler AG, Köniz. As the previous owner, the Federation of Migros Cooperatives has thus sold its interest in the packaging business as this is no longer part of Migros' key duties. Thanks to the takeover by the long-established German family-owned enterprise, an ideal solution was found for both of the sold companies and their employees.

The effects (from the date of inclusion in the scope of consolidation) of the extension of the scope of consolidation for Migros Group and the individual segments are shown below:

2011

CHF million	Income	Expenses	Profit
Cooperative Retailing	17.0	29.6	- 12.6
Commerce	273.7	287.6	- 13.9
Total effect of acquisitions	**290.7**	**317.2**	**- 26.5**

The following companies were acquired during the financial year 2010:

Mibelle AG announced the acquisition of a majority stake in Hallam Beauty Ltd, Bradford (UK) on 8 March 2010. Hallam Beauty, which has now been renamed Mibelle Ltd., is one of the biggest and most successful independent cosmetics manufacturers in the UK. Mibelle has specialised very successfully in the development and production of well-priced, high-quality own brands and already generated more than 50% of sales in exports before the purchase. Hallam Beauty is strengthening Mibelle further and facilitating its access to the cosmetics market in the UK. The company was included in the scope of consolidation as of 1 January 2010. The company has been allocated to the segment Industry & Wholesaling.

Hotelplan Group acquired the UK firm Enigma Travel Group, which specialises in ski tourism, as of 1 May 2010. Hotelplan UK – consisting of travel agents Inghams with Inntravel and now the Enigma Travel Group – will become one of the biggest skiing and walking holiday specialists in the UK. Furthermore, M-Travel Switzerland, the operating Swiss subsidiary of Hotelplan Group, acquired a majority stake in bta Group, Zug, as of 1 January 2010. bta Group was one of the leading independent Swiss travel agents, and specialises in business trips. M-Travel Switzerland is thereby continuing its strategy and expanding into promising niche markets. The companies have been allocated to the segment Travel.

Office World acquired iba AG, Bolligen, a company specialising in mail orders, as of 1 August 2010 to become one of the strongest stationery retailers in Switzerland. Both brands will continue to exist and supplement one another in their online and offline expertise and strategic customer focus. The company has been allocated to the segment Commerce.

No companies were sold by Migros Group during the 2010 financial year.

D. Income trend (sales trend) of Migros Group

Migros Group posted income of CHF 24.9 billion, representing a fall in sales of CHF 181.5 million or 0.7%. The Retail & Industry sector, with income of CHF 23.9 billion, recorded a drop in sales of 0.8%. Lower prices of Migros products, shopping tourism in areas close to the border due to exchange rate factors as well as a shrinking travel business had a major effect on the sales of Migros Group. The core business, retail, saw sales increase by 2.1% in real terms. Migros invested CHF 600 million in price reductions in Cooperative Retailing alone. During the 2011 financial year, the retailing operations of Migros Group therefore reported a negative inflation of 2.8%, causing retail sales to fall by 0.7% in nominal terms. The sales volume increased once more. Because of lower market interest rates, income in the Financial Services sector increased only slightly, by 0.4% to CHF 971.4 million, while expenses in the financial services segment (including impairment losses) declined by 0.6% to CHF 369.9 million.

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

	Total income		Change from
CHF million	**2011**	2010	previous year in %
Cooperative Retailing	15'306.4	15'704.5	- 2.5
Commerce	6'395.4	6'092.9	5.0
Industry & Wholesaling	5'127.4	5'128.8	0.0
Travel	1'408.7	1'504.7	- 6.4
Others	189.5	247.7	- 23.5
Eliminations (within retail and industry sector)	- 4'532.4	- 4'598.0	- 1.4
Total Retail and Industry sector	**23'895.0**	**24'080.6**	**- 0.8**

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 business unit Cooperative Retailing**. The ten regional Cooperatives generated income of CHF 14.5 billion. This represents a decrease of CHF 505.3 million or 3.4% less than in the previous year. With negative inflation of 3.9%, this corresponds to real growth of 0.5%. At 15.2%, the market share is slightly below the previous year (15.4%). The decline in income for the supermarkets was 3.7%. While sales volumes were slightly higher than in the previous year, price reductions across the entire product range had a negative effect on sales. The effects of shopping tourism as a result of the exchange rate between the euro and the Swiss franc as well as increasing competition can also be clearly felt. Migros offers the best value for money as constantly confirmed by independent sources. Prices in the Fresh Produce segment were 4.4% lower, Meat retailing prices were down by an average of 3.6% and Fruit/Vegetables were 9.8% cheaper than in the previous year. According to the FSO, the increase in the cost of living in Switzerland was 0.2%. Specialist markets generated income of CHF 1.4 billion, 2.9% down on the sales figure for the previous year, despite a decline in prices of 4.4% 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 expan ded stores. The weighted sales area increased by 2.2% over the previous year, while weighted area productivity decreased by 5.4% due to the decline in prices and the increase in sales area. With sales of CHF 204.3 million, retailing operations of the Migros Cooperatives abroad increased by CHF 3.0 million, despite unfavourable exchange rate effects. Sales in the local currency increased by 12.9%. Migros had one extra store abroad in 2011 (total: 8 stores).

Price reductions of more than CHF 600 million

The **strategic business unit Commerce** mainly includes the retail companies Denner, Migrol, Magazine zum Globus, Interio, Ex Libris, Office World and Le Shop as well as Depot (Gries Deco Group) as of 1 January 2011. The overall difficult market situation is also affecting retailers. The rise in income of CHF 302.5 million to CHF 6.4 billion is due to the full integration of Depot and Migrol (rising fossil fuel prices). **Denner** posted income of CHF 2'784.2 million in 2011 and reported real growth of 1.7%, adjusted for the effects of inflation. In nominal terms, however, zero growth was recorded. Denner was therefore able to further consolidate its position as the third largest Swiss retailer and increase customer numbers in the fiercely contended discount business (+2.0%). Denner reduced the prices of some 775 products; this corresponds to more than 40% of the entire range. **Migrol** posted another slight drop in sales of combustibles and fuels in cubic metres. The decline of 4.3% can mainly be attributed to the closure of six petrol stations. Migros maintained its market share. However, the significantly higher costs of fossil fuels resulted in sales of CHF 1'766.7 million, an increase of 3.7%. The **«Depot»** (Gries Deco Group) was able to clearly extend its market leadership in the area of home accessories. With almost 100 new stores opened in Germany and Austria, the company was once again one of the strongest growing non-food concepts in German-speaking countries in 2011. Sales rose by more than 35% to EUR 215.6 million. In like-for-like terms, Depot posted a pleasing 6.0% increase. The expansion of the new convenience shop format **migrolino** in the 2011 financial year went much more smoothly than in the previous year: At the end of the 2011 financial year, 174 migrolino shops were in operation, 14 more than in the previous year. These include 39 (+4) stand-alone stores, 81 (+8) Migrol-migrolinos and 54 (+2) Shell-migrolinos. The new format is generating pleasing sales. In the 2011 financial year, work focused, in particular, on pooling logistics activities at the logistics centre in Suhr. At CHF 788.1 million, **Magazine zum Globus AG** recorded a fall in sales of 2.0% (adjusted for Service Centre sales). The further strengthening of the modern ranges and the expanded brand range in women's fashion once again resulted in increased sales. Globus achieved the highest growth in this product category, with a rise of 4.3%. The Männerwelt concept (everything a man needs – clothes, accessories, shoes and perfumery) has proven a success at Herren Globus and is very popular with customers. In the 2011 financial year, the stores in Baden and Zug were refurbished and upgraded in line with the new concept, at a cost of over CHF 2.9 million. At CHF 168.7 million, **Ex Libris** posted income which was 11.4% down on the figure recorded in the previous year. In a very competitive market, due especially to aggressive online competition from abroad, market shares were gained, but the low EUR/CHF exchange rate, among other things, resulted in quite considerable negative inflation on the range which reached double digits.

Massive expansion of the retail chain «Depot»

As Switzerland's biggest online supermarket, **Le Shop** preserved the record sales of the previous year, posting revenues of CHF 149.5 million and moving into profit. Following a good first half of the year, however, growth in the difficult retail climate slowed sharply during the second six months of the year. The option to order via iPhone was once again an important growth driver: 11% of all orders were placed using mobile end devices in 2011. Le Shop made deliveries to 106'000 households in 2011. The average order value continued to remain high: Le Shop customers spent an average of CHF 235 per order. In a conventional supermarket, the average order value is around CHF 31.

Growth despite unsettled environment

The **strategic business unit Industry & Wholesaling** includes 14 highly productive industrial companies in Switzerland, three foreign enterprises and two wholesalers, Scana Lebensmittel AG and Mérat AG. Despite considerable price decreases and negative foreign currency effects, income in this segment was kept in line with that of the previous year. Real growth amounted to 2.8%. Within the Migros business, M-Industry passed on productivity increases and the currency-related more favourable purchase prices in the form of lower prices. However, the increases in volume were unable to compensate for the fall in prices, which is why sales declined by 0.9%. Sales with Denner, Le Shop and migrolino performed above average. Pleasing growth of 6.8% was posted with Swiss third-party customers other than Migros. This is one result of the greater efforts made since last year to develop value-added concepts for gastronomy and large-scale industrial consumers, and to expand the requisite distribution. International business grew by 15.0% on a currency-adjusted basis. The currency performances of the euro, the British pound and the US dollar compared to the Swiss franc had a substantial effect on the result, yet growth in Swiss francs was 3.6%. On a currency-adjusted basis, export business advanced by 12.4%, while foreign companies reported an increase, in local currency, of almost 30%.

Despite price decreases of 2.8%, the industry segment of meat, fish and poultry was the domestic growth driver with sales rising by 2.6%. The catering business once again performed positively. The near food industry segment suffered greatly as a result of unfavourable exchange rates, resulting in a 5.6% fall in sales. In local currencies, clear growth was recorded at the UK location in particular. The innovative biochemistry arm, which continues to promise good opportunities for growth in the future, developed positively.

Foreign currency developments, the massive slump in the travel market in Arabic countries following the Arab Spring and reduced capacities shaped the business volume of the **strategic business unit Travel** unit during the reporting year. Following the lack of snow in winter 2011, the skiing holiday business in the UK, which was expanded in May 2010, was unable to offset these influences. Sales of the Hotelplan Group fell by 6.4% to CHF 1'408.7 million in 2011. Passenger numbers, however, rose by 3.6% to more than 1.3 million.

The strength of the franc caused a reduction in sales of CHF 80.0 million or 5.4%. At Hotelplan Italy and Hotelplan Suisse, the decline in sales due to the impacts of the Arab Spring amounted to approximately CHF 47 million. At Hotelplan Suisse, capacities in the area of long-distance travel were reduced and average sales prices recorded another fall. The areas of business travel and retailing recorded good results, whereas conventional tour operating suffered given the circumstances. In Italy, poor consumer sentiment and the restructuring measures carried out also had a negative impact on the sales of Hotelplan Italy. Capacity at ski tour specialist Inghams was cut significantly, especially to Canada. The UK ski tour business, which has expanded since May 2010, posted growth of GBP 32.0 million, despite the poor winter in 2011, reductions in capacity and the weak British pound. The online provider Travelwindow again grew sales strongly in the reporting year, already doubling sales in Austria in the first year following its launch. In autumn 2011, travel.se also commenced operations in Stockholm. Interhome, the leading agent for quality holiday homes, posted a drop in sales, caused primarily by the weak euro. In Russia, Ascent Travel increased sales amid an extremely competitive market climate but was unable to maintain its margins. Despite the rise in sales, the company generated a lower gross profit. Under the management of Hotelplan, Hotel Riviera Beach Club in the south of France last year generated sales matching the level of the previous year.

D.2. Income trend in the Financial Services sector

Income from financial services business amounted to CHF 965.3 million in the reporting year, with interest revenue totalling CHF 806.5 million or 83.5%, constituting the main share of total income. Commission income amounted to CHF 92.4 million and other financial assets and foreign exchange dealings generated a net profit of CHF 66.4 million. In the fiercely contended mortgage market, Migros Bank achieved a growth in mortgage loans of CHF 1'999.6 million or 6.9%, due to the company's beneficial conditions. On the liabilities side, Migros Bank achieved a net increase in customer deposits and liabilities of CHF 1'199.5 million or 4.8%.

E. Operating result of Migros Group

The operating result (EBIT before pension plan effect) of Migros Group for 2011 was CHF 979.0 million, 16.8% or CHF 197.2 million lower than the previous year's result of CHF 1'176.2 million. It has therefore already returned to the positive level recorded in 2007. The sharp reduction in EBIT can be attributed to the Retail and Industry sector. All of the companies in this sector once again implemented substantial cuts to sales prices and are suffering as a result of the increasing level of shopping tourism in regions close to the border, brought about by exchange rate factors. Lower sales prices were only partially offset by lower purchase prices and increases in productivity. The operating result (EBIT before pension plan effect) of the Financial Services sector improved by 5.5% to CHF 292.1 million, thanks to further savings in operating expenses compared with the previous year. The cost/income ratio that expresses the relationship between business expenditure and income improved thanks to these cost savings to 46.2% (previous year 46.9%).

E.1. Operating result of the Retail and Industry sector

	Total operating profit before effect from pension plans		
CHF million	2011	2010	Change from previous year in %
Cooperative Retailing	427.9	511.8	- 16.4
Commerce	63.4	112.3	- 43.5
Industry & Wholesaling	185.7	232.9	- 20.3
Travel	- 19.4	- 12.3	57.7
Others	29.9	60.7	- 50.7
Eliminations (within Retail and Industry sector)	–	- 6.7	–
Total Retail and Industry sector	**687.5**	**898.7**	**- 23.5**

Efficiency programmes cut costs significantly

Efficiency programmes, the auditing and standardisation of processes, new structures and procedures – i.e. **sustainable cost management** – have a positive influence on the gross margin and the operating result of the commercial and industrial business. In addition to efficiency programmes, however, **procurement management**, **commodity prices** and **exchange rates** had a significant effect on the gross margin and operating result. Any increases in efficiency and improvements in the purchasing for goods are passed on to the customers largely in the form of reduced sales prices.

The optimisation of the value-added chain and of the structures is an ongoing process. In the financial year just ended, **various optimisation measures** were initiated, continued or completed in the **strategic business unit Cooperative Retailing**.

For instance, **Migros Aare**, the cost leader among the cooperatives, is handling the challenges in three directions: growth, efficiency and management

Growth: Firstly, the Cooperative is achieving growth in its existing sales area through location-specific assortments and measures to optimise space management. Secondly, the Cooperative is investing in the refurbishment of its branch network with the aim of upgrading the technical equipment and improving customer focus (remodelling, layout offensive). The Cooperative is occupying blank areas (new buildings, new locations or expanding space at existing locations) and developing growth markets in the core business (VOI, cha chà).

Efficiency: Over the past few years, Migros Aare has already worked intensively and successfully on improving cost-efficiency through a range of projects: Optimisation of Branch Processes 2005/06, Lean Logistics 2008, Improving Advertising Efficiency 2009 etc. In 2011, attention focused on partially automated agricultural order-picking, functional, cost-optimised construction and excellence in buying Fresh Produce. Starting points for boosting excellence in buying Fresh Produce were «buying the right produce», «buying from the right producer», «buying at the right price» and «working together efficiently». Store management will be optimised further in 2012. Four sectors will be tackled: (1) targets for the deployment of staff, (2) improvements in selective store processes, (3) revision of targets, (4) standardisation of store and shelf management and the logical continuation of store processes.

Management: The «Excellent Implementation» programme was carried out in 2011. Excellent Implementation is a carefully planned, structured process for achieving set targets in a 100% top-down fashion via management in the entire company. In the process, values are specified by the strategy. The focus is concentrated on the sustainable performance of all employees who contribute to the company's success as part of a performance culture. The four-field model «Immunity against Change» provides the basis for setting targets and for analysing which targets have been achieved and which have been missed.

Migros Vaud has been working on the CAP 345 project «Together into the Future» for a good three years. During the first two years of the project, the Cooperative's supermarkets revised their key processes successfully so as to be able to hold their own in an environment, which is geared strongly to prices. In 2011, a crucial, additional project phase was initiated, namely the analysis of structural costs. The various organisational units will be gradually analysed by external experts. The Migros Vaud Club School was the pilot project for this analysis in 2011. The specific target of the analysis was adherence to Culture Percentage expenditure. The result is a new matrix organisation, a streamlining of the course portfolio and optimisation of current classrooms and locations. The timetables of the Club schools in Vevey and Yverdon were revised in this connection. The reception of the most important Club School centre in the canton, «Lausanne Flon» was redeveloped to present a professional, dynamic and strong image for customers. A few figures compared with 2010 highlight the success of this reorganisation: the margin (profit contribution) has risen by 10.2% across all areas, teaching hours have been increased by 1.6% and customer frequency by 0.4%.

Self-scanning and self-checkout in nine pilot stores: Migros is introducing the «Subito» self-service system to make shopping easier and quicker for its customers. Using self-scanning (for larger shopping trips) and self-checkout (for smaller shopping trips), each customer can scan products, pack them immediately and pay simply without having to rely on any members of staff. While shopping, self-scanning customers can monitor the individual products they have purchased, campaigns, the total amount spent and their new Cumulus points. Since 6 September 2011, «Subito» has been piloted in nine branches of the Cooperatives Migros Aare, Migros Eastern Switzerland, Migros Zurich and Migros Lucerne. It is already being used by approximately 14% of customers on average, with peaks of up to 25%. Decisions on how to take the project forward are expected in the first half of 2012.

The activities of the centrally managed assortments Food, Non Food, Near Food, Specialist Markets and Deep Frozen are bundled and grouped at the two national distribution centres. **This bundling laid the foundations for a comprehensive automation of internal processes.** During the 2011 financial year, fully automated order-picking systems in the Food and Deep Frozen ranges were commissioned, both aimed at improving efficiency and eliminating heavy physical work. In the area of Food, all stores are already supplied through the new system, while the number of stores in the area of Deep Frozen is gradually increasing. In the current year, sectors of the Non Food and Near Food assortments will be picked semi-automatically and additional sectors will be tested with pilot systems.

Centralisation of IT services

To improve the IT business alignment, Migros IT has implemented the strategic initiative M-Competence Centre. With this initiative, Migros has repositioned its IT services and geared them more closely to customers' requirements. Increasingly felt across the organisation, demands on the core business, particularly the Cooperative Retailing segment but also support processes, are now covered by single-source IT services. The competences needed to achieve this are now bundled centrally in one organisation and placed under a joint management team.

All IT services of relevance to the core business are now covered in M-Retail, while those of relevance to points of sale are covered by M-POS, to Finance and Controlling as well as Human Resources IT services by M-FICOHR, while the IT support for Culture & Education as well as Leisure & Sport offers is covered by M-Campus.

In addition to increasing effectiveness through the consistent focus on customer and company requirements, efficiency improvements are also achieved in the competence centres through standardisation and the exploitation of synergies, which will ultimately have a positive impact on the time-to-market of new solutions but also on operating costs.

The companies of the other strategic business units are also working continuously on the improvement of processes: The strategic business unit Industry & Wholesaling has achieved considerable efficiency improvements in the 2011 financial year through the «Fit for Europe» programme. The programme in the industrial companies is the response to increasing competitive pressure from foreign providers in Switzerland and intense competition abroad. It will run for three years and is starting in the individual industrial companies with a general analysis by an external consultant over a period of four to six weeks. In this project phase, the entire value-added chain from sales, development, procurement, production to logistics will be critically analysed. The analysis will be underpinned by external benchmarks.

Following the general analysis, potential for improvement will be validated in the detailed analysis together with local management and transferred into binding objectives. The local project teams will subsequently implement the individual measures consistently under the close supervision of management. Where possible, changes will be transferred at the end of the project in a continual process of improvement (CPI). The systematic approach focusing on implementation will ensure that significant potential and improvements are realised in the areas of decomplexity, operations and supply chain. Thanks to the «Fit for Europe», programme, M-Industry has already supported the Migros Group with substantial discounts.

For migrolino, a company of the strategic business unit Commerce, the entire **logistics for migrolino shops** were bundled in the Suhr national distribution centre in 2011. Not only Migros, ranges but all articles available in migrolino (with the exception of deep frozen products) are now centrally stored, picked and distributed to stores. The service to the shops will be greatly improved thanks to these steps.

In addition to the process optimisation measures, **procurement management**, **commodity prices** and **exchange rate developments** have a significant impact on the operating result of Migros Group:

Procurement management: lever for cutting purchasing costs further

Procurement management continued to prove instrumental in reducing purchasing costs in 2011, and has steadily evolved over recent years. With the establishment of the «Strategic Procurement/Supply Chain Support» segment, various instruments and methods have been developed and implemented since 2008. The instruments comprise a range of different levers designed to optimise operational purchasing, e.g. direct procurement at source, the European buying alliance AMS and procurement via structured online tendering and auctions. Two buying offices in Asia (Hong Kong and Shanghai) act as an extension to the purchasing departments in Zurich for the purpose of direct cooperation with manufacturers. Furthermore, these two local offices also ensure that the high requirements demanded by Migros in terms of humane conditions of production (code of conduct). are met. The buying alliance AMS allows for joint procurement measures with a number of other European retailers. With regards to procurement volumes for certain products, the alliance enables Migros to act together with the group of biggest retailers. The alliance is also a way of establishing valuable contacts with potential new suppliers. This, together with other levers, is used as part of clearly defined supplier relationship principles: are the goods in question generic in nature and easy to specify or are they value-added products offering a long-term competitive edge?

The rise in **commodity prices** which began in mid-2010 continued into the first quarter of 2011. Thereafter, commodity prices stabilised at a high level until the end of the year. The principal areas of relevance for Migros Group are crude oil (Migrol) and food (coffee, cocoa, cereals, rice, nuts, etc.). These goods are purchased on a decentralised basis in the relevant organisational units. The corresponding risks in terms of changing prices and supply are monitored by purchasing on an ongoing basis and are optimised by means of continuous and systematic procurement management.

Exchange rate benefits passed on to customers

Buying goods in foreign currencies also means that Migros Group is exposed to **exchange rate developments**. In its role as the in-house bank for the Group as a whole, in 2011, FMC Treasury hedged transaction risks of EUR 1.0 billion net and USD 1.0 billion. These hedging operations are performed on a systematic and continuous basis. The rally of the Swiss franc resulted in corresponding cost savings in goods purchasing in 2011. Thanks to having applied these hedging operations in a consistent manner, these savings are gradually translated into lower prices. These savings are pitched against losses in exports of Migros-Industry as well as conversion losses of sales achieved abroad due to the stronger Swiss franc. Furthermore, the falling euro rates in regions close to the border resulted in an increase in shopping tourism and to falls in sales in the stores of these regions.

The change in the gross margin results from shifts in the individual companies' shares of sales. 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. Passing on the efficiency increases and benefits from procurement management, commodity purchasing and exchange rate developments to customers resulted in a falling gross margin. Annual changes in the sales mix result in further smaller shifts of margin.

With falling income levels, operating expenses rose for the most part following the company acquisitions. Measured against sales, personnel expenses, which in addition to wages and salaries also include employer's pension fund contributions and other social security benefits, account for 20.4% (previous year 19.7%) of costs shown in the income statement and, together with expenditure on goods and materials, are by far the largest cost factor. Personnel expenses increased by CHF 100.2 million, due not only to the company acquisitions but also to salary increases of between 1.25% and 1.75%, which are higher than the industry average. This was due to careful and improved planning and the optimised use of available staff. Investment activities with total investments in the current financial year of CHF 1.3 billion (previous year CHF 1.5 billion) remain at a very high level. Depreciation has gradually come into line with investment income, which has risen 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 the Financial Services sector

The Financial Services sector generated income from financial services business totalling CHF 965.3 million with costs of CHF 369.9 million. Net income from financial services business improved from CHF 588.0 million to CHF 595.4 million, thanks to cost savings.

Net income from interest margin business remains the most important component in the Financial Services sector, accounting for approximately 84% of the net income in this sector during 2011. The sustained low level of interest rates means that the interest margin was reduced slightly. Net interest income therefore saw a fall of 5.0% on the previous year.

Income from the commission business suffered from customers' cautious approach to investment business, with the previous year's result increasing by only 1.9%.

Income from other financial investments and foreign currency and money transmission business improved from CHF 42.5 million to CHF 66.4 million, thanks to brisk foreign currency business.

Due to the continuous expansion of the customer advisory capacities and the branch network, staffing levels increased by 22 to 1'395 employees from the previous year. Personnel expenses, on the other hand, increased by 1.2% to CHF 172.6 million.

Migros Bank commissioned a new IT platform in November 2009. In 2011, this once again allowed significant savings to be made in IT expenditure. Depreciation and other operating expenses were therefore reduced from CHF 147.9 million to CHF 136.8 million.

F. Balance sheet of Migros Group

Mortgage and other customer receivables and customer deposits and liabilities of the Financial Services sector have had a considerable effect on the balance sheet of Migros Group. Compared to 31 December 2010, the balance sheet total rose by CHF 2.8 billion to CHF 55.2 billion as a result of a renewed increase in customer deposits in the Financial Services sector. Customer deposits as at 31 December 2011 amounted to approximately 46.9% of the balance sheet total (31 December 2010: 46.4%).

