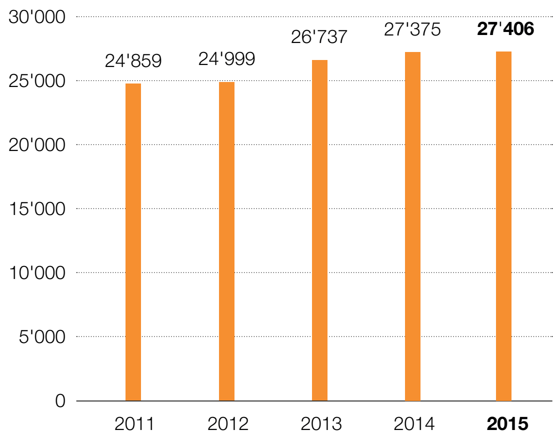
Financial reporting 2015

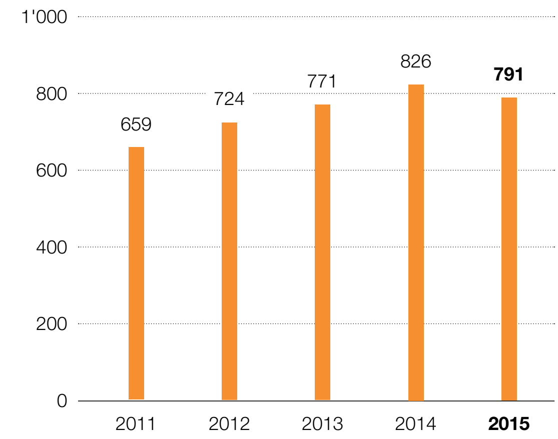
MIGROS GROUP

Development of Group results

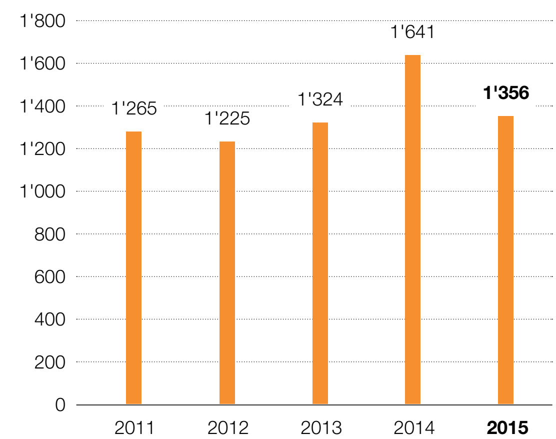
Income
[in million CHF]



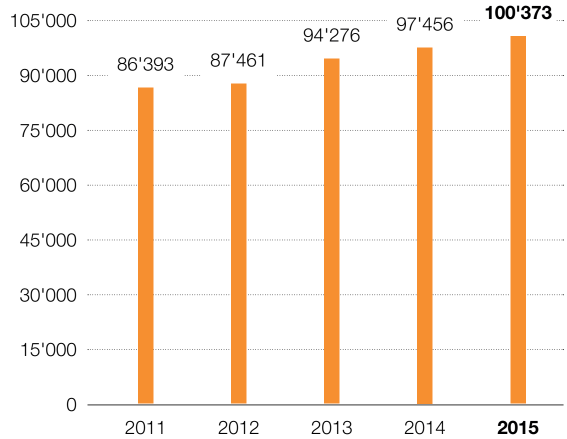
Profit[1]
[in million CHF]



Investments
[in million CHF]



Workforce
[Number of persons]



[1] 2011–2013 IFRS, before effect from pension plans

Key figures and ratios

CHF million, **except where indicated**		2011	2012	2013	2014	2015	Change from previous year in %
Income		**24'859**	**24'999**	**26'737**	**27'375**	**27'406**	**+0.1**
↳ of which income before income from financial services business		23'894	24'077	25'846	26'502	26'546	+0.2
↳ of which Migros retail sales		21'059	21'334	22'867	23'052	22'996	−0.2
↳ of which income of the Cooperatives		14'662	14'524	15'844	15'910	15'613	−1.9
Total Migros distribution sites	number	623	631	639	648	659	+1.7
Total Migros sales area	m²	1'332'397	1'344'738	1'348'664	1'362'083	1'377'633	+1.1
EBITDA (earnings before interest, taxes, depreciation and amortisation)		**2'116**	**2'177**	**2'266**	**2'392**	**2'314**	**−3.3**
as % of income	%	8.5	8.7	8.5	8.7	8.4	
↳ of which EBITDA of the Retail and Industry sector		1'791	1'902	1'986	2'076	2'000	−3.7
EBIT (earnings before interest and taxes)		**979**	**986**	**1'044**	**1'126**	**982**	**−12.8**
as % of income	%	3.9	3.9	3.9	4.1	3.6	
Profit[1]		**659**	**724**	**771**	**826**	**791**	**−4.2**
as % of income	%	2.7	2.9	2.9	3.0	2.9	
Cash flow from operating activity		**1'127**	**1'268**	**1'225**	**2'362**	**2'696**	**+14.2**
as % of income	%	4.5	5.1	4.6	8.6	9.8	
↳ of which cash flow of the Retail and Industry sector		1'347	2'045	688	1'703	2'047	+20.2
Investments		**1'265**	**1'225**	**1'324**	**1'641**	**1'356**	**−17.3**
Equity		**14'878**	**15'248**	**15'969**	**15'970**	**16'802**	**+5.2**
as % of balance sheet total	%	27.0	26.5	27.2	26.4	27.0	
↳ of which equity of the Retail and Industry sector		12'893	13'100	13'663	13'548	14'181	+4.7
as % of balance sheet total	%	63.6	62.5	65.1	65.4	66.5	
Balance sheet total		**55'181**	**57'534**	**58'809**	**60'585**	**62'138**	**+2.6**
↳ of which balance sheet total of the Retail and Industry sector		20'257	20'958	20'984	20'709	21'323	+3.0
Expenditure for cultural, social and economic policy purposes		**118**	**125**	**120**	**122**	**120**	**−1.7**
Workforce / Migros Cooperatives							
Workforce (number of persons – annual average)	number	86'393	87'461	94'276	97'456	100'373	+3.0
Migros Cooperatives (number of members)	number	2'091'188	2'111'084	2'136'959	2'155'331	2'166'145	+0.5

[1] 2011 – 2013 IFRS, before effect from pension plans

Due to the switch in accounting standard from IFRS to Swiss GAAP FER with effect from 1 January 2015, the figures for the previous year have been adjusted (see Note 2).

Report on the financial situation of Migros Group

A. Overview

Due to the switch in accounting standard from IFRS to Swiss GAAP FER with effect from 1 January 2015, the figures for the previous year have been adjusted (see Note 2).
The individual amounts have been rounded to the nearest million CHF (see also Note 3, Basis for preparation).

A.1. Key figures and ratios

	Migros Group	
CHF million	**2015**	2014
Earnings before interest and taxes	982	1'126
Profit	791	826
Cash flow (from operating activity)	2'696	2'362
↳ of which cash flow of the retail and industry sector[1]	2'047	1'703
Investments	1'356	1'641
Equity	16'802	15'970
↳ of which equity of the retail and industry sector[1]	14'181	13'548
Balance sheet total	62'138	60'585
↳ of which balance sheet total of the retail and industry sector[1]	21'323	20'709

[1] 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	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue from goods and services sold	26'201	26'180	26'205	26'184	3	3
Other operating income	345	321	348	328	1	3
Income before financial services business	**26'546**	**26'502**	**26'553**	**26'512**	**4**	**6**
Income from financial services business	861	873	–	–	861	873
Total income	**27'406**	**27'375**	**26'553**	**26'512**	**864**	**878**
Cost of goods and services sold	15'674	15'827	15'675	15'828	–	–
Expenses of financial services business	272	274	–	–	272	275
Personnel expenses	5'609	5'462	5'438	5'287	171	173
Depreciation	1'332	1'267	1'302	1'231	30	36
Other operating expenses	3'537	3'420	3'440	3'321	107	113
Earnings before interest and taxes	**982**	**1'126**	**698**	**845**	**284**	**282**

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

A.3. Balance sheet

CHF million	Migros Group 2015	Migros Group 2014	Retail and Industry sector[1] 2015	Retail and Industry sector[1] 2014	Financial Services sector[1] 2015	Financial Services sector[1] 2014
ASSETS						
Cash and cash equivalents	5'929	4'349	1'935	1'264	4'519	3'166
Receivables due from banks	687	1'671	209	379	479	1'293
Mortgages and other customer receivables	36'048	35'217	–	–	36'107	35'219
Other receivables	862	868	866	872	–	–
Inventories	2'519	2'482	2'519	2'482	–	–
Other financial assets	1'354	1'417	543	632	811	785
Investments in associated companies and joint ventures	88	142	826	880	0	0
Investment property	363	380	337	354	25	25
Fixed assets	12'410	12'300	12'279	12'165	131	135
Intangible assets	957	877	914	824	42	51
Other assets	920	883	894	858	26	25
BALANCE SHEET TOTAL	**62'138**	**60'585**	**21'323**	**20'709**	**42'140**	**40'700**
LIABILITIES AND EQUITY						
Payables due to banks	252	283	255	226	56	60
Customer deposits and liabilities	31'690	31'237	–	–	32'215	31'318
Other financial liabilities	1'855	1'832	1'853	1'831	2	1
Other liabilities	2'870	2'878	2'769	2'753	105	130
Provisions	111	124	110	105	0	20
Issued debt instruments	6'170	5'832	150	200	6'020	5'632
Liabilities from employee benefits	831	853	812	833	19	19
Current income tax payables	155	141	107	97	48	43
Deferred income tax liabilities	1'402	1'436	1'085	1'117	317	320
Total liabilities	**45'336**	**44'615**	**7'142**	**7'161**	**38'784**	**37'543**
Total equity including minority interests	**16'802**	**15'970**	**14'181**	**13'548**	**3'356**	**3'157**
BALANCE SHEET TOTAL	**62'138**	**60'585**	**21'323**	**20'709**	**42'140**	**40'700**

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

A.4. Cash flow statement

CHF million	Migros Group 2015	Migros Group 2014	Retail and Industry sector[1] 2015	Retail and Industry sector[1] 2014	Financial Services sector[1] 2015	Financial Services sector[1] 2014
Cash flow from operating activity	2'696	2'362	2'047	1'703	1'064	504
Cash flow from investing activity	–1'390	–1'770	–1'319	–1'643	–72	–126
Cash flow from financing activity	282	72	–49	–106	361	139
Changes in cash and cash equivalents	**1'588**	**664**	**679**	**–46**	**1'353**	**518**
Cash and cash equivalents, at beginning of year	4'349	3'684	1'264	1'308	3'166	2'649
Influence of foreign currency translation	–8	2	–8	2	–	–
Cash and cash equivalents, at end of year	**5'929**	**4'349**	**1'935**	**1'264**	**4'519**	**3'166**

[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 various companies. Transactions carried out in the 2015 financial year included the following:

On 2 December 2014, Micarna SA acquired Rudolf Schär AG, Thal. Since information relating to the financial statements of the acquired Rudolf Schär AG was not yet available at the time of the 2014 Migros Group financial statements being released, initial recognition of the business combination was not possible until the 2015 financial year (inclusion on 1 January 2015). Rudolf Schär AG was established in 1945 in St. Gallen and is a producer of speciality sausage products. Under a succession arrangement, Micarna SA acquired the long-established company, together with all 90 employees, which generated sales of around CHF 33 million in 2015. On 1 July 2015, Micarna SA acquired Maurer Speck, a leading manufacturer of high-quality and traditional speciality bacon products based in Flüh in the canton of Solothurn, also under a succession arrangement.

A further succession arrangement saw Saviva, which is also part of Migros Industry, acquire the Lüchinger + Schmid Group with effect from 1 January 2015. With sales of CHF 184 million and a workforce of 270 employees, the company is known for selling and producing eggs, egg products, chilled fresh produce and frozen products, and will continue to operate independently on the market. The acquisition will see Saviva further expand its market position in the delivery wholesale business.

On 1 February 2015, the Mibelle Group acquired a majority shareholding of 51 % in the British Quantum Beauty Company, thereby expanding its business in exclusive brands. The portfolio includes brands such as Lee Stafford, Arganoil and Salon Science.

Migrol AG acquired 90 % of the shares in Swisstherm AG with retroactive effect from 1 January 2015. For Migrol, this represents a key strategic step towards being able to serve the heating market in Switzerland with additional products and services.

With retroactive effect from 1 January 2015, Activ Fitness AG, which is part of the Migros Cooperative Zurich, acquired the four Pleine Forme fitness centres in the canton of Neuchâtel, which together have 3'500 members. On 1 April 2015, the Migros Cooperative Zurich also acquired Marinello AG, which operates a number of food stores in Zurich, together with the company's 75 employees. The “Marinello” brand, as well as Marinello + Co AG, which operates in Zurich's Engros market, are not part of the acquisition.

On 1 April 2015, the Federation of Migros Cooperatives increased its share package in Digitec Galaxus AG from an original interest of 30 %, and of 39.1 % following the departure of one of the company's co-founders, to 70 %, thus making it the majority shareholder. Digitec has been the leading online player in the Swiss consumer electronics market for many years, with sales of over CHF 600 million. Galaxus is already Switzerland's largest online shop, a position which it aims to strengthen and expand further.

In mid-October 2015, Medbase AG acquired a 70 % stake in santémed Gesundheitszentren AG from SWICA, thereby increasing its involvement in the health sector. The partnership has given rise to the largest network for basic outpatient medical care.

In July 2015, the Migros Cooperative Aare entered into a partnership with Golf Limpachtal and immediately assumed responsibility for running the golf course. To this end, Migros Aare acquired 54.4 % of the shares in Public Golf Bucheggberg AG (driving range, property) and 100 % of Golf Limpachtal Betriebs- und Verwaltungs AG (personnel, machinery, EDP and administration).

The acquisitions of Explore Worldwide, the soft adventure provider, and the diving specialist Regaldive by Hotelplan Group on 1 December 2015, are not shown in the 2015 financial year. Since information relating to the financial statements of these two companies was not yet available at the time of the Migros Group financial statements being released, the initial recognition of the business combination was not possible. The two British companies, in which Hotelplan Group has acquired 100 % of the shares, together generate annual sales of around CHF 75 million and employ more than 120 people.

Please see Note 39 for further details.

The following companies were acquired during the 2014 financial year:

On 1 April 2014, Chocolat Frey AG acquired a majority shareholding (51%) in SweetWorks. SweetWorks operates a production plant in Buffalo, New York, with approximately 200 employees, and also owns a subsidiary, Oak Leaf Confections Co., in Toronto, Canada, which itself employs around 250 staff. SweetWorks will continue to operate as an independent group of companies and all of its staff will remain in place. Since SweetWorks and Chocolat Frey pursue comparable business models, mutual synergies can be found along the entire value chain. With the acquisition, Chocolat Frey AG is also strengthening its market position in the United States and Canada.