F.1. Balance sheet of the Retail and Industry sector

The balance sheet total assets for the Retail and Industry sector increased by 1.4% to CHF 20'256.8 million on the previous year. Increases in the balance sheet total and changes in the balance sheet structure from the previous year were mainly due to acquisitions and operating business.

The generated cash flow of the Retail and Industry sector is used on a continuous basis to reduce liabilities due to commercial banks, among other things. Maturing receivables due from commercial banks were not renewed due to the currently low interest rates, but assigned to the cash and cash equivalents. The carrying amount of tangible assets increased by CHF 148.5 million on the previous year as a result of extensive investment activities by Migros Group. During the last financial year, companies in the Retail and Industry sector invested CHF 1'243.3 million (previous year CHF 1'458.7 million) mainly in renewing the branch network and plants in Switzerland. The Cooperatives were able to commence operations not only at 17 new sales locations and 11 replacement buildings, but also at 4 major redevelopments/expansions of sales locations. One example: the Marin Centre shopping centre was built in three stages over a period of almost four years, and was opened on 11 November 2011. The centre houses 56 stores over a total sales area measuring 36'000 m^2. The Marin Centre is different from other major shopping centres in Switzerland in that it focuses consistently on sustainable development. The energy requirement of the shopping centre is approximately 20% of that for comparable centres. The building meets the Minergie standard and incorporates a number of additional innovative, resource-friendly technical solutions.

Intangible assets amounted to CHF 1'285.7 million as at 31 December 2011, a figure which is therefore slightly up on the previous year (CHF 1'167.8 million). The increase in intangible assets is mainly due to the company acquisitions made in the Commerce segment. Goodwill (intangible assets with an unlimited period of use) is CHF 811.5 million (previous year CHF 725.3 million). An important item in this figure is the goodwill acquired in 2007 with the acquisition of Denner.

Migros recognises actuarial gains and losses on defined benefit pension schemes in the income statement, using the ''corridor approach''. This approach means that the actuarial losses, which mainly arose during the debt crisis, if at all, are recorded only as expenditure pro rata and with a delay. Actuarial losses of CHF 225.6 million (previous year CHF 221.6 million) are still capitalised in other assets in the reporting year (see also explanation in Section H and Notes 10 and 38).

The balance sheet structure of the Retail and Industry sector remains very healthy. The net finance debts of CHF 955.6 million (previous year CHF 1'016.7 million) are set against a balance sheet total of CHF 20.3 billion and have decreased by CHF 61.1 million on the previous year. Based on the current EBITDA, these debts can be paid off within half a year. With an increase in equity of CHF 480.8 million, the proportion of shareholder equity in the total capital increased to 63.6%. The principle of matched maturities, whereby shareholder equity and long-term loan capital cover non-current assets, has been maintained.

F.2. Balance sheet of the Financial Services sector

During the reporting year, mortgages and other customer receivables rose by 6.9% from the previous year to CHF 30.9 billion.

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 1.3 billion in total and mainly consist of debt securities and widely diversified investment funds. During the reporting year, these cash reserves were reduced by CHF 808.2 million as a result of risk considerations, and invested as cash and cash equivalents.

This marked credit growth was mainly financed with new customer deposits. Customer deposits and liabilities increased by CHF 1.2 billion or 4.8%. Customer deposits totalled CHF 26.0 billion, corresponding to 84.2% of customer lending at the end of 2011. 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 equity base. As of 31 December 2011, the bank's equity amounted to CHF 2'711.5 million, significantly above the coverage required under Swiss banking law.

G. Cash flow statement of Migros Group

Positive cash flow from operating activity of CHF 1.1 billion

The cash and cash equivalents of Migros Group stood at CHF 4'569.4 million as at 31 December 2011 and therefore increased on a currency-adjusted basis by CHF 1'444.0 million on the previous year (31 December 2010: CHF 3'125.4 million). The increase resulted from the cash inflows from operating activities of CHF 1’126.7 million and financing activities of CHF 759.1 million less the cash outflows from investing activities of CHF 438.9 million. Cash flow from operating activities fell mainly due to the lower income compared to the previous year as well as the higher number of loans (mortgages and other customer receivables) from Migros Bank. Lower investment activity in financial assets resulted in a lower cash outflow in the cash flow from investment activities compared with the previous year. Cash flow from financing activities is up on the previous year mainly due to changes in medium-term bonds and mortgage-backed bonds.

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

At the end of 2011, cash and cash equivalents of the Retail and Industry sector came to CHF 1'424.4 million, representing an increase of CHF 91.4 million compared with CHF 1'333.0 million at the end of 2010.

Cash inflows from **operating activity** increased in 2011 compared with the end of 2010 by CHF 507.7 million to CHF 1’347.4 million, which was mainly due to the lower income compared to the previous year and a lower cash inflow from the reduction of receivables due from commercial banks.

The cash outflow from **investing activity** came to CHF 1’207.1 million in the reporting year. The decrease compared with the previous year can largely be explained by a lower investment volume in both tangible and intangible assets in 2011. Expenditure for investments in non-current assets was CHF 1'239.4 million (previous year: CHF 1'388.0 million). It was mainly made in the Cooperative Retailing segment. The above company sales (i.e. Limmatdruck) are resulting in a corresponding cash inflow. Moreover, the funds required to carry out the acquisition of companies in 2011 had little impact on liquidity. The outflow of funds from investing activity was once again 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 year amounted to CHF 46.0 million. The lower cash outflow than in the previous year (2010: CHF 424.0 million) can be attributed mainly to changes to long-term bonds which generated a net cash outflow of CHF 50.7 million.

G.2. Cash flow statement of the Financial Services sector

At the end of 2011, cash and cash equivalents of the Financial Services sector amounted to CHF 3'252.2 million. Compared to the total of CHF 2'297.0 million at the end of 2010, this represents an increase of CHF 955.2 million.

Cash outflow of CHF 503.3 million resulted from operating activity in 2011. The operating outflow was mainly the result of the growth in mortgage and other customer receivables of CHF 1'999.5 million. The increase in customer deposits and liabilities resulted, on the other hand, in a cash inflow of CHF 1'199.4 million.

CHF 22.0 million was invested in extending the bank's infrastructure. On the other hand, non-current other financial assets were reduced by CHF 789.9 million in the reporting year. Overall, a cash inflow of CHF 767.9 million resulted from the investment activities in the reporting year.

Financing activity generated a cash inflow of CHF 690.6 million during 2011. Of this, CHF 799.8 million is due to the increase in medium-term bonds and mortgage-backed loans. CHF 110.0 million was paid out to shareholders 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 pension plans under BVG (BVG contribution and BVG benefit liability plans) apply as defined benefit pension plans under IAS 19 as a rule. Migros Group insures its employees predominantly under defined benefit pension plans. Companies of Migros Group use different, legally independent pension providers. The largest of these providers are the Migros Pension Fund, the Globus Group Pension Fund and the Denner Pension Fund.

As a result of the debt crisis, the Migros Pension Fund and the Globus Group Pension Fund posted a deficit at the end of 2011, in contrast to the previous year.

However, IAS 19 limits the extent of the losses to be recognised. Despite the deficit of cover of these defined benefit institutions under IAS 19, this therefore results in a pension asset in the balance sheet in 2011, in the amount of the employer's voluntary payments (employer contribution reserves without waiver of utilisation) plus the actuarial losses which have not yet been recorded in the income statement.

It should be noted here that the funded status of a pension fund under IAS 19 differs from the degree of cover under the BVG (Occupational Pensions Act), since the latter are calculated using statistical methods, while funded status under IAS 19 is performed using dynamic methods.

CHF million	**2011 after effect from pension plans**	**2011 before effect from pension plans**	2010 after effect from pension plans	2010 before effect from pension plans
Personnel expenses	5'034.6	5'038.5	4'884.4	4'934.9
Operating profit	**982.9**	**979.0**	**1'226.7**	**1'176.2**
Income tax expense	133.7	132.9	226.9	216.6
Group profit	**662.4**	**659.3**	**891.8**	**851.6**

I. Value-oriented management as 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 Migros Group as a basis for its financial management. Its basis is that 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 Migros Group

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

J.1.1. General risk management

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, 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 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 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 each individual Migros company identify the main risks and assess these as regards likeliness of occurrence and financial effects. The Boards of Directors of the companies then decide upon suitable measures for preventing, reducing or passing on such risks. Risks borne by the company are rigorously monitored. Risks in business processes affecting the 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 (bottom-up view). The departmental managers carry out an overall risk assessment for their respective strategic business unit (top-down view). 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 a change in interest rates, exchange rates and the price 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 entered into only 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 a limited extent from international activities in the business segments Commerce, Industry & Wholesaling and Travel. 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. The main hedging instruments used are forward exchange contracts and to some extent also foreign currency options are used as hedging instruments. The individual companies report their foreign currency exposure on a regular basis to the Treasury department of the Federation of Migros Cooperatives, which 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 other 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 this regard, care is taken to ensure that share investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by analyses before the purchase and by the regular monitoring of the investments' performance and risks.

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 also 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 the 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 creditworthiness of the Retail and Industry sector is regularly checked by independent external specialists.

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, whereby it carries 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 own-insurance solution. Potential major losses are covered by reinsurance. A group vehicle fleet insurance covers 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. For losses in the area of insurance for our own account of the relevant insurance sectors, corresponding provisions are made for outstanding losses.

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, businesses of the Retail and Industry sector will face 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 five to seven 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 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.

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

J.2.1. General risk management

Risk management is a key task for any bank. It includes the detection, assessment, control and monitoring of all risks arising from operating 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 to reduce 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 the 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 form the basis for all decisions relating to risk strategy, risk culture and risk processes. Risks are in appropriate proportion to generated income. 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. If a customer fails to meet its obligations, the result may be 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. 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. 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 credit commitment is managed commensurate to the risk involved.

Credit transactions are in general secured. Most loans are secured by charges on land. Credit allocation is based on conservative lending margins. 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. 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/or 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 ensures 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 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 & Compliance department submits a comprehensive quarterly 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 have taken place.

K. Statement of value added

CHF million		2011 Retail and Industry sector [2]		2010 Retail and Industry sector [2]
ALLOCATION				
to employees [1]		4'865.2		4'765.0
to culture/social (culture percentage)		117.6		114.9
to lenders		111.7		111.9
to public sector		856.1		952.2
↳ taxes [1]	74.3		161.5	
↳ value-added taxes	166.5		167.7	
↳ customs duties/fees/fiscal charges	615.3		623.0	
to the company (self-financing) [1]		536.5		714.3
Net value added		**6'487.1**		**6'658.3**

[1] Before effect from pension plans.
[2] Unaudited; before consolidation of transactions between the two sectors.

The **statement of value added of Migros Group** in the Retail and Industry sector shows 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-oriented management of available resources that will safeguard the future of the business, secure jobs and guarantee public-sector contributions.

Personnel costs account for the lion's share of value added at 75.0%, and increased by 2.1% on the previous year. This significant increase in terms of the share of value added is due, on the one hand, to the fall in the net value added on the previous year (-2.6%; a result, among other things, of the declining trend in sales on account of price decreases), and, on the other hand, to the CHF 100.2 million increase in personnel expenses following company acquisitions in the reporting year (in particular Gries Deco). The Retail & Industry sector has 84'823 employees (previous year: 82'079).

Contributions to **Migros Culture Percentage**, a voluntary sponsorship programme by Migros for Culture, Society, Education, Leisure and Economy projects, retain about 1.8% of the value added (previous year 1.7%), despite a fall in the net value added, therefore offering a wider section of the population access to cultural and social benefits.

Lenders receive 1.7% in the form of interest, the same as in the previous year. The Group's continuously sound financial situation coupled with the low level of interest rates are causing the result to match the level of the previous year. The **public sector** receives 13.2% (previous year 14.3%) in taxes, customs duties and fees. The decreasing contributions to the public sector compared to the previous year are due to the fall in income in the Retail & Industry sector of Migros Group, on the one hand, as a result of price reductions (negative inflation) and other factors. On the other hand, they are due to the effect of a change from the previous year in the weighting of the tax rates which are applicable to individual group companies.

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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Income statement of Migros Group

CHF million	Notes	2011	2010
Net revenue from goods and services sold		23'586.0	23'809.7
Other operating income	8	307.6	270.7
Income before financial services business		**23'893.6**	**24'080.4**
Interest and commission income and (net) gains on financial instruments of the financial services business	7	965.2	959.9
Total income	6	**24'858.8**	**25'040.3**
Cost of goods and services sold	9	14'302.5	14'550.7
Interest and commission expense and valuation allowances of the financial services business	7	369.7	371.8
Personnel expenses	10	5'038.5	4'934.9
Depreciation and amortisation	27–29	1'137.2	1'139.5
Other operating expenses	11	3'031.9	2'867.2
Operating profit before effect from pension plans		**979.0**	**1'176.2**
Effect from pension plans before income tax	10	3.9	50.5
Operating profit		**982.9**	**1'226.7**
Finance income	12	- 77.6	13.0
Finance cost	12	- 114.7	- 112.5
Share of (loss)/profit from associates and joint ventures	13	5.5	- 8.5
Profit before income tax		**796.1**	**1'118.7**
Income tax expense	14	133.7	226.9
Group profit		**662.4**	**891.8**

Additional information			
Effect from pension plans after income tax		3.1	40.2
Profit before effect from pension plans		**659.3**	**851.6**

Attribution of group profit			
Profit attributable to members of the Cooperatives		660.6	891.0
Profit/(loss) attributable to non-controlling interests		1.8	0.8
Group profit		**662.4**	**891.8**

Statement of comprehensive income of Migros Group

CHF million	Notes	2011	2010
Group profit		**662.4**	**891.8**
Other financial assets available for sale		-91.6	82.0
Derivative financial instruments held for cash flow hedges		23.0	-9.5
Currency translation differences for foreign subsidiaries		-9.7	-10.5
Share in other comprehensive income of associates and joint ventures		3.5	-1.0
Income tax relating to components of other comprehensive income		14.8	-16.0
Other comprehensive income	*16*	**-60.0**	**45.0**
Group comprehensive income		**602.4**	**936.8**

Attribution of group comprehensive income			
Comprehensive income attributable to members of Cooperatives		600.4	936.5
Comprehensive income attributable to non-controlling interests		2.0	0.3
Group comprehensive income		**602.4**	**936.8**

Balance sheet of Migros Group

CHF million	Notes	31.12.2011	31.12.2010
ASSETS			
Cash and cash equivalents	*17*	4'569.4	3'125.4
Receivables due from banks	*18*	30.1	178.5
Mortgages and other customer receivables	*19*	30'858.3	28'854.0
Trade receivables	*20*	611.4	580.1
Other receivables	*20*	130.7	145.2
Inventories	*21*	2'162.5	2'042.2
Other financial assets	*22–26*	2'418.9	3'337.1
Investment in associates and joint ventures	*13*	108.8	94.5
Investment property	*27*	299.8	293.5
Tangible assets	*28*	11'747.8	11'602.1
Intangible assets	*29*	1'380.9	1'275.2
Assets from employee benefits	*38*	626.0	561.8
Current income tax receivables		8.9	30.9
Deferred income tax assets	*14*	22.7	28.9
Other assets	*30*	205.2	218.1
		55'181.4	**52'367.5**
Non-current assets held for sale	*31*	–	7.0
TOTAL ASSETS		**55'181.4**	**52'374.5**
LIABILITIES AND EQUITY			
Payables due to banks	*32*	528.7	737.1
Customer deposits and liabilities	*33*	25'891.3	24'300.9
Other financial liabilities	*34*	2'030.6	1'771.0
Trade payables	*35*	1'546.7	1'659.0
Other liabilities	*35*	1'075.2	1'043.6
Provisions	*36*	116.5	111.6
Issued debt instruments	*37*	7'060.5	6'309.3
Liabilities from employee benefits	*38*	517.5	520.1
Current income tax payables		89.6	140.3
Deferred income tax liabilities	*14*	1'446.4	1'487.6
Liabilities relating to non-current assets held for sale	*31*	–	–
Total liabilities		**40'303.0**	**38'080.5**
Cooperative capital	*39*	21.0	20.9
Retained earnings		14'815.3	14'175.9
Currency translation differences		-47.3	-40.9
Other reserves		68.8	122.6
Equity attributable to members of Cooperatives		**14'857.8**	**14'278.5**
Non-controlling interests		20.6	15.5
Total equity		**14'878.4**	**14'294.0**
TOTAL LIABILITIES AND EQUITY		**55'181.4**	**52'374.5**

Statement of changes in equity of Migros Group

		Attributable to members of the Cooperatives							
					Other reserves				
CHF million	Notes	Cooperative capital	Retained earnings [1]	Currency translation difference	Other financial assets available for sale	Cash flow hedges	Equity of the Cooperative members	Non-controlling interests	Total
Equity as per 1 January 2010		**20.8**	**13'291.6**	**- 28.5**	**71.3**	**- 6.6**	**13'348.6**	**14.8**	**13'363.4**
Group profit			891.0				891.0	0.8	891.8
Other comprehensive income	*16*			- 12.4	64.7	- 6.8	45.5	- 0.5	45.0
Group comprehensive income			**891.0**	**- 12.4**	**64.7**	**- 6.8**	**936.5**	**0.3**	**936.8**
Other changes of equity									
Change in Cooperative capital	*39*	0.1					0.1	0.0	0.1
Dividends to non-controlling interests								- 1.2	- 1.2
Changes in non-controlling interests [2]			- 6.7				- 6.7	1.6	- 5.1
Total of all other changes in equity		**0.1**	**- 6.7**				**- 6.6**	**0.4**	**- 6.2**
Equity as per 31 December 2010		**20.9**	**14'175.9**	**- 40.9**	**136.0**	**- 13.4**	**14'278.5**	**15.5**	**14'294.0**

[1] An amount of CHF 8.2 million is reserved in retained earnings for the Culture percentage. Also see Note 15.

[2] Changes in the equity interest in Vacando AG from 80% to 100% as well as contract amendments at Travel Holding Company AG, that leads to an abrogation of the non-controlling interests.

		Attributable to members of the Cooperatives							
					Other reserves				
CHF million	Notes	Cooperative capital	Retained earnings[1]	Currency translation difference	Other financial assets available for sale	Cash flow hedges	Equity of the Cooperative members	Non-controlling interests	Total
Equity as per 1 January 2011		**20.9**	**14'175.9**	**- 40.9**	**136.0**	**- 13.4**	**14'278.5**	**15.5**	**14'294.0**
Group profit			660.6				660.6	1.8	662.4
Other comprehensive income	*16*			- 6.4	- 72.0	18.2	- 60.2	0.2	- 60.0
Group comprehensive income			**660.6**	**- 6.4**	**- 72.0**	**18.2**	**600.4**	**2.0**	**602.4**
Other changes of equity									
Change in Cooperative capital	*39*	0.1					0.1		0.1
Dividends to non-controlling interests								- 0.9	- 0.9
Changes in non-controlling interests[2]			- 21.2				- 21.2	4.0	- 17.2
Total of all other changes in equity		**0.1**	**- 21.2**				**- 21.1**	**3.1**	**- 18.0**
Equity as per 31 December 2011		**21.0**	**14'815.3**	**- 47.3**	**64.0**	**4.8**	**14'857.8**	**20.6**	**14'878.4**

[1] An amount of CHF 8.2 million is reserved in retained earnings for the Culture percentage. Also see Note 15.

[2] The change in the retained earnings resulted predominantly form the recognition of a purchase commitment for non-controlling interests in Dolphin France SAS.

Cash flow statement of Migros Group

CHF million	Notes	2011	2010
Profit before income tax		**796.1**	**1'118.7**
Depreciation, amortisation and impairment (net)	*27–29*	1'136.4	1'139.5
Impairment of other financial assets (net)		78.9	- 3.6
(Profit)/loss from sale of tangible assets		6.2	- 6.2
(Profit)/loss from sale of other financial assets		- 25.2	- 14.7
Profit from associates and joint ventures	*13*	- 33.9	8.5
Increase/(decrease) provisions		10.8	- 2.7
Change to operating assets and liabilities			
↳ (Increase)/decrease receivables due from banks		147.6	204.8
↳ (Increase)/decrease mortgages and other customer receivables		- 2'004.3	- 1'323.3
↳ (Increase)/decrease inventories		- 73.6	31.4
↳ (Increase)/decrease other financial assets		32.8	184.2
↳ (Increase)/decrease other assets		- 37.9	- 50.2
↳ Increase/(decrease) payables due to banks		- 188.4	- 306.7
↳ Increase/(decrease) customer deposits and liabilities		1'590.4	1'220.8
↳ Increase/(decrease) other liabilities		- 112.6	76.6
Paid income tax expense		- 196.6	- 278.1
Cash flows from operating activity		**1'126.7**	**1'999.0**
Acquisition of tangible assets and investment property		- 1'229.8	- 1'377.4
Proceeds from sale of tangible assets and investment property		50.9	27.3
Acquisition of intangible assets		- 31.6	- 42.2
Proceeds from sale of intangible assets		2.5	3.8
Acquisition of other financial assets		- 186.0	- 832.2
Proceeds from the sale of other financial assets		954.1	851.7
Acquisition of subsidiaries and business activities, net of cash acquired		- 14.1	- 88.0
Proceeds from sale of subsidiaries and business activities, net of cash disposed		31.5	–
Acquisition of associates and joint ventures		- 16.4	- 7.8
Proceeds from sale of associates and joint ventures		–	–
Cash flows from investing activity		**- 438.9**	**- 1'464.8**

CHF million	Notes	2011	2010
Proceeds from issuance of long-term bonds		151.0	–
Repayment and redemption of long-term bonds		- 201.0	–
Proceeds from issuance of medium-term bonds and mortgage backed loans		799.8	449.3
Repayment of medium-term bonds and mortgage backed loans		–	- 668.3
Proceeds from issuance of other financial liabilities		59.0	58.2
Repayment of other financial liabilities		- 48.9	- 423.9
Dividends paid to non-controlling interests		- 0.9	- 1.2
Increase in Cooperative capital		0.5	0.4
Reduction in Cooperative capital		- 0.4	- 0.3
Cash flows from financing activity		**759.1**	**- 585.8**
Changes in cash and cash equivalents		**1'446.9**	**- 51.6**
Cash and cash equivalents, at beginning of year		3'125.4	3'167.2
Foreign exchange impact		- 2.9	9.8
Cash and cash equivalents, at end of year		**4'569.4**	**3'125.4**

Cash and cash equivalents include:			
Petty cash/postal accounts/bank accounts		2'991.2	2'067.6
Fixed-term deposits with an original maximum maturity of 90 days		1'578.2	1'057.8
Total cash and cash equivalents	*17*	**4'569.4**	**3'125.4**

Cash flows from operating activities include:			
Interest received		823.0	847.8
Interest paid		- 392.2	- 402.4
Dividends received		6.0	6.4

Notes to Migros Group financial statements

1. Information about Migros Group

Migros Group (also referred to below as «the Group», or «Migros») is Switzerland's largest retailer. Apart from Migros' core business of Cooperative Retailing and 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 (Hotelplan Group) services. Migros is also actively committed to culture, society, leisure, education and the economy. The key activities of Migros Group are presented in the segment reporting in Note 6. Note 48 contains a list of Group entities.

Migros Group is a cooperative federation, consisting of ten independent regional Cooperatives, which jointly hold the cooperative capital of the Federation of Migros Cooperatives (FMC). The FMC coordinates the activities of Migros Group and formulates its strategy. Its federal structure means that Migros Group can be regarded as an economic entity under an integrated management. 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 ten 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 represent an aggregation of the annual financial statements of the ten Cooperatives and the other Migros entities. The total capital of the ten 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 8 March 2012. The Assembly of Delegates took note of Migros Group financial statements on 24 March 2012.

The Group financial statements are available in German, French and English. The German version takes precedence.

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 International Financial Reporting Standards (IFRS). These standards comprise IFRS as issued by the International Accounting Standards Board (IASB), International Accounting Standards (IAS) and the interpretations of the IFRS Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC).

Critical accounting estimates and judgments

Preparation of the annual financial statements of 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 knowledge and belief of the executive management these accounting estimates have been made on the basis of current events and possible future operations of 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 Migros Group. To take the characteristics of the financial services business and their significance into account, Migros Group balance sheet is grouped by decreasing liquidity and not by 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 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

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 beginning 1 January 2011, or are adopted earlier 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 Migros Group:

(a) New or amended standards and interpretations which are effective for financial years beginning on 1 January 2011:

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. Migros Group applied the requirements of IFRIC 14 earlier to its 2009 financial statements.

IAS 24 «Related Party Disclosures» was also amended in November 2009. Migros Group implemented the revised standard on 1 January 2011. As a result of the clarification in the revised standard, specifying that disclosure requirements also apply to floating contracts not shown in the balance sheet, corresponding additional disclosure items were added to the relevant Note 44.

Of the minor amendments to existing standards issued during its annual improvement process by the IASB, applicable for financial years beginning on 1 January 2011, none of the amendments resulted in any major impact on the financial statements of Migros Group.

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

There are currently no new or amended standards and interpretations which are adopted early by Migros Group.

(c) New or amended standards and interpretations which are not yet effective for financial years beginning on 1 January 2011 and have not been adopted early by Migros Group:

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. In October 2010, IFRS 9 was supplemented by requirements on accounting financial liabilities. To a great extent, the existing regulations of IAS 39 have been adopted. Amendments resulted solely when applying the fair value option. Fair value amendments arising from changes to the credit risk of the accounting company are accordingly recorded in Other income. These new requirements 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 on or after 1 January 2015. Earlier adoption is permitted. These new requirements to replace IAS 39 will have a significant effect on the balance sheet and reporting of financial assets in Migros Group. It will be possible to assess the effects more accurately, however, only once the entire IASB project has been completed.

In October 2010, the IASB published amendments to IFRS 7 «Details on Transferring Financial Assets». They set out additional notification obligations to show the type and risk of the commitment existing in connection with the financial assets transferred. It is assumed that these amendments, which are applicable for financial years starting on or after 1 July 2011, will not result in any significant effects for Migros Group.

In May 2011, the IASB published a new version of standard IFRS 13 «Fair Value Measurement». The aim of this standard is to improve consistency by agreeing a standard definition of the term «fair value» and by having a single set of requirements for corresponding measurement and disclosure. The standard must be applied for financial years starting on 1 January 2013. Migros Group does not expect the new requirements to have any significant effects.

The IASB also published three new standards in the area of consolidated accounting in May 2011. These are IFRS 10 «Consolidated Financial Statements», IFRS 11 «Joint Arrangements» and IFRS 12 «Disclosures of Interests in Other Entities». IFRS 10 replaces the portion of IAS 27 «Consolidated and Separate Financial Statements» and SIC 12 «Consolidation - Special Purpose Entities», which addresses the accounting for consolidated financial statements, and replaces these previous requirements with a single consolidation model that uses control as the basis for consolidation. IFRS 11 replaces IAS 31 «Interests in Joint Ventures» and SIC 13 «Jointly Controlled Entities – Non-monetary Contributions by Venturers». Joint arrangements are divided here into joint operations and joint ventures. The former right to choose proportionate consolidation for accounting interests in joint ventures has been abolished. Now only the equity method may be used. IFRS 12 finally now regulates the requirements for disclosing interests in subsidiaries, joint ventures, associates and unconsolidated structured entities (special purpose entities) in a single standard. The new disclosure requirements are, in each case, designed to highlight the type, risks and financial implications of the respective interests. As a result of these new standards, the IASB has amended the previous version of IAS 27 and renamed it «Separate Financial Statements». At the same time, IAS 28 was amended and renamed «Investments in Associates and Joint Ventures». All of these amendments in the area of consolidation must be applied for financial years from 1 January 2013. Based on the current assessment, these changes are not expected to have any major impact on the Group financial statements.

In June 2011, the revised version of IAS 19 «Employee Benefits» was published. The main changes relate to the abolition of the corridor approach applied by Migros Group with immediate recognition of all actuarial gains and losses in other comprehensive income as well as the replacement of interest costs and expected return on plan assets by a net interest figure, calculated on the basis of the net pension obligation (assets). To this end, the discounting rate for defined benefit obligations is applied. Application is mandatory for financial years starting from 1 January 2013. The abolition of the corridor approach in particular is expected to have a major impact on the Group financial statements. Migros Group is currently clarifying the actual extent of these changes.

The IASB also issued a revised version of IAS 1 «Presentation of Financial Statements» in June 2011. The items shown in other comprehensive income must now be classified according to two categories, depending on whether the items are in future to be posted via the income statement («recycling») or not. Both categories must be presented separately. The change is to be applied for the first time to financial years beginning on or after 1 July 2012. Starting with financial reporting for 2013, the presentation in the Migros Group statement of comprehensive income is to be amended accordingly.

In December 2011, a revised version of IAS 32 «Financial Instruments: Presentation» was published on the requirements for offsetting financial assets and financial liabilities. The changes must be implemented as of 1 January 2014. In connection with this revision of IAS 32, a further revision to IFRS 7 «Financial Instruments: Disclosures» – in addition to the changes of October 2010 – was issued which sets out new disclosure requirements for offsetting financial assets and financial liabilities. The changes must be applied as of 1 January 2013. Based on the current assessment, neither of these changes are expected to have any major impact on the Group financial statements.

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

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

Revision of IAS 12 Income tax: Sale of underlying assets (in force as of 1 January 2012): The revision refers to deferred tax liabilities or claims from investment property, which is stated on the balance sheet in accordance with the fair value model. Investment property is not stated on the balance sheet in accordance with the fair value model but in accordance with the cost model in Migros Group.

IFRIC 16 «Hedges of a Net Investment in a Foreign Operation» (in force as of 1 October 2008; improvement as of 1 July 2010): The interpretation contained a clarification in that the hedging instrument may be held by any company within the Group and not only by the direct parent company. Now it states clearly that the hedging of net investments can also take place in other group companies. Migros Group does not hedge net investments in foreign operations using hedge accounting.

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

IFRIC 20 «Stripping Costs in the Production Phase of a Surface Mine» (effective as of 1 January 2013): Migros Group does not operate any mines.

The new or amended standards and interpretations effective after 1 January 2011 or later and which have not been adopted early will be applied in the 2012 financial year 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

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 other financial assets are recognised in the balance sheet at fair value.

Consolidation policies

(a) Subsidiaries

Subsidiaries are fully consolidated if 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 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 (acquisition method). The following cases must be distinguished here:

Acquisitions and purchase price adjustments of acquisitions that took place before 1 January 2010: The consideration transferred in accordance with the so-called purchase method is measured at fair value of the assets transferred, equity instruments issued and liabilities incurred or transferred at the acquisition date, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities transferred in the purchase of an entity are measured initially at their fair values, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of Migros Group's share of the net assets of the entity is recognised as goodwill. In the reverse case, if the consideration transferred is less than the fair value share of the net assets of the subsidiary acquired, the difference is recognised directly in profit and loss. Adjustments to the measurement of outstanding contingent purchase price obligations, such as liabilities on the basis of existing options contracts, are recognised directly against goodwill.

Acquisitions and purchase price adjustments of acquisitions that took place after 1 January 2010: The initial recognition basically takes place as stated above. Contrary to the mentioned purchase method, in accordance with the so-called acquisition method, acquisition-related costs (advisory costs, etc.) are recognised in profit and loss as incurred. Likewise, subsequent measurement of contingent consideration will no longer have an impact on goodwill, but will be recognised in profit and loss as part of other operating income/expenses. To calculate goodwill or profit from bargain purchases, a transaction-related option exists as to whether the calculation is established like company acquisitions before 1 January 2010 in accordance with the majority method, or whether, in accordance with the full goodwill method, the share still attributable to existing non-controlling interests is included. In the case of a step acquisition, investments before transfer of control are revalued and any difference is recorded in profit and loss. Furthermore, circumstances which were previously recorded in other comprehensive income, are recycled to 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 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 Migros Group has a significant influence on the financial and business policy, which generally means a direct or indirect shareholding of 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. The share in the other comprehensive income of associates as well as foreign currency differences from the conversion of shares in associates are recognised in the Group's other comprehensive income.

(d) Non-controlling interests and transactions with non-controlling interests

The non-controlling interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully owned by the Group. Non-controlling interests are reported separately in the income statement, in the overall financial statements and equity of the Group. Transactions with non-controlling interests are recorded within equity as long as no loss of control is associated with this. No adjustments to goodwill are made or profits or losses posted. In the case of loss of control of another company, the resulting difference is assigned pro rata to the majority or non-controlling interests and recorded with effect on fair value.

Segment reporting

Information about operating segments is disclosed on the same basis as applied to internal reporting to executive decision makers. Within Migros Group, the Executive Board of the Federation of Migros Cooperatives is the chief operating decision-maker that 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 in which it operates. The financial statements of Migros Group are presented in Swiss francs (CHF), which is the presentation currency of 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 currency profits and losses from such transactions and from the conversion to the functional currency of financial foreign currency positions at the balance sheet date are included in income. Excluded from this are currency translation differences, which are recorded directly in other reserves of equity during cash flow hedging via other income.

Currency translation differences on non-monetary financial assets (such as shares) classified as «available for sale» are also recorded via other income in other reserves, without affecting net 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 currency translation differences are recognised directly in equity under «currency translation difference» via other 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 from 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.

The procedure is the same for associates and joint ventures in foreign currencies.

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, after taking income-reducing items into account, at the date of sale to the 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 the 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 mortgages and other customer receivables, and other 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 Culture Percentage

Payments made as part of Migros Culture Percentage are a voluntary commitment by Migros in the areas of culture, social, education/training, leisure and economic policy, and are charged to other operating expenses. 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 – on cultural, social and economic policy purposes. 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. Note 15 contains further information about payments under the Culture Percentage and the Culture Percentage 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, and 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 receivables 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. Finance 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

Migros Group classifies its other financial assets in the categories of «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: other 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. Other financial assets held for trading are interest-bearing securities and investment securities (shares), which have been acquired by Migros Group with the intention of selling them in the near term. Other 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 other financial asset in question incorporates an embedded derivative (e.g. convertible bond); or the other 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. Migros Group has neither on the balance sheet date of the current nor the previous year held other 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». Non-controlling interests over which 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 other 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. Other 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. Other financial assets are derecognised when the rights to receive payments from the other financial asset have lapsed, or if essentially all risks and income from the other financial asset have been transferred to a third party. Other 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 other financial assets in the category «fair value through profit and loss» are recognised in income statement at the time they occur.

Changes in the fair value of monetary other 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, and adjustments to the fair value in other equity reserves, not through profit and loss via other income. Changes in the fair value of non-monetary other financial assets (e.g. shares) in the «available for sale» category are recognised directly in other equity reserves via other comprehensive income.

If other 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» other financial assets are recognised in interest income. Dividend income from other 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 other 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 other financial assets of the financial services business, and (b) in finance income in the case of other financial assets of other businesses.

Measurement of the fair value of quoted other 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 other financial assets, a recognised measurement method is used. Recognised measurement methods include comparisons with recent market transactions, the fair value of other, essentially identical other 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 less impairment.

At each balance sheet date, Migros Group assesses whether there is any objective evidence of permanent impairment of an other financial asset or group of other 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 other 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 an impairment need is determined on the basis of this 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 other 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 income. Reversals of impairment losses on monetary other 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). 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).

Migros 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 used in hedging transactions are 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 to 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 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, not through profit and loss via other income. 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 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 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 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 offset against each other if at the present time there is a legal right to offset the recognised amounts against each other, and if there is an intention to offset 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

Financing costs are capitalised only in the event of newly created or converted investment property, which is regarded as qualified assets. Qualified assets are assets for which a considerable period is required to put them into their intended, functional condition. 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 ten 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. Financing costs are capitalised only in the event of newly created or converted tangible assets, which are regarded as qualified assets. Qualified assets are assets for which a considerable period is required to put them into their intended, functional condition.

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 no longer be achieved. In addition, specific value retention considerations are made for shopping centres, 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 unit 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) Migros Group as lessee

Finance lease agreements:
Lease agreements for properties, facilities and other tangible assets where 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) Migros Group as lessor

Investment property that is leased under operating lease agreements is recognised in 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, plus any existing non-controlling interests, exceeds Migros Group's share in the fair value of the identified net assets of the entity purchased by 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 any impairment. 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 goodwill, it 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 organisational 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 to 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 scheduled basis (5 to 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 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 do not represent payables due to banks or 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 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 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 12 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 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, Globus Group Pension Fund, 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 that are paid post-employment.

The obligations recognised in the balance sheet under 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 employees' present entitlement (vested benefits), is recognised immediately in profit and loss. Where the entitlement to benefit improvement will arise only 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 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 12 or more months after the balance sheet date. In 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-deductible 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 before the balance sheet date.

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

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 ten Cooperatives.

(b) Retained earnings

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

(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. A further component are translation differences from the measurement of investments in associates and joint ventures in foreign currencies, in accordance with the equity method.

(d) Other reserves

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

(e) Non-controlling interests

The non-controlling interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully 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 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 the 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 that they were approved to compensate, or, if these cannot be clearly determined, as other operating income.

4. Risk management

4.1 Risk management within Migros Group

Migros Group operates its own risk management. The risk management process is part of the annual strategy and financial planning process of Migros Group. The Board of Directors of the Federation of Migros Cooperatives is responsible for a comprehensive risk management across all entities of 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 summarised in an individual risk report for each company and are discussed by the Board of Directors each year. The larger entities of Migros Group introduce suitable measures for preventing, reducing or passing on such risks. Risks borne by the company are rigorously monitored. Financial risks affecting the financial reporting are reduced by the internal control system. The risk reports of the individual companies are combined into 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 overview below shows the financial instruments of Migros Group divided into categories for the respective balance sheet date:

Financial instruments by categories

31.12.2011 CHF million	Fair value through profit or loss					
	Trading portfolio	Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans, receivables and liabilities	Total
Financial assets						
Cash and cash equivalents	–	–	–	–	4'569.4	4'569.4
Receivables due from banks	–	–	–	–	30.1	30.1
Mortgages and other customer receivables	–	–	–	–	30'858.3	30'858.3
Trade receivables	–	–	–	–	611.4	611.4
Other receivables	–	–	–	–	130.7	130.7
Other financial assets	340.5	104.6	1'843.5	10.7	119.6	2'418.9
Total financial assets	**340.5**	**104.6**	**1'843.5**	**10.7**	**36'319.5**	**38'618.8**
Financial liabilities						
Payables due to banks	–	–	–	–	528.7	528.7
Customer deposits and liabilities	–	–		–	25'891.3	25'891.3
Other financial liabilities	247.0	–	–	3.6	1'780.0	2'030.6
Trade payables	–	–	–	–	1'546.7	1'546.7
Other liabilities [1]	–	–	–	–	722.1	722.1
Issued debt instruments	–	–	–	–	7'060.5	7'060.5
Total financial liabilities	**247.0**	**–**	**–**	**3.6**	**37'529.3**	**37'779.9**

31.12.2010 CHF million	Fair value through profit or loss					
	Trading portfolio	Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans, receivables and liabilities	Total
Financial assets						
Cash and cash equivalents	–	–	–	–	3'125.4	3'125.4
Receivables due from banks	–	–	–	–	178.5	178.5
Mortgages and other customer receivables	–	–	–	–	28'854.0	28'854.0
Trade receivables	–	–	–	–	580.1	580.1
Other receivables	–	–	–	–	145.2	145.2
Other financial assets	259.5	121.8	2'748.5	1.0	206.3	3'337.1
Total financial assets	**259.5**	**121.8**	**2'748.5**	**1.0**	**33'089.5**	**36'220.3**
Financial liabilities						
Payables due to banks	–	–	–	–	737.1	737.1
Customer deposits and liabilities	–	–		–	24'300.9	24'300.9
Other financial liabilities	134.1	–	–	14.9	1'622.0	1'771.0
Trade payables	–	–	–	–	1'659.0	1'659.0
Other liabilities [1]	–	–	–	–	722.5	722.5
Issued debt instruments	–	–	–	–	6'309.3	6'309.3
Total financial liabilities	**134.1**	**–**	**–**	**14.9**	**35'350.8**	**35'499.8**

[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, and from credit and liquidity risk.

In its financial risk management, 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 executive bodies responsible. The tables of the financial risk management show gross values, i.e. including the relationships 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 the Retail and Industry sector

Responsibility for financial risk management in the Retail and Industry sector is 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, Denner, Globus companies, etc.), 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, in the Travel, Commerce, Industry and Wholesaling segments.

Foreign exchange rate fluctuations – mainly against the euro, US dollar and sterling – 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.

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. The main hedging instruments used are forward exchange contracts.

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 on the reporting date. It is assumed that the holdings on the reporting date are representative for the whole year.

Balance sheet by currency

31.12.2011

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	1'291.0	73.6	10.0	34.6	15.2	1'424.4
Receivables due from banks	28.0	3.3	–	–	–	31.3
Trade receivables	496.9	94.5	4.6	13.8	2.1	611.9
Other receivables	108.6	18.4	1.9	0.6	1.2	130.7
Other financial assets	871.4	56.5	118.9	12.6	24.5	1'083.9
Total financial assets	**2'795.9**	**246.3**	**135.4**	**61.6**	**43.0**	**3'282.2**
Financial liabilities						
Payables due to banks	- 462.3	- 39.9	0.0	–	–	- 502.2
Other financial liabilities	- 1'694.8	- 187.3	- 106.2	- 5.7	- 23.3	- 2'017.3
Trade payables	- 1'325.6	- 187.0	- 20.9	- 9.4	- 3.8	- 1'546.7
Other liabilities	- 586.8	- 34.1	- 0.6	- 36.4	- 2.7	- 660.6
Issued debt instruments	- 598.8	–	–	–	–	- 598.8
Total financial liabilities	**- 4'668.3**	**- 448.3**	**- 127.7**	**- 51.5**	**- 29.8**	**- 5'325.6**
Foreign currency net exposure before hedging	**- 1'872.4**	**- 202.0**	**7.7**	**10.1**	**13.2**	**- 2'043.4**
Foreign currency derivatives [1]	- 496.9	418.4	196.1	- 148.5	26.4	- 4.5
Foreign currency net exposure after hedging	**- 2'369.3**	**216.4**	**203.8**	**- 138.4**	**39.6**	**- 2'047.9**

31.12.2010

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	2'945.0	350.3	40.2	65.5	31.4	3'432.4
Total financial liabilities	- 5'019.9	- 276.6	- 43.9	- 68.9	- 16.7	- 5'426.0
Foreign currency net exposure before hedging	**- 2'074.9**	**73.7**	**- 3.7**	**- 3.4**	**14.7**	**- 1'993.6**
Foreign currency derivatives [1]	- 331.7	283.0	141.0	- 155.6	30.6	- 32.7
Foreign currency net exposure after hedging	**- 2'406.6**	**356.7**	**137.3**	**- 159.0**	**45.3**	**- 2'026.3**

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

Results of the sensitivity analysis

If the EUR had been stronger against the CHF on 31 December 2011 by 5% (31.12.2010: 5%), the pre-tax profit would have been CHF 18.2 million lower (31.12.2010: CHF 2.1 million). Other reserves (equity) would have been higher by CHF 29.0 million (31.12.2010: CHF 19.9 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

If the USD had been stronger against the CHF on 31 December 2011 by 5% (31.12.2010: 5%), the pre-tax profit would have been CHF 3.7 million higher (31.12.2010: CHF 1.1 million). Other reserves (equity) would have been higher by CHF 6.5 million (31.12.2010: CHF 5.8 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

If the GBP had been stronger against the CHF on 31 December 2011 by 5% (31.12.2010: 5%), the pre-tax profit would have been CHF 0.3 million higher (31.12.2010: CHF 1.4 million lower). Other reserves (equity) would have been lower by CHF 7.2 million (31.12.2010: CHF 6.6 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been 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 markets, 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, consisting of 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 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

31.12.2011 CHF million	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	1'271.4	–	–	–	153.0	1'424.4
Receivables due from banks	31.3	–	–	–	0.0	31.3
Trade receivables	33.1	–	–	–	578.8	611.9
Other receivables	14.1	0.5	0.0	0.5	115.6	130.7
Other financial assets	349.8	125.8	307.0	92.1	209.2	1'083.9
Total financial assets	**1'699.7**	**126.3**	**307.0**	**92.6**	**1'056.6**	**3'282.2**
Financial liabilities						
Payables due to banks	- 314.2	- 88.5	- 78.9	- 20.0	- 0.6	- 502.2
Other financial liabilities	- 1'736.9	- 53.4	- 91.8	- 129.8	- 5.4	- 2'017.3
Trade payables	–	–	–	–	- 1'546.7	- 1'546.7
Other liabilities	- 241.8	- 0.5	–	–	- 418.3	- 660.6
Issued debt instruments	–	- 149.8	- 299.6	- 149.4	–	- 598.8
Total financial liabilities	**- 2'292.9**	**- 292.2**	**- 470.3**	**- 299.2**	**- 1'971.0**	**- 5'325.6**
Interest rate repricing net exposure before hedging	**- 593.2**	**- 165.9**	**- 163.3**	**- 206.6**	**- 914.4**	**- 2'043.4**
Interest derivatives	350.0	350.0	- 700.0	–	–	–
Interest rate repricing net exposure after hedging	**- 243.2**	**184.1**	**- 863.3**	**- 206.6**	**- 914.4**	**- 2'043.4**

31.12.2010 CHF million	Interest rate adjustment within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	no-interest bearing	Total
Total financial assets	1'580.5	290.8	253.4	167.7	1'140.0	3'432.4
Total financial liabilities	- 2'232.1	- 323.9	- 637.8	- 162.3	- 2'069.9	- 5'426.0
Interest rate repricing net exposure before hedging	**- 651.6**	**- 33.1**	**- 384.4**	**5.4**	**- 929.9**	**- 1'993.6**
Interest derivatives	550.0	200.0	- 750.0	–	–	–
Interest rate repricing net exposure after hedging	**- 101.6**	**166.9**	**- 1'134.4**	**5.4**	**- 929.9**	**- 1'993.6**

Results of the sensitivity analysis

If market rates had been 0.25% (25 basis points) higher on 31 December 2011, the pre-tax profit would have been CHF 6.1 million higher (31.12.2010: CHF 6.5 million). If market rates had been 0.25% lower on 31 December 2011, the pre-tax profit would have been CHF 6.1 million lower (31.12.2010: CHF 6.5 million). Due to the unchanged hedging situation compared to the previous year, the 2011 pre-tax result reacted in virtually the same way to the changes in market interest rates.

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 0.25% higher on 31 December 2011, other reserves (equity) would have been lower by CHF 2.4 million (31.12.2010: CHF 3.6 million). If market rates had been 0.25% lower on 31 December 2011, other reserves (equity) would have been CHF 2.4 million higher (31.12.2010: CHF 3.6 million). Equity reacted less sensitively to market interest changes in 2011 as the share of debt instruments (bonds) was reduced.

(c) Share price risks

The FMC 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). In this regard, care is taken to ensure that share investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by analyses before the purchase and by the regular 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 a 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:

			2011			2010
Index	Index change	Change in result	Change in equity [1]	Index change	Change in result	Change in equity [1]
Swiss Market Index	6.02%	+ CHF 1.7 million	+ CHF 9.9 million	4.31%	+ CHF 1.8 million	+ CHF 10.8 million
MSCI World	6.25%	+ CHF 0.9 million	CHF 0.0 million	4.82%	+ CHF 0.8 million	CHF 0.0 million

[1] Other reserves respectively other comprehensive income.

If the assumed changes of the two indices had been reflected in stock market listings on 31 December 2011, the pre-tax result would have been CHF 2.6 million higher (31.12.2010: CHF 2.6 million) and other reserves (equity) would have been CHF 9.9 million higher (31.12.2010: CHF 10.8 million). If the indices had been lower, the effect on the pre-tax result and other reserves (equity) would have been the reverse.

Despite the higher volatilities of the two indices, in 2011 lower share volumes result in a more or less unchanged income sensitivity and even a slightly lower sensitivity of other reserves (equity) to changes in market value.

d) Commodity price risks

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

Credit risks

Credit risks comprise the counterparty risk on marketable debt instruments, 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. For off-balance-sheet (financial guarantees, irrevocable loan commitments), the credit risk corresponds to the amounts stated in the liquidity risk.