On 1 January 2014, Magazine zum Globus AG acquired Schild AG, with a total of some 700 employees. Schild is the leading upper-mid-range men's and women's fashion retailer. Despite being acquired in full, the Schild brand will be retained and the company will be continued as an independent fashion retailer. The acquisition of Schild by Globus will see the two long-established companies become the market leader for fashion in the mid and upper price ranges in Switzerland.

On 1 June 2014, the Migros Cooperative Zurich acquired 100 % of the shares in Molino AG with its 18 restaurants from Athris Holding AG. Established in 1988, Molino AG now operates under the name of Ospena Group AG. For the Migros Cooperative Zurich, this takeover represents a key step in the planned growth strategy within the Catering segment.

D. Income trend (sales trend) of Migros Group

Migros Group achieved growth of 0.1% in 2015 and generated total sales of CHF 27.4 billion. The result is affected in particular by negative inflation in the individual business areas (fuel, heating oil, travel, electronics, etc.), which is unusually high in some cases, as well as by a negative currency effect (– 1.0 %). These effects reduced income by more than CHF 1 billion.

In the Retail and Industry sector, income increased by CHF 40.9 million to CHF 26.6 billion (+ 0.2 %). In the core retailing business, nominal sales in Switzerland and abroad totalled CHF 22.996 billion (previous year CHF 23.052 billion), which represents a slight fall of 0.2 %. The average negative inflation of 2.7 % and the currency effect had a negative impact on the result. Adjusted for currency effects and inflation, growth amounted to 3.4 %. Retail sales abroad comprise the sales of Migros France, tegut Group, Gries Deco Group in Germany and Austria, and Probikeshop. Compared to the previous year, euro-denominated sales growth was 5.9 %, while nominal income in Swiss francs fell by CHF 145.5 million to CHF 1.672 billion (– 8.0 %).

In the Financial Services sector, income fell by a total of CHF 13.9 million to CHF 864.5 million, due in particular to the low interest-rate level.

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

CHF million	Total income 2015	Total income 2014	Change from previous year in %
Cooperative Retailing	16'646	16'865	–1.3
Commerce	7'354	7'086	3.8
Industry & Wholesaling	5'879	5'741	2.4
Travel	1'314	1'420	–7.5
Others	128	142	–9.5
Eliminations (within Retail and Industry sector)	–4'768	–4'742	–0.6
Total Retail and Industry sector	**26'553**	**26'512**	**0.2**

Sales trend in Cooperative Retailing shaped by appreciation of the franc and shopping tourism

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**. In 2015, the ten regional Cooperatives generated sales of CHF 14.4 billion (– 1.1 %) in Switzerland and CHF 1.2 billion abroad (– 10.2 %) (in total CHF 15.6 billion, or – 1.9 %). The domestic market share was 15.3 %, up from 15.1 % a year earlier.

In local currency terms, Migros France grew by 12.8 %, generating sales of EUR 120.6 million. Tegut recorded sales of EUR 980.9 million (+ 1.1 %) with an increase in productivity per area of 2 %. Taking into account closures and new store openings, the total number of markets at the end of the year was 273. Nineteen markets were temporarily closed to customers on account of refurbishment but met with an excellent response upon their reopening as sales climbed by around 10 %.

Sales in supermarkets and hypermarkets in Switzerland stood at CHF 11'670.3 million (– 1.3 %), reflecting the impact of an 8 % increase in shopping tourism to countries just across the Swiss border. With negative inflation across the Migros ranges averaging 1.3 %, the 10 Cooperatives were therefore able to maintain their sales levels in real terms.

The specialist markets Micasa, SportXX, Melectronics, Do it + Garden and OBI posted sales of CHF 1'622.0 million (–3.0 %). Adjusted for negative inflation of 6.0 %, the five specialist markets together recorded growth of 3.0 % in real terms. With growth of 15.2 % in 2015, the specialist markets reported a pleasing sales trend in their online shops.

Overall, customers benefited from price cuts in excess of CHF 200 million in Cooperative Retailing.

Further growth in sustainable and regional products

Sales of sustainable and regional products totalled in excess of CHF 3.5 billion: Migros again recorded an increase in sales of its sustainable products last year (+7.0 %). Sales of products with ecological and social added value totalled CHF 2'678.4 million (+ 8.4 %). Particular highlights included the Migros Bio/Alnatura range with year-on-year growth of 14.8 %, products from sustainable fishing and fish farming bearing the MSC and ASC labels (+ 46.3 %) and the TerraSuisse sustainability programme which represents ecological and animal-friendly agriculture (+ 6.5 %). Products from the “Aus der Region. Für die Region.” (From the region. For the region.) range enjoyed continued strong demand, with a sales volume of CHF 898.6 million (+ 3.2 %).

As part of Migros' sustainability strategy, 62 binding commitments were made to Generation M (“Generation von morgen” or “The generation of tomorrow”). In all of its activities, Migros looks for solutions with the right economic, social and ecological balance.

As every year, the regional Cooperatives made substantial investments in the construction of new stores and the renovation of existing ones. The **Migros network of sales outlets** increased by 11 in total to 659 sites at the end of 2015. The sales area for supermarkets, hypermarkets, specialist markets and catering services grew by a total of 15'550 m² (+1.1 %). The productivity per area in supermarkets and hypermarkets in Switzerland totalled CHF 13'078/m² (–2.9 %), while the corresponding figure in specialist markets was CHF 3'888/m² (– 2.9 %).

Catering continued to grow, posting sales of CHF 683.9 million (+ 1.2 %). A sharp increase was recorded in particular in both community catering (+ 19.1 %) and event catering (+ 26.9 %). Sales at the Migros restaurants remained stable (+ 0.0 %), while those of Migros take-aways were down slightly (– 2.4 %).

Sales trend in the strategic business unit Commerce varies across individual companies

The **strategic business unit Commerce** mainly includes the retail companies Denner, Migrol, Magazine zum Globus, Ex Libris, Office World Group (OWiba), Interio, Depot (Gries Deco Group), migrolino, Le Shop, Probike and Digitec Galaxus (fully integrated on 1 April 2015).

Denner recorded sales of CHF 2'902.1 million (– 0.4 %), more or less matching its result for the previous year. The decisive action taken by Denner following the abolishment of the minimum euro exchange rate and the associated price reductions of more than CHF 40 million further strengthened consumer confidence in Denner. Denner currently has 797 stores; 32 new stores have opened and the same number of stores have closed. A further 180 Denner branches were converted to the new store design in the reporting year. All of the converted branches reported an increase in customers and rising sales. The remaining 188 Denner stores are to be converted by the end of 2016 as part of the “Fokus” project. This will be followed by the strategic realignment of Denner's satellite stores.

The continued sharp fall in the price of crude oil and the decline in fuel sales in regions close to the border as a result of the strong Swiss franc all impacted negatively on **Migrol's** sales, which decreased by 16.2 % to CHF 1'359.5 million. Allowing for weighted negative inflation of 18.5 %, growth in real terms was 2.7 %.

Magazine zum Globus AG (including Schild) posted sales of CHF 928.7 million (– 3.3 %) in 2015. Globus department stores recorded sales of CHF 693.1 million (– 3.3 %), while the corresponding figures for Herren Globus and Schild were CHF 70.6 million (– 5.1 %) and CHF 165.0 million (– 2.7 %) respectively.

Ex Libris' sales fell by 5.4 % year-on-year to CHF 121.0 million.

The **Office World Group** increased its sales to CHF 179.6 million (+0.3%) in the reporting year.

Interio generated sales of CHF 181.9 million (– 2.7 %) in 2015.

The retail chain **Depot** (Gries Deco Company abroad and in Switzerland) posted sales of EUR 428.9 million (+ 12.0 %) or CHF 456.5 million. Due to the negative currency effect, sales fell by 1.7 % on the previous year (CHF 464.3 million).

migrolino, with a current total of 287 sites (+33), generated sales of CHF 382.0 million (+10.0%).

Le Shop recorded sales of CHF 175.9 million (+ 6.6 %) in 2015. The spread of smartphones and tablets across all age groups has been a contributing factor in this regard. More than 40% of the orders are already made via mobile devices.

The French online market leader for bicycle accessories, **Dolphin France SAS (Probikeshop),** posted an increase in sales, this time of 46.1 % to EUR 56.8 million (in Swiss franc terms + 28.2 % to CHF 60.5 million).

In the 2015 calendar year, **Digitec Galaxus** generated sales of just under CHF 700 million through its two online shops digitec.ch and galaxus.ch. Its full integration into Migros Group as of 1 April 2015 resulted in sales of CHF 498.9 million for the group financial statements. The result equates to year-on-year sales growth in the double-digit percentage range. A further illustration of the successful year can be seen in the growth in employee numbers: in 2015, the company created more than 100 new jobs.

Thanks to the e-bike specialist **m-way** and its subsidiary **Sharoo** – a platform for using and sharing private and commercial vehicles – Migros has proven that it is also innovative in the field of alternative energy/sustainable mobility and in implementing new trends, such as the sharing economy.

In the **e-commerce business,** Migros further cemented its position as the undisputed market leader. With the inclusion of Digitec Galaxus, total e-commerce sales amounted to CHF 1'599.5 million (+ 47.3 %) in nominal terms. Discounting acquisition, inflation and currency effects, e-commerce sales came to CHF 1'149.4 million (+ 8.9 %), of which CHF 938.1 million (+ 10.2 %) were generated by the online retailing business. The main sales drivers are Digitec Galaxus, the online operations of Saviva, LeShop.ch, the Office World Group, Probikeshop, the online business of Ex Libris and the Migros specialist markets.

M-Industry posts sales growth of 4 % in 2015 amid challenging environment

The **strategic business unit Industry and Wholesaling** generated sales of CHF 6'254.5 million in 2015 (previous year CHF 6'015.9 million), resulting in growth of 4.0 % in a challenging market environment. Its market position in Switzerland and abroad was strengthened with strategic acquisitions. Despite a strong Swiss franc and increasing pressure in the Swiss market, M-Industry advanced by 0.8 % in real terms. Sales with the Migros Group were increased by 2.1 % to CHF 4'488.1 million. In the wholesale market, the sales growth of almost 10 % to CHF 1'085.5 million (previous year CHF 995.4 million) is primarily due to the integration of the Lüchinger + Schmid Group for the first time. The international business, consisting of exports and overseas locations, grew by 8.8 % to CHF 680.9 million (previous year CHF 626.1 million). Despite the stronger Swiss franc, the export business showed itself to be robust (currency-adjusted growth of 6.3 %).

Difficult year for Hotelplan

In a financial year during which external factors had a profoundly negative impact, the **strategic business unit Travel** recorded an 8.7% fall in posted sales to CHF 1'479.1 million. Net sales fell by 7.1 % to CHF 1'304.6 million (total income CHF 1'314.2 million). At Hotelplan Suisse in particular, the abolishment of the minimum euro exchange rate caused a considerable drop in sales, as the price advantage was immediately passed on to customers. Geopolitical disputes in Eastern Europe and the Middle East, the resulting flow of refugees and the financial crisis in Greece were not the best advertisement for the affected destinations. The market environment in Italy is also challenging at present, which explains why Hotelplan Italia is not yet on target. Hotelplan UK and the Holiday Home division showed very encouraging trends.

D.2. Income trend in the Financial Services sector

Income in the Financial Services sector amounted to CHF 864.5 million in the reporting year, with interest revenue of CHF 717.0 million or 82.9 % constituting the main share of total income. The fall in total income of CHF 13.9 million can therefore also be attributed primarily to lower interest revenue.

E. Operating results of Migros Group

The operating result (EBIT) of Migros Group was CHF 981.6 million, CHF 144.0 million or 12.8 % below the previous year's figure.

In the Retail and Industry sector, the result decreased by CHF 147.0 million to CHF 698.0 million (– 17.4 %).

In the Financial Services sector, the operating result improved by CHF 1.7 million to CHF 283.5 million (+ 0.6 %).

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

CHF million	Earnings before interest and taxes 2015	2014	Change from previous year in %
Cooperative Retailing	534	623	–14.4
Commerce	–31	43	–171.9
Industry & Wholesaling	154	145	6.3
Travel	–15	–10	–43.9
Others	57	51	11.1
Eliminations (within Retail and Industry sector)	–1	–7	91.7
Total Retail and Industry sector	**698**	**845**	**–17.4**

Efficiency programmes, the auditing and standardisation of processes, new structures and procedures – i.e. **sustainable cost management** – all had an influence on the gross margin and the operating result of the Retail and Industry sector. In addition to efficiency programmes, however, **procurement management**, **commodity prices** and **exchange rates** weighed considerably on the gross margin and operating result. Efficiency gains and improvements in the procurement of goods are passed on to customers largely in the form of reduced sales prices.

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

Digital wallet – successful launch of the Migros payment app

The **Mobile Payment** project was successfully completed in the 2015 financial year. Customers are now able to pay using their smartphone and the dedicated Migros App at all points of sale in Migros supermarkets and the specialist markets SportXX, Micasa, Do it & Garden and Melectronics, as well as in Migros restaurants and take-aways. All payments are charged directly to the customer's credit card or debited from their Migros Bank account. More than 100'000 Migros customers are already using their smartphone as a digital wallet and mobile payment sales exceeded CHF 16 million.

In the **One HR** project, a strategic IT platform is being defined that can be used throughout the group for HR processes. Within the next three years, the HR systems of the Cooperatives, the industry and logistics enterprises, the FMC and a number of other companies will be standardised on a single platform, thereby establishing a stable foundation for innovation and joint strategic projects.

As part of the centralisation of IT services, the **M-Datacenters** are to be consolidated and the premises that are no longer required will be put to new use.

Avanta: Under the “Avanta” project, the now outdated Visualstore point-of-sale system is being replaced by a “point-of-purchase” solution, which ensures a link to all other sales channels. The new solution will enable payments and scanning using mobile devices as well as the redemption of vouchers, for example. The solution will be implemented with a pilot project planned for the start of 2017. From 2018 onwards, Avanta will be in widespread use in all Cooperatives.

Migros Verteilzentrum Suhr AG ensures efficient and cost-effective delivery of food products to Migros stores as well as logistics for migrolino AG. The number of items shipped recorded an impressive 3.3 % increase to 83 million units. Productivity continued to improve in 2015 and logistics service prices were reduced further. Due to the growth of migrolino AG, the non-refrigerated section of the new, automated order picking facility for small-quantities logistics was successfully commissioned at the end of the year. The refrigerated part of the facility will follow in early 2016. Unfortunately, the addition of a sixth silo to the high-bay racking warehouse has been delayed by an entire year due to delays in the issue of construction permits by the authorities. This will therefore not be implemented until autumn 2016.

Migros-Verteilbetrieb Neuendorf AG inaugurated the newly-constructed Logistics Centre East, Hall 4 (LCO 4) on 4 December 2015 following a construction period of around two years, with the centre able to start operations on schedule. The large-scale project comprises five storeys, has a gross cubic volume of 385'000 m3 and an available floor space of 55'000 m2. As a result, the external storage facilities for near and non-food items in Neuendorf, which sometimes number up to 20, as well as the returns processing and ski hire operations can now be integrated into one building, thereby simplifying logistics processes and saving on costs. Photovoltaic cells were also installed on the newly-constructed Logistics Centre East, Hall 4 (LCO 4), thereby extending the overall size of the photovoltaic system on the roofs of MVN; it now covers 41'000 m2 in total and has an output of 6.8 MWp. It remains the largest facility of its kind in Switzerland.

In order to create capacity for the rapidly growing frozen storage business, the existing infrastructure will be expanded with the newly-constructed frozen storage facility (TKL 4). The extension will comprise a frozen storage warehouse with high-bay racking and a production hall measuring around 300'000 m3 in total. The facility is set to begin operations in the fourth quarter of 2016.

Procurement management as a key corporate function designed to safeguard price and performance management: In terms of procurement, 2015 was marked by the sudden decision of the Swiss National Bank to abolish the minimum euro exchange rate on 15 January 2015. Shortly thereafter, several months of difficult negotiations followed between suppliers and purchasers in order to ensure that the currency gains on products from the euro area were passed on to customers. Thanks to healthy competition in several product categories, the savings made by the procurement cooperation AMS in 2015 were increased slightly compared to the previous year, which in turn benefited customers. Commodity markets were primarily marked by the collapse in the price of crude oil in the second half of the year. The effect on procurement was marginal, however. As far as agricultural commodities are concerned, poor wheat, almond and hazelnut harvests were largely responsible for rising purchase prices. Unfortunately, the price of cocoa also continued to rise in 2015. Vegetable oil prices remained steady for the most part.

Exchange rate developments had a significant impact on the Retail and Industry sector during the reporting year, causing a drop in income of more than CHF 280 million.

The switch in **Migros' transport operations** to environmentally friendly rail was also continued in 2015. In addition to projects at national level, the FMC Department of Logistics Transport has further expanded intermodal transport (rail and road) at international level by establishing a link with the Ligurian ports of Genoa and La Spezia. This provides Migros with an interesting alternative to the northern European ports. In order to improve logistics processes further, all 8.5 million reusable containers have been equipped with RFID labels under Migros Exchange Equipment Management. In 2016, the Jowa container pool will be integrated into Migros Exchange Equipment Management and also equipped with RFID labels.

Migros reports pleasing result given the challenging under-lying conditions

Thanks to rigorous procurement management and process optimisation measures, **gross profit** increased by CHF 194.0 million to CHF 10'877.9 million (+1.8%). In addition to salary rises of between 0.7% and 1.2%, the increase in **personnel expenses** by CHF 150.6 million to CHF 5'437.8 million is mainly due to the change in the scope of consolidation and the expansion of a number of companies. In addition to normal investment activities, the increase of CHF 71.1 million in **depreciation and amortisation** to CHF 1'301.9 million was also due to the higher level of impairments in comparison to the previous year. The increase in **other operating expenses** by CHF 119.2 million to CHF 3'440.1 million is due mainly to higher rental expenses as a result of expansion as well as higher advertising costs and higher logistics and IT expenses.

Overall, the **operating result for the Retail and Industry sector** decreased by CHF 147.0 million to CHF 698.0 million. All of the strategic business units recorded a decline in results, with the exception of the Industry & Wholesaling and Others segments.

E.2. Operating result of the Financial Services sector

The Financial Services sector generated income from financial services business totalling CHF 860.7 million with costs of CHF 272.4 million. Net income from financial services business decreased from CHF 598.5 million to CHF 588.3 million, due to lower interest income (see Note 7 of Migros Group financial statements).

Whereas income from financial services business decreased by CHF 12.1 million, expenses and impairment losses in the financial services business fell by just CHF 1.9 million. The bank benefited in the reporting year from a favourable risk trend in the credit business.

Thanks to improved IT support, personnel expenses fell by CHF 1.8 million to CHF 171.2 million. As project costs in the reporting year were lower, other operating expenses also fell by CHF 6.2 million.

Migros Bank also made significant investments in its IT platform in 2015. This year, depreciation on part of the changeover to a new IT platform in 1999 was no longer shown in the accounts. Depreciation of non-current assets was therefore reduced by CHF 5.5 million to CHF 30.4 million.

Overall, improvements in terms of expenses outweighed the fall in income, with the operating result improving by CHF 1.7 million to CHF 283.5 million.

F. Balance sheet of Migros Group

The Financial Services sector has had a considerable impact on the balance sheet of Migros Group. Compared to the previous year, the balance sheet total rose by CHF 1.6 billion to CHF 62.1 billion, much of which can be attributed to the increase in mortgage and other customer receivables as well as customer deposits and liabilities. Customer deposits as at 31 December 2015 amounted to 51.0% of the balance sheet total (previous year 51.6%).

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

The balance sheet total for the Retail and Industry sector increased by 3.0% to CHF 21.3 billion as at 31 December 2015.

The carrying amount of fixed assets increased by CHF 114.7 million on the previous year to CHF 12'279.4 million as a result of extensive investment activities by Migros Group. During the past financial year, companies in the Retail and Industry sector invested a total of CHF 1'339.4 million (previous year CHF 1'625.3 million), mainly in renewing the branch network and plants in Switzerland. Investments totalling CHF 87.5 million (previous year CHF 122.4 million) were made outside of Switzerland.

Intangible assets amounted to CHF 913.7 million as at 31 December 2015 (previous year CHF 823.8 million). The change can be largely attributed to company acquisitions in the reporting year.

The balance sheet structure of the Retail and Industry sector remains very healthy. Based on the current EBITDA of CHF 1'999.9 million (previous year CHF 2'075.8 million), net finance debts of CHF 219.1 million (previous year CHF 858.6 million) can be paid off within two months. Equity increased by CHF 633.2 million to CHF 14'181.3 million and corresponds to 66.5% (previous year 65.4%) of the balance sheet total.

F.2. Balance sheet of the Financial Services sector

During the reporting year, mortgages and other customer receivables increased by CHF 0.9 billion on the previous year to CHF 36.1 billion (+ 2.5 %).

On the liabilities and equity side, customer deposits and liabilities increased by CHF 0.9 billion or 2.9 %. Customer deposits totalled CHF 32.2 billion, corresponding to 89.2 % of customer lending at the end of 2015. Migros Bank thus 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 at 31 December 2015, the bank's equity amounted to CHF 3'356.2 million, significantly above the coverage required under Swiss banking law.

G. Cash flow statement of Migros Group

Cash flow from operating activity of CHF 2.7 billion

The cash and cash equivalents of Migros Group stood at CHF 5'929.3 million as at 31 December 2015 and increased on a currency-adjusted basis by CHF 1'580.2 million on the previous year (31 December 2014: CHF 4'349.1 million).

With cash flow from business activities of CHF 2'696.2 million (previous year CHF 2'361.5 million), it was possible to finance in full the investments in both fixed and intangible assets totalling CHF 1'356.3 million as well as the acquisition of subsidiaries and other associated companies totalling CHF 161.8 million.

Cash inflows generated by financing activity amounted to CHF 281.5 million (previous year CHF 71.5 million).

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

At the end of 2015, cash and cash equivalents of the Retail and Industry sector came in at CHF 1'935.2 million, representing an increase of CHF 671.4 million compared with CHF 1'263.8 million at the end of 2014.

In 2015, cash inflows from operating activity increased by CHF 344.1 million to CHF 2'047.1 million (previous year CHF 1'703.0 million). The increase in operating cash flow is due to the smaller commitment of cash and cash equivalents for advance payments, inventories and receivables as well as time deposits at banks.

The cash outflow from investing activity came to CHF 1'318.7 million in the reporting period (previous year CHF 1'643.4 million) and is characterised primarily by investments in both fixed and intangible assets of CHF 1'339.4 million. The highest investment volumes were in the Cooperative Retailing (CHF 896.6 million) as well as the Commerce (CHF 196.2 million) and Industry & Wholesaling (CHF 195.3 million) segments.

From the financing side, the cash outflow as a result of debt repayment amounted to CHF 49.2 million (previous year CHF 105.6 million).

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

At the end of 2015, cash and cash equivalents of the Financial Services sector amounted to CHF 4'518.7 million. This represents an increase of CHF 1'352.7 million on the previous year (CHF 3'166.0 million).

Cash inflows from operating activity totalled CHF 1'063.5 million in 2015 (previous year CHF 504.2 million). This is due to the reduction in receivables due from banks and the increase in customer deposits, which is greater than the cash outflow for mortgage and other customer lending.

CHF 16.9 million was invested in extending the bank's infrastructure. Furthermore, the security holdings of non-current assets were increased by CHF 54.5 million in the reporting year. Overall, a cash outflow of CHF 71.5 million resulted from the investment activities in the reporting year (previous year CHF 126.0 million).

Financing activity generated a cash inflow of CHF 360.7 million during 2015 (previous year CHF 139.3 million). Of this figure, CHF 637.7 million is due to the net increase in medium-term bonds and mortgage-backed loans. A long-term bond of CH 250.0 million was also repaid and CHF 27.0 million was paid out to shareholders as dividends.

H. 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 their field, size and legal form, it is of central importance that they are geared towards 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 the 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 are evaluated accordingly. Sector-specific evaluations with differentiated targets also enable Migros 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 appropriate returns, growth and creation of value added are therefore a component of operations and strengthen Migros' influence in an increasingly competitive market environment. Accordingly, the key concept of value-oriented management and a positive focus on greater attractiveness are ever-present considerations.

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

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

I.1.1. General risk management

Migros Group operates a comprehensive risk management system across all companies of Migros Group. The Board of Directors of the Federation of Migros Cooperatives is responsible for the way this system is structured. It defines the underlying conditions of the risk management activities within Migros Group and ensures that risk assessment is conducted in a timely and appropriate manner. The risk management process is integrated into the annual financial planning and strategy process. The Board of Directors is regularly informed about the risk situation in Migros Group and the strategic business units by the Executive Board.

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 the 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 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. The results of the risk assessments of the individual companies are therefore 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.

I.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, primary 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; limits are set for counterparties for this purpose and the utilisation of such limits is consistently 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 Cooperative Retailing, Commerce, Industry & Wholesaling and Travel business segments. 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 in 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 foreign currency swaps. 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, other interest-bearing financial investments as well as lending are exposed to an interest rate risk that may have negative effects on the financial position and earnings. The interest rate risk is monitored with a simulation calculation and is mainly controlled with interest rate swaps.

Migros also buys a limited amount of equities to maintain liquidity. Share price fluctuations consequently have a direct effect on the result. In this regard, care is taken to ensure that equity investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by pre-purchase analyses 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 sometimes 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 in the money and capital markets. Financing is essentially based on a “three-pillar” concept: the investment savings accounts of Migros employees, bilateral credit lines from domestic and foreign banks, 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.

I.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 the 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, first, that the insurance cover available is very comprehensive and extensive, and, second, 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, natural hazards, 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 risks of disaster 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. Claims for damages or loss which exceed the deductible are covered by a separate group policy. A group vehicle fleet insurance covers mandatory third-party liability insurance and comprehensive risks which have been specifically requested. 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). Sickness allowance insurance solutions are likewise concluded with private insurance companies. Special risks such as new construction/conversion projects, machinery, epidemics, 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 on outstanding losses.

I.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) and information risks (tax evaluation based on uncertain assumptions), risks are recorded, measured and appropriate action taken, where necessary.

I.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. In order to avoid any legal conflicts, case-related advisory services are offered and training on current subjects is carried out proactively and in a risk-based manner.

Like all companies of a certain size, businesses of the Retail and Industry sector will face third-party claims. Provisions are set up for such claims, as far as is allowed in accordance with Swiss GAAP FER. The sector also enjoys extensive insurance cover, where this makes economic sense.

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

The ICS in the Retail and Industry sector has a conceptual and uniform structure and encompasses the levels of 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 being the lowest level and 5 the highest level), at which controls are defined, are in place, are documented and communicated to the parties involved. 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.

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

I.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. The policy is periodically 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 by 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 consistently being 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 up 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 and 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.

I.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. Security 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. Both traditional banking products such as mortgages as well as trading activities constitute 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. The mortgage business is the main focus in this regard. 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 the one hand, the market liquidity risk and, on the other hand, the refinancing risk. The liquidity and/or refinancing situation in the short-term sector 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 refer to the danger and uncertainties of price fluctuations, including interest rate changes.

In the traditional core business, the mortgage business – which represents a considerable amount in the balance sheet – interest changes can have a major influence on the results. 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 restricts the risk exposure which is assessed 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 personnel.

I.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, reputational 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.

I.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 that form the basis for achieving business policy goals at all levels of the bank and which 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. Checks that have been carried out 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.

J. Statement of value added

CHF million	Retail and Industry sector[1] 2015		2014	
ALLOCATION				
to employees		5'438		5'287
to culture / social (culture percentage)		120		122
to lenders		63		65
to public sector		962		1'069
↳ taxes	98		203	
↳ value-added taxes	185		185	
↳ customs duties / fees / fiscal charges	679		682	
to the company (self-financing)		592		631
Net value added		**7'175**		**7'174**

[1] 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 75.8 %. They increased by 2.8 % in comparison to the previous year, on the one hand due to the change in the scope of consolidation (in particular the additions of Digitec Galaxus AG, santémed Gesundheitszentren AG and the Lüchinger + Schmid Group) and, on the other hand, to the wage increase of 0.7 % to 1.2 % in Migros Group. The Retail & Industry sector has 98'871 employees (previous year 95'930).

Contributions to **Migros Culture Percentage**, a voluntary commitment by Migros in the areas of culture, society, education, leisure and business, amounted to 1.7 % of the value added, as in previous years. This helped make cultural and social benefits accessible to the population.

Lenders received 0.9 % in the form of interest during the reporting year. The Group's unchanged sound financial situation coupled with the sustained low level of interest rates mean that this figure remains consistent with that of the previous year. The **public sector** received 13.4 % (previous year 14.9 %) in taxes, customs duties and fees. As a result of special items (including deferred taxes applied upon the restructuring of a group company) as well as a decline in earnings, the public sector accrued less income tax.

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 serves both to achieve this goal and to secure jobs and pass on goods and services to customers on fair terms and conditions.