Counterparty risk is reduced in principle by purchasing bonds from debtors that 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 that 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 Migros Group is operationally 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 other financial assets neither past due nor individually impaired at the balance sheet date

	Investment Grade [1]		Non-Investment Grade		Not rated		Total	
CHF million	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Receivables due from banks	31.3	179.7	–	–	–	–	31.3	179.7
Other financial assets								
↳ Fair value through profit or loss	232.0	113.7	–	–	0.0	0.0	232.0	113.7
↳ Available for sale	484.6	505.5	–	–	22.5	22.5	507.1	528.0
↳ Derivative financial instruments for hedge accounting	10.7	1.0	–	–	–	–	10.7	1.0
↳ Loans	–	–	–	–	119.0	206.7	119.0	206.7
Total	**758.6**	**799.9**	**–**	**–**	**141.5**	**229.2**	**900.1**	**1'029.1**

[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 other financial 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	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Receivables due from banks	–	–	–	–	–	–
Trade receivables	99.6	101.0	11.3	11.4	110.9	112.4
Other receivables	4.1	2.0	0.4	0.5	4.5	2.5
Other financial assets						
↳ Fair value through profit or loss	–	–	–	–	–	–
↳ Available for sale	–	–	–	–	–	–
↳ Loans	–	–	–	–	–	–
Total	**103.7**	**103.0**	**11.7**	**11.9**	**115.4**	**114.9**

There are some guarantees held for the above receivables and other 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	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Receivables due from banks	–	–	–	–	–	–
Trade receivables	25.8	19.6	- 16.1	- 12.7	9.7	6.9
Other receivables	1.2	8.3	- 1.1	- 8.0	0.1	0.3
Other financial assets						
↳ Available for sale	–	–	–	–	–	–
↳ Loans	3.9	3.2	- 2.5	- 2.4	1.4	0.8
Total	**30.9**	**31.1**	**- 19.7**	**- 23.1**	**11.2**	**8.0**

There are some guarantees held for the above receivables and other 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)

31.12.2011 CHF million	Maturing within				
	0 – 3 months	**3 – 12 months**	**1 – 5 years**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	1'424.4	–	–	–	1'424.4
Receivables due from banks	31.3	0.0	–	–	31.3
Trade receivables	607.8	1.8	2.3	–	611.9
Other receivables	113.8	12.6	3.8	0.5	130.7
Other financial assets					
Net cash flow from interest rate swaps	0.1	0.1	0.1	–	0.3
Forward exchange contract gross cash inflow	3'252.5	1'237.4	21.7	–	4'511.6
Forward exchange contract gross cash outflow	- 3'116.7	- 1'191.2	- 21.0	–	- 4'328.9
Debt instruments	23.2	161.2	444.0	108.8	737.2
Others	47.4	19.2	170.3	28.4	265.3
Total other financial assets	**206.5**	**226.7**	**615.1**	**137.2**	**1'185.5**
Total financial assets	**2'383.8**	**241.1**	**621.2**	**137.7**	**3'383.8**
Financial liabilities					
Payables due to banks	- 37.1	- 170.8	- 283.3	- 20.4	- 511.6
Other financial liabilities					
Gross liabilities from finance leasing	- 2.5	- 11.9	- 58.6	- 207.8	- 280.8
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	- 0.6	- 14.0	- 33.1	–	- 47.7
Forward exchange contract gross cash inflow	3'061.2	1'009.4	244.2	12.2	4'327.0
Forward exchange contract gross cash outflow	- 3'203.1	- 1'057.6	- 263.9	- 12.6	- 4'537.2
Others	- 1'463.8	- 7.7	- 56.8	- 113.3	- 1'641.6
Total other financial liabilities	**- 1'608.8**	**- 81.8**	**- 168.2**	**- 321.5**	**- 2'180.3**
Trade payables	- 1'510.5	- 25.1	- 11.1	–	- 1'546.7
Other liabilities	- 523.4	- 134.4	- 2.7	- 0.1	- 660.6
Issued debt instruments	- 1.9	- 164.3	- 323.3	- 153.0	- 642.5
Financial guarantees	–	–	- 83.0	- 44.1	- 127.1
Irrevocable loan commitments	–	–	–	- 18.2	- 18.2
Total financial liabilities	**- 3'681.7**	**- 576.4**	**- 871.6**	**- 557.3**	**- 5'687.0**

31.12.2010 CHF million	Maturing within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	1'333.0	–	–	–	1'333.0
Receivables due from banks	179.3	0.4	–	–	179.7
Trade receivables	578.7	0.7	1.1	–	580.5
Other receivables	119.5	22.4	3.4	0.0	145.3
Other financial assets					
Net cash flow from interest rate swaps	0.0	- 0.4	- 0.2	–	- 0.6
Forward exchange contract gross cash inflow	445.8	858.4	22.2	–	1'326.4
Forward exchange contract gross cash outflow	- 423.7	- 821.1	- 21.6	–	- 1'266.4
Debt instruments	3.1	59.4	455.7	204.7	722.9
Others	109.2	89.4	282.7	18.2	499.5
Total other financial assets	**134.4**	**185.7**	**738.8**	**222.9**	**1'281.8**
Total financial assets	**2'344.9**	**209.2**	**743.3**	**222.9**	**3'520.3**
Financial liabilities					
Payables due to banks	- 87.8	- 125.9	- 489.2	- 20.9	- 723.8
Other financial liabilities					
Gross liabilities from finance leasing	- 2.7	- 10.9	- 58.8	- 218.4	- 290.8
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	- 1.6	- 13.7	- 44.5	–	- 59.8
Forward exchange contract gross cash inflow	508.6	897.5	54.5	–	1'460.6
Forward exchange contract gross cash outflow	- 540.2	- 950.1	- 61.7	–	- 1'552.0
Others	- 1'425.3	- 1.7	- 47.0	- 18.7	- 1'492.7
Total other financial liabilities	**- 1'461.2**	**- 78.9**	**- 157.5**	**- 237.1**	**- 1'934.7**
Trade payables	- 1'618.1	- 39.8	- 1.1	–	- 1'659.0
Other liabilities	- 516.8	- 135.7	- 1.0	- 0.1	- 653.6
Issued debt instruments	- 1.8	- 216.3	- 474.5	–	- 692.6
Financial guarantees	- 0.0	–	- 44.2	- 48.1	- 92.3
Irrevocable loan commitments	–	–	- 6.2	–	- 6.2
Total financial liabilities	**- 3'685.7**	**- 596.6**	**- 1'173.7**	**- 306.2**	**- 5'762.2**

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 the quoted prices on active markets for identical assets or liabilities.
– Level 2: The fair value does not stem from the 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 regular market transactions take place are assigned to Level 1. In regard to 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 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 Migros Group.

31.12.2011

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other financial assets at fair value through profit or loss [1]				
Debt instruments	20.2	42.0	–	62.2
Equity instruments	35.1	7.3	–	42.4
Total other financial assets at fair value through profit or loss	**55.3**	**49.3**	**–**	**104.6**
Other financial assets available for sale				
Debt instruments	474.8	9.8	22.5	507.1
Equity instruments	165.5	–	6.6	172.1
Total other financial assets available for sale	**640.3**	**9.8**	**29.1**	**679.2**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	0.0	169.7	–	169.7
Designated for hedge accounting	–	10.7	–	10.7
Total derivative financial assets	**0.0**	**180.4**	**–**	**180.4**
Total financial assets measured at fair value	**695.6**	**239.5**	**29.1**	**964.2**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	-233.7	–	-233.7
Designated for hedge accounting	-0.1	-3.5	–	-3.6
Total financial liabilities measured at fair value	**-0.1**	**-237.2**	**–**	**-237.3**

[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».

31.12.2010

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other financial assets at fair value through profit or loss [1]				
Debt instruments	16.7	28.1	–	44.8
Equity instruments	69.8	7.1	0.1	77.0
Total other financial assets at fair value through profit or loss	**86.5**	**35.2**	**0.1**	**121.8**
Other financial assets available for sale				
Debt instruments	495.5	10.0	22.5	528.0
Equity instruments	251.5	–	16.4	267.9
Total other financial assets available for sale	**747.0**	**10.0**	**38.9**	**795.9**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	0.0	68.9	–	68.9
Designated for hedge accounting	1.0	–	–	1.0
Total derivative financial assets	**1.0**	**68.9**	**–**	**69.9**
Total financial assets measured at fair value	**834.5**	**114.1**	**39.0**	**987.6**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	- 119.7	–	- 119.7
Designated for hedge accounting	–	- 14.9	–	- 14.9
Total financial liabilities measured at fair value	**–**	**- 134.6**	**–**	**- 134.6**

[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».

Financial instruments Level 3

In 2011, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

	Financial assets			
CHF million	Fair value through profit or loss Equity instruments	Available for sale Debt instruments	Available for sale Equity instruments	Total
As per 1 January 2011	**0.1**	**22.5**	**16.4**	**39.0**
Gains/(losses) recognised				
↳ in the income statement	0.0	0.6	–	0.6
↳ in the other comprehensive income	–	- 0.6	1.3	0.7
Additions	–	–	1.6	1.6
Disposals	- 0.1	–	- 12.7	- 12.8
Transfers to level 3	–	–	–	–
Transfers out of level 3	–	–	–	–
Currency translation differences	–	–	0.0	0.0
As per 31 December 2011	**0.0**	**22.5**	**6.6**	**29.1**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	–	0.6	–	0.6

In 2010, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

CHF million	Financial assets: Fair value through profit or loss Equity instruments	Financial assets: Available for sale Debt instruments	Financial assets: Available for sale Equity instruments	Total
As per 1 January 2010	**0.5**	**21.3**	**9.7**	**31.5**
Gains/(losses) recognised				
↳ in the income statement	0.0	0.5	–	0.5
↳ in the other comprehensive income	–	0.7	1.2	1.9
Additions	0.0	–	9.0	9.0
Disposals	-0.4	–	-3.5	-3.9
Transfers to level 3	–	–	–	–
Transfers out of level 3	–	–	–	–
Currency translation differences	–	–	–	–
As per 31 December 2010	**0.1**	**22.5**	**16.4**	**39.0**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	0.0	0.6	–	0.6

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

Fair values of financial instruments carried at amortised cost

CHF million	Carrying amount 31.12.2011	Carrying amount 31.12.2010	Fair value 31.12.2011	Fair value 31.12.2010
Financial assets				
Receivables due from banks	31.3	179.7	31.3	179.7
Other financial assets				
↳ Loans	119.6	206.3	119.3	208.4
Total financial assets	**150.9**	**386.0**	**150.6**	**388.1**
Financial liabilities				
Payables due to banks	502.2	708.4	502.2	708.4
Other financial liabilities [1]	1'780.1	1'622.0	1'780.6	1'624.3
Issued debt instruments	598.8	648.3	627.5	684.5
Total financial liabilities	**2'881.1**	**2'978.7**	**2'910.3**	**3'017.2**

[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%.

Ratio based on IFRS

CHF million	**31.12.2011**	31.12.2010
Liabilities due to banks	502.2	708.4
Other financial liabilities (interest bearing)	2'256.5	1'994.3
Issued debt instruments	598.8	648.3
Total financial liabilities	**3'357.5**	**3'351.0**
Cash and cash equivalents	1'424.4	1'333.0
Other financial assets	977.5	1'001.3
Total cash and cash equivalents and other financial assets	**2'401.9**	**2'334.3**
Net financial liabilities	**955.6**	**1'016.7**
Total equity (without non-controlling interests)	12'872.7	12'397.0
Elimination other reserves	- 17.3	- 51.9
Total adjusted equity	**12'855.4**	**12'345.1**
Ratio of net financial liabilities to adjusted equity	**7.4%**	**8.2%**
Balance sheet total	**20'256.8**	**19'973.1**
Ratio of adjusted equity to balance sheet total	**63.5%**	**61.8%**

The ratio of net financial liabilities to adjusted equity has changed by 0.8% to 7.4% 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 1.7% to 63.5%.

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 of a bank's success. The Financial Services sector 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 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 comprises 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 risk.

Credit risks

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

To limit credit risk, a level-based approval procedure is 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 other financial assets. In the case of off-balance-sheet transactions, the credit risk is as follows:

Off-balance-sheet transactions

CHF million	**31.12.2011**	31.12.2010
Financial guarantees	152.6	171.5
Irrevocable loan commitments	503.4	484.6
Total off-balance-sheet transactions	**656.0**	**656.1**

Most of the lending in the Financial Services sector relates to mortgage loans. These loans are secured on real estate. This real estate can be realised only if the borrower ultimately defaults.

In measurement of real estate, the applicable principle is that the market value must be equivalent to no more than the purchase price (lending base for funding). The market value is verified in all cases. 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 capitalised 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 capitalised earnings value and one or two times the real value. For commercial and industrial properties, measurement is also based on the capitalised 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 10 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 commensurate to the risk involved.

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

Breakdown of receivables by rating levels (type of collateral)

	Mortgage receivables (part in %)		Other customer receivables (part in %)		Total (cumulative)	
Internal rating level	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
1	2.2	2.3	2.1	2.9	2.2	2.3
2	14.7	14.9	5.5	6.5	13.8	14.1
3	37.9	37.0	24.1	22.7	36.3	35.6
4	21.5	23.1	25.0	28.8	21.9	23.6
5	20.9	19.2	36.2	30.2	22.5	20.3
6	2.3	2.7	6.2	8.0	2.7	3.2
7	0.2	0.4	0.6	0.5	0.3	0.5
8	0.3	0.4	0.3	0.4	0.3	0.4
9	–	–	–	–	–	–
10	–	–	–	–	–	–
Total in %	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total in CHF million	**27'537.5**	**25'910.3**	**3'216.8**	**2'777.6**	**30'754.3**	**28'687.9**

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. Most loans are secured by charges on land. 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 80% 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. In order to determine the sustained affordability, a technical interest rate corresponding to a long-term average interest rate is assumed for residential mortgages.

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 other financial assets neither past due nor individually impaired at the balance sheet date

	Investment Grade [1]		Non-Investment Grade		Not rated		Total	
CHF million	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Receivables due from banks	–	–	–	–	–	–	–	–
Other financial assets								
↳ Fair value through profit or loss	37.4	57.7	–	–	–	–	37.4	57.7
↳ Available for sale	1'075.3	1'873.4	–	–	–	–	1'075.3	1'873.4
↳ Derivative financial instruments for hedge accounting	–	–	–	–	–	–	–	–
Total	**1'112.7**	**1'931.1**	**–**	**–**	**–**	**–**	**1'112.7**	**1'931.1**

[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							
	< 3 months		> 3 months		Total		Secured [1] Fair Value	
CHF million	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Receivables due from banks	–	–	–	–	–	–	–	–
Mortgage receivables	17.0	9.5	10.0	65.4	27.0	74.9	27.0	74.9
Other customer receivables	–	–	22.4	52.6	22.4	52.6	11.2	26.3
Other financial assets								
↳ Fair value through profit or loss	–	–	–	–	–	–	–	–
↳ Available for sale	–	–	–	–	–	–	–	–
Total	**17.0**	**9.5**	**32.4**	**118.0**	**49.4**	**127.5**	**38.2**	**101.2**

[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 is done where necessary. An impairment on at-risk receivables will be reversed only 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

CHF million	Gross amount 31.12.2011	Gross amount 31.12.2010	Provision for impairment 31.12.2011	Provision for impairment 31.12.2010	Carrying amount after provision for impairment 31.12.2011	Carrying amount after provision for impairment 31.12.2010	Secured[1] Fair Value 31.12.2011	Secured[1] Fair Value 31.12.2010
Receivables due from banks	–	–	–	–	–	–	–	–
Mortgage receivables	33.5	86.5	- 15.7	- 48.6	17.8	37.9	17.8	14.9
Other customer receivables	134.2	83.2	- 62.9	- 46.6	71.3	36.6	67.4	54.9
Other financial assets								
↳ Available for sale	5.0	–	- 1.2	–	3.8	–	–	–
Total	**172.7**	**169.7**	**- 79.8**	**- 95.2**	**92.9**	**74.5**	**85.2**	**69.8**

[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; 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 reporting year, 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 in the Swiss real estate market. However, this risk concentration is considerably reduced by the structure of the credit portfolio. Accordingly, more than 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 effects of interest rate changes on profit and loss are estimated using a dynamic income simulation, taking a number of different 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% (100 basis points) rise in interest rates, interest income would have been CHF 87.7 million lower (31.12.2010: CHF 74.0 million). According to this scenario, with a 1% (100 basis points) drop in interest rates, interest income would have been CHF 87.7 million higher (31.12.2010: CHF 74.0 million). The result in 2011 reacted more sensitively to changes in market rates than in 2010, 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 2011, other reserves (equity) would have been lower by CHF 25.2 million (31.12.2010: CHF 57.9 million). If market rates had been 1% lower on 31 December 2011, other reserves (equity) would have been higher by CHF 25.2 million (31.12.2010: CHF 57.9 million). Other reserves reacted less sensitively to market rate changes in 2011 than in 2010 because of the decreased interest rate sensitivity and holdings of debt instruments (bonds).

(b) Share price risks

Trading is centralised, and conducted by a team of specialists. A special software is used for systematic measuring, control and monitoring of market risks in the trading ledger. A limits structure restricts risk exposure, which is measured using the «mark-to-market» method. The risk exposure is produced periodically and earnings with profit and loss figures are recorded daily and communicated to the responsible competence parties.

To minimise the share price risk, share investments are subject to an appropriate level of diversification based on markets, securities and branches. Loss of value risks are reduced by analyses before the purchase and by the regular 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 in the Financial Services sector are listed on the stock market.

If share prices had been 10% higher on 31 December 2011, the pre-tax profit would have been CHF 0.5 million higher (31.12.2010: CHF 1.1 million). If share prices had been 10% lower on 31 December 2011, the pre-tax profit would have been CHF 0.5 million lower (31.12.2010: CHF 1.1 million).

Due to the reduced share portfolio, a change in share prices in 2011 had less of an impact on income compared with 2010.

As no listed shares of the «available for sale» category 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

31.12.2011

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	2'177.4	846.5	128.6	14.8	84.9	3'252.2
Receivables due from banks	–	–	–	–	–	–
Mortgages and other customer receivables	30'814.2	25.4	32.0	0.1	0.2	30'871.9
Other receivables	0.0	–	–	–	–	0.0
Other financial assets	1'287.7	32.7	11.4	2.5	0.7	1'335.0
Total financial assets	**34'279.3**	**904.6**	**172.0**	**17.4**	**85.8**	**35'459.1**
Financial liabilities						
Payables due to banks	- 21.5	- 2.0	- 0.7	- 0.3	- 14.4	- 38.9
Customer deposits and liabilities	- 24'805.6	- 913.2	- 181.1	- 19.6	- 81.4	- 26'000.9
Other financial liabilities	- 13.3	–	–	–	–	- 13.3
Other liabilities	- 62.3	–	–	–	–	- 62.3
Issued debt instruments	- 6'461.7	–	–	–	–	- 6'461.7
Total financial liabilities	**- 31'364.4**	**- 915.2**	**- 181.8**	**- 19.9**	**- 95.8**	**- 32'577.1**
Foreign currency net exposure before hedging	**2'914.9**	**- 10.6**	**- 9.8**	**- 2.5**	**- 10.0**	**2'882.0**
Foreign currency derivatives	- 0.6	- 0.5	- 1.1	2.1	0.1	–
Foreign currency net exposure after hedging	**2'914.3**	**- 11.1**	**- 10.9**	**- 0.4**	**- 9.9**	**2'882.0**

31.12.2010

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	32'208.1	832.8	153.0	26.2	92.4	33'312.5
Total financial liabilities	- 29'434.0	- 866.0	- 173.9	- 27.8	- 96.9	- 30'598.6
Foreign currency net exposure before hedging	**2'774.1**	**- 33.2**	**- 20.9**	**- 1.6**	**- 4.5**	**2'713.9**
Foreign currency derivatives	- 23.5	20.9	3.8	- 1.7	0.5	–
Foreign currency net exposure after hedging	**2'750.6**	**- 12.3**	**- 17.1**	**- 3.3**	**- 4.0**	**2'713.9**

Results of the sensitivity analysis:
If the EUR had been stronger by 5% against the CHF on 31 December 2011, the pre-tax profit would have been CHF 0.6 million lower (31.12.2010: CHF 0.6 million). If the EUR had been weaker, the effect would have been the reverse. Due to the essentially unchanged net position, profit in 2011 reacted to the higher value of the EUR compared with the CHF at the same rate as in the previous year.

If the USD had been stronger by 5% against the CHF on 31 December 2011, the pre-tax profit would have been CHF 0.5 million lower (31.12.2010: CHF 0.9 million). If the USD had been weaker, the effect would have been the reverse. Due to the smaller net position, profit in 2011 reacted less strongly to the higher value of the USD compared with the CHF.

As no foreign currency hedging transactions are held as cash flow hedges in the Financial Services sector, sensitivity cannot be calculated for other reserves (equity).

Liquidity risks

Liquidity risk includes both market liquidity risk and 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	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Creditable liquidity	1'294.7	358.9	2'459.5	2'505.7
Required liquidity	152.5	148.2	1'380.9	1'314.2
Excess liquidity	1'142.2	210.7	1'078.6	1'191.5
Degree of compliance	849.0%	242.2%	178.1%	190.7%

Liquidity risk by contractual maturity, undiscounted (gross)

31.12.2011 CHF million	Maturing within				
	0 – 3 months	**3 – 12 months**	**1 – 5 year(s)**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	3'252.2	–	–	–	3'252.2
Receivables due from banks	–	–	–	–	–
Mortgages and other customer receivables	5'823.7	3'202.6	18'364.6	5'294.8	32'685.7
Other receivables	0.0	–	–	–	0.0
Other financial assets					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	259.4	172.9	–	–	432.3
Forward exchange contract gross cash outflow	- 252.1	- 168.0	–	–	- 420.1
Debt instruments	132.0	202.4	796.4	98.3	1'229.1
Others	218.5	–	–	–	218.5
Total other financial assets	**357.8**	**207.3**	**796.4**	**98.3**	**1'459.8**
Total financial assets	**9'433.7**	**3'409.9**	**19'161.0**	**5'393.1**	**37'397.7**
Financial liabilities					
Payables due to banks	- 19.0	–	- 21.2	–	- 40.2
Customer deposits and liabilities	- 25'984.6	- 22.4	- 7.0	–	- 26'014.0
Other financial liabilities					
Net cash flow from interest rate swaps	–	- 18.8	–	–	- 18.8
Forward exchange transactions gross cash inflow	252.1	168.0	–	–	420.1
Forward exchange transactions gross cash outflow	- 259.2	- 172.8	–	–	- 432.0
Others	–	–	–	–	–
Total other financial liabilities	**- 7.1**	**- 23.6**	**–**	**–**	**- 30.7**
Other liabilities	- 62.3	–	–	–	- 62.3
Issued debt instruments	- 141.4	- 498.1	- 2'876.9	- 4'032.0	- 7'548.4
Financial guarantees	- 152.6	–	–	–	- 152.6
Irrevocable loan commitments	- 503.4	–	–	–	- 503.4
Total financial liabilities	**- 26'870.4**	**- 544.1**	**- 2'905.1**	**- 4'032.0**	**- 34'351.6**

31.12.2010
CHF million

	Maturing within				
	0 – 3 months	3 – 12 months	1 – 5 year(s)	> 5 years	Total
Financial assets					
Cash and cash equivalents	2'297.0	–	–	–	2'297.0
Receivables due from banks	–	–	–	–	–
Mortgages and other customer receivables	9'998.9	3'465.0	13'330.0	3'786.8	30'580.7
Other receivables	0.0	–	–	–	0.0
Other financial assets					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	154.9	103.3	–	–	258.2
Forward exchange contract gross cash outflow	- 151.5	- 101.0	–	–	- 252.5
Debt instruments	152.9	211.6	1'291.7	435.9	2'092.1
Others	212.1	–	–	–	212.1
Total other financial assets	**368.4**	**213.9**	**1'291.7**	**435.9**	**2'309.9**
Total financial assets	**12'664.3**	**3'678.9**	**14'621.7**	**4'222.7**	**35'187.6**
Financial liabilities					
Payables due to banks	- 27.0	–	- 21.6	–	- 48.6
Customer deposits and liabilities	- 24'826.3	- 6.3	- 17.3	–	- 24'849.9
Other financial liabilities					
Net cash flow from interest rate swaps	- 0.9	- 2.7	- 14.2	–	- 17.8
Forward exchange transactions gross cash inflow	151.5	101.0	–	–	252.5
Forward exchange transactions gross cash outflow	- 156.2	- 104.1	–	–	- 260.3
Others	–	–	–	–	–
Total other financial liabilities	**- 5.6**	**- 5.8**	**- 14.2**	**–**	**- 25.6**
Other liabilities	- 74.8	–	–	–	- 74.8
Issued debt instruments	- 727.8	- 584.7	- 2'259.9	- 2'521.0	- 6'093.4
Financial guarantees	- 171.5	–	–	–	- 171.5
Irrevocable loan commitments	- 484.6	–	–	–	- 484.6
Total financial liabilities	**- 26'317.6**	**- 596.8**	**- 2'313.0**	**- 2'521.0**	**- 31'748.4**

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 (section 4.2.1).

31.12.2011

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other fnancial assets at fair value through profit or loss [1]				
Debt instruments	25.3	–	–	25.3
Equity instruments	17.7	110.9	4.6	133.2
Total other financial assets at fair value through profit or loss	**43.0**	**110.9**	**4.6**	**158.5**
Other financial assets available for sale				
Debt instruments	1'035.0	44.1	–	1'079.1
Equity instruments	–	–	85.2	85.2
Total other financial assets available for sale	**1'035.0**	**44.1**	**85.2**	**1'164.3**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	–	12.2	–	12.2
Designated for hedge accounting	–	–	–	–
Total derivative financial assets	**–**	**12.2**	**–**	**12.2**
Total financial assets measured at fair value	**1'078.0**	**167.2**	**89.8**	**1'335.0**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	- 13.3	–	- 13.3
Designated for hedge accounting	–	–	–	–
Total financial liabilities measured at fair value	**–**	**- 13.3**	**–**	**- 13.3**

[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».

31.12.2010

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other financial assets at fair value through profit or loss [1]				
Debt instruments	52.1	–	–	52.1
Equity instruments	19.5	105.4	7.9	132.8
Total other financial assets at fair value through profit or loss	**71.6**	**105.4**	**7.9**	**184.9**
Other financial assets available for sale				
Debt instruments	1'785.5	87.9	–	1'873.4
Equity instruments	–	–	79.2	79.2
Total other financial assets available for sale	**1'785.5**	**87.9**	**79.2**	**1'952.6**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	–	5.7	–	5.7
Designated for hedge accounting	–	–	–	–
Total derivative financial assets	**–**	**5.7**	**–**	**5.7**
Total financial assets measured at fair value	**1'857.1**	**199.0**	**87.1**	**2'143.2**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	- 14.4	–	- 14.4
Designated for hedge accounting	–	–	–	–
Total financial liabilities measured at fair value	**–**	**- 14.4**	**–**	**- 14.4**

[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».