Finance Department

Migros Group financial statements 2015

Contents

Income statement of Migros Group

CHF million	Notes	2015	2014
Net revenue from goods and services sold		26'201	26'180
Other operating income	8	345	321
Income before financial services business		**26'546**	**26'502**
Income from financial services business	7	861	873
Total income	6	**27'406**	**27'375**
Cost of goods and services sold	9	15'674	15'827
Expenses of financial services business	7	272	274
Personnel expenses	10	5'609	5'462
Depreciation and amortisation	11	1'332	1'267
Other operating expenses	12	3'537	3'420
Earnings before interests and taxes		**982**	**1'126**
Finance income	13	28	27
Finance cost	13	–61	–63
Share of (loss) / profit from associates and joint ventures		–2	–2
Profit before income tax		**947**	**1'087**
Income tax expense	14	155	262
Profit Migros Group		**791**	**826**
Attribution of profit of Migros group			
Profit attributable to members of the Cooperatives		801	830
Profit (loss) attributable to minority interests		–10	–4
Profit Migros Group		**791**	**826**

Due to the switch in accounting standard from IFRS to Swiss GAAP FER with effect from 1 January 2015, the figures for the previous year have been adjusted (see Note 2).

Balance sheet of Migros Group

CHF million	Notes	31.12.2015	31.12.2014
ASSETS			
Cash and cash equivalents	*17*	5'929	4'349
Receivables due from banks		687	1'671
Mortgages and other customer receivables	*18*	36'048	35'217
Trade receivables	*19*	702	686
Other receivables	*19*	160	182
Inventories	*20*	2'519	2'482
Other financial assets	*21 – 24*	1'354	1'417
Investments in associates and joint ventures		88	142
Investment property	*25*	363	380
Fixed assets	*26*	12'410	12'300
Intangible assets	*27*	957	877
Assets from employee benefits	*33*	598	531
Current income tax receivables		37	11
Deferred income tax assets	*14*	49	58
Other assets	*28*	237	283
TOTAL ASSETS		**62'138**	**60'585**
LIABILITIES AND EQUITY			
Payables due to banks		252	283
Customer deposits and liabilities		31'690	31'237
Other financial liabilities	*29*	1'855	1'832
Trade payables	*30*	1'634	1'525
Other liabilities	*30*	1'236	1'354
Provisions	*31*	111	124
Issued debt instruments	*32*	6'170	5'832
Liabilities from employee benefits	*33*	831	853
Current income tax payables		155	141
Deferred income tax liabilities	*14*	1'402	1'436
Total liabilities		**45'336**	**44'615**
Cooperative capital	*34*	22	22
Retained earnings		16'751	15'948
Currency translation differences		–43	–41
Equity attributable to members of Cooperatives		**16'729**	**15'928**
Minority interests		73	42
Total equity		**16'802**	**15'970**
TOTAL LIABILITIES AND EQUITY		**62'138**	**60'585**

Due to the switch in accounting standard from IFRS to Swiss GAAP FER with effect from 1 January 2015, the figures for the previous year have been adjusted (see Note 2).

Statement of changes in equity of Migros Group

CHF million	Notes	Cooperative Capital	Retained earnings[1]	Currency translation difference	Other reserves	Equity of the Cooperative members	Minority interests	Total
		Attributable to members of the Cooperatives						
Equity under IFRS as per 31 December 2013		**21**	**16'085**	**–45**	**–99**	**15'963**	**6**	**15'969**
Conversion to Swiss GAAP FER (see note 2)		–	–963	–	99	–865	28	–837
Equity under Swiss GAAP FER as per 1 January 2014		**21**	**15'122**	**–45**	**–**	**15'099**	**34**	**15'133**
Profit Migros group		–	830	–	–	830	–4	826
Change in Cooperative capital	*34*	0	–	–	–	0	–	0
Currency translation difference		–	–	4	–	4	–	4
Dividends paid to minorities		–	–	–	–	–	–0	–0
Changes in scope of consolidation / equity interest		–	–4	–	–	–4	12	8
Equity under Swiss GAAP FER as per 31 December 2014		**22**	**15'948**	**–41**	**–**	**15'928**	**42**	**15'970**

[1] An amount of CHF 0.9 million is reserved in retained earnings for the Culture percentage. Also see Note 15.

CHF million	Notes	Attributable to members of the Cooperatives Cooperative capital	Retained earnings[1]	Currency translation difference	Equity of the Cooperative members	Minority interests	Total
Equity as per 1 January 2015		**22**	**15'948**	**–41**	**15'928**	**42**	**15'970**
Profit Migros group		–	801	–	801	–10	791
Change in Cooperative capital	*34*	0	–	–	0	–	0
Currency translation difference		–	–	–2	–2	–0	–3
Dividends paid to minorities		–	–	–	–	–0	–0
Changes in scope of consolidation / equity interest[2]		–	2	–	2	42	44
Equity as per 31 December 2015		**22**	**16'751**	**–43**	**16'729**	**73**	**16'802**

[1] An amount of CHF 0.0 million (previous year CHF 0.9 million) is reserved in retained earnings for the Culture percentage. Also see note 15.

[2] Changes in scope of consolidation in particular by the addition of Digitec Galaxus AG as well as the substantial changes in equity interest in Medbase AG (+29.9 %) and Centravo AG (+4.4 %).

Cash flow statement of Migros Group

CHF million	Notes	2015	2014
Profit before income tax		**947**	**1'087**
Depreciation, amortisation and impairment (net)	*11*	1'332	1'267
Impairment of other financial assets (net)		11	4
(Profit) / loss from sale of non current assets		–7	–12
(Profit) / loss from sale of fixed asset securities		2	–8
Profit from associates and joint ventures		2	5
Increase / (decrease) provisions		–12	–6
Change to operating assets and liabilities			
↳ (Increase) / decrease receivables due from banks		984	61
↳ (Increase) / decrease mortgages and other customer receivables		–831	–1'339
↳ (Increase) / decrease inventories		11	–83
↳ (Increase) / decrease other financial assets		–2	7
↳ (Increase) / decrease other assets		131	–127
↳ Increase / (decrease) payables due to banks		–3	31
↳ Increase / (decrease) customer deposits and liabilities		453	1'752
↳ Increase / (decrease) other liabilities		–89	–80
Paid income tax expense		–232	–197
Cash flows from operating activity		**2'696**	**2'362**
Acquisition of fixed assets and investment property		–1'307	–1'592
Proceeds from sale of fixed assets and investment property		74	60
Acquisition of intangible assets		–49	–49
Proceeds from sale of intangible assets		4	12
Acquisition of fixed asset securities and loans		–362	–449
Proceeds from sale of fixed asset securities and loans		411	402
Acquisition of subsidiaries and business activities, net of cash acquired		–157	–136
Proceeds from sale of subsidiaries and business activities, net of cash disposed		–	–
Acquisition of associates and joint ventures		–5	–18
Proceeds from sale of associates and joint ventures		–	–
Cash flows from investing activity		**–1'390**	**–1'770**

CHF million	Notes	2015	2014
Proceeds from issuance of long-term bonds		–	–
Repayment and redemption of long-term bonds		–250	–
Proceeds from issuance of medium-term bonds and mortgage backed loans		721	261
Repayment of medium-term bonds and mortgage backed loans		–83	–95
Increase (decrease) of short-term payables due to banks		–31	–50
Increase (decrease) of long-term payables due to banks		–1	–20
Proceeds (repayment) from issuance of other short-term financial liabilities		–76	–62
Proceeds (repayment) from issuance of other long-term financial liabilities		15	26
Dividends paid to minorities		–0	–0
Increase in Cooperative capital		0	0
Reduction in Cooperative capital		–0	–0
Change in equity interests of controlling interests		–13	12
Cash flows from financing activity		**282**	**72**
Changes in cash and cash equivalents		**1'588**	**664**
Cash and cash equivalents, at beginning of year		4'349	3'684
Foreign exchange impact		–8	2
Cash and cash equivalents, at end of year		**5'929**	**4'349**

Cash and cash equivalents include:			
Petty cash / postal accounts / bank accounts		5'826	4'138
Fixed-term deposits with an original maximum maturity of 90 days		103	211
Total cash and cash equivalents	*17*	**5'929**	**4'349**

Cash flows from operating activities include:			
Interest received		730	754
Interest paid		–311	–310
Dividends received		7	11

Due to the switch in accounting standard from IFRS to Swiss GAAP FER with effect from 1 January 2015, the figures for the previous year have been adjusted (see Note 2).

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 42 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. The Migros Group financial statements are prepared with the aim of presenting the net asset, financial position, profit and loss and 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 represents 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 17 March 2016. The Assembly of Delegates takes note of the Migros Group financial statements.

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

2. Basis of preparation

Conformity with Swiss GAAP FER

The present Migros Group financial statements have been prepared in conformity with the provisions of the law and with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). In order to provide readers of the financial statements with as much transparency as possible, Migros Group has decided to impose more stringent accounting and disclosure requirements in many areas than those required by Swiss GAAP FER. Accordingly, Swiss GAAP FER forms the basis for financial reporting which is as transparent, clear and reader-oriented as possible.

Critical accounting estimates and judgments

Preparation of the annual financial statements of Migros Group in conformity with Swiss GAAP FER 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 assets and current and non-current liabilities. Finance income and finance costs 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. The breakdown by maturity is shown in the Note 35.

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. The reason for the different financial year of the Hotelplan Group is the tourism year which follows the seasonal cycle of the travel business and is split into a summer and a winter business.

Impact of the change to the accounting standard

(a) Change to the accounting standard

The Board of Directors of the Federation of Migros Cooperatives elected to switch its accounting standard to Swiss GAAP FER (hereinafter referred to as FER) with effect from 1 January 2015 and to prepare the financial report in accordance with FER with effect from 31 December 2015. The effects of the change on equity and profit for the previous year are shown under section (c).

(b) The method of changing to Swiss GAAP FER

The change to the accounting standard was carried out retrospectively. Migros Group prepared the financial statements for 31 December 2014 in accordance with IFRS. Accounting under Swiss GAAP FER began on 1 January 2015. As a result, a restatement was required for the previous year. The effects of this restatement are contained in the following section.

(c) The effects of the change on Migros Group equity and profit

	Other financial assets	Hedge accounting	Business combi-nations	Employee benefits	Useful life plant,machinery & equipment	Other subjects	Total
Equity under IFRS as per 31 December 2013							**15'969**
Adjustments under Swiss GAAP FER							
↳ Other financial assets	–141	–17					–158
↳ Investments in associates and joint ventures			–4				–4
↳ Investment property							–
↳ Fixed assets					–209		–209
↳ Intangible assets			–591				–591
↳ Assets from employee benefits				22			22
↳ Deferred income tax assets						1	1
↳ Other assets							–
↳ Non-current assets held for sale							–
↳ Other financial liabilities		3	147				150
↳ Other liabilities		17				–5	12
↳ Issued debt instruments	–0						–0
↳ Liabilities from employee benefits				–166			–166
↳ Deferred income tax liabilities	30	–1	7	30	44	–1	108
Equity under Swiss GAAP FER as per 1 January 2014	**–112**	**2**	**–441**	**–114**	**–166**	**–6**	**15'133**

mio. CHF	Other financial assets	Hedge accounting	Business combi-nations	Employee benefits	Useful life plant,machinery & equipment	Other subjects	Total
Equity under IFRS as per 31 December 2014							**16'092**
Adjustments under Swiss GAAP FER							
↳ Other financial assets	–127	–191					–319
↳ Investments in associates and joint ventures			–8				–8
↳ Investment property						24	24
↳ Fixed assets					–225		–225
↳ Intangible assets			–646				–646
↳ Assets from employee benefits				492			492
↳ Deferred income tax assets						1	1
↳ Other assets		–43					–43
↳ Non-current assets held for sale						–24	–24
↳ Other financial liabilities		229	183				412
↳ Other liabilities						–4	–4
↳ Issued debt instruments	–0						–0
↳ Liabilities from employee benefits				296			296
↳ Deferred income tax liabilities	26	1	7	–158	45	2	–78
Equity under Swiss GAAP FER as per 31 December 2014	**–102**	**–4**	**–464**	**629**	**–180**	**–1**	**15'970**

	Other financial assets	Hedge accounting	Business combi-nations	Employee benefits	Useful life plant,machinery & equipment	Other subjects	Total
Profit 2014 Migros Group under IFRS							**889**
Adjustments under Swiss GAAP FER							
↳ Net revenue from goods and services sold						83	83
↳ Other operating income			–0				–0
↳ Income from financial services business		0					0
↳ Cost of goods and services sold		–6				–83	–89
↳ Personnel expenses				30			30
↳ Depreciation and amortisation			–54		–16		–70
↳ Finance income	–18						–18
↳ Finance cost	0		4				4
↳ Share of (loss) / profit from associates and joint ventures			–3				–3
↳ Deferred income tax	3	1	–1	–7	3	–	–0
Profit 2014 Migros Group under Swiss GAAP FER	**–14**	**–5**	**–55**	**23**	**–13**	**–**	**826**

Other financial assets
Whereas IFRS recognises four categories of financial instrument, FER only differentiates between current and non-current assets. This differentiation determines how the assets in question are presented and valued. The main impact of the restatement on the balance sheet is seen in the derecognition of adjustments to the fair value of “available for sale” other financial assets which were recorded directly under equity (other comprehensive income) under IFRS. These adjustments are not recognised by FER. The reduction in the finance income in the income statement can be attributed to the reversals of impairments on equity instruments classified as “available for sale”, which had no effect on income under IFRS.

Hedge accounting
Migros Group uses derivative financial instruments to hedge currency and interest rate risks. In the case of instruments to hedge contractually agreed future cash flows, Migros Group exercises its right under FER and discloses derivatives under hedge accounting only in the notes. These are not reported in the balance sheet. Migros Group does not enter into speculative derivative transactions. The fact that these are not stated in the balance sheet reduces the carrying amount of other financial assets and the cost of goods and services sold.

Business Combinations
Under FER, bilateral option contracts on the purchase of residual shares (synthetic contracts) entered into upon the acquisition of a company are no longer reported. Instead, the minority interests are shown in equity and income. As a result of pegging to performance measures (e.g. EBITDA), these purchase price liabilities correspond to the fair value. The non-recognition of purchase options liabilities leads to a reduction in other financial liabilities and a different acquisition value for goodwill. Migros Group exercises the right under FER to amortise goodwill on a scheduled basis over a useful life of between 5 and 20 years, resulting in a restatement in the annual financial statements. Migros Group assesses each acquisition on an individual basis and determines a useful life for goodwill that is appropriate for the specific case based on the systematic analysis of certain parameters.

Staff pensions
Pension costs and the liabilities / assets arising therefrom are determined based on the pension companies' financial statements (in Switzerland, prepared in accordance with Swiss GAAP FER 26). Insofar as there is no economic benefit or economic obligation arising from the policies, pension costs correspond to the employer's statutory contributions. In the case of pension funds without own assets (which occur only in the case of some foreign companies), the consolidated pension costs correspond to those recorded for the individual companies. All effects arising from the specific IFRS measurement (Projected Unit Credit method) are corrected in the restatement.