Financial instruments Level 3

In 2011, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

CHF million	Financial assets: Fair value through profit or loss Equity instruments	Financial assets: Available for sale Equity instruments	Total
As per 1 January 2011	**7.9**	**79.2**	**87.1**
Gains/(losses) recognised			
↳ in the income statement	-0.2	–	-0.2
↳ in the other comprehensive income	–	6.0	6.0
Additions	–	–	–
Disposals	-3.1	0.0	-3.1
Transfers to level 3	–	–	–
Transfers out of level 3	–	–	–
Currency translation differences	–	–	–
As per 31 December 2011	**4.6**	**85.2**	**89.8**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	0.0	–	0.0

In 2010, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

CHF million	Financial assets: Fair value through profit or loss Equity instruments	Financial assets: Available for sale Equity instruments	Total
As per 1 January 2010	**15.2**	**68.6**	**83.8**
Gains/(losses) recognised			
↳ in the income statement	0.1	–	0.1
↳ in the other comprehensive income	–	3.4	3.4
Additions	–	7.2	7.2
Disposals	-6.9	–	-6.9
Transfers to level 3	–	–	–
Transfers out of level 3	-0.5	–	-0.5
Currency translation differences	–	–	–
As per 31 December 2010	**7.9**	**79.2**	**87.1**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	0.0	–	0.0

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

Fair values of financial instruments carried at amortised cost

CHF million	Carrying amount 31.12.2011	Carrying amount 31.12.2010	Fair value 31.12.2011	Fair value 31.12.2010
Financial assets				
Receivables due from banks	–	–	–	–
Mortgages and other customer receivables	30'871.9	28'872.3	32'331.7	30'042.8
Total financial assets	**30'871.9**	**28'872.3**	**32'331.7**	**30'042.8**
Financial liabilities				
Payables due to banks	38.9	46.9	39.0	48.1
Customer deposits and liabilities	26'000.9	24'801.4	26'191.4	24'891.0
Issued debt instruments	6'461.7	5'661.1	7'024.0	5'884.5
Total financial liabilities	**32'501.5**	**30'509.4**	**33'254.4**	**30'823.6**

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

CHF million	31.12.2011	31.12.2010
Capital resources required and creditable as per the banking legislation		
Credit risks	1'228.0	1'198.9
Market risks	24.4	33.2
Risks not related to counterparties	110.2	117.1
Operating risks	87.8	84.1
Total capital resources required	**1'450.4**	**1'433.3**
Equity as per IFRS	2'711.6	2'607.5
Corrections due to banking legislation [1]	82.6	- 62.6
Creditable capital resources as per the banking legislation	**2'794.2**	**2'544.9**
Excess creditable capital resources	**1'343.8**	**1'111.6**
Excess in % of required resources	**92.7**	**77.6**

[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 other financial assets and financial instruments

The fair value of other 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 (DCF) method was used to determine the fair value of some unlisted «available for sale» other 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» other financial assets

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 «available for sale» category were impaired. See Note 7 Net income from the Financial Services business and Note 12 Finance income and cost.

(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-term 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 carry forwards are recognised when it is probable that there will be future profits available to offset these loss carry forwards 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 Migros Group are determined based on the organisational 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, Migros Group is divided into five strategic business units that, because of their key role, are reportable operating segments. Other activities that are not assigned to these strategic business units 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, Migros Media etc.) including all commitments of 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), Gries Deco (home accessories) Le Shop and Dolphin France (internet retail stores), Ex Libris (entertainment media), Office World as well as Iba (office equipment), m-way (electromobility), Migrol (heating and fuel oils) and migrolino (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:**
  Organisation, provision of tour operator and travel agent as well as other related tourist services through the Hotelplan Group.
- **Others:**
  Business activities of Liegenschaften-Betrieb AG (property management).

In the 2011 financial year, the media business (formerly a business segment of the sold Limmatdruck AG) was switched from the Others segment to the Cooperative Retailing segment.
In order to secure comparability, the previous year's figures were adjusted for material effects.

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 of the Financial Services segment differs from the other five operating segments, together forming the Retail and Industry sector of 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 and trade payables. The net amount for segment debt (net borrowing) is the difference between interest-bearing liabilities and other 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 includes, in particular, provisions created or written back not affecting liquidity.

Information by operating segment

2011 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	14'932.4	6'359.2	1'099.0	969.4	1'408.7	90.1	24'858.8	–	24'858.8
↳ from other segments	374.0	36.2	4'028.4	2.0	–	99.4	4'540.0	- 4'540.0	–
Total income	**15'306.4**	**6'395.4**	**5'127.4**	**971.4**	**1'408.7**	**189.5**	**29'398.8**	**- 4'540.0**	**24'858.8**
Operating profit before effect from pension plans	427.9	63.4	185.7	291.4	- 19.4	29.9	978.9	0.1	979.0
Effect from pension plans	2.6	0.2	0.8	0.1	0.1	0.1	3.9	–	3.9
Operating profit	**430.5**	**63.6**	**186.5**	**291.5**	**- 19.3**	**30.0**	**982.8**	**0.1**	**982.9**
Segment assets	9'087.6	2'226.8	2'099.0	35'784.7	148.9	762.1	50'109.1	5'072.3	55'181.4
Segment liabilities[2]	1'422.6	384.4	128.5	33'061.9	- 47.7	524.5	35'474.2	4'828.8	40'303.0
Other information									
Investments	758.8	230.0	156.6	22.0	10.1	87.8	1'265.3	–	1'265.3
Depreciation, amortisation	684.5	154.0	169.1	37.3	24.0	37.0	1'105.9	–	1'105.9
Impairment[3]	29.1	7.3	2.9	67.3	4.4	–	111.0	–	111.0
Reversal of impairment[3]	–	- 1.7	- 3.6	- 69.3	–	–	- 74.6	–	- 74.6
Other expenditure (income) not affecting liquidity	28.2	9.6	11.0	2.8	0.5	2.7	54.8	–	54.8

2010 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	15'346.3	6'045.7	1'045.2	965.7	1'504.5	132.9	25'040.3	–	25'040.3
↳ from other segments	358.2	47.2	4'083.6	1.7	0.2	114.8	4'605.7	- 4'605.7	–
Total income	**15'704.5**	**6'092.9**	**5'128.8**	**967.4**	**1'504.7**	**247.7**	**29'646.0**	**- 4'605.7**	**25'040.3**
Operating profit before effect from pension plans	511.8	112.3	232.9	277.5	- 12.3	60.7	1'182.9	- 6.7	1'176.2
Effect from pension plans	31.9	3.2	9.7	1.6	1.3	2.8	50.5	–	50.5
Operating profit	**543.7**	**115.5**	**242.6**	**279.1**	**- 11.0**	**63.5**	**1'233.4**	**- 6.7**	**1'226.7**
Segment assets	8'863.1	1'996.4	1'985.3	33'663.6	153.1	782.0	47'443.5	4'931.0	52'374.5
Segment liabilities[2]	1'485.7	190.0	114.5	31'044.5	- 73.2	431.2	33'192.7	4'887.8	38'080.5
Other information									
Investments	1'039.5	171.3	135.3	31.5	16.1	96.5	1'490.2	–	1'490.2
Depreciation, amortisation	722.2	134.9	180.2	36.1	25.2	39.2	1'137.8	–	1'137.8
Impairment[3]	5.0	1.6	6.6	15.9	–	–	29.1	–	29.1
Reversal of impairment[3]	- 1.0	0.0	- 7.4	- 9.7	- 0.5	–	- 18.6	–	- 18.6
Other expenditure (income) not affecting liquidity	40.5	5.7	5.3	–	- 0.6	1.7	52.6	–	52.6

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 other financial assets realisable at short notice. A negative value of this net amount means that the other financial assets realisable at short notice exceed the interest-bearing loan capital.

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

Reconciliation from segment to group statement

Reconciliation of profit

CHF million	2011	2010
Operating profit Total segments	982.8	1'233.4
Eliminations	0.1	- 6.7
Operating profit Migros Group	**982.9**	**1'226.7**
Financial profit	- 186.8	- 108.0
Profit before income tax Migros Group	**796.1**	**1'118.7**

Reconciliation of assets

CHF million	2011	2010
Total segment assets	50'109.1	47'443.5
Trade payables	1'546.7	1'659.0
Non-operative assets	9'070.5	8'642.0
Eliminations	- 5'544.9	- 5'370.0
Total assets Migros Group	**55'181.4**	**52'374.5**

Reconciliation of liabilities

CHF million	2011	2010
Total segment liabilities	35'474.2	33'192.7
Other financial assets realisable at short notice	3'081.0	3'071.9
Non-interest-bearing liabilities	4'080.2	4'297.8
Eliminations	- 2'332.4	- 2'481.9
Total liabilities Migros Group	**40'303.0**	**38'080.5**

6.3 Information by region

Migros Group operates mainly in Switzerland and in countries just across the Swiss border. 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 Migros Group. These consist mainly of companies in Germany, the UK, France and Italy. The shown long-term assets include investment property, tangible assets as well as intangible assets held at the respective balance sheet date.

Information by region

			2011			2010
CHF million	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Total income from third parties	23'566.2	1'292.6	24'858.8	23'940.4	1'099.9	25'040.3
Long-term assets	12'845.3	583.2	13'428.5	12'852.2	318.6	13'170.8

Explanations to the income statement

7. Net income from the financial services business

CHF million	2011	2010
Interest income		
Cash and cash equivalents	15.1	9.7
Receivables due from banks	–	–
Mortgages and other customer receivables	766.8	769.6
Other financial assets available for sale	24.3	45.0
Unwinding of discount	0.3	2.4
Total interest income	**806.5**	**826.7**
Interest expense		
Payables due to banks	- 0.7	- 0.7
Customer deposits and liabilities	- 190.4	- 189.7
Issued debt instruments	- 161.6	- 158.7
Total interest expense	**- 352.7**	**- 349.1**
Impairments [1]		
Other financial assets available for sale	- 1.2	–
Receivables due from banks	–	–
Mortgage receivables	- 5.7	- 3.1
Other customer receivables	- 60.4	- 12.4
Total impairments	**- 67.3**	**- 15.5**
Reversals of impairments [1]		
Other financial assets available for sale	–	–
Receivables due from banks	–	–
Mortgage receivables	43.3	2.0
Other customer receivables	22.0	7.8
Total reversals of impairments	**65.3**	**9.8**
Net interest income	**451.8**	**471.9**
Commission income		
Mortgages and other customer receivables	5.7	4.1
Securities and investment business	56.5	58.7
Income from other services	30.2	27.8
Total commission income	**92.4**	**90.6**
Commission expense	- 16.3	- 16.9
Net commission income	**76.1**	**73.7**
Income from other financial assets		
Profits/(losses) from other financial assets at fair value: Trading portfolio	4.6	4.0
Profits/(losses) from other financial assets at fair value: Designated	–	–
Profits/(losses) from other financial assets at fair value: available for sale	27.4	–
Dividends received from other financial assets availabe for sale	2.1	2.0
Currency translation differences, net	33.5	36.5
Income from other financial assets	**67.6**	**42.5**
Total profit from the financial services business	**595.5**	**588.1**
Disclosed in the financial statements of the Migros Group under:		
Interest and commission income and (net) gains on financial instruments of the financial services business	965.2	959.9
Interest and commission expense and valuation allowances of the financial services business	- 369.7	- 371.8
Total profit from the financial services business	**595.5**	**588.1**

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

Whereas the need for impairment in the case of mortgage receivables decreased as a result of rising property prices, it was greater for other customer receivables due to the deterioration in the general economic situation.

8. Other operating income

CHF million	2011	2010
Income from advertising services	30.0	32.3
Internally generated assets (tangible and intangible)	16.3	17.6
Revenue from the disposal of		
↳ Investment property	–	3.9
↳ Tangible assets	20.0	5.9
↳ Intangible assets	–	–
↳ Investments	6.0	–
Other operating income	235.3	211.0
Total other operating income	**307.6**	**270.7**

Other operating income includes income from regular sidelines. This income includes government grants in connection with export contributions amounting to CHF 2.8 million (2010: 1.8 million). Other forms of government grants directly benefiting Migros Group amount to CHF 0.5 million (2010: CHF 0.2 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

CHF million	2011	2010
Cost of goods and services sold	14'219.5	14'467.0
Inventory change	83.0	83.7
Total cost of goods and services sold	**14'302.5**	**14'550.7**

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 9.6 million (2010: CHF 8.4 million) shown as a reduction of costs. No other forms of government grants directly benefiting 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

CHF million	Notes	2011	2010
Wages and salaries		3'917.1	3'842.7
Pension schemes and social insurance based on employer contributions		416.7	440.9
Social insurance and other social security benefits		472.1	471.3
Other personnel expenses		232.6	180.0
Total personnel expenses based on employer contributions		**5'038.5**	**4'934.9**
Absence of asset ceiling (effect from pension plans)		-3.9	-50.5
Total personnel expenses according to IFRS		**5'034.6**	**4'884.4**
Pension schemes and social insurance based on employer contributions		416.7	440.9
Absence of asset ceiling (effect from pension plans)		-3.9	-50.5
Total pension schemes and social insurance according to IFRS	*38*	**412.8**	**390.4**

In agreement with the social partners, Migros companies granted salary increases – individually and performance-related – of 0.5% to 1.0% in 2011. Expenditure on wages and salaries did not rise in line, but increased by 1.9% on the previous year due to the acquisition during the year (mainly Gries Deco). Adjusted for these acquisitions, the number of full-time positions fell (31.12.2011: 61'120; 31.12.2010: 61'615).

The reduction in pension costs on the basis of employer contributions on the previous year is mainly due to the reduction in early retirements following the changes to the regulations of the Migros Pension Fund.

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»). The main pension funds of Migros Group posted a surplus in the past, which under the corridor approach meant that, in accordance with IFRS, pension costs corresponded largely with the employer contributions paid. At the end of 2011, Migros Group pension funds posted deficits, meaning that the effect of the asset ceiling did not apply. The deferral of recognising through profit and loss actuarial losses as expense or actuarial gains as income, which is inherent to the corridor approach under IAS 19, means that certain losses from the previous year are also capitalised in 2011.

Among other things, other personnel expenses include the effect of the change of actuarial assumptions (e.g. discounting rate, life expectancy, retirement age) in calculating the service award programme of CHF 36.4 million (2010: CHF -9.8 million). This income statement item also includes payroll charges for staff employed on a temporary basis.

Staff costs include government grants totalling CHF 0.3 million (2010: CHF 0.3 million) shown as a reduction of costs.

11. Other operating expenses

CHF million	2011	2010
Rental and building-lease cost	613.5	550.8
Losses from the disposal of		
↳ Investment property	1.6	0.2
↳ Tangible assets	1.4	3.4
↳ Intangible assets	–	–
↳ Investments	29.2	2.6
Maintenance	355.6	362.0
Energy and consumables	477.1	456.5
Advertising	513.3	498.6
Administration	355.0	342.5
Other operating expenses	685.2	650.6
Total other operating expenses	**3'031.9**	**2'867.2**

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 this expense is largely caused by changes to the scope of consolidation.

12. Finance income and cost

CHF million	2011	2010
Finance income		
Interest income		
Cash and cash equivalents	4.5	3.6
Receivables due from banks	1.1	1.9
Other financial assets available for sale	12.6	11.8
Loans	3.3	6.5
Unwinding of discount	–	–
Other interest income	1.2	2.0
Total interest income	**22.7**	**25.8**
Profit from other financial assets		
Profits/(losses) from other financial assets at fair value: trading portfolio	- 0.6	21.1
Profits/(losses) from other financial assets at fair value: designated	- 7.0	10.3
Profits/(losses) from other financial assets at fair value: available for sale	2.7	4.4
Dividends received from other financial assets available for sale	1.9	3.0
Currency translation differences, net	- 15.9	- 55.2
Total profit from other financial assets	**- 18.9**	**- 16.4**
Reversals of impairments of other financial assets and receivables due from banks		
Other financial assets available for sale	–	–
Loans	0.4	6.1
Receivables due from banks	–	–
Total reversals of impairments of other financial assets and receivables due from banks	**0.4**	**6.1**
Impairments of other financial assets and receivables due from banks		
Other financial assets available for sale	- 77.8	–
Loans	- 0.3	- 2.8
Receivables due from banks	–	–
Debt waiver of receivables	- 3.7	0.3
Total impairments of other financial assets and receivables due from banks	**- 81.8**	**- 2.5**
Total finance income	**- 77.6**	**13.0**
Finance costs		
Interest expense		
Payables due to banks	- 4.1	- 6.5
Issued debt instruments	- 18.1	- 20.5
Other financial liabilities	0.0	0.0
Finance leasing	- 9.0	- 17.1
Provisions: present value adjustments	- 0.4	- 0.9
Other interest expense	- 76.1	- 63.0
Total interest expense	**- 107.7**	**- 108.0**
Other finance costs	- 7.0	- 4.5
Total finance cost	**- 114.7**	**- 112.5**

13. Associates and joint ventures

Investments in associates and joint ventures

CHF million	2011	2010
As per 1 January	**94.5**	**96.7**
Acquisition including share of profit	24.6	- 0.8
Share of other comprehensive income	3.5	- 1.4
Reclassifications	- 13.6	–
Reversals of impairment	–	–
Impairments	–	–
Disposals	- 0.2	–
Currency translation differences	–	–
As per 31 December	**108.8**	**94.5**

Profit from associates and joint ventures

CHF million	2011	2010
Share of profit	5.5	- 8.5
Investment impairment	–	–
Others	–	–
Total share of profit	**5.5**	**- 8.5**

Additional information on associates and joint ventures

CHF million	2011	2010
Assets	552.7	680.8
Liabilities	268.7	391.6
Revenue	739.0	908.3
Result	13.4	- 13.2

The associates and joint ventures with the current equity interest are specified in Note 48 Scope of consolidation of Migros Group financial statements.

14. Income tax expense

CHF million	2011	2010
Current income tax expense	177.6	195.5
Current income tax expense of previous years	- 6.8	- 4.7
Total current income taxes	**170.8**	**190.8**
Deferred income tax expense/(income)	- 4.8	48.5
Changes to income tax rates	- 32.3	- 12.4
Total deferred income taxes	**- 37.1**	**36.1**
Total income tax expense	**133.7**	**226.9**

Reconciliation of expected and effective income tax expense

CHF million	2011	2010
Profit before income tax	796.1	1'118.7
Weighted average tax rate in	20.2%	20.4%
Expected income tax expense	**160.8**	**228.2**
Reasons for increase/decrease		
↳ Non-tax-deductible expenses	2.2	2.6
↳ Tax-exempted income (incl. income from investments)	- 17.8	- 2.0
↳ Use of non-capitalized tax loss carry forwards	- 0.9	- 4.0
↳ Non-capitalization of deferred income tax assets on period losses	24.4	13.8
↳ Non-deductible impairments of goodwill	0.3	–
↳ Tax on gains from disposal of properties (Zurich model)	–	–
↳ Changes to tax rates	- 32.3	- 12.4
↳ Income tax expense of previous years	- 6.8	- 4.7
↳ Other effects	3.8	5.4
Total effective income tax expense	**133.7**	**226.9**
Effective income tax rate	16.8%	20.3%

In 2011, the expected income tax expense – calculated by multiplying the pre-tax profit with the applicable tax rate – deviated by CHF + 27.1 million (previous year CHF +1.3 million) from the effective income tax expense. This net deviation has various gross causes. The fact that loss carry forwards of some new branches do not qualify for capitalisation increases expenses significantly. Tax rate reductions in individual cantons have an offsetting effect. This ultimately also had an impact on the weighted Group tax rate, which dropped from 20.4% to 20.2%.

Development of the deferred tax liabilities (net)

CHF million	2011	2010
As per 1 January	**1'458.7**	**1'394.4**
Changes to the scope of consolidation	19.0	13.6
Recorded through profit and loss	- 37.1	36.1
Recorded in other comprehensive income [1]	- 14.9	16.0
Currency translation differences	- 2.0	- 1.4
As per 31 December (net)	**1'423.7**	**1'458.7**

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

The deferred tax liabilities/assets shown in the Group balance sheet are made up of the following items:

	Deferred income tax assets		Deferred income tax liabilities	
CHF million	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Reasons for deferred income tax				
Cash and cash equivalents	–	–	–	–
Receivables	0.5	0.2	9.4	7.7
Inventories	–	0.0	117.7	126.4
Tangible assets	2.2	3.0	679.8	703.1
Intangible assets	8.3	18.6	90.8	81.2
Other financial assets	1.7	1.6	61.2	101.5
Tax losses carry forwards	96.8	54.4	–	–
Other assets	9.1	0.0	71.8	63.0
Liabilities from employee benefits	0.8	1.5	121.3	133.7
Financial liabilities	19.8	34.5	0.6	3.0
Other liabilities	1.7	3.2	349.2	330.8
Total	**140.9**	**117.0**	**1'501.8**	**1'550.4**
Valuation allowance	- 62.8	- 25.3	–	–
Netting	- 55.4	- 62.8	- 55.4	- 62.8
Total deferred income tax in balance sheet	**22.7**	**28.9**	**1'446.4**	**1'487.6**

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:

CHF million	31.12.2011	31.12.2010
Maturity in 1 year	0.4	2.2
Maturity in 2 years	1.1	0.5
Maturity in 3 years	4.4	1.7
Maturity in 4 years	50.1	13.8
Maturity in 5 years	56.5	56.8
Maturity after 6 years	96.8	92.9
No maturity	119.4	84.5
Total of unused tax loss carry forwards	**328.7**	**252.4**

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. The increase in loss carry forwards not yet used, on which no deferred income tax assets were applied, had to do with additional loss carry forwards of branches being built up. The ability to use these loss carry forwards must be assessed every year.

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:

CHF million	2011	2010
Culture	34.4	31.8
Education/training	51.2	54.0
Social	9.2	7.7
Leisure and sport	13.1	12.2
Economic policy	3.4	2.8
Administration	6.3	6.4
Special expenditure	–	–
Total expenditure for cultural, social and economic policy purposes	**117.6**	**114.9**

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 – on 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 costs. 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

CHF million	2011	2010
Minimum expenditure required	113.6	116.2
Incurred expenditure	117.6	114.9
Excess/(shortfall) in expenditure for the financial year	**4.0**	**- 1.3**
Excess/(shortfall) in expenditure for 4-year period	1.8	12.7
Culture Percentage reserve as per 31 December	**- 8.2**	**- 8.2**

In the 2011 financial year, Migros Group's expenditure relating to the Culture Percentage exceeded the minimum specified in the charter by CHF 4.0 million. The Federation of Migros Cooperatives and three cooperatives fell slightly short of the minimum expenditure in 2011. As at 31 December 2011, there was no change to the Culture Percentage reserve to report at Group level.

The Culture Percentage reserve is part of retained earnings.

Explanations to the statement of comprehensive income

16. Other comprehensive income

CHF million	2011	2010
Other financial assets available for sale		
↳ Fair value adjustments	- 140.5	86.4
↳ Transfer from sales to income statement	- 30.1	- 4.4
↳ Transfer of impairments to income statement	79.0	–
↳ Deferred income tax	19.6	- 17.3
Derivative financial instruments held for cash flow hedges		
↳ Fair value adjustments	- 21.9	- 38.7
↳ Transfer to income statement	20.4	7.8
↳ Transfer to the acquisition cost of non-financial assets	24.5	21.4
↳ Deferred income tax	- 4.7	1.7
Currency translation differences for foreign subsidiaries		
↳ Currency translation differences	- 9.7	- 10.5
↳ Transfer to income statement relating to (partial) disposals of foreign subsidiaries	–	–
↳ Deferred income tax	–	–
Share in other comprehensive income of associates and joint ventures		
↳ Change in share of other comprehensive income	3.5	- 1.0
↳ Deferred income tax	- 0.1	- 0.4
Other comprehensive income	**- 60.0**	**45.0**

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

Explanations to the balance sheet

17. Cash and cash equivalents

CHF million	31.12.2011	31.12.2010
Petty cash/postal accounts/bank accounts	2'991.2	2'067.6
Fixed-term deposits with an original maximum maturity of 90 days	1'578.2	1'057.8
Total cash and cash equivalents	**4'569.4**	**3'125.4**

Due to the low interest rates and the increased capital market risks, more liquid assets were held instead of longer-term assets.

18. Receivables due from banks

CHF million	31.12.2011	31.12.2010
Money market papers	–	–
Receivables due from central banks	–	–
Receivables due from other commercial banks	28.3	177.2
Receivables from reverse-repurchase agreements [1]	–	–
Cash deposits on securities borrowed	–	–
Other receivables due from banks	1.8	1.3
Total receivables due from banks (gross)	**30.1**	**178.5**
Provision for impairment	–	–
Total receivables due from banks	**30.1**	**178.5**
[1] Covered by other 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 decrease in receivables due from commercial banks is predominantly down to the consistently low interest level, which led to funds becoming available in the reporting year being held mostly as cash and cash equivalents.

19. Mortgages and other customer receivables

CHF million	31.12.2011	31.12.2010
By type of engagement		
Mortgages		
↳ Residential property	25'217.1	23'725.3
↳ Office and commercial property	1'372.8	1'295.4
↳ Manufacturing and industry property	901.4	782.2
↳ Other mortgages	106.7	260.7
Other customer receivables	3'359.8	2'903.2
Total mortgages and other customer receivables (gross)	**30'957.8**	**28'966.8**
Provision for impairment	- 99.5	- 112.8
Total mortgages and other customer receivables	**30'858.3**	**28'854.0**
By type of collateral		
Mortgages	28'394.6	26'885.7
Securities	–	–
Sureties or other collateral	187.8	693.4
Unsecured	2'375.4	1'387.7
Total mortgages and other customer receivables (gross)	**30'957.8**	**28'966.8**
Provision for impairment	- 99.5	- 112.8
Total mortgages and other customer receivables	**30'858.3**	**28'854.0**

Mortgages and customer receivables in the financial services business increased by CHF 2.0 billion due to strong demand in the Swiss real estate market.

Changes to the provision for impairment

			2011			2010
CHF million	Mortgages	Customer receivables	Total	Mortgages	Customer receivables	Total
As per 1 January	**57.5**	**55.3**	**112.8**	**56.9**	**54.7**	**111.6**
Changes to the scope of consolidation	–	–	–	–	–	–
Impairments	5.7	60.4	66.1	3.1	12.4	15.5
Reversals of impairments	- 43.3	- 22.0	- 65.3	- 2.0	- 7.8	- 9.8
Unwinding of discounts	–	–	–	–	–	–
Disposals	–	- 14.1	- 14.1	- 0.5	- 4.0	- 4.5
Currency translation differences	–	–	–	–	–	–
As per 31 December	**19.9**	**79.6**	**99.5**	**57.5**	**55.3**	**112.8**

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

Whereas the need for impairment in the case of mortgage receivables decreased as a result of rising property prices, it was greater for other customer receivables due to the deterioration in the general economic situation.

Pledged or assigned assets as well as assets under reservations of title

CHF million	31.12.2011	31.12.2010
Mortgages pledged to mortgage bond bank	7'232.1	5'477.5
Loans from mortgage bond bank	4'653.8	4'099.9

Receivables from finance leases (as lessor)

CHF million	31.12.2011	31.12.2010
Remaining contract terms		
Up to one year	38.3	11.8
More than one and up to five years	64.7	82.9
More than five years	16.3	23.7
Total receivables from finance leases [1]	**119.3**	**118.4**
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 life 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

CHF million	31.12.2011	31.12.2010
Trade receivables	636.1	605.1
Other receivables	133.4	154.1
Total trade receivables and other receivables (gross)	**769.5**	**759.2**
Provision for impairment	-27.4	-33.9
Total trade receivables and other receivables	**742.1**	**725.3**

Other receivables include VAT refund claims, tax credits, receivables from credit card companies and security deposits.

Changes to the provision for impairment

CHF million	2011	2010
As per 1 January	**- 33.9**	**- 34.4**
Changes to the scope of consolidation	0.5	- 0.1
Impairments	- 8.7	- 8.2
Reversals of impairments	0.9	1.4
Unwinding of discounts	–	–
Disposals	13.6	5.4
Currency translation differences	0.2	2.0
As per 31 December	**- 27.4**	**- 33.9**
Pledged receivables	–	–

The formation and release through profit and loss of impairments of trade receivables and other receivables are recognised and reported in other operating expenses.

21. Inventories

CHF million	31.12.2011	31.12.2010
Raw materials and consumables	364.2	332.4
Work in process	56.0	60.4
Finished products	270.3	266.4
Goods for resale	1'449.0	1'363.4
Legal required stock	23.0	19.6
Total inventories	**2'162.5**	**2'042.2**
Pledged inventories	–	–

Inventories were subject to impairments totalling CHF 8.5 million (previous year: CHF 8.2 million); reversals of impairment amounted to CHF 5.3 million (previous year: CHF 5.2 million).

22. Other financial assets

CHF million	Fair value through profit or loss: Trading portfolio [1]	Fair value through profit or loss: Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans	Total
Notes	*23/25*	*23*	*24*	*25*	*26*	
As per 1 January 2011	**259.5**	**121.8**	**2'748.5**	**1.0**	**209.9**	**3'340.7**
Changes to the scope of consolidation	5.5	0.2	0.0	–	0.2	5.9
Additions	–	49.6	116.3	–	14.2	180.1
Fair value gains/(losses) through profit and loss	284.2	- 7.9	- 0.9	0.1	- 3.6	271.9
Fair value gains/(losses) recognised directly in equity	–	–	- 140.5	14.9	–	- 125.6
Reclassifications						
↳ within other financial assets	–	–	–	–	–	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	- 208.7	- 59.1	- 879.9	- 5.3	- 103.5	- 1'256.5
Currency translation differences	0.0	0.0	0.0	–	5.6	5.6
As per 31 December 2011	**340.5**	**104.6**	**1'843.5**	**10.7**	**122.8**	**2'422.1**
Change of provision for impairment						
As per 1 January 2011					**- 3.6**	**- 3.6**
Changes to the scope of consolidation					–	–
Impairments					- 0.3	- 0.3
Reversals of impairments					0.4	0.4
Unwinding of discounts					–	–
Reclassifications					–	–
Disposals					0.3	0.3
Currency translation differences					–	–
As per 31 December 2011					**- 3.2**	**- 3.2**
Balance sheet value						
1 January 2011	**259.5**	**121.8**	**2'748.5**	**1.0**	**206.3**	**3'337.1**
31 December 2011	**340.5**	**104.6**	**1'843.5**	**10.7**	**119.6**	**2'418.9**
Pledged other financial assets						0.2

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

In 2011, no reclassifications were carried out within other financial assets.

Further details on the amounts of the other financial assets disclosed can be found in Notes 23 to 25. Further details on the other financial assets' effects on net income and capital are included in Note 7 Net income from financial services business, Note 12 Finance income and cost and Note 16 Other comprehensive income.

CHF million	Fair value through profit or loss: Trading portfolio [1]	Fair value through profit or loss: Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans	Total
Notes	*23/25*	*23*	*24*	*25*	*26*	
As per 1 January 2010	**358.3**	**269.1**	**2'363.9**	**1.5**	**386.3**	**3'379.1**
Changes to the scope of consolidation	–	0.0	–	–	0.1	0.1
Additions	4.0	101.8	483.2	–	247.2	836.2
Fair value gains/(losses) through profit and loss	109.7	6.9	0.0	- 0.4	0.0	116.2
Fair value gains/(losses) recognised directly in equity	–	–	86.4	8.5	–	94.9
Reclassifications						
↳ within other financial assets	–	–	–	–	–	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	- 212.5	- 256.0	- 184.9	- 8.6	- 414.0	- 1'076.0
Currency translation differences	–	0.0	- 0.1	–	- 9.7	- 9.8
As per 31 December 2010	**259.5**	**121.8**	**2'748.5**	**1.0**	**209.9**	**3'340.7**
Change of provision for impairment						
As per 1 January 2010					**- 10.1**	**- 10.1**
Changes to the scope of consolidation					–	–
Impairments					- 2.8	- 2.8
Reversals of impairments					6.1	6.1
Unwinding of discounts					–	–
Reclassifications					–	–
Disposals					3.2	3.2
Currency translation differences					–	–
As per 31 December 2010					**- 3.6**	**- 3.6**
Balance sheet value						
1 January 2010	**358.3**	**269.1**	**2'363.9**	**1.5**	**376.2**	**3'369.0**
31 December 2010	**259.5**	**121.8**	**2'748.5**	**1.0**	**206.3**	**3'337.1**
Pledged other financial assets						0.2

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

In 2010, no reclassifications were carried out within other financial assets.

23. Other financial assets at fair value through profit or loss

CHF million	31.12.2011	31.12.2010
Debt instruments		
Listed on stock exchanges	45.4	68.7
Not listed	42.1	28.1
Total debt instruments	**87.5**	**96.8**
Equity instruments		
Listed on stock exchanges	52.3	70.7
Not listed	123.4	139.2
Total equity instruments	**175.7**	**209.9**
Derivative financial instruments held for trading purposes	181.9	74.6
Total other financial assets at fair value through profit or loss	**445.1**	**381.3**

Due to the increased capital market risks, the holdings of debt and equity instruments of the «fair value through profit or loss» category, in particular, were reduced further during the reporting year. Furthermore, the holdings of foreign currency hedges were increased as foreign currency investments were increasingly hedged for related parties.

24. Other financial assets available for sale

CHF million	31.12.2011	31.12.2010
Debt instruments		
Listed on stock exchanges	1'509.8	2'281.0
Not listed	76.4	120.4
Total debt instruments	**1'586.2**	**2'401.4**
Equity instruments		
Listed on stock exchanges	165.5	251.5
Not listed	91.8	95.6
Total equity instruments	**257.3**	**347.1**
Total other financial assets available for sale	**1'843.5**	**2'748.5**

Due to the increased capital market risks, the holdings of debt instruments of the «available for sale» category were reduced through sales as well as by the decision not to reinvest maturing instruments. The holdings of listed equity instruments of this category have fallen due, in particular, to impairments recognised in the reporting year.

25. Derivative financial instruments

Derivative financial instruments held for trading purposes[1]

CHF million	31.12.2011 Replacement values positive	31.12.2011 Replacement values negative	31.12.2011 Contract volume	31.12.2010 Replacement values positive	31.12.2010 Replacement values negative	31.12.2010 Contract volume
Interest instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	0.0	46.6	980.0	0.1	41.3	1'280.0
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total interest instruments	**0.0**	**46.6**	**980.0**	**0.1**	**41.3**	**1'280.0**
Foreign currency instruments						
Over the counter (OTC)						
↳ Futures	154.7	120.0	2'325.2	59.6	78.0	1'432.0
↳ Swaps	27.2	77.9	1'930.5	14.2	10.4	354.2
↳ Options	–	–	–	0.7	3.8	185.4
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total foreign currency instruments	**181.9**	**197.9**	**4'255.7**	**74.5**	**92.2**	**1'971.6**
Commodities						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	0.0	–	15.2	0.0	–	2.1
↳ Options	–	–	–	–	–	–
Total commodities	**0.0**	**–**	**15.2**	**0.0**	**–**	**2.1**
Investment instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Options	–	2.5	10.0	–	0.6	20.4
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total investment instruments	**–**	**2.5**	**10.0**	**–**	**0.6**	**20.4**
Total derivative financial instruments held for trading purposes	**181.9**	**247.0**	**5'260.9**	**74.6**	**134.1**	**3'274.1**

[1] Are disclosed as part in the category «fair value through profit or loss: trading portfolio».

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.

Compared to the previous year, foreign currency investments were increasingly hedged for related parties.

Derivative financial instruments held for cash flow hedges

	31.12.2011			31.12.2010		
	Replacement values			Replacement values		
CHF million	positive	negative	Contract volume	positive	negative	Contract volume
Interest instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	0.0	1.2	100.0	–	2.0	100.0
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total interest instruments	**0.0**	**1.2**	**100.0**	**–**	**2.0**	**100.0**
Foreign currency instruments						
Over the counter (OTC)						
↳ Futures	9.5	2.3	731.8	–	12.9	983.6
↳ Swaps	–	–	–	–	–	–
↳ Options	1.2	–	41.3	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total foreign currency instruments	**10.7**	**2.3**	**773.1**	**–**	**12.9**	**983.6**
Commodities						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	–	0.1	3.7	1.0	–	5.2
↳ Options	–	–	–	–	–	–
Total commodities	**–**	**0.1**	**3.7**	**1.0**	**–**	**5.2**
Total derivative financial instruments held for cash flow hedges	**10.7**	**3.6**	**876.8**	**1.0**	**14.9**	**1'088.8**

Additional information about cash flow hedges

CHF million	2011	2010
Amounts reclassified from equity to the income statement		
Cost of goods and services sold (currencies & commodities)	19.9	7.3
Finance costs	0.5	0.5
Total amounts recognised in income statement	**20.4**	**7.8**
Ineffective amounts recognised in the income statement	0.0	0.1
Amounts reclassified from equity to the purchase costs of non-financial assets		
Inventories	22.9	19.1
Tangible assets	1.6	2.3
Total amounts recognised in the cost of non-financial assets	**24.5**	**21.4**

The risks associated with a part of the variable-interest payables due 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 due to banks.

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

As a rule, the hedged future foreign exchange purchases are carried out within the next twelve 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 twelve 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 six months in profit or loss.

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

Total derivative financial instruments

CHF million	31.12.2011 Replacement values positive	31.12.2011 Replacement values negative	31.12.2011 Contract volume	31.12.2010 Replacement values positive	31.12.2010 Replacement values negative	31.12.2010 Contract volume
Held for cash flow hedging	10.7	3.6	876.8	1.0	14.9	1'088.8
Held for fair value hedging	–	–	–	–	–	–
Total for hedging	**10.7**	**3.6**	**876.8**	**1.0**	**14.9**	**1'088.8**
Held for trading purposes [1]	181.9	247.0	5'260.9	74.6	134.1	3'274.1
Total derivative financial instruments	**192.6**	**250.6**	**6'137.7**	**75.6**	**149.0**	**4'362.9**

[1] Are recognized in the category «fair value through profit or loss: trading portfolio».

Due to consistently low interest rates, no interest rate swaps were designated as fair value hedges as of the balance sheet date and in the previous year.

26. Loans

CHF million	31.12.2011	31.12.2010
Loans to public sector	0.1	0.0
Loans to private sector	122.7	209.9
Various	–	–
Total loans (gross)	**122.8**	**209.9**
Provision for impairment	-3.2	-3.6
Total loans	**119.6**	**206.3**

27. Investment property

CHF million	2011	2010
Acquisition costs		
As per 1 January	**431.3**	**442.8**
Changes to the scope of consolidation	–	0.3
Additions from		
↳ acquisitions	12.8	5.2
↳ capitalized costs	–	–
Subsequent adjustment of fair values (IFRS 3)	–	–
Reclassifications		
↳ from/to tangible assets	15.2	- 1.0
↳ from/to non-current assets held for sale	–	–
↳ from assets under construction	–	–
Disposals	- 5.8	- 15.5
Currency translation differences	- 0.1	- 0.5
As per 31 December	**453.4**	**431.3**
Accumulated depreciation and impairment provision		
As per 1 January	**- 137.8**	**- 142.0**
Changes to the scope of consolidation	–	–
Depreciation	- 9.0	- 5.9
Impairments	- 1.2	–
Reversal of impairments	–	0.9
Reclassifications		
↳ from/to tangible assets	- 9.3	2.9
↳ from/to non-current assets held for sale	–	–
Disposals	3.7	6.3
Currency translation differences	0.0	0.0
As per 31 December	**- 153.6**	**- 137.8**
Balance sheet value		
1 January	**293.5**	**300.8**
31 December	**299.8**	**293.5**
Additional information about investment property		
Fair value as per 31 December	564.7	564.7
Investment property - finance lease	–	–
Rental income from investment property	22.4	22.8
Maintenance and operating costs for investment properties generating rental income during the period	6.7	9.5
Maintenance and operating costs for investment properties not generating rental income during the period	1.1	0.8
Existence and extent of restrictions with regard to sale	3.7	–
Contractual obligations to purchase, construct and maintain investment property	–	–

28. Tangible assets

CHF million	Land & buildings	Plant, machinery & equipment	Other tangible assets	Assets under construction	Total
Acquisition costs					
As per 1 January 2011	**10'619.5**	**10'749.6**	**1'696.4**	**623.0**	**23'688.5**
Changes to the scope of consolidation	-59.9	-78.6	38.1	-0.3	-100.7
Additions from					
↳ Acquisitions	192.3	525.0	137.2	363.1	1'217.6
↳ Capitalized costs	–	0.3	–	6.2	6.5
Subsequent adjustment of fair values (IFRS 3)	–	–	–	–	–
Reclassifications					
↳ within tangible assets	319.5	218.3	-6.5	-531.3	–
↳ from/to investment property	-10.0	-4.5	-0.6	-0.1	-15.2
↳ from/to non-current assets held for sale	–	–	–	–	–
Disposals	-144.4	-430.9	-122.8	-4.7	-702.8
Currency translation differences	-8.6	-3.6	-1.5	-0.7	-14.4
As per 31 December 2011	**10'908.4**	**10'975.6**	**1'740.3**	**455.2**	**24'079.5**
Accumulated depreciation and impairment provision					
As per 1 January 2011	**-4'180.8**	**-6'737.4**	**-1'167.8**	**-0.4**	**-12'086.4**
Changes to the scope of consolidation	33.5	54.7	-3.6	–	84.6
Depreciation	-283.3	-601.1	-117.6	–	-1'002.0
Impairments	-8.9	-2.8	-6.7	-0.9	-19.3
Reversal of impairments	–	–	–	–	–
Reclassifications					
↳ within tangible assets	-0.9	-3.2	4.1	0.0	–
↳ from/to investment property	4.3	4.7	0.3	–	9.3
↳ from/to non-current assets held for sale	–	–	–	–	–
Disposals	133.9	424.4	118.5	0.1	676.9
Currency translation differences	2.5	2.0	0.7	–	5.2
As per 31 December 2011	**-4'299.7**	**-6'858.7**	**-1'172.1**	**-1.2**	**-12'331.7**
Balance sheet value					
1 January 2011	**6'438.7**	**4'012.2**	**528.6**	**622.6**	**11'602.1**
31 December 2011	**6'608.7**	**4'116.9**	**568.2**	**454.0**	**11'747.8**
Additional information about tangible assets					
Tangible assets - finance leasing	99.4	0.5	3.9	–	103.8
Pledged or restricted title of tangible assets	834.6	11.5	0.0	–	846.1
Contractual obligation to purchase construct and maintain tangible assets	83.4	0.5	0.0	128.1	212.0
Reimbursements/compensation received from third parties	–	0.0	1.3	0.5	1.8

Impairments were carried out in 2011 only in the Cooperative Retailing segment. Cooperatives Migros Aare, Migros Lucerne and Migros Neuchâtel-Fribourg impaired assets by a total of CHF 18.5 million, as expected income was not achieved.

In 2011, Migros Group received government grants for tangible assets of CHF 0.2 million (previous year: CHF 0.6 million), which were deducted directly from the costs of the assets concerned. In addition CHF 0.8 million borrowing costs were recognised as part of the costs of tangible assets, which are regarded as qualified assets. The relevant interest rate for these borrowing costs ranges between 1.75% and 2.25%.

As at 31 December 2011, the fire insurance value of tangible assets totalled CHF 24'293.2 million (movable property CHF 10'448.9 million / real estate CHF 13'844.3 million).

CHF million	Land & buildings	Plant, machinery & equipment	Other tangible assets	Assets under construction	Total
Acquisition costs					
As per 1 January 2010	**10'050.8**	**10'404.3**	**1'637.5**	**636.2**	**22'728.8**
Changes to the scope of consolidation	4.6	21.0	1.1	0.5	27.2
Additions from					
↳ acquisitions	395.7	493.6	131.5	416.4	1'437.2
↳ capitalized costs	0.0	0.2	–	5.2	5.4
Subsequent adjustment of fair values (IFRS 3)	–	–	–	–	–
Reclassifications					
↳ within tangible assets	266.5	155.2	9.0	- 430.7	0.0
↳ from/to investment property	3.2	- 0.8	0.3	- 1.7	1.0
↳ from/to non-current assets held for sale	- 10.4	–	–	–	- 10.4
Disposals	- 50.5	- 312.5	- 80.1	- 1.5	- 444.6
Currency translation differences	- 40.4	- 11.4	- 2.9	- 1.4	- 56.1
As per 31 December 2010	**10'619.5**	**10'749.6**	**1'696.4**	**623.0**	**23'688.5**
Accumulated depreciation and impairment provision					
As per 1 January 2010	**- 3'911.6**	**- 6'452.4**	**- 1'127.4**	**- 0.7**	**- 11'492.1**
Changes to the scope of consolidation	- 6.0	- 0.9	- 0.0	–	- 6.9
Depreciation	- 318.5	- 595.1	- 119.2	- 0.4	- 1'033.2
Impairments	–	- 4.0	–	- 0.3	- 4.3
Reversal of impairments	–	–	–	–	–
Reclassifications					
↳ within tangible assets	- 1.4	0.3	0.1	1.0	0.0
↳ from/to investment property	- 4.4	1.5	- 0.0	–	- 2.9
↳ from/to non-current assets held for sale	3.2	–	–	–	3.2
Disposals	48.1	307.6	77.0	–	432.7
Currency translation differences	9.8	5.6	1.7	–	17.1
As per 31 December 2010	**- 4'180.8**	**- 6'737.4**	**- 1'167.8**	**- 0.4**	**- 12'086.4**
Balance sheet value					
1 January 2010	**6'139.2**	**3'951.9**	**510.1**	**635.5**	**11'236.7**
31 December 2010	**6'438.7**	**4'012.2**	**528.6**	**622.6**	**11'602.1**
Additional information about tangible assets					
Tangible assets - finance leasing	104.1	0.7	0.6	–	105.4
Pledged or restricted title of tangible assets	1'074.8	16.5	0.0	–	1'091.3
Contractual obligation to purchase construct and maintain tangible assets	–	–	–	–	–
Reimbursements/compensation received from third parties	0.4	0.1	1.3	0.4	2.2

Impairments were carried out in 2010 only in the Cooperative Retailing segment. Cooperatives Migros Zurich and Migros Ticino impaired assets by CHF 4.3 million, as expected income was not achieved.

In 2010, Migros Group received government grants for tangible assets of CHF 0.6 million (2009: CHF 1.1 million), which were deducted directly from the costs of the assets concerned. In addition, CHF 0.7 million borrowing costs were recognised as part of the costs of tangible assets, which are regarded as qualified assets. The relevant interest rate for these borrowing costs was 1.75%.

As at 31 December 2010, the fire insurance value of tangible assets totalled CHF 23'231.5 million (movable property CHF 9'629.9 million / real estate CHF 13'601.6 million).

29. Intangible assets

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2011	**744.0**	**304.0**	**475.8**	**192.0**	**11.6**	**1'727.4**
Changes to the scope of consolidation	107.5	- 2.4	106.4	1.5	–	213.0
Additions from						
↳ acquisitions	–	17.8	3.0	1.4	9.3	31.5
↳ capitalized costs	- 3.8	–	–	–	–	- 3.8
Adjustment due to recognition of a deferred tax asset	–	–	–	–	–	–
Subsequent adjustment of fair values (IFRS3)	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
↳ within intangible assets	–	2.8	0.4	6.3	- 9.4	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	–	- 9.9	- 1.9	- 2.7	–	- 14.5
Currency translation differences	- 8.1	- 0.4	- 5.3	–	–	- 13.8
As per 31 December 2011	**839.6**	**311.9**	**578.4**	**198.5**	**11.5**	**1'939.8**
Accumulated depreciation and impairment provision						
as per 1 January 2011	**- 18.7**	**- 152.5**	**- 125.8**	**- 155.2**	**0.0**	**- 452.2**
Changes to the scope of consolidation	–	0.7	- 10.5	- 0.8	–	- 10.6
Depreciation	–	- 33.1	- 47.0	- 16.1	–	- 96.2
Impairments	- 10.2	–	- 4.4	–	–	- 14.6
Reversal of impairments	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
↳ within intangible assets	–	- 0.1	–	0.1	–	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	–	9.1	0.1	2.6	–	11.8
Currency translation differences	0.8	0.3	1.8	–	–	2.9
As per 31 December 2011	**- 28.1**	**- 175.6**	**- 185.8**	**- 169.4**	**0.0**	**- 558.9**
Balance sheet value						
1 January 2011	**725.3**	**151.5**	**350.0**	**36.8**	**11.6**	**1'275.2**
31 December 2011	**811.5**	**136.3**	**392.6**	**29.1**	**11.5**	**1'380.9**
Additional information about intangible assets						
Intangible assets with indefinite useful life	811.5	–	–	–	–	811.5
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets						–
Research and development costs recognized as expense						38.6

Capitalised development costs mainly comprise the costs of EDP solutions developed in-house (applications, customising of standard solutions). The main development costs include, in particular, new ERP solutions, as well as development costs for reservation systems.
Additions from the changes to the scope of consolidation are mainly due to company acquisitions in the Cooperative Retailing and Commerce segments. Details of business combinations and disposals are provided in Note 45.
Additions from acquisitions are mainly the goods management systems at Delica and Magazine zum Globus as well as investments in the IT systems of Migros Bank and the Federation of Migros Cooperatives.
Additions from capitalised costs in the column goodwill contain effects from adjustments of contingent considerations of previous acquisitions.

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2010	**652.8**	**295.9**	**439.1**	**180.9**	**8.9**	**1'577.6**
Changes to the scope of consolidation	79.1	1.3	37.8	0.5	–	118.7
Additions from						
↳ acquisitions	–	20.9	6.0	0.8	14.5	42.2
↳ capitalized costs	17.0	–	–	–	–	17.0
Adjustment due to recognition of a deferred tax asset	–	–	–	–	–	–
Subsequent adjustment of fair values (IFRS3)	–	–	–	–	–	–
Reclassifications						
↳ within intangible assets	–	1.3	–	10.5	- 11.8	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	–	- 14.6	- 3.0	- 0.7	–	- 18.3
Currency translation differences	- 4.9	- 0.8	- 4.1	0.0	0.0	- 9.8
As per 31 December 2010	**744.0**	**304.0**	**475.8**	**192.0**	**11.6**	**1'727.4**
Accumulated depreciation and impairment provision						
as per 1 January 2010	**- 19.4**	**- 129.1**	**- 88.9**	**- 132.8**	**0.0**	**- 370.2**
Changes to the scope of consolidation	–	–	–	–	–	–
Depreciation	–	- 34.2	- 41.0	- 23.5	–	- 98.7
Impairments	–	–	–	–	–	–
Reversal of impairments	–	–	–	–	–	–
Reclassifications						
↳ within intangible assets	–	0.0	0.0	–	–	0.0
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	–	10.4	3.0	0.3	–	13.7
Currency translation differences	0.7	0.4	1.1	0.8	–	3.0
As per 31 December 2010	**- 18.7**	**- 152.5**	**- 125.8**	**- 155.2**	**0.0**	**- 452.2**
Balance sheet value						
1 January 2010	**633.4**	**166.8**	**350.2**	**48.1**	**8.9**	**1'207.4**
31 December 2010	**725.3**	**151.5**	**350.0**	**36.8**	**11.6**	**1'275.2**
Additional information about intangible assets						
Intangible assets with indefinite useful life	725.3	–	–	–	–	725.3
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets						–
Research and development costs recognized as expense						35.6

Capitalised development costs mainly comprise the costs of EDP 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 POS and reservation system.
Additions from the changes to the scope of consolidation are mainly due to company acquisitions made by Hotelplan (see changes to the scope of consolidation). Details of company acquisitions are provided in Note 45.
Additions from acquisitions are mainly due to the new IT platform of Migros Bank.
Additions from capitalised costs in the column goodwill contain effects form adjustments of contingent considerations of previous acquisitions.