Useful life of plant, machinery and equipment
An examination of the useful life of branch fittings resulted in an adjustment to the depreciation period for technical equipment, plant and machinery. This adjustment had an impact on the corresponding balance sheet item as well as on the depreciation expense for 2014.

Other subjects
In other areas, the main change on the balance sheet is a reclassification of the "non-current assets held for sale", which are not separated under FER, into investment property; on the income statement, it is the inclusion in gross figures of traded travel offers at Hotelplan which constitute more than just brokerage transactions.

Deferred income tax assets / liabilities
In connection with the aforementioned effects on the balance sheet, there are also effects on the valuation differences between tax statements and FER financial statements and, as a result, on adjustments to deferred income tax assets / liabilities and deferred tax expenses.

3. Summary of significant accounting policies

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

Basis for preparation

The Migros Group financial statements are presented in Swiss francs (CHF). All amounts and totals are rounded to the nearest million CHF, unless otherwise stated. The sum of the rounded individual values may therefore differ from the total shown. Amounts of less than CHF 0.5 million are shown as "0" and amounts which represent zero are shown as "–".

Consolidation policies

(a) Subsidiaries

Subsidiaries are fully consolidated if Migros Group controls them. Migros Group is assumed to have control if it holds the majority of the voting rights in a subsidiary, either directly or indirectly. Control can also be exercised if Migros Group holds less than half of the voting rights but is able to make the key decisions (e.g. in relation to shareholder agreements, voting majority in supervisory and executive bodies, etc.).

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.

The company concerned is deconsolidated once Migros Group no longer exercises control.

(b) Joint Ventures

In a joint venture, two or more parties have shared control of a company on the basis of a contractual agreement. None of the parties have the option of controlling the joint-venture. The joint venturers record their own share of the net assets as an equity interest and the following results in accordance with the equity method (cf. comments 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 exist in respect of these companies. Differences arising from the conversion of shares in associates in foreign currencies are recognised directly in the equity of the group, under currency translation differences.

Upon the acquisition of additional shares related to the attainment of control of associates, old shares are not revalued but instead are transferred at the current carrying amount (equity accounting).

(d) Minority interests and transactions with minorities

The minority interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully owned by the group. Minority interests are reported separately in the income statement and equity of the group. Transactions with minority interests are recorded within equity as long as no loss of control is associated herewith. When control is lost, the corresponding gain or loss is recognised in income.

With regard to company acquisitions, Migros Group has the option to acquire further shares. At the same time, the counterparties are given the right to sell. The prices of these buying and selling rights usually correspond to the fair value at the time they are executed. They are therefore not reported in the balance sheet.

Segment reporting

Information about operating segments is disclosed on the basis that it is applied for 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 allocates resources and assesses performance.

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).

(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.

(c) Translation of functional currency into presentation currency

The annual financial statements of all subsidiaries that are not prepared in CHF 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 differences".

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 to individual balance sheet items 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. 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). Pure intermediary activities are recognised net based on the commission received.

(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.

(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 Swiss GAAP FER, 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 measured at cost i.e. fair value.

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 i.e. fair value plus external transaction costs that can be directly allocated at commencement. Receivables due from banks are subsequently measured at amortised cost, taking account of any deductions for impairment or uncollectibility.

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 i.e. 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, taking account of any deductions for impairment or uncollectibility.

Mortgages and other customer receivables are reviewed at regular intervals for recoverability. Credit commitments are individually assessed, taking into account the personal circumstances of the borrower such as his 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 homogeneous portfolios that are tested together for impairment and their value adjusted if necessary on the basis of historical probability of default. 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 disclosed in the Notes 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 i.e. fair value. They are subsequently measured at amortised cost, taking account of any deductions for impairment or uncollectibility. Impairments are recognised in other operating expenses. Receivables at risk of default are individually impaired. Receivables that are not individually impaired are impaired on a flat rate basis, based on empirical payments and corresponding maturity.

Inventories

Inventories are stated at the lower of purchasing or manufacturing cost and net realisable value. As a general rule, the valuation base used for inventories is the average-cost method. Costs include production overheads, based on normal utilisation of production capacities. Financing costs (including discounts) are not capitalised. The net realisable value is equivalent to the estimated selling price, less direct selling costs and finishing costs, if any.

Gains and losses arising from the maturity of cash flow hedges on purchased goods are transferred to inventory costs (concurrent with the entry of the hedged purchase).

Other financial assets

Migros Group classifies its other financial assets in the categories of “current asset securities”, “fixed asset securities” and “loans”. The classification depends on the actual purpose for which a financial asset is acquired, as well as on the time for which it is held. The management makes the classification on acquisition and reviews it at each balance sheet date.

(a) Current asset securities

Financial assets in the category “current asset securities” include other financial assets held for trading purposes. These relate to interest-bearing securities and investment securities (shares), which have been acquired by Migros Group with the intention of selling them in the near term.

(b) Fixed asset securities

The category “fixed asset securities” comprises securities which Migros Group intends to invest on a longer-term basis.

(c) 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.

Principles for recognising and measuring other financial assets:
All other financial assets with the exception of “loans” are recognised on the trading date on which Migros Group entered into the obligation to buy or sell an asset. “Loans” are recognised on the settlement date. Fixed asset securities and loans are initially measured at fair value plus external transaction costs. In the “current asset securities” category, transaction costs are recognised on acquisition as an expense in the 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 “current asset securities” are subsequently measured at fair value, those in the category “fixed asset securities” and “loans” at amortised cost.

In the financial services business, premiums and discounts on debt instruments which are intended to be held to maturity are amortised in the income statement on a linear basis over the term in accordance with the so-called accrual method.

Gains and losses (realised and unrealised), including interest and dividend income from other financial assets in the category “current asset securities” are recognised in the income statement at the time they occur.

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 on financial instruments of the financial services business, in the case of other financial (net) 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 ("at 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 financial assets as well as calculations of discounted cash flows and option price models.

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 “fixed asset securities”, the following factors give rise to impairment:
– 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 as the difference between cost and current fair value is transferred to the income statement as an impairment loss. Reversals of impairments are recognised in profit and loss, up to a maximum of cost.

Derivative financial instruments and hedge accounting

The Migros Group uses derivative financial instruments to hedge foreign exchange, interest rate and commodity risks. No derivative financial instruments are concluded for speculative purposes. Migros Group distinguishes between the following cases when applying 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).

In the financial services business of Migros Group, interest rate swaps are used as instruments to hedge the risk of interest rate changes and – in connection with this – the fair value risk of fixed-interest items. In particular, the interest rate risk on mortgage receivables and other customer receivables in the financial services business is, where necessary, hedged by means of interest rate swaps at portfolio level.

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.

(a) Fair value hedge

Instruments to hedge the risk of the change in value of balance sheet assets are reported in the balance sheet and measured at each balance sheet date at fair value through profit and loss.

(b) Cash flow hedge

Hedges of future cash flows which are connected either with balance sheet assets or a future transaction (in particular purchases of inventories in foreign currencies) and which meet the requirements of hedge accounting, are not entered in the balance sheet. Cash flow hedges are recorded in the income statement only when the transaction is executed and, as a result, at the same time as the underlying transaction matures. The fair value and contract volume are then disclosed accordingly (see Note 24).

At the inception of the transaction, Migros Group documents the relationship between hedging instruments and hedged risk, as well as its risk management objectives and strategies for each hedging transaction. The group also monitors the effectiveness of the hedge both at hedge inception and on an ongoing basis.

(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. The fair values of these contracts are reported under current asset securities and the changes in their value are recognised in the income statement.

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

Mixed-use properties are classified as investment property or as fixed assets, depending on the degree of own use.

Fixed assets

Fixed assets consist of undeveloped plots of land, buildings required for operations (such as sales outlets, operations centres, warehouse buildings), operating equipment and machinery (such as shop fittings, conveyors, warehousing systems), assets under construction and other fixed assets (such as furniture, vehicles and EDP equipment).

Fixed 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 8 years

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

Land, which is recognised in fixed 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.

The value of fixed 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. Fixed 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 CGU 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 and other operating expenses respectively as the difference between the net disposal proceeds and the carrying amount.

Any financing costs incurred during the creation of fixed assets are recorded directly in income.

Leasing (finance leases and operating leases)

(a) Migros Group as lessee

Finance lease agreements:
Lease agreements for properties, facilities and other fixed assets where Migros Group essentially assumes all risks and rewards connected with ownership are classified and treated as finance leases. The lower of the fair value of the leased asset or the carrying amount of the lease payments is recognised at the beginning of the lease agreement in fixed 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. Fixed assets in finance leases are depreciated over the useful life or the lease term, whichever is shorter.

Operating lease agreements:
Other lease agreements are classified as operating lease agreements. These are not reported in the balance sheet. 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

Finance lease agreements:
Finance lease agreements are concluded by Migros Bank as part of customer lending. Corresponding receivables are reported under other customer receivables.

Operating lease agreements:
Investment property that is leased under operating lease agreements is recognised separately in Migros Group's balance sheet. The rent received is recognised on an accrual basis in other operating income.

Intangible assets

(a) Goodwill

Goodwill arises on the purchase of a company (subsidiary, associate entity, joint venture or business division). It corresponds to the amount by which the cost of the acquisition exceeds Migros Group's share in the fair value for the identified net assets of the company purchased by Migros Group at the acquisition date. Goodwill on the purchase of a company is recognised in intangible assets and amortised on a scheduled basis using the straight line method over a useful life of between 5 and 20 years. Tests as to whether there are any signs of impairment are carried out each year. If there are, an impairment test is carried out. The goodwill paid for associates as well as joint ventures is included in the carrying amount of the investment concerned, which is why the full carrying amount of the investment is tested for impairment. Goodwill is recognised at cost taking account of its amortisation on a straight line basis over the useful life, less any impairment. Any impairment recognised on goodwill cannot be reversed in subsequent periods. On the disposal of an entity, the relevant residual goodwill is accounted for in the operating result.

For the purpose of testing impairment of goodwill, it is allocated to the cash generating units (CGUs, see notes under Fixed assets) or a CGU group.

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 company 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 20 years).

Impairment of assets

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 fixed assets, a respective allocation to the CGU is made.

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

Discontinued operations

Discontinued operations concern activities which have either been sold or where a decision has been made to close the operation. Discontinued operations are disclosed in the Notes.

Payables due to banks

Payables due to banks are measured at their amortised cost, 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, 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 operating leases)".

(b) Derivative financial instruments

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

(c) Other financial liabilities

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

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. At Migros Bank, the difference between cost and repayment amount (nominal amount) is recognised in interest expense over the term in profit and loss, using the straight line amortisation 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 expected to be paid in full 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 the defined benefit plans of the Migros Pension Fund 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. Contributions to defined contribution plans made on a contractual, legal or voluntary basis are recognised directly in profit and loss. Once the contributions owed have been paid, the group has no further obligations.

Within the framework of the statutory employee benefits in Switzerland, independent pension funds prepare annual financial statements in accordance with the relevant provisions (Swiss GAAP FER 26). On the balance sheet date, Migros Group examines whether, in addition to the statutory contributions paid, there is an economic benefit or an economic obligation which would be considered as a pension asset or a pension liability.

(c) Termination benefits

Termination benefits arise when employment is terminated by the employer either before the normal retirement date or as a result of the employee accepting a corresponding offer made by the employer. Examples of such benefits include settlements and benefits under social plans. Termination benefits are recognised as an expense in profit and loss once the employer is no longer able to withdraw the offer of such benefits, or at the time of the earlier recognition of the corresponding restructuring costs.

(d) Other long-term benefits

Other long-term employee benefits are all benefits to employees with the exception of short-term benefits, post-employment benefits (pension obligations) and termination benefits. In Migros Group, these are primarily long-service awards. The amount recognised in the balance sheet corresponds to the nominal value of the obligation thus calculated at the balance sheet date.

All assets and liabilities from employee benefits are stated in an assetm / liability position in the balance sheet. A detailed breakdown is shown in Note 33.

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 accrued on all temporary taxable or tax-deductible differences between the tax and Swiss GAAP FER 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.

Deferred income tax assets 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 taxes are not recognised on temporary differences in connection with investments in subsidiaries and associate entities as well as joint ventures, 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) Minority interests

The minority interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully owned by the group.

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 purchasing or manufacturing costs 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.

4.2 Financial risk management and capital risk management

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 and capital 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 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 for 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, 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 Cooperative Retailing, Commerce, Industry & Wholesaling and Travel 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 the operating result 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 and currency swaps.

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

31.12.2015

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	1'739	97	9	73	18	1'935
Receivables due from banks	205	4	–	–	–	209
Trade receivables	536	121	15	22	12	706
Other receivables	118	30	6	6	0	160
Other financial assets	509	22	9	2	3	543
Total financial assets	**3'106**	**273**	**39**	**103**	**33**	**3'554**
Financial liabilities						
Payables due to banks	–184	–56	–8	–0	–6	–255
Other financial liabilities	–1'848	–0	–	–5	–0	–1'853
Trade payables	–1'300	–283	–34	–12	–4	–1'634
Other liabilities	–1'016	–57	–4	–54	–3	–1'135
Issued debt instruments	–150	–	–	–	–	–150
Total financial liabilities	**–4'498**	**–397**	**–46**	**–72**	**–14**	**–5'027**
Foreign currency net exposure before hedging	**–1'392**	**–123**	**–7**	**31**	**18**	**–1'473**
Foreign currency derivatives		–13	–	–	–	
Foreign currency net exposure after hedging		**–136**	**–7**	**31**	**18**	

31.12.2014

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	2'620	334	78	89	26	3'147
Total financial liabilities	–4'021	–535	–48	–67	–8	–4'680
Foreign currency net exposure before hedging	**–1'401**	**–201**	**30**	**22**	**18**	**–1'533**
Foreign currency derivatives		–573	79	–181	1	
Foreign currency net exposure after hedging		**–774**	**108**	**–159**	**19**	

Results of the sensitivity analysis

If EUR had been 5 % stronger against CHF on 31 December 2015 (31.12.2014: 5 %), the pre-tax earnings would have been CHF 6.8 million lower (31.12.2014: CHF 38.7 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

If USD had been 5 % stronger against CHF on 31 December 2015 (31.12.2014: 5 %), the pre-tax earnings would have been CHF 0.4 million lower (31.12.2014: CHF 5.4 million higher). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

If GBP had been 5 % stronger against CHF on 31 December 2015 (31.12.2014: 5 %), the pre-tax earnings would have been CHF 1.6 million higher (31.12.2014: CHF 8.0 million lower). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings 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 market, bond investments and derivative financial instruments are all subject to interest rate risk that can materially affect the profit and loss and financial position. There are also interest rate risks on the financing side, consisting of variable rate rollover credits from national and international banks, fixed-rate borrowings on the capital market, and variable rate staff investment 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 changes in market interest rates on finance income and cost.