Intangible assets with indefinite 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
31 December 2011							
Goodwill	115.6	468.4	114.3	–	113.2	–	811.5
Intangible assets with indefinite useful life	–	–	–	–	–	–	–
Total carrying amount	**115.6**	**468.4**	**114.3**	**–**	**113.2**	**–**	**811.5**
31 December 2010							
Goodwill	117.6	374.2	114.3	–	119.2	–	725.3
Intangible assets with indefinite useful life	–	–	–	–	–	–	–
Total carrying amount	**117.6**	**374.2**	**114.3**	**–**	**119.2**	**–**	**725.3**

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 goodwill value, a nominal discount rate of 4.5% is used in the segments 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.

The goodwill impairment carried out in 2011 mainly affects the Cooperative Retailing segment. One company in the fitness area of this segment failed to meet the original expectations in terms of income and synergies.

30. Other assets

CHF million	31.12.2011	31.12.2010
Prepayments	78.1	88.6
Real estate from collateral loans [1]	2.5	3.6
Accrued interest income	29.0	37.0
Other accured income	95.6	88.9
Total other assets	**205.2**	**218.1**

[1] From financial services segment.

31. Non-current assets held for sale

CHF million	**31.12.2011**	31.12.2010
Other financial assets	–	–
Investment property	–	–
Tangible assets	–	7.0
Intangible assets	–	–
Total non-current assets held for sale	**–**	**7.0**

At 31 December 2011 there were no non-current assets held for sale.

In spring 2011, Hotelplan Ltd, London, which belongs to the Travel segment, sold the property held for sale as at 31 December 2010 for a profit of CHF 3.6 million. This profit is reported in the other operating income item on the income statement.

32. Payables due to banks

CHF million	**31.12.2011**	31.12.2010
Payables from money market papers	–	0.0
Payables due to central banks	–	–
Payables due to other commercial banks	499.0	685.1
Payables from repurchase agreements	–	–
Cash deposits for securities lent	–	–
Mortgage-backed payables	29.7	52.0
Total payables due to banks	**528.7**	**737.1**

The generated cash flow of the Retail and Industry sectors is used on a continuous basis to also reduce payables due to commercial banks.

33. Customer deposits and liabilities

CHF million	**31.12.2011**	31.12.2010
Savings and investment deposits	23'031.4	21'638.2
Other liabilities	2'859.9	2'662.7
Total customer deposits and liabilities	**25'891.3**	**24'300.9**

The increase in customer deposits and liabilities is due to the sustained increase in the inflow of new funds.

34. Other financial liabilities

CHF million	Notes	31.12.2011	31.12.2010
Liabilities from finance leases		140.6	141.9
Derivative financial instruments	*25*	250.6	149.0
Staff accounts		0.3	0.4
Staff investment accounts		1'464.9	1'414.5
Other financial liabilities		174.2	65.2
Total other financial liabilities		**2'030.6**	**1'771.0**

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. M-Community employees can pay funds into the staff investment accounts, which pay a preferential interest rate, up to a maximum limit of CHF 200'000. This figure is CHF 100'000 for retired M-Community employees. The funds deposited are subject to withdrawal at three months' notice for drawings over CHF 25'000.

Liabilities from finance leases

			31.12.2011			31.12.2010
CHF million	Nominal	Discount [1]	Present value [2]	Nominal	Discount [1]	Present value [2]
Remaining contract terms						
Up to one year	14.4	8.4	5.9	13.6	8.7	4.9
More than one and up to five years	58.6	35.6	23.0	58.8	36.8	22.0
More than five years	207.8	96.2	111.7	218.4	103.4	115.0
Total liabilities from finance leases	**280.8**	**140.2**	**140.6**	**290.8**	**148.9**	**141.9**

[1] Future financing costs.
[2] Carrying amounts in the balance sheet.

Additional information about finance leases

CHF million	31.12.2011	31.12.2010
Contingent lease payments recorded in the income statement	7.0	5.5
Expected future minimum lease payments from sub-lease contracts	–	–

Finance leases mainly comprise long-term rental agreements for real estate. Apart from finance leases, 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

CHF million	31.12.2011	31.12.2010
Trade payables	1'546.7	1'659.0
Other liabilities	722.1	722.5
Accrued expenses		
↳ Course fees of Club Schools	54.1	51.4
↳ Rent	8.1	6.3
↳ Interest	64.5	58.8
↳ Other accrued expenses	226.4	204.6
Total trade payables and other liabilities	**2'621.9**	**2'702.6**

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

36. Provisions

CHF million	Guarantees	Restructuring	Onerous contracts	Legal cases	Insured claims	Others	Total
As per 1 January 2010	**15.9**	**15.5**	**27.1**	**11.9**	**8.8**	**33.9**	**113.1**
Changes to scope of consolidation	–	0.5	–	–	–	–	0.5
Addition	18.7	3.8	11.5	2.4	4.1	20.9	61.4
Usage	- 17.4	- 7.8	- 5.7	- 5.3	- 3.8	- 14.4	- 54.4
Release	- 1.0	- 0.3	- 3.3	- 1.1	- 0.8	- 3.2	- 9.7
Unwinding of discounts	–	–	0.9	–	–	–	0.9
Reclassification	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	- 0.2	- 0.2
As per 31 December 2010	**16.2**	**11.7**	**30.5**	**7.9**	**8.3**	**37.0**	**111.6**
Of which current	9.4	10.4	5.6	6.4	8.3	17.9	58.0
As per 1 January 2011	**16.2**	**11.7**	**30.5**	**7.9**	**8.3**	**37.0**	**111.6**
Changes to scope of consolidation	0.0	- 2.7	–	–	–	- 0.2	- 2.9
Addition	22.2	3.6	14.0	10.0	4.5	17.6	71.9
Usage	- 21.0	- 4.6	- 5.1	- 1.0	- 1.2	- 11.1	- 44.0
Release	- 0.2	- 5.0	- 2.6	- 1.6	- 1.9	- 6.2	- 17.5
Unwinding of discounts	–	–	0.4	–	–	–	0.4
Reclassification	–	–	0.4	–	–	- 3.2	- 2.8
Currency translation differences	0.0	–	0.0	0.0	–	- 0.2	- 0.2
As per 31 December 2011	**17.2**	**3.0**	**37.6**	**15.3**	**9.7**	**33.7**	**116.5**
Of which current	11.4	2.1	5.2	8.2	9.7	16.2	52.8

Overall, provisions have increased slightly. Provisions for restructuring fell in the 2011 financial year due to the use and release of various provisions decided upon and communicated during the previous year as well as the disposal of Limmatdruck from the scope of consolidation.

The provisions from burdening contracts mainly refer to rented property of the Cooperatives.

The insured claims include liabilities for which an insurance exists (such as liability claims and transport claims).

The other provisions are of various kinds.

37. Issued debt instruments

CHF million	31.12.2011	31.12.2010
Long-term bonds issued	897.2	946.0
Mortgage backed loans [1]	4'653.9	4'099.9
Medium-term bonds [1]	1'409.4	1'163.4
Private placements	100.0	100.0
Total issued debt instruments	**7'060.5**	**6'309.3**
Of which subordinated	–	–

[1] From financial services segment.

In order to to benefit from historically low interest rates, long-term borrowing was increased in a targeted manner by means of mortgage-backed loans and medium-term bonds.

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

CHF million	Securities number	Year of issue	Interest rate nominal	Interest rate effective	Currency	Maturity	Nominal amount	Carrying amount
Migros Bank	1'940'496	2004	2.75%	2.99%	CHF	21.09.2012	150.0	149.7
Migros Bank	2'868'940	2007	2.75%	2.91%	CHF	09.02.2015	250.0	248.7
Federation of Migros Cooperatives	3'087'408	2007	2.875%	3.02%	CHF	04.06.2013	200.0	199.6
Federation of Migros Cooperatives	3'405'577	2007	3.125%	3.31%	CHF	28.09.2012	150.0	149.8
Federation of Migros Cooperatives	11'760'647	2011	2.00%	2.08%	CHF	03.05.2017	150.0	149.4
Total long-term bonds issued							**900.0**	**897.2**

The Federation of Migros Cooperatives redeemed a long-term bond of CHF 200.0 million and issued a new long-term bond of CHF 150.0 million in the reporting year.

38. Assets and liabilities from employee benefits

CHF million	Assets from employee benefits 31.12.2011	Assets from employee benefits 31.12.2010	Liabilities from employee benefits 31.12.2011	Liabilities from employee benefits 31.12.2010
Short-term benefits	30.3	27.0	274.5	302.0
Post-employment benefits from defined contribution plans	0.1	–	0.6	0.5
Post-employment benefits from defined benefit plans	595.6	534.8	0.5	–
Other long-term benefits	–	–	226.3	200.9
Termination benefits	–	–	15.6	16.7
Total employee benefits	**626.0**	**561.8**	**517.5**	**520.1**

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	31.12.2011	31.12.2010
Present value of the defined benefit obligation	- 18'665.9	- 17'031.2
Plan assets at fair value	18'051.5	18'103.0
Surplus/(deficit)	**- 614.4**	**1'071.8**
Unrecognised actuarial (gains)/losses	1'214.1	229.8
Unrecognised past service cost	–	–
Assets not recorded due to the asset ceiling	- 4.1	- 766.8
Present value of pension plan assets not financed through a fund	–	–
Net assets in the balance sheet from defined benefit plans	**595.6**	**534.8**

Companies of 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, less the fair value of the plan assets and the accruals for any unrecognised actuarial profits and losses or 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. It is limited to the smaller of the product of the above formula and the total economic benefit for the employer from a future surplus plus, if available, any unrecognised actuarial losses.

The economic benefit from a surplus is calculated in accordance with IFRIC 14 from the voluntary contributions of the employer (employer contribution reserves without waiver of utilisation) plus any positive difference between the cash value of the future service cost and the cash value of the future statutory minimum contributions. The related calculations are made by qualified independent pension experts.

Several, in particular the major pension funds of Migros Group (Migros Pension Fund and the Globus Group Pension Fund), reported a deficit at the end of 2011. However, under the corridor approach, IAS 19 limits the extent of the actuarial losses to be recognised. Despite the deficit of cover of these institutions under IAS 19, this therefore results in a pension asset.

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

CHF million	2011	2010
As per 1 January	**17'031.2**	**17'223.1**
Changes to the scope of consolidation	- 46.5	15.4
Service cost (net)	433.4	433.0
Interest cost	500.7	544.9
Employee contributions	213.2	208.5
Actuarial (gains)/losses	1'335.2	- 685.0
Benefit payments	- 706.8	- 704.9
Past service cost	–	–
Plan curtailments	- 94.6	–
Plan compensations	–	–
Currency translation differences	0.1	- 3.8
As per 31 December	**18'665.9**	**17'031.2**

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

CHF million	2011	2010
As per 1 January	**18'103.0**	**17'499.5**
Changes to the scope of consolidation	- 48.7	15.6
Expected return on plan assets	792.9	763.8
Actuarial gains/(losses)	- 773.0	- 131.9
Employer contribution	470.8	456.6
Employee contributions	213.2	208.5
Benefit payments	- 706.8	- 704.9
Plan compensations	–	–
Currency translation differences	0.1	- 4.2
As per 31 December	**18'051.5**	**18'103.0**

Investment categories of the plan assets and expected return

	Investment categories		
in %	31.12.2011	31.12.2010	Expected return
Equity securities	30.3	30.4	6.00%
Debt securities	33.6	34.7	2.70%
Mortgages	4.7	4.7	2.00%
Alternative investments	–	–	–
Real estate	29.1	26.2	5.00%
Other	2.3	4.0	0.55%

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 252.6 million (2010: CHF 311.3 million).

Plan assets also include properties in the amount of CHF 694.5 million (2010: CHF 671.6 million), which are used by Migros Group.

Migros Group estimates that it will pay contributions of CHF 398.2 million into plans in 2012.

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

CHF million	Notes	2011	2010
Service cost		646.5	641.4
Interest cost		500.7	544.9
Employee contributions		- 213.2	- 208.5
Expected return on plan assets		- 792.9	- 763.8
Recognised actuarial losses/(profits) [1]		1'124.0	- 562.5
Effects from plan curtailments and plan compensations		- 94.6	–
Past service cost		–	–
Effects from the asset ceiling (IAS 19.58b)		- 762.7	734.5
Total pension cost for defined benefit plans		**407.8**	**386.0**
Pension costs for defined contribution plans		5.0	4.4
Total pension costs	10	**412.8**	**390.4**
Actual investment income on plan assets		19.9	631.9

[1] Incl. effect of IAS 19.58A.

Pension costs for defined benefit pensions plans were CHF 3.9 million below employer contributions made in 2011 (2010: CHF 50.5 million) («Effect from pension plans», see also Note 10).

Pensions costs for defined benefit pension plans deviate from the statutory contributions as a rule: pension costs in accordance with IAS 19 are established with long-term projections on the basis of due date-related assumptions. To determine the statutory contributions, however, assumptions evened out over the long term are used. As surplus cover may be capitalised only to the extent of the economic benefit in accordance with IAS 19, situations can arise when applying the corridor approach in which pension costs correspond to the employer contributions. This occurs in events of surplus cover in which no economic benefit arises for the employer from the statutory contribution payments and an impairment must be recorded as having an effect on net income (effects from the asset ceiling).

At the end of 2011, various Migros Group pension funds posted an IAS 19 deficit. This results from actuarial losses totalling CHF 2'108.2 million which were incurred in 2011. Of this figure, CHF 773.0 million relates to differences between the actual and the expected return on plan assets and CHF 1'335.2 million to adjustments of defined benefit obligations to the current circumstances (e.g. discounting rate). Under the «asset ceiling» conditions, pro rata actuarial losses of CHF 1'124.0 million together with the reversal of «asset ceiling» impairments of CHF 762.7 million are recognised in profit and loss. The remaining actuarial losses of CHF 984.2 were deferred in accordance with the corridor approach. Despite the deficits in the major defined benefit plans (Migros Pension Fund and the Globus Group Pension Fund) of Migros Group, this results in a pension asset in the balance sheet.

In 2011, decisions were taken regarding statutory changes to the Migros and Denner pension funds. These changes are due to become effective on 1 January 2012 and 1 January 2013. The Migros Pension Fund regulations were amended in order to safeguard the long-term financial viability of the pension fund in such a way that the projected return was reduced slightly. Some of the measures included in the change to the regulations are an increase in the retirement age from 63 to 64 as well as a slight reduction in the pension rate. Under IAS 19, changes to regulations must be recognised at the time the resolution is officially adopted.

The revisions to the regulations led to a reduction in defined benefit obligations of CHF 94.6 million which, under IAS 19, is to be recognised at the time the resolution is officially adopted. This curtailment gain was offset in full by the change in the effects from the asset ceiling.

Underlying actuarial assumptions

in %	31.12.2011	31.12.2010
Discount rate	2.40%	3.00%
Expected return on plan assets	4.12%	4.40%
Future salary increases	1.52%	1.75%
Future pension increases	0.52%	0.50%

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.

In 2011, various actuarial assumptions were adjusted to actuarial data established from in-depth analysis by the pension funds. The calculations were also carried out using the most up-to-date actuarial basis.

Development of the surplus/deficit

CHF million	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Present value of the defined benefit obligation	- 18'665.9	- 17'031.2	- 17'223.1	- 16'780.7	- 15'609.2
Fair value of the plan assets	18'051.5	18'103.0	17'499.5	15'838.5	18'091.5
Surplus/(deficit)	**- 614.4**	**1'071.8**	**276.4**	**- 942.2**	**2'482.3**
Experience-based adjustment of the plan obligations	- 136.0	- 0.8	0.9	- 21.5	1.0
Experience-based adjustment of the plan assets	- 773.0	- 131.9	1'030.0	- 3'024.3	- 465.2

39. Cooperative capital

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--/40.--	Total share certificates
1 January 2010	**2'074'258**	**240**	**2'074'498**
Change in share certificates	12'180	- 20	12'160
31 December 2010	**2'086'438**	**220**	**2'086'658**
Change in share certificates	4'886	- 19	4'867
31 December 2011	**2'091'324**	**201**	**2'091'525**

Change in Cooperative capital CHF thousand			
1 January 2010	**20'743**	**4**	**20'747**
Change in Cooperative capital	121	–	121
31 December 2010	**20'864**	**4**	**20'868**
Change in Cooperative capital	49	–	49
31 December 2011	**20'913**	**4**	**20'917**

Cooperative capital – Statutory 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. Maturities of financial assets and liabilities

The balance sheet structure of Migros Group is based on liquidity. The table below offers an overview of maturities (short-term; long-term) of financial assets and liabilities.

			31.12.2011			31.12.2010
CHF million	current	non-current	Total	current	non-current	Total
Financial assets						
Cash and cash equivalents	4'569.4	–	4'569.4	3'125.4	–	3'125.4
Receivables due from banks	30.1	–	30.1	178.5	–	178.5
Mortgages and other customer receivables	8'946.1	21'912.2	30'858.3	13'315.9	15'538.1	28'854.0
Trade receivables	611.4	–	611.4	580.1	–	580.1
Other receivables	130.2	0.5	130.7	145.2	–	145.2
Other financial assets	1'232.2	1'186.7	2'418.9	1'344.4	1'992.7	3'337.1
Total financial assets	**15'519.4**	**23'099.4**	**38'618.8**	**18'689.5**	**17'530.8**	**36'220.3**
Financial liabilities						
Payables due to banks	207.0	321.7	528.7	207.6	529.5	737.1
Customer deposits and liabilities	25'884.5	6.8	25'891.3	24'284.2	16.7	24'300.9
Other financial liabilities	1'809.0	221.6	2'030.6	1'549.3	221.7	1'771.0
Trade payables	1'546.7	–	1'546.7	1'659.0	–	1'659.0
Other liabilities [1]	722.1	–	722.1	722.5	–	722.5
Issued debt instruments	777.0	6'283.5	7'060.5	995.8	5'313.5	6'309.3
Total financial liabilities	**30'946.3**	**6'833.6**	**37'779.9**	**29'418.4**	**6'081.4**	**35'499.8**

[1] Excluding accrued expenses.

As a result of low interest rates, expiring or new mortgages were arranged for the long-term and at fixed rates instead of at 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

Migros Group as lessee

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

CHF million	31.12.2011	31.12.2010
Remaining contract terms		
Up to one year	588.1	526.9
More than one and up to five years	1'926.4	1'696.2
More than five years	2'586.5	2'361.8
Total future liabilities from operating leases	**5'101.0**	**4'584.9**
Minimum lease payments	600.3	539.1
Contingent lease payments	12.5	10.8
Income from sub-lease relationships	- 82.3	- 69.5
Net payments from operating leases and sub-lease contracts affecting net income	**530.5**	**480.4**
Expected future payments from sub-lease contracts	277.7	312.5

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

Migros Group as lessor

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

CHF million	31.12.2011	31.12.2010
Remaining contract terms		
Up to one year	233.7	191.6
More than one and up to five years	619.1	564.5
More than five years	280.4	265.1
Total future receivables from operating leases	**1'133.2**	**1'021.2**
Contingent lease payments received	7.5	8.5

Future receivables from operating leases include payments Migros Group will receive in future as income from renting out its 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 assets

Migros Group and its subsidiaries continually face legal disputes, claims and actions, which originate from normal business activity as a rule. No major liabilities are expected in this connection which are not already taken into account by corresponding provisions (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 2011 annual accounts.

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

Contingent liabilities

CHF million	**31.12.2011**	31.12.2010
Contingent liabilities from the financial services business		
Guarantees for loans and similar instruments	14.6	29.4
Performance guarantees and similar instruments	138.0	142.1
Contractual loan commitments	503.4	484.6
Capital commitments	32.3	32.3
Total contingent liabilities from the financial services business	**688.3**	**688.4**
Other contingent liabilities		
Guarantees	82.3	91.1
Sureties	44.8	1.2
Others	18.2	11.2
Total other contingent liabilities	**145.3**	**103.5**

Contingent liabilities from the financial services business are part of the normal course of customer business and are almost unchanged on the previous year. Other contingent liabilities mainly include guarantees issued by the Hotelplan Group for the travel business; overall, these increased by CHF 41.8 million.

Contingent assets

CHF million	**31.12.2011**	31.12.2010
Total contingent assets	**0.3**	**–**

Contingent assets include 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.

CHF million	**31.12.2011**	31.12.2010
Fiduciary placements with third party banks for account of the customers	**16.4**	**20.6**

44. Information about relationships with related parties

31.12.2011 CHF million	Associates	Joint ventures	Key mananage-ment personnel [1]	Pension funds	Other related parties [2]	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	6.0	6.0
Mortgages and other customer receivables	–	–	8.7	–	–	8.7
Trade receivables	1.3	–	–	0.9	–	2.2
Other receivables	0.5	–	–	0.0	11.1	11.6
Other financial assets	10.2	4.4	–	–	–	14.6
Provision for impairment	–	–	–	–	–	–
Other assets	–	–	–	1.8	–	1.8
Customer deposits and liabilities	–	–	–	-34.7	–	-34.7
Other financial liabilities	–	–	–	-390.8	-1.0	-391.8
Trade payables	-1.8	–	–	–	-0.2	-2.0
Other liabilities	-0.5	–	–	-182.8	-9.6	-192.9
Provisions	–	–	–	–	–	–
Income statement						
Net revenue from goods and services sold	25.9	–	–	2.1	3.1	31.1
Other operating income	0.2	–	–	0.1	8.1	8.4
Interest and commission income	–	–	0.2	–	–	0.2
Interest and commission expenses	–	–	–	-0.1	–	-0.1
Cost of goods and services sold	-0.2	-6.1	–	-0.2	-0.2	-6.7
Other operating expenses	-7.5	–	–	-27.1	-17.8	-52.4
Recognized impairment expenses	–	–	–	–	–	–
Finance income	0.7	0.4	–	-50.7	0.5	-49.1
Finance cost	–	–	–	-0.6	0.0	-0.6
Off-balance-sheet transactions						
Issued guarantees	–	–	–	–	–	–
Irrevocable loan commitments	–	–	–	–	–	–
Entered future liabilities for the purchase of						–
↳ inventories	–	–	–	–	–	–
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets [3]	–	–	–	–	–	–
Entered future liabilities for the supply of						–
↳ inventories	–	–	–	–	–	–
Future liabilities araising from operating lease-commitments	–	–	–	-363.1	-8.1	-371.2
Future receivables araising from operating lease-commitments	–	–	–	–	–	–

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.
3 Non-current assets include investment property, tangible assets and intangible assets.

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

Due to the inclusion on 1 January 2011 of the former associate Gries Deco Group in the scope of consolidation, transactions with associates fell compared to the previous year.

The volume of currency hedging transactions for pension funds concluded by the Treasury department of the Federation of Migros Cooperatives was up on 2010. As in the previous year, these hedging transactions posted a negative fair value on the balance sheet date and are reported under other financial liabilities. A corresponding loss is shown as part of finance income. This loss is offset by a corresponding profit within finance income from initial transactions concluded with non-affiliated third parties, for which reason the transactions are not reported.

The other liabilities with pension funds are, as in the previous year, surplus liquidity positions of the pension funds, made available by the latter to the Federation of Migros Cooperatives at short notice.