Interest rate risk

31.12.2015

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	1'728	–	0	–	207	1'935
Receivables due from banks	9	200	–	–	–	209
Trade receivables	38	2	–	–	666	706
Other receivables	–	3	0	0	157	160
Other financial assets	120	75	150	35	164	543
Total financial assets	**1'896**	**279**	**151**	**35**	**1'193**	**3'554**
Financial liabilities						
Payables due to banks	–92	–68	–85	–10	–	–255
Other financial liabilities	–1'703	–11	–37	–94	–7	–1'853
Trade payables	–2	–0	–	–	–1'631	–1'634
Other liabilities	–306	–2	–	–	–827	–1'135
Issued debt instruments	–	–	–150	–	–	–150
Total financial liabilities	**–2'104**	**–81**	**–272**	**–105**	**–2'466**	**–5'027**
Interest rate repricing net exposure before hedging	**–208**	**199**	**–121**	**–70**	**–1'273**	**–1'473**
Interest derivatives	–	–	–	–	–	–
Interest rate repricing net exposure after hedging	**–208**	**199**	**–121**	**–70**	**–1'273**	**–1'473**

31.12.2014

CHF million	Interest rate adjustment within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	no-interest bearing	Total
Total financial assets	1'510	272	182	46	1'138	3'147
Total financial liabilities	–2'346	–6	–87	–168	–2'072	–4'680
Interest rate repricing net exposure before hedging	**–837**	**266**	**94**	**–122**	**–934**	**–1'533**
Interest derivatives	–	–	–	–	–	–
Interest rate repricing net exposure after hedging	**–837**	**266**	**94**	**–122**	**–934**	**–1'533**

Results of the sensitivity analysis
If market interest rates had been 0.25 % (25 basis points) higher on 31 December 2015, the pre-tax earnings would have been CHF 0.3 million higher (31.12.2014: CHF 0.6 million). If market interest rates had been 0.25 % lower on 31 December 2015, the pre-tax earnings would have been CHF 0.3 million lower (31.12.2014: CHF 0.6 million). The lower interest rate sensitivity compared to the previous year is due primarily to the lower holding of interest-rate derivatives.

(c) Share price risks

The FMC purchases shares to a lesser extent to invest its liquid resources. These shares are either classified as “current asset securities” or “fixed asset securities”. In the case of “current asset securities”, share price fluctuations have a direct impact on the result. If there are signs of an impairment, “fixed asset securities” are reviewed accordingly and, if necessary, are adjusted in the income statement. In this regard, care is taken to ensure that equity investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by pre-purchase analyses 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. 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:

	2015		2014	
CHF million	Index change	Change in result	Index change	Change in result
MSCI World	4.40 %	5	2.65 %	1

If the equity markets had finished higher by the assumed change to the index on 31 December 2015, the pre-tax earnings would have been CHF 5.0 million higher (31.12.2014: CHF 1.2 million). If the index had been lower by the same amount, the effect on the pre-tax earnings would have been the reverse.

A higher amount of shareholdings in current assets and higher index volatility led to higher income sensitivity to changes in market values in 2015.

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 of 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.

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 markets.

Liquidity risk by contractual maturity, undiscounted (gross)

31.12.2015

CHF million	Maturing within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	1'935	–	–	–	1'935
Receivables due from banks	9	200	0	–	209
Trade receivables	704	2	0	–	706
Other receivables	142	19	2	0	163
Other financial assets					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	84	23	46	–	152
Forward exchange contract gross cash outflow	–83	–22	–43	–	–149
Debt instruments	40	111	137	24	313
Others	138	10	71	61	280
Total other financial assets	**179**	**121**	**211**	**85**	**597**
Total financial assets and other financial assets	**2'969**	**343**	**213**	**86**	**3'611**
Financial liabilities					
Payables due to banks	–91	–66	–86	–13	–255
Other financial liabilities					
Gross liabilities from finance leasing	–3	–8	–58	–157	–226
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	778	132	–	–	909
Forward exchange contract gross cash outflow	–773	–131	–	–	–904
Others	–1'709	–2	–14	–6	–1'731
Total other financial liabilities	**–1'707**	**–9**	**–72**	**–163**	**–1'952**
Trade payables	–1'610	–24	–0	–0	–1'634
Other liabilities	–1'020	–113	–1	–1	–1'135
Issued debt instruments	–	–3	–153	–	–156
Financial guarantees	–55	–3	–0	–1	–59
Irrevocable loan commitments	–2	–	–15	–	–17
Total financial liabilities	**–4'485**	**–218**	**–327**	**–177**	**–5'207**

31.12.2014

CHF million	Maturing within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Total financial assets and other financial assets	**2'398**	**342**	**398**	**273**	**3'411**
Total financial liabilities	**–4'312**	**–208**	**–554**	**–191**	**–5'264**

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.

4.2.2 Capital risk management in the Retail and Industry sector

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

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

Ratios

CHF million	31.12.2015	31.12.2014
Liabilities due to banks	255	226
Other financial liabilities (interest bearing)	2'165	2'231
Issued debt instruments	150	200
Total financial liabilities	**2'570**	**2'657**
Cash and cash equivalents	1'935	1'264
Other financial assets	416	534
Total cash and cash equivalents and other financial assets	**2'351**	**1'798**
Net financial liabilities	**219**	**859**
Total equity (without non-controlling interests)	**14'108**	**13'506**
Ratio of net financial liabilities to equity	**1.6 %**	**6.4 %**
Balance sheet total	**21'323**	**20'709**
Ratio of equity to balance sheet total	**66.2 %**	**65.2 %**

The ratio of net financial liabilities to equity changed by 4.8 % to 1.6 % due to the sharp decrease in net financial liabilities and a slight increase in equity. As the relative increase in equity was higher than the relative increase in the balance sheet total, the ratio between the two increased to 66.2 %.

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 therefore regards financial risk management as one of its core competencies. Banks are also subject to extensive regulatory provisions relating to the individual types of risk, and compliance with those is regularly monitored by the auditors and the supervisory authorities.

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

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

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

Within the Executive Management, the Chief Risk Officer is responsible for daily financial risk management. He 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) as well as 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.

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

Analysis of mortgages and other customer receivables

Breakdown of receivables by rating levels (type of collateral)

	Mortgage receivables (part in %)		Other customer receivables (part in %)		Total (cumulative)	
Internal rating level	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
1	2.2	2.2	3.2	6.6	2.2	2.5
2	16.1	15.7	9.4	6.0	15.8	15.1
3	44.0	43.1	26.7	41.8	42.7	42.8
4	16.3	17.1	36.0	16.9	17.4	17.1
5	20.2	20.1	19.0	24.0	20.2	20.4
6	0.8	1.2	3.7	3.7	1.0	1.4
7	0.1	0.1	0.7	0.4	0.2	0.2
8	0.2	0.2	0.8	0.1	0.3	0.2
9	0.1	0.2	0.1	0.1	0.1	0.2
10	–	0.1	0.4	0.4	0.1	0.1
Total in %	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total in CHF million	**33'580**	**32'570**	**2'528**	**2'650**	**36'107**	**35'219**

The bank estimates that rating levels1 – 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. The mortgage business is the main focus in this regard. 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.

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, the pre-tax earnings would have been CHF 83.4 million lower (31.12.2014: CHF 51.1 million). With a 1 % fall in interest rates, the pre-tax earnings would have been CHF 83.4 million higher (31.12.2014: CHF 51.1 million). Earnings reacted more sensitively to market interest rate changes in 2015 than 2014 since risk exposure increased due to the expiration of interest rate swaps.

(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 limit structure restricts the risk exposure, which is assessed 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 personnel.

To minimise 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 pre-purchase analyses 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. 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 2015, earnings would have been CHF 0.3 million higher (31.12.2014: CHF 0.7 million). If share prices had been 10 % lower on 31 December 2015, pre-tax earnings would have been CHF 0.3 million lower (31.12.2014: CHF 0.7 million).

Due to the reduced share portfolio, a change in share prices in 2015 had little impact on income, as was also the case in 2014.

(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

31.12.2015

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	4'149	212	73	11	74	4'519
Receivables due from banks	10	331	138	–	–	479
Mortgages and other customer receivables	36'081	16	9	0	0	36'107
Other receivables	–	–	–	–	–	–
Other financial assets	509	295	4	2	1	811
Total financial assets	**40'749**	**854**	**225**	**13**	**76**	**41'916**
Financial liabilities						
Payables due to banks	–18	–28	–0	–0	–10	–56
Customer deposits and liabilities	–31'056	–836	–233	–17	–72	–32'215
Other financial liabilities	–2	–	–	–	–	–2
Other liabilities	–105	–	–	–	–	–105
Issued debt instruments	–6'020	–	–	–	–	–6'020
Total financial liabilities	**–37'201**	**–864**	**–233**	**–17**	**–83**	**–38'398**
Foreign currency net exposure before hedging	**3'549**	**–10**	**–9**	**–5**	**–7**	**3'518**
Foreign currency derivatives		1	–0	–	–0	
Foreign currency net exposure after hedging		**–10**	**–9**	**–5**	**–7**	

31.12.2014

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	39'219	926	217	14	87	40'463
Total financial liabilities	–35'783	–951	–230	–19	–95	–37'078
Foreign currency net exposure before hedging	**3'436**	**–25**	**–13**	**–5**	**–8**	**3'385**
Foreign currency derivatives		1	–1	–0	0	
Foreign currency net exposure after hedging		**–24**	**–13**	**–5**	**–8**	

Results of the sensitivity analysis
If EUR had been 5 % stronger against CHF on 31 December 2015, the pre-tax earnings would have been CHF 0.5 million lower (31.12.2014: CHF 1.2 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse. Due to the smaller net position, profit in 2015 reacted less strongly to the higher value of EUR against CHF.

If USD had been 5 % stronger against CHF on 31 December 2015, the pre-tax earnings would have been CHF 0.4 million lower (31.12.2014: CHF 0.7 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse. Due to the smaller net position, profit in 2015 reacted less strongly to the higher value of USD against CHF.

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	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Creditable liquidity	3'902	2'863	4'138	3'267
Required liquidity	211	198	2'424	1'684
Excess liquidity	3'691	2'665	1'714	1'583
Degree of compliance	1'849.3 %	1'446.0 %	170.7 %	194.0 %

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.

Capital adequacy requirements of the Financial Services sector

CHF million	**31.12.2015**	31.12.2014
Capital resources required and creditable as per the banking legislation		
Credit risks	1'314	1'319
Market risks	8	13
Risks not related to counterparties	71	78
Operating risks	90	90
Total capital resources required	**1'483**	**1'500**
Equity as per Swiss GAAP FER	3'356	3'157
Corrections due to banking legislation[1]	–33	–35
Creditable capital resources as per the banking legislation	**3'323**	**3'122**
Excess creditable capital resources	**1'841**	**1'623**
Excess in % of required resources	**124.1**	**108.2**

[1] The difference between equity recognised under Swiss GAAP FER and eligible capital resources under the Banking Act results primarily from the different accounting treatment of debt instruments as part of the other financial assets.

5. Critical accounting estimates and judgements

Estimates and judgements 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 method (DCF) was used to determine the fair value of a number of unlisted current asset securities. The DCF calculation is based on Bloomberg yield curves, taking into account the relevant parameters (rating, maturity, etc.).

(b) Impairment of fixed asset securities

Migros Group follows the guidelines of Swiss GAAP FER 20 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 both the reporting year and the previous year, fixed asset securities were impaired. See Note 7 Net income from the financial services business and Note 13 Finance income and cost.

(c) Useful lives of fixed assets

The useful lives of fixed 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 fixed assets and intangible assets

The recoverability of fixed assets, intangible assets and other non-current 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 26 Fixed assets and Note 27 Intangible assets.

(e) Income tax expense

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.

(f) 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 fiscal 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 and their subsidiaries in Switzerland and abroad (supermarkets and hypermarkets including the tegut Group, wholesale, catering, specialist markets, leisure, health services, 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 and Schild (department stores, men's and ladies' wear), Interio (furniture stores), Gries Deco (home accessories), Digitec Galaxus and Le Shop as well as Dolphin France (internet retail stores), Ex Libris (entertainment media), Office World as well as Iba (office equipment), m-way (electromobility), Migrol and Swisstherm (heating/fuel oils and heat supply) and migrolino (convenience stores).

- **Industry & Wholesaling:**
  Production and sale of goods by Migros Industry companies within and outside of the group as well as by the wholesale businesses Saviva (Scana and Cash+Carry Angehrn) and Lüchinger + Schmid.

- **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).

6.2 Information about operating segments

The internal reporting is completely based on the measurement methods used for the Swiss GAAP FER Group financial statements, according to Note 3.

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

As regards segment assets and segment liabilities, the Financial Services segment differs from the other five operating segments, together forming the Retail and Industry sector of 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, fixed 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 financial assets realizable 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, fixed 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

2015 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	16'134	7'303	1'750	862	1'314	44	27'406	–	27'406
↳ from other segments	513	51	4'129	2	0	84	4'779	–4'779	0
Total income	**16'646**	**7'354**	**5'879**	**864**	**1'314**	**128**	**32'186**	**–4'779**	**27'406**
Operating profit	**534**	**–31**	**154**	**284**	**–15**	**57**	**982**	**–1**	**982**
Segment assets	9'768	2'192	2'388	42'140	24	684	57'196	4'942	62'138
Segment liabilities[2]	22	1'035	270	38'783	–24	510	40'596	4'740	45'336
Other information									
Investments	897	196	195	17	5	46	1'356	–	1'356
Depreciation, amortisation	759	211	209	30	30	39	1'279	–	1'279
Impairment[3]	26	31	7	13	–	–	77	–	77
Reversal of impairment[3]	–0	–0	–1	–18	–	–	–20	–	–20
Other expenditure (income) not affecting liquidity	18	17	10	–	0	0	47	–	47

2014 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	16'365	7'038	1'631	875	1'420	47	27'375	–	27'375
↳ from other segments	501	48	4'110	4	1	95	4'758	–4'758	–
Total income	**16'865**	**7'086**	**5'741**	**878**	**1'420**	**142**	**32'132**	**–4'758**	**27'375**
Operating profit	**623**	**43**	**145**	**281**	**–10**	**51**	**1'133**	**–7**	**1'126**
Segment assets	9'834	1'944	2'407	40'700	57	692	55'633	4'952	60'585
Segment liabilities[2]	714	996	295	37'543	–12	517	40'053	4'562	44'615
Other information									
Investments	1'203	190	182	16	7	45	1'641	–	1'641
Depreciation, amortisation	746	200	191	36	47	43	1'261	–	1'261
Impairment[3]	1	5	16	16	–	–	38	–	38
Reversal of impairment[3]	–3	–1	–1	–9	–	–	–14	–	–14
Other expenditure (income) not affecting liquidity	20	6	6	–	0	1	32	–	32

[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 receivables and other financial assets of the Financial Services segment.