31.12.2010 CHF million	Associates	Joint ventures	Key mananage-ment personnel [1]	Pension funds	Other related parties [2]	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	5.8	5.8
Mortgages and other customer receivables	–	–	4.5	–	–	4.5
Trade receivables	2.0	–	–	0.1	0.0	2.1
Other receivables	0.7	–	–	0.0	12.4	13.1
Other financial assets	103.9	8.7	–	–	1.4	114.0
Provision for impairment	–	–	–	–	–	–
Other assets	22.3	–	–	–	–	22.3
Customer deposits and liabilities	–	–	–	- 2.8	–	- 2.8
Other financial liabilities	–	–	–	- 40.7	- 1.0	- 41.7
Trade payables	- 2.8	–	–	0.0	- 0.2	- 3.0
Other liabilities	- 0.7	–	–	- 227.5	- 7.5	- 235.7
Provisions	–	–	–	–	–	–
Income statement						
Net revenue from goods and services sold	24.1	–	–	1.8	3.2	29.1
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	- 17.1	- 11.1	–	- 0.1	0.0	- 28.3
Other operating expenses	- 8.4	–	–	- 18.2	- 12.8	- 39.4
Recognized impairment expenses	–	–	–	–	–	–
Finance income	3.9	0.5	–	- 40.4	1.2	- 34.8
Finance cost	–	–	–	- 1.2	- 0.5	- 1.7
Off-balance-sheet transactions						
Issued guarantees	- 43.7	–	–	–	–	- 43.7
Irrevocable loan commitments	- 6.2	–	–	–	–	- 6.2
Entered future liabilities for the purchase of	–	–	–	–	–	–
↳ inventories	- 0.1	–	–			- 0.1
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets [3]	–	–	–	–	–	–
Entered future liabilities for the supply of	–	–	–	–	–	–
↳ inventories	–	–	–	–	–	–
Future liabilities araising from operating lease-commitments	–	–	–	- 342.0	- 8.4	- 350.4
Future receivables araising from operating lease-commitments	–	–	–	–	–	–

[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.
[3] Non-current assets include investment property, tangible assets and intangible assets.

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

Loans granted by the Federation of Migros Cooperatives to associates, which are reported in other financial assets, were increased further in 2010. The terms of these loans are in line with the market.

The Treasury department of the Federation of Migros Cooperatives concluded currency hedging transactions for pensions funds in 2010 for the first time. These hedging transactions posted a negative fair value on the balance sheet date and are reported under other financial liabilities. A corresponding loss is shown as part of finance income. This loss is offset by a corresponding profit within Finance income from initial transactions concluded with non-affiliated third parties, for which reason the transactions are not reported.

The other liabilities with pension funds are surplus liquidity positions of the pensions funds, made available by the latter to the Federation of Migros Cooperatives at short notice.

Personnel expenses of key management personnel

CHF million	**2011**	2010
Short-term benefits	12.4	12.0
Post-employment benefits	1.8	1.8
Other long-term benefits	0.0	0.0
Termination benefits	–	–
Total personnel expenses of key management personnel	**14.2**	**13.8**

45. Business combinations and disposals

Business combinations in 2011

Fair Value [1] CHF million	Note	Segment Cooperative Retailing	Segment Commerce	Total
Cash and cash equivalents		9.0	4.9	13.9
Receivables		1.6	14.0	15.6
Inventories		1.8	57.8	59.6
Other financial assets		0.5	5.7	6.2
Tangible assets and investment property		4.5	38.7	43.2
Intangible assets (w/o goodwill)		6.0	92.7	98.7
Other assets		0.3	4.2	4.5
Financial liabilities		- 4.1	- 102.6	- 106.7
Trade payables		- 1.5	- 19.7	- 21.2
Provisions		0.0	- 0.1	- 0.1
Deferred income tax liabilities		- 0.9	- 27.5	- 28.4
Other liabilities		- 2.7	- 8.8	- 11.5
Addition net assets		**14.5**	**59.3**	**73.8**
Non-controlling interests		0.1	- 1.6	- 1.5
Goodwill	*29*	10.1	98.9	109.0
Cost of acquisition				**181.3**
Of which attributable to capital investment				- 10.6
Of which interests held before acquisition date				- 42.6
Acquired cash and cash equivalents [2]				- 6.7
Future obligations				- 107.3
Net outflow of funds				**14.1**

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 For capital invested, only the liquid funds before capital investment are regarded as acquired from a Group perspective.

In 2011, Ryffel Running AG, the Medbase Group and several fitness centres were the primary acquisitions in the Cooperative Retailing segment. In the Commerce segment, Dolphin France SAS and the Gries Deco Group were added. The effects of all 2011 company purchases are shown in the overview.

The Gries Deco Group was included in Migros Group's scope of consolidation on 1 January 2011 with a majority interest of 51.1%. The share of 49.1% previously held as an interest in an associate was measured at its current fair value when recording the step acquisition. This resulted in income of CHF 29.1 million which is reported as part of other operating income. Call-put options were agreed between the Federation of Migros Cooperatives and minority shareholder for the remaining share. The options can be exercised in several tranches from 1 January 2016 at a price which is dependent on the EBIT. These options are recognised in the balance sheet by the Federation of Migros Cooperatives as a purchase commitment. The reported goodwill includes strategic benefits from the Depot concept and store network. In 2011, the Gries Deco Group generated sales of CHF 265.3 and a loss of CHF 13.6 million.

Since being purchased, the other companies and business operations acquired during the financial year generated sales of CHF 25.4 million and a combined loss of CHF 12.9 million. Had these acquisitions taken place at the beginning of the financial year, Migros Group would have achieved sales of CHF 34.5 million and a combined loss of CHF 12.4 million.

Business combinations in 2010

Fair Value [1] CHF million	Note	Segment Commerce	Segment Industry & Wholesaling	Segment Travel	Total
Cash and cash equivalents		2.1	0.5	16.6	19.2
Receivables		5.7	8.0	5.9	19.6
Inventories		4.8	6.6	–	11.4
Other financial assets		0.0	0.1	–	0.1
Tangible assets and investment property		24.8	7.3	1.2	33.3
Intangible assets (w/o goodwill)		6.2	14.7	19.3	40.2
Other assets		1.9	0.5	0.7	3.1
Financial liabilities		- 7.9	- 1.7	- 29.5	- 39.1
Trade payables		- 2.9	- 5.6	- 4.5	- 13.0
Provisions		–	–	- 0.6	- 0.6
Deferred income tax liabilities		- 4.9	- 4.0	- 4.6	- 13.5
Other liabilities		- 2.5	- 6.3	- 10.9	- 19.7
Addition net assets		**27.3**	**20.1**	**- 6.4**	**41.0**
Non-controlling interests					–
Goodwill	*29*				81.0
Cost of acquisition					**122.0**
Of which attributable to capital investment					–
Acquired cash and cash equivalents					- 19.2
Future obligations					- 18.3
Net outflow of funds					**84.5**

[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.

The following acquisitions, among others, were made in 2010: in the Commerce segment, the Iloma Group; in the Industry & Wholesaling segment, Hallam Beauty Ltd; and in the Travel segment, Enigma Travel Group Ltd. and bta first travel ag. The effects of all 2010 company purchases are shown in the overview.

The companies and business operations acquired during the year 2010 generated sales of CHF 79.0 million and a combined loss of CHF 1.7 million in 2010. Had these acquisitions taken place at the beginning of the financial year, Migros Group would have achieved sales of CHF 200.3 million and a combined profit of CHF 2.1 million.

Disposal of subsidiaries in 2011

CHF million	Segment Others Carrying amount
Cash and cash equivalents	5.0
Receivables	20.4
Inventories	16.5
Other financial assets	0.0
Tangible assets	61.2
Intangible assets	2.5
Other assets	4.8
Financial liabilities	- 15.8
Trade payables	- 3.9
Provisions	- 3.0
Deferred income tax liabilities	- 9.4
Other liabilities	- 16.4
Translation differences	–
Disposal of net assets	**61.9**
Retained share of net assets from associated companies	- 23.2
Sales price	**38.7**
Disposed of cash and cash equivalents	- 4.9
Deferred sales price payments	- 2.3
Net inflow of funds	**31.5**

In 2011, the Federation of Migros Cooperatives sold the packaging business of Limmatdruck AG. The Hotelplan Group also sold a hotel investment in France.

In 2010, 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	
	31.12.2011	31.12.2010	**2011**	2010
1 EUR	1.21	1.25	1.23	1.37
1 GBP	1.45	1.45	1.42	1.60
1 USD	0.94	0.93	0.88	1.04

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, no major events took place.

48. Scope of consolidation

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Cooperative Retailing						
Migros Cooperative Aare	Moosseedorf	F	Switzerland	CHF	4'808.4	P
cha chà AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
FlowerPower Fitness und Wellness AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
LFS AG	Moosseedorf	F	Switzerland	CHF	200.0	100.0
Neue Brünnen AG	Bern	F	Switzerland	CHF	1'000.0	100.0
Shopping-Center Brünnen AG	Bern	F	Switzerland	CHF	918.0	100.0
Shoppyland, Shoppy	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Time-Out	Moosseedorf	F	Switzerland	CHF	100.0	100.0
VOI AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Basel	Basle	F	Switzerland	CHF	1'676.0	P
Migros Deutschland GmbH	DE-Lörrach	F	Other countries	EUR	10'000.0	100.0
Semiba AG	Münchenstein	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Geneva	Carouge	F	Switzerland	CHF	1'189.9	P
Centre Balexert SA	Vernier	F	Switzerland	CHF	500.0	100.0
Fondation Mi-Terra	Carouge	F	Switzerland	CHF	50.0	100.0
ILEM SA	Carouge	E	Switzerland	CHF	530.0	34.4
Migros France SAS	FR-Gaillard	F	Other countries	EUR	3'500.0	100.0
M-Loisirs	FR-Neydens	F	Other countries	EUR	750.0	100.0
Neydsuper SA	FR-Etrembières	F	Other countries	EUR	1'166.0	100.0
S.A. Migros en France (SAMEF)	Carouge	F	Switzerland	CHF	8'985.0	100.0
SCI des Voirons	FR-Cranves-Sales	F	Other countries	EUR	990.9	100.0
SCI Les Blanchardes	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI M-Etrembières	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI M-Thoiry	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI Neydgalerie	FR-Etrembières	F	Other countries	EUR	1.0	100.0
SCI Neydloisirs	FR-Etrembières	F	Other countries	EUR	1.0	100.0
SCI Neydmigros	FR-Etrembières	F	Other countries	EUR	1.0	100.0
Société immobilière du Marché de gros de l'alimentation SA (SIMGA)	Carouge	E	Switzerland	CHF	2'625.0	42.4
S.R.M. (Société des restaurants Migros S.à.r.l.)	FR-Etrembières	F	Other countries	EUR	600.0	100.0
Migros Cooperative Lucerne	Dierikon	F	Switzerland	CHF	1'772.4	P
ONE Training Center AG	Sursee	F	Switzerland	CHF	420.0	100.0
Parkwirtin «Einfache Gesellschaft»	Lucerne	F	Switzerland	CHF	585.1	84.6
Migros Cooperative Neuchâtel-Fribourg	Marin	F	Switzerland	CHF	1'193.7	P
Jolimay S.A.	Colombier	F	Switzerland	CHF	100.0	100.0
Marin Centre SA	La Tène	F	Switzerland	CHF	17'300.0	100.0
Strega SA	Marin-Epagnier	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	3'995.5	P
Medbase AG	Winterthur	F	Switzerland	CHF	565.1	53.1
medbase Bern GmbH	Bern	F	Switzerland	CHF	20.0	100.0
medbase Olten GmbH	Olten	F	Switzerland	CHF	20.0	70.0
medbase St. Gallen GmbH	Saint-Gall	F	Switzerland	CHF	20.0	100.0
medbase Winterthur GmbH	Winterthur	F	Switzerland	CHF	20.0	90.0
medbase Zug GmbH	Zug	F	Switzerland	CHF	20.0	90.0
medbase Zürich GmbH	Zurich	F	Switzerland	CHF	20.0	100.0
Migros Vita AG	Gossau SG	F	Switzerland	CHF	2'400.0	100.0
Parking Wattwil AG	Wattwil	F	Switzerland	CHF	3'550.0	65.5
Quevita AG	Olten	F	Switzerland	CHF	526.8	99.6

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Randenburg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400.0	73.0
Swiss Prevention AG	Winterthur	F	Switzerland	CHF	100.0	95.0
Società Cooperativa fra produttori e consumatori Migros-Ticino	Sant'Antonino	F	Switzerland	CHF	858.0	P
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	747.1	P
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1'538.6	P
Kornhof Sàrl	Ecublens	F	Switzerland	CHF	2'000.0	100.0
Parking Pré de la Tour S.A.	Pully	E	Switzerland	CHF	5'325.0	24.6
Migros Cooperative Zurich	Zurich	F	Switzerland	CHF	3'137.7	P
ACTIV FITNESS AG	Meilen	F	Switzerland	CHF	650.0	100.0
Migros Freizeit Deutschland GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
Federation of Migros Cooperatives Owned by the regional Migros Cooperatives	Zurich	F	Switzerland	CHF	15'000.0	100.0
Migros Beteiligungen AG	Rüschlikon	F	Switzerland	CHF	1'000.0	100.0
Angehrn Holding AG	Gossau SG	E	Switzerland	CHF	500.0	30.0
Migros (Hong Kong) Ltd.	HK-Kowloon	F	Other countries	HKD	100.0	100.0
Migros Liegenschaften GmbH	DE-Lörrach	F	Other countries	EUR	5'120.0	100.0
Migros-Verteilbetrieb Neuendorf AG	Neuendorf	F	Switzerland	CHF	4'500.0	100.0
Migros Verteilzentrum Suhr AG	Suhr	F	Switzerland	CHF	35'000.0	100.0
Ryffel Running AG	Bern	F	Switzerland	CHF	60.0	60.0
Ryffel Running Versand AG	Uster	F	Switzerland	CHF	100.0	100.0
Sportxx AG	Zurich	F	Switzerland	CHF	100.0	100.0
SSP-Informatik AG	Zurich	F	Switzerland	CHF	100.0	100.0
TKL Tiefkühllager AG	Neuendorf	F	Switzerland	CHF	2'500.0	100.0
Commerce						
Denner AG	Zurich	F	Switzerland	CHF	15'000.0	100.0
DEPOT Handels GmbH	AT-Vienna	F	Other countries	EUR	35.0	100.0
Dolphin France SAS (Probikeshop)	FR-Saint Etienne	F	Other countries	EUR	200.0	51.0
EG Dritte Kraft AG	Wollerau SZ	F	Switzerland	CHF	600.0	100.0
Einkaufsgesellschaft Hongkong	CN-Hongkong	F	Other countries	HKD	25.0	100.0
Ex Libris AG	Dietikon	F	Switzerland	CHF	3'000.0	100.0
Gries Deco Company GmbH	DE-Niedernberg	F	Other countries	EUR	51.0	100.0
Gries Deco Holding GmbH	DE-Niedernberg	F	Other countries	EUR	63.0	51.1
Interio AG	Dietikon	F	Switzerland	CHF	1'000.0	100.0
Le Shop S.A.	Ecublens	F	Switzerland	CHF	4'500.0	90.5
Magazine zum Globus AG	Spreitenbach	F	Switzerland	CHF	33'000.0	100.0
Migrol AG	Zurich	F	Switzerland	CHF	52'000.0	100.0
migrolino AG	Bern	F	Switzerland	CHF	6'000.0	100.0
m-way ag	Opfikon	F	Switzerland	CHF	1'000.0	100.0
cevastore GmbH	Bern	F	Switzerland	CHF	50.0	100.0
Office World AG	Zurich	F	Switzerland	CHF	1'000.0	100.0
IBA AG	Bolligen	F	Switzerland	CHF	1'000.0	100.0
IBA GmbH	DE-Ludwigshafen	F	Other countries	EUR	51.2	100.0
OWiba AG	Bolligen	F	Switzerland	CHF	100.0	100.0
Widmer AG Brenn- und Treibstoffe	Oftringen	F	Switzerland	CHF	200.0	100.0
Industry & Wholesaling						
Aproz Sources Minérales SA	Nendaz	F	Switzerland	CHF	850.0	97.5
Atlante S.r.l.	IT-Casalecchio di Reno	E	Other countries	EUR	400.0	20.0

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Bischofszell Nahrungsmittel AG	Bischofszell	F	Switzerland	CHF	6'000.0	100.0
gastina GmbH	AT-Frastanz	F	Other countries	EUR	2'236.3	98.4
Chocolat Frey AG	Buchs AG	F	Switzerland	CHF	4'000.0	100.0
Cremesso AG	Zurich	F	Switzerland	CHF	200.0	100.0
Delica AG	Birsfelden	F	Switzerland	CHF	1'000.0	100.0
Estavayer Lait SA	Estavayer-le-Lac	F	Switzerland	CHF	3'500.0	100.0
Schwyzer Milchhuus AG	Ingenbohl	E	Switzerland	CHF	4'500.0	34.0
Jowa AG incl. production plants	Volketswil	F	Switzerland	CHF	10'000.0	100.0
Jowa France S.A.R.L.	FR-Etrembières	F	Other countries	EUR	750.0	100.0
Mibelle AG	Buchs AG	F	Switzerland	CHF	2'000.0	100.0
Mibelle Ltd.	UK-Bradford	F	Other countries	GBP	1'000.1	95.0
Micarna SA incl. Micarna AG, Bazenheid branch	Courtepin	F	Switzerland	CHF	10'000.0	100.0
Centravo AG	Zurich	E	Switzerland	CHF	2'400.0	24.8
Favorit Geflügel AG	Kappelen	F	Switzerland	CHF	500.0	100.0
Mérat & Cie. AG	Bern	F	Switzerland	CHF	50.0	100.0
Schlachtbetrieb St. Gallen AG	Gossau SG	E	Switzerland	CHF	9'000.0	42.2
TMF Extraktionswerk AG	Kirchberg SG	E	Switzerland	CHF	1'200.0	15.0
Midor AG	Meilen	F	Switzerland	CHF	2'000.0	100.0
Mifa AG Frenkendorf	Frenkendorf	F	Switzerland	CHF	2'000.0	100.0
Mifroma SA	Ursy	F	Switzerland	CHF	3'000.0	100.0
Dörig Käsehandel AG	Urnäsch	F	Switzerland	CHF	200.0	85.0
Mifroma France SA	FR-Chalamont	F	Other countries	EUR	1'105.0	99.4
M Industry USA Inc.	US-Delaware	F	Other countries	USD	700.0	100.0
M Industry Canada Inc.	CA-Saint John NB	F	Other countries	CAD	300.0	100.0
Riseria Taverne SA	Torricella-Taverne	F	Switzerland	CHF	100.0	100.0
Scana Lebensmittel AG	Regensdorf	F	Switzerland	CHF	9'000.0	100.0
Swiss Industries GmbH	Birsfelden	F	Switzerland	CHF	20.0	100.0
Swiss Industries GmbH	DE-Weil am Rhein	F	Other countries	EUR	125.0	100.0
Financial Services						
Migros Bank AG	Zurich	F	Switzerland	CHF	700'000.0	100.0
Swisslease AG	Wallisellen	F	Switzerland	CHF	100.0	100.0
Travel						
Hotelplan Holding AG	Opfikon	F	Switzerland	CHF	10'000.0	100.0
incl. subsidiaries:						
Ascent Travel International OOO	RU-Moscow	F	Other countries	RUB	10.0	51.0
Bladon Group PLC	GB-London	F	Other countries	GBP	1'960.0	100.0
bta first travel ag	Steinhausen	F	Switzerland	CHF	100.0	100.0
dialogs 24/7 s.r.o.	CZ-Prague	F	Other countries	CZK	200.0	100.0
Enigma Holidays Ltd.	GB-Fleet	F	Other countries	GBP	3'200.0	100.0
Enigma Travel Group Ltd.	GB-Fleet	F	Other countries	GBP	147.0	100.0
Espirit Holidays Ltd.	GB-Fleet	F	Other countries	GBP	50.0	100.0
Espirit Vacations Ltd.	GB-Fleet	F	Other countries	GBP	2.0	100.0
Filoxenia Ltd.	GB-London	F	Other countries	GBP	30.0	100.0
Gattinoni Travel Network s.r.l.	IT-Lecco	E	Other countries	EUR	855.0	34.0
Horizonte Club España SA	ES-Barcelona	F	Other countries	EUR	274.0	100.0
Horizontes Club Holidays Ltd.	GR-Athens	F	Other countries	EUR	17.6	100.0
Hotelplan CC Services GmbH	DE-Berlin	F	Other countries	EUR	307.6	100.0
Hotelplan (Transport) Ltd.	GB-London	F	Other countries	GBP	2.0	100.0

Segment / Company	Domicile	Accounting method[1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Hotelplan (UK Group) Ltd.	GB-London	F	Other countries	GBP	1'025.0	100.0
Hotelplan Inghams Sarl	FR-Chamonix	F	Other countries	EUR	7.6	100.0
Hotelplan Intern. Reiseorganisation GesmbH	AT-Innsbruck	F	Other countries	EUR	36.3	100.0
Hotelplan Italia S.p.A.	IT-Milan	F	Other countries	EUR	5'100.0	100.0
Hotelplan Ltd.	GB-London	F	Other countries	GBP	1'000.0	100.0
Hotelplan Management AG	Opfikon	F	Switzerland	CHF	500.0	100.0
Hotelplan Travel s.r.l.	IT-Torino	F	Other countries	EUR	10.0	100.0
IHOM Sp z oo	PL-Warsaw	F	Other countries	PLN	1'000.5	96.8
Inghams Canada Ltd.	CA-Banff	F	Other countries	CAD	0.1	100.0
Inghams Schweiz AG	Opfikon	F	Switzerland	CHF	100.0	100.0
Inntravel Ltd.	GB-London	F	Other countries	GBP	224.6	100.0
Inter Chalet Ferienhaus GmbH	DE-Freiburg i.B.	E	Other countries	EUR	25.6	26.0
Interhome AB	SE-Stockholm	F	Other countries	SEK	100.0	100.0
Interhome AG	Opfikon	F	Switzerland	CHF	4'500.0	100.0
Interhome BV	NL-Rijswijk	F	Other countries	EUR	70.0	100.0
Interhome GesmbH	AT-Innsbruck	F	Other countries	EUR	80.0	100.0
Interhome GmbH	DE-Düren	F	Other countries	EUR	31.0	100.0
Interhome Ltd.	GB-London	F	Other countries	GBP	50.0	100.0
Interhome OOO	RU-Moscow	F	Other countries	RUB	10.0	80.0
Interhome Oy	FI-Helsinki	NC	Other countries	EUR	16.8	20.0
Interhome SA	BE-Diegem	F	Other countries	EUR	126.0	100.0
Interhome Sarl	FR-Paris	F	Other countries	EUR	130.8	100.0
Interhome Sp z oo	PL-Warsaw	F	Other countries	PLN	200.5	74.4
Interhome Srl	IT-Milan	F	Other countries	EUR	30.0	100.0
Interhome Srl.	ES-Barcelona	F	Other countries	EUR	70.0	100.0
Interhome s.r.o.	CZ-Prague	F	Other countries	CZK	4'000.0	100.0
International Holiday Services AG	Opfikon	F	Switzerland	CHF	100.0	51.0
Itinerary Ltd.	GB-London	F	Other countries	GBP	40.0	100.0
Klickfortravel Sweden AB	SE-Uppsala	F	Other countries	SEK	50.0	100.0
Mount Lavinia Hotels & Ressorts Ltd.[3]	MV-Male	E	Other countries	MVR	87'380.0	50.0
MTCH AG	Opfikon	F	Switzerland	CHF	2'400.0	100.0
Q Events AG	Opfikon	E	Switzerland	CHF	800.0	37.5
Total Aviation Ltd.	GB-Fleet	F	Other countries	GBP	2.0	100.0
Total Holidays Ltd.	GB-Fleet	F	Other countries	GBP	50.0	100.0
Travel Holding Company AG	Opfikon	F	Switzerland	CHF	110.0	51.0
travelwindow AG	Zurich	F	Switzerland	CHF	100.0	60.0
travelwindow GmbH	AT-Vienna	F	Other countries	EUR	17.5	100.0
Vacando AG	Opfikon	F	Switzerland	CHF	100.0	80.0
Westbury Travel Ltd.	GB-London	F	Other countries	GBP	30.0	100.0
Others						
Ferrovia Monte Generoso SA	Mendrisio	NC	Switzerland	CHF	3'500.0	100.0
Liegenschaften-Betrieb AG	Zurich	F	Switzerland	CHF	18'000.0	100.0
Betriebsgesellschaft Zentrum Glatt AG	Wallisellen	F	Switzerland	CHF	200.0	100.0
Löwenbräu-Kunst AG	Zurich	E	Switzerland	CHF	27'000.0	33.3
S.I. Soleya S.A.	Avry	F	Switzerland	CHF	2'000.0	55.0

1 Accounting method: F = fully consolidated / E = accounted for under the equity method / NC = not consolidated
2 Interest: P = parent company
3 Joint ventures

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 31 to 139), for the year ended 31 December 2011.

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 2011 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 Audit expert Auditor in charge	**Hans Peter Heiber** Audit expert

Zurich, 8 March 2012

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 that 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 the 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 with its net operating income (income from the Financial Services sector 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 amortisation)
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, minimising and securing financial risks that 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 Migros Group consists of the net revenue from goods and services sold, other operating income and income from the Financial Services sector with third parties. The terms income and sales are used synonymously.

Income from the financial services business
Income from the 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 and intangible assets, and investment property.

Key management personnel
Key management personnel are those persons with the authority and responsibility for planning, directing and controlling the activities of Migros Group, directly or indirectly. The key management personnel of 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 realisable securities.

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

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

Other comprehensive income
Other comprehensive income covers income and expenses that are not charged to profit or loss for the period, but recorded 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 includes, in particular, current income or expenses that are recognised in the income statement and hence in profit or loss for the period only when realised, e.g. when the financial instruments in question 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; 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.

Impressum

FEDERATION OF MIGROS COOPERATIVES
Limmatstrasse 152
PO Box
8031 Zurich

www.migros.ch