Reconciliation from segment to group statement

Reconciliation of profit

CHF million	2015	2014
Operating profit Total segments	982	1'133
Eliminations	–1	–7
Operating profit Migros Group	**982**	**1'126**
Financial profit	–35	–38
Profit before income tax Migros Group	**947**	**1'087**

Reconciliation of assets

CHF million	2015	2014
Total segment assets	57'196	55'633
Trade payables	1'634	1'525
Non-operative assets	11'236	10'387
Eliminations	–7'927	–6'960
Total assets Migros Group	**62'138**	**60'585**

Reconciliation of liabilities

CHF million	2015	2014
Total segment liabilities	40'596	40'053
Other financial assets realisable at short notice	3'680	3'061
Non-interest-bearing liabilities	4'674	4'593
Eliminations	–3'615	–3'091
Total liabilities Migros Group	**45'336**	**44'615**

6.3 Information by region

Migros Group operates mainly in Switzerland and in some countries abroad. 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 business 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, Italy and North America. The shown long-term assets include investment property, fixed assets and intangible assets held at the respective balance sheet date.

Information by region

			2015			2014
CHF million	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Total income from third parties	24'806	2'601	27'406	24'657	2'717	27'375
Long-term assets	13'028	703	13'730	12'799	758	13'556

Explanations to the income statement

7. Net income from the financial services business

CHF million	2015	2014
Interest income		
Cash and cash equivalents	2	1
Receivables due from banks	2	4
Mortgages and other customer receivables	704	719
Fixed asset securities	9	12
Total interest income	**717**	**736**
Interest expense		
Payables due to banks	–65	–0
Customer deposits and liabilities	–82	–122
Issued debt instruments	–116	–129
Total interest expense	**–264**	**–252**
Impairments on credit business[1]		
Receivables due from banks	–	–
Mortgage receivables	–3	–3
Other customer receivables	–11	–13
Total Impairments on credit business	**–13**	**–16**
Reversals of impairments on credit business[1]		
Receivables due from banks	–	–
Mortgage receivables	4	2
Other customer receivables	15	7
Total reversal of impairments on credit business	**18**	**9**
Net interest income	**458**	**477**
Commission income		
Mortgages and other customer receivables	6	5
Securities and investment business	58	56
Income from other services	37	37
Total commission income	**101**	**98**
Commission expense	–14	–15
Net commission income	**88**	**83**
Income from other financial assets		
Profit (loss) on current asset securities	–2	4
Profit (loss) on fixed asset securities	–	–
Impairment on fixed asset securities	–	–
Reversal of impairments on fixed asset securities	–	0
Dividend income on fixed asset securities	3	3
Currency translation differences, net	41	31
Income from other financial assets	**42**	**39**
Total profit from the financial services business	**588**	**599**
Disclosed in the financial statements of the Migros Group under:		
Income of financial services business	861	873
Expenses of financial services business	–272	–274
Total profit from financial services business	**588**	**599**

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

Despite the higher balance sheet total, the continuing fall in interest rates led to lower net interest income. Impairments and reversals of impairments fall within a long-term variation range.

8. Other operating income

CHF million	2015	2014
Income from advertising services	47	39
Internally generated assets (fixed and intangible)	21	21
Revenue from the disposal of		
↳ Investment property	4	9
↳ Fixed assets	6	8
↳ Intangible assets	3	–
↳ Investments	1	0
Other operating income	264	245
Total other operating income	**345**	**321**

Other operating income includes income from regular sidelines. This income includes government grants amounting to CHF 4.7 million (2014: CHF 4.0 million). Other forms of government grants directly benefiting Migros Group amount to CHF 0.8 million (2014: CHF 0.5 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	2015	2014
Cost of goods and services sold	15'681	15'823
Inventory change	–7	4
Total cost of goods and services sold	**15'674**	**15'827**

Cost of goods and services sold include government grants in favour of Migros Industry (mainly in the form of customs duty refunds and milk refunds) totalling CHF 8.8 million (2014: CHF 9.5 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	2015	2014
Wages and salaries		4'397	4'265
Pension costs	33	436	403
Social insurance and other social security benefits		531	530
Other personnel expenses		245	264
Total personnel expenses		**5'609**	**5'462**

In agreement with the social partners, Migros companies granted salary increases – individually and performance-related – of between 0.7 % and 1.2 % in 2015. Furthermore, the increase in wages and salaries compared to the previous year is due to changes in the scope of consolidation (in particular, the additions of Digitec Galaxus AG, santémed Gesundheitszentren AG and the Lüchinger + Schmid Group). Adjusted for acquisitions, the number of full-time positions increased as a result of expansion at a number of different companies (31 December 2015: 71'658; 31 December 2014: 68'100).

Included among other personnel expenses are expenses for long-service awards and further training of employees.

Personnel expenses include government grants totalling CHF 0.1 million (2014: CHF 0.2 million) shown as a reduction of costs.

11. Depreciation and amortisation

CHF million	Notes	2015	2014
Investment property	25		
↳ Ongoing depreciation & amortisation		7	7
↳ Impairments		–	–
↳ Reversal of impairments		–	–
Total depreciation & amortisation investment property		7	7
Fixed assets	26		
↳ Ongoing depreciation & amortisation		1'115	1'095
↳ Impairments		49	8
↳ Reversal of impairments		–0	–3
Total depreciation & amortisation fixed assets		1'164	1'100
Intangible assets	27		
↳ Ongoing depreciation & amortisation		157	160
↳ Impairments		5	–
↳ Reversal of impairments		–	–
Total depreciation & amortisation intangible assets		162	160
Other Assets			
↳ Ongoing depreciation & amortisation		–	–
↳ Impairments		–0	0
↳ Reversal of impairments		–	–
Total depreciation & amortisation other assets		–0	0
Total depreciation & amortisation			
↳ Ongoing depreciation & amortisation		1'279	1'261
↳ Impairments		53	8
↳ Reversal of impairments		–0	–3
Total depreciation & amortisation		**1'332**	**1'267**

12. Other operating expenses

CHF million	2015	2014
Rental and building-lease cost	816	786
Losses from the disposal of		
↳ Investment property	0	0
↳ Fixed assets	6	4
↳ Intangible assets	–	0
↳ Investments	–0	0
Maintenance	416	411
Energy and consumables	490	496
Advertising	616	562
Administration	401	401
Other operating expenses	793	761
Total other operating expenses	**3'537**	**3'420**

Other operating expenses include costs of services relating to IT, logistics and transportation, as well as levies, fees, property and capital taxes.

13. Finance income and cost

CHF million	2015	2014
Finance income		
Interest income		
Cash and cash equivalents	2	4
Receivables due from banks	1	1
Fixed asset securities	7	8
Loans	2	3
Other interest income	1	3
Total interest income	**14**	**18**
Profit from other financial assets		
Profit (loss) on current asset securities	29	5
Profit (loss) on fixed asset securities	19	6
Dividend income on fixed asset securities	2	3
Currency translation differences, net	–26	–1
Total profit from other financial assets	**25**	**13**
Reversal of impairments on fixed asset securities and receivables due from banks		
fixed asset securities	12	2
Loans	0	2
Receivables due from banks	–	–
Total reversal of impairments on fixed asset securities and receivables due from banks	**12**	**4**
Impairments on fixed asset securities and receivables due from banks		
Fixed asset securities	–23	–7
Loans	–0	–1
Receivables due from banks	–	–
Debt waiver of receivables	–0	–0
Total impairments on fixed asset securities and receivables due from banks	**–24**	**–8**
Total finance income	**28**	**27**
Finance costs		
Interest expense		
Payables due to banks	–4	–6
Issued debt instruments	–3	–4
Other financial liabilities	–0	1
Finance leasing	–8	–8
Provisions: present value adjustments	–0	–1
Other interest expense	–38	–37
Total interest expense	**–54**	**–56**
Other finance costs	–7	–8
Total finance costs	**–61**	**–63**

14. Income tax expense

CHF million	2015	2014
Current income tax expense	221	233
Current income tax expense of previous years	–1	3
Total current income taxes	**220**	**236**
Deferred income tax expense / (income)	–59	15
Changes to income tax rates	–5	10
Total deferred income taxes	**–64**	**25**
Total income tax expense	**155**	**262**

Reconciliation of expected and effective income tax expense

CHF million	2015	2014
Profit before income tax	947	1'087
Weighted average tax rate in	20.2 %	20.1 %
Expected income tax expense	**191**	**219**
Reasons for increase / decrease		
↳ Non-tax-deductible expenses	7	11
↳ Tax-exempted income (incl. income from investments)	–76	–24
↳ Use of non-capitalized tax loss carry forwards	–1	–0
↳ Non-capitalization of deferred income tax assets on period losses	35	25
↳ Non-deductible depreciation / impairments of goodwill	12	11
↳ Tax on gains from disposal of properties (Zurich model)	0	0
↳ Changes to tax rates	–5	10
↳ Income tax expense of previous years	–1	3
↳ Other effects	–7	8
Total effective income tax expense	**155**	**262**
Effective income tax rate	16.4 %	24.1 %

In 2015, the expected income tax expense deviated by CHF + 35.8 million (previous year CHF – 43.3 million) from the effective income tax expense. The increase in the weighted group tax rate from 20.1 % to 20.2 % is in line with normal fluctuations.
The increase in tax-exempted income is the result of the reversal of impairments on deferred tax assets in 2015.

Development of the deferred tax liabilities (net)

CHF million	2015	2014
As per 1 January	**1'379**	**1'333**
Changes to the scope of consolidation	36	21
Recorded through profit and loss	–64	25
Currency translation differences	3	–1
As per 31 December (net)	**1'353**	**1'379**

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	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Reasons for deferred income tax				
Cash and cash equivalents	–	–	–	–
Receivables	1	0	23	9
Inventories	0	0	116	128
Fixed assets	4	3	691	701
Intangible assets	4	6	90	81
Other financial assets	1	3	42	94
Tax losses carry forwards	169	210	–	–
Other assets	0	1	109	95
Liabilities from employee benefits	1	1	1	1
Financial liabilities	24	27	–	1
Other liabilities	6	2	378	372
Total	**209**	**253**	**1'450**	**1'482**
Valuation allowance	–113	–150	–	–
Netting	–47	–45	–47	–45
Total deferred income tax in balance sheet	**49**	**58**	**1'402**	**1'436**

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 Swiss GAAP FER.

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	**31.12.2015**	31.12.2014
Maturity in 1 year	15	52
Maturity in 2 years	22	46
Maturity in 3 years	18	39
Maturity in 4 years	61	43
Maturity in 5 years	38	117
Maturity after 6 years	138	171
No maturity	221	222
Total of unused tax loss carry forwards	**512**	**690**

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 decrease in unused tax loss carry forwards, on which no deferred income tax assets were applied, was due to the restructuring of a group company. The ability to use 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	2015	2014
Culture	29	33
Education / training	61	58
Social	9	8
Leisure and sport	9	12
Economic policy	3	4
Administration	8	7
Special expenditure	–	–
Total expenditure for cultural, social and economic policy purposes	**120**	**122**

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 Swiss GAAP FER, 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	2015	2014
Minimum expenditure required	112	114
Incurred expenditure	120	122
Excess / (shortfall) in expenditure for the financial year	**8**	**9**
Excess / (shortfall) in expenditure for 4-year period	36	32
Culture Percentage reserve as per 31 December	**–**	**1**

In the 2015 financial year, Migros Group's expenditure relating to the Culture Percentage exceeded the minimum specified in the charter by CHF 7.8 million. At Group level, the pre-existing Culture Percentage reserve of CHF 0.9 million was used up in 2015.

The Culture Percentage reserve is part of retained earnings.

16. Discontinued operations

CHF million	**31.12.2015**	31.12.2014
Parameters for discontinued operations (business areas) during the reporting period		
Net revenue from goods and services sold	–	–
Earnings before interest and taxes (EBIT)	–	–
Cash flow from operating activity	–	–

No operations were discontinued as at 31 December 2015 and 31 December 2014.

Explanations to the balance sheet

17. Cash and cash equivalents

CHF million	31.12.2015	31.12.2014
Petty cash / postal accounts / bank accounts	5'826	4'138
Fixed-term deposits with an original maximum maturity of 90 days	103	211
Total cash and cash equivalents	**5'929**	**4'349**

18. Mortgages and other customer receivables

CHF million	31.12.2015	31.12.2014
By type of engagement		
Mortgages		
↳ Residential property	30'041	29'631
↳ Office and commercial property	1'220	1'429
↳ Manufacturing and industry property	1'463	1'402
↳ Other mortgages	868	124
Other customer receivables	2'518	2'713
Total mortgages and other customer receivables (gross)	**36'110**	**35'299**
Provision for impairment	–63	–82
Total mortgages and other customer receivables	**36'048**	**35'217**
By type of collateral		
Mortgages	33'718	32'728
Securities	10	10
Sureties or other collateral	120	102
Unsecured	2'263	2'458
Total mortgages and other customer receivables (gross)	**36'110**	**35'299**
Provision for impairment	–63	–82
Total mortgages and other customer receivables	**36'048**	**35'217**

The sustained demand for real estate loans resulted in an increase in mortgages and customer receivables by CHF 0.8 billion.

Changes to the provision for impairment

	2015			2014		
CHF million	Mortgages	Customer receivables	Total	Mortgages	Customer receivables	Total
As per 1 January	**17**	**66**	**82**	**19**	**78**	**97**
Changes to the scope of consolidation	–	–	–	–	–	–
Impairments	3	11	13	3	13	16
Reversals of impairments	–4	–15	–18	–2	–7	–9
Disposals	–3	–12	–15	–4	–18	–22
Currency translation differences	–	–	–	–	–	–
As per 31 December	**13**	**50**	**63**	**17**	**66**	**82**

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

Impairments and reversals of impairments fall within a long-term variation range.

Pledged or assigned assets and assets under reservations of title

CHF million	31.12.2015	31.12.2014
Mortgages pledged to mortgage bond bank	7'128	7'078
Loans from mortgage bond bank	5'151	4'430

19. Trade receivables and other receivables

CHF million	31.12.2015	31.12.2014
Receivables of goods and services sold	727	711
Other receivables	162	184
Total receivables of goods and services sold and other receivables (gross)	**889**	**895**
Provision for impairment	–27	–27
Total receivables of goods and services sold and other receivables	**862**	**868**

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

Changes to the provision for impairment

CHF million	2015	2014
As per 1 January	**–27**	**–26**
Changes to the scope of consolidation	–1	–2
Impairments	–7	–4
Reversals of impairments	3	4
Disposals	3	1
Currency translation differences	1	0
As per 31 December	**–27**	**–27**
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.

20. Inventories

CHF million	31.12.2015	31.12.2014
Raw materials and consumables	469	441
Work in process	63	62
Finished products	325	313
Goods for resale	1'916	1'892
Legal required stock	23	24
Total inventories (gross)	**2'796**	**2'732**
Provision for impairment	–277	–249
Total inventories	**2'519**	**2'482**
Pledged inventories	–	–

Inventories were subject to impairments totalling CHF 29.3 million (previous year: CHF 31.4 million); reversals of impairments amounted to CHF 1.5 million (previous year: CHF 2.0 million).

21. Other financial assets

CHF million	Derivative financial instruments for trading portfolio	Current asset securities	Fixed asset securities	Loans	Total
Notes	*24*	*22*	*23*		
As per 1 January 2015	**2**	**111**	**1'240**	**110**	**1'463**
Changes to the scope of consolidation	–	0	1	1	2
Additions	–	22	96	264	382
Fair value gains / (losses) through profit and loss	38	5	–0	–1	42
Reclassifications	–	31	–71	–	–40
Disposals	–35	–32	–182	–242	–491
Currency translation differences	–0	–	–0	–1	–1
As per 31 December 2015	**5**	**138**	**1'084**	**133**	**1'359**
Change of provision for impairment					
As per 1 January 2015			**–42**	**–4**	**–46**
Changes to the scope of consolidation			0	–	0
Impairments			–23	–0	–24
Reversals of impairments			12	0	12
Reclassifications			40	–	40
Disposals			13	0	13
Currency translation differences			–	0	0
As per 31 December 2015			**–1**	**–3**	**–5**
Balance sheet value					
1 January 2015	**2**	**111**	**1'198**	**107**	**1'417**
31 December 2015	**5**	**138**	**1'082**	**129**	**1'354**
Additional information about financial instruments					
Pledged financial assets	–	–	–	–	–

Further details on the amounts of the other financial assets disclosed can be found in Notes 22 to 24. Further details on the other financial assets' effects on net income are included in Note 7 Net income from financial services business and Note 13 Finance income and cost.

CHF million	Derivative financial instruments for trading portfolio	Current asset securities	Fixed asset securities	Loans	Total
Notes	*24*	*22*	*23*		
As per 1 January 2014	**111**	**136**	**1'177**	**116**	**1'540**
Changes to the scope of consolidation	–	–	–	–	–
Additions	–	18	371	61	449
Fair value gains / (losses) through profit and loss	98	7	0	–0	105
Reclassifications	–	–	–	–	–
Disposals	–207	–50	–308	–66	–630
Currency translation differences	–0	–	–	–0	–0
As per 31 December 2014	**2**	**111**	**1'240**	**110**	**1'463**
Change of provision for impairment					
As per 1 January 2014			**–57**	**–10**	**–67**
Changes to the scope of consolidation			–	–	–
Impairments			–7	–1	–8
Reversals of impairments			2	2	4
Reclassifications			–	–	–
Disposals			19	5	25
Currency translation differences			–	0	0
As per 31 December 2014			**–42**	**–4**	**–46**
Balance sheet value					
1 January 2014	**111**	**136**	**1'120**	**106**	**1'473**
31 December 2014	**2**	**111**	**1'198**	**107**	**1'417**
Additional information about financial instruments					
Pledged financial assets	–	–	–	–	–

22. Current asset securities

CHF million	31.12.2015	31.12.2014
Debt instruments		
Listed on stock exchanges	–0	8
Not listed	0	0
Total debt instruments	**0**	**8**
Equity instruments		
Listed on stock exchanges	134	100
Not listed	3	4
Total equity instruments	**137**	**103**
Total current asset securities	**138**	**111**

Due to the increased capital market risks, the listed debt instrument portfolio was mostly sold during the reporting year. The increase in listed equity instruments in current assets can be attributed to a reclassification of securities previously reported under non-current assets and intended to be held for the long term.

23. Fixed asset securities

CHF million	31.12.2015	31.12.2014
Debt instruments		
Listed on stock exchanges	952	983
Not listed	49	70
Total debt instruments	**1'001**	**1'053**
Equity instruments		
Listed on stock exchanges	6	114
Not listed	77	73
Total equity instruments	**83**	**187**
Total fixed asset securities (gross)	**1'084**	**1'240**
Provision for impairment	–1	–42
Total fixed asset securities	**1'082**	**1'198**

Due to the increased capital market risks, debt instruments falling into the fixed asset securities category were reduced further both through sales and the decision not to reinvest. The decrease in listed equity instruments can be attributed both to sales and the decision not to reinvest, and to a reclassification into current asset securities due to their being held for another purpose.

24. Derivative financial instruments

	31.12.2015			31.12.2014		
	Replacement values		Contract	Replacement values		Contract
CHF million	positive	negative	volume	positive	negative	volume
Derivative financial instruments recognised						
Trading portfolio						
Interest instruments	–	1	80	–	3	230
Foreign currency instruments	5	5	1'105	2	7	924
Commodity hedging	–	–	–	–	0	3
Equity instruments	–	–	–	–	0	9
Total derivative financial instruments recognised	**5**	**6**	**1'185**	**2**	**10**	**1'166**
Derivative financial instruments not recognised						
Held for cash flow hedge						
Interest instruments	–	–	–	–	–	–
Foreign currency instruments	24	8	1'206	23	179	1'558
Commodity hedging	–	1	10	–	1	3
Held for Fair Value Hedge						
Interest instruments	–	86	7'750	–	44	12'250
Derivative financial instruments concluded in connection with related parties						
Foreign currency instruments - related counterparty[1]	96	38	8'494	169	6	4'713
Foreign currency instruments - third party counterparty[1]	38	96	8'494	6	169	4'713
Total derivative financial instruments not recognised	**157**	**228**	**25'953**	**197**	**398**	**23'236**
Total derivative financial instruments	**162**	**234**	**27'138**	**199**	**407**	**24'402**

[1] Foreign currency hedge contracts concluded between the Federation of Migros Cooperatives and the Migros Pension Fund with full risk tranfer to a third party.

The derivative financial instruments purchased by Migros Group as part of the hedging strategy, and which meet the hedge accounting criteria, are not reported in the balance sheet but instead only recognised upon maturity. Only hedging instruments that do not meet or no longer meet the hedge accounting criteria, as well as fair value hedges, are reported in the balance sheet.

Compared to the previous year, fewer interest rate hedges were carried out for the mortgage portfolio of the Financial Services sector.

The volume of foreign currency hedges was reduced as the result of a change in hedging strategy.

With regard to company acquisitions, Migros Group has the option to acquire further shares. At the same time, the counterparties are given the right to sell. The prices of these buying and selling rights usually correspond to the fair value at the time they are executed. They are therefore not reported in the balance sheet.

25. Investment property

CHF million	2015	2014
Acquisition costs		
As per 1 January	**536**	**522**
Changes to the scope of consolidation	3	–
Additions from		
↳ acquisitions	18	35
↳ capitalised costs	–	–
Reclassifications from / to fixed assets	2	0
Disposals	–39	–22
Currency translation differences	–0	–0
As per 31 December	**519**	**536**
Accumulated depreciation and impairment provision		
As per 1 January	**–156**	**–154**
Changes to the scope of consolidation	–0	–
Depreciation	–7	–7
Impairments	–	–
Reversal of impairments	–	–
Reclassifications	–1	–7
Disposals	6	12
Currency translation differences	0	0
As per 31 December	**–157**	**–156**
Balance sheet value		
1 January	**380**	**368**
31 December	**363**	**380**
Additional information about investment property		
Undeveloped plots of land recognised as investment property		
↳ Acquisition costs	84	77
↳ Accumulated impairment provision	–7	–7
Investment property – finance lease	–	–
Rental income from investment property	19	22
Maintenance and operating costs for investment properties generating rental income during the period	8	8
Maintenance and operating costs for investment properties not generating rental income during the period	1	1
Existence and extent of restrictions with regard to sale	5	4
Contractual obligations to purchase, construct and maintain investment property	–	1

26. Fixed assets

CHF million	Undeveloped land	Land & buildings	Plant, machinery & equipment	Other fixed assets	Assets under construction	Total
Acquisition costs						
As per 1 January 2015	**82**	**11'968**	**11'951**	**1'851**	**387**	**26'239**
Changes to the scope of consolidation	–	50	34	43	1	127
Additions from						
↳ acquisitions	0	195	557	116	413	1'281
↳ capitalized costs	–	0	1	–	7	8
Reclassifications						
↳ within fixed assets	–	118	161	21	–301	–
↳ from / to investment property	–	–2	–0	–	–	–2
Disposals	–	–76	–294	–82	–21	–473
Currency translation differences	–0	–42	–28	–10	–2	–82
As per 31 December 2015	**82**	**12'211**	**12'381**	**1'939**	**485**	**27'099**
Accumulated depreciation and impairment provision						
As per 1 January 2015	**–6**	**–5'058**	**–7'642**	**–1'232**	**–1**	**–13'939**
Changes to the scope of consolidation	–	–4	–21	–23	–	–47
Depreciation	–	–310	–668	–138	1	–1'115
Impairments	–	–0	–39	–10	–	–49
Reversal of impairments	–	–	0	0	–	0
Reclassifications						
↳ within fixed assets	–	–0	–0	0	–	–
↳ from / to investment property	–	1	0	0	–	1
Disposals	–	68	289	79	0	435
Currency translation differences	–	14	10	4	–1	27
As per 31 December 2015	**–6**	**–5'290**	**–8'071**	**–1'321**	**–1**	**–14'688**
Balance sheet value						
1 January 2015	**76**	**6'910**	**4'309**	**619**	**386**	**12'300**
31 December 2015	**77**	**6'921**	**4'311**	**618**	**484**	**12'410**
Additional information about fixed assets						
Fixed assets – finance leasing	–	77	0	2	–	78
Pledged or restricted title of fixed assets	–	688	8	0	0	697
Contractual obligation to purchase construct and maintain fixed assets	–	30	12	2	147	190
Reimbursements / compensation received from third parties	–	–	–	–	–	–

Impairments carried out in 2015 mainly affect the segments Cooperative Retailing and Commerce, which have made impairments on branches and assets following a failure to meet anticipated earnings.

In 2015, Migros Group received government grants for fixed assets of CHF 0.8 million (2014: CHF 0.8 million), which were deducted directly from the costs of the assets concerned.

CHF million	Undeveloped land	Land & buildings	Plant, machinery & equipment	Other fixed assets	Assets under construction	Total
Acquisition costs						
As per 1 January 2014	**80**	**11'557**	**11'471**	**1'813**	**362**	**25'283**
Changes to the scope of consolidation	–	6	131	2	2	141
Additions from						
↳ acquisitions	2	419	668	140	321	1'551
↳ capitalized costs	–	–	0	–	6	7
Reclassifications						
↳ withi fixed assets	–	108	130	22	–259	–
↳ from / to investment property	–	1	0	–0	–25	–24
Disposals	–	–116	–447	–124	–20	–706
Currency translation differences	–	–7	–2	–2	–0	–11
As per 31 December 2014	**82**	**11'968**	**11'951**	**1'851**	**387**	**26'239**
Accumulated depreciation and impairment provision						
As per 1 January 2014	**–6**	**–4'849**	**–7'356**	**–1'228**	**–1**	**–13'439**
Changes to the scope of consolidation	–	–3	–74	–0	–	–77
Depreciation	–	–320	–644	–130	–1	–1'095
Impairments	–	–6	–1	–1	–	–8
Reversal of impairments	–	–	3	0	–	3
Reclassifications						
↳ within fixed assets	–	–3	–2	5	–	–
↳ from / to investment property	–	7	0	0	–	7
Disposals	–	114	433	121	1	668
Currency translation differences	–	2	–1	1	0	2
As per 31 December 2014	**–6**	**–5'058**	**–7'642**	**–1'232**	**–1**	**–13'939**
Balance sheet value						
1 January 2014	**75**	**6'708**	**4'115**	**585**	**361**	**11'843**
31 December 2014	**76**	**6'910**	**4'309**	**619**	**386**	**12'300**
Additional information about fixed assets						
Fixed assets – finance leasing	–	81	0	2	–	83
Pledged or restricted title of fixed assets	–	746	9	0	–	756
Contractual obligation to purchase construct and maintain fixed assets	–	31	13	2	134	179
Reimbursements / compensation received from third parties	–	–	–	–	–	–

Total impairments of CHF 8.0 million carried out in 2014 mainly affect Saviva AG and the Migros Cooperative Vaud, which have made impairments on branches and assets following a failure to meet anticipated earnings.

In 2014, Migros Group received government grants for fixed assets of CHF 0.8 million (previous year: CHF 0.4 million), which were deducted directly from the costs of the assets concerned.

27. Intangible assets

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2015	**675**	**336**	**676**	**229**	**16**	**1'932**
Changes to the scope of consolidation	92	5	114	–	–	211
Additions from						
↳ acquisitions	–	25	8	1	15	49
↳ capitalized costs	–	0	–	–	–	0
Reclassifications	–	3	0	7	–10	–
Disposals	–	–23	–4	–5	–0	–32
Currency translation differences	–3	–3	–16	0	–	–22
As per 31 December 2015	**764**	**344**	**777**	**233**	**21**	**2'138**
Accumulated depreciation and impairment provision						
as per 1 January 2015	**–317**	**–224**	**–315**	**–199**	**–0**	**–1'055**
Changes to the scope of consolidation	–	–4	–0	–	–	–4
Depreciation	–57	–31	–56	–13	–0	–157
Impairments	–3	–1	–0	–	–	–5
Reversal of impairments	–	–	–	–	–	–
Reclassifications	–	–1	–	1	–	–
Disposals	–	22	4	5	–	30
Currency translation differences	3	2	6	0	–	10
As per 31 December 2015	**–374**	**–238**	**–362**	**–206**	**–1**	**–1'181**
Balance sheet value						
1 January 2015	**357**	**112**	**360**	**31**	**16**	**877**
31 December 2015	**390**	**106**	**415**	**27**	**20**	**957**
Additional information about intangible assets						
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets						–

Capitalised development costs mainly comprise the costs of EDP solutions developed in-house (applications, customisation of standard solutions).

Additions from the changes to the scope of consolidation are due to company acquisitions. Details can be found in Note 39.

Additions from acquisitions are mainly investments in goods management and logistics systems as well as in systems for online trading.

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2014	**566**	**352**	**598**	**218**	**14**	**1'748**
Changes to the scope of consolidation	106	5	72	–	–	183
Additions from						
↳ acquisitions	0	21	8	3	16	48
↳ capitalized costs	–	1	–	–	–	1
Reclassifications	–	2	2	10	–14	–
Disposals	–	–44	–4	–1	–	–49
Currency translation differences	3	–0	–1	0	–	1
As per 31 December 2014	**675**	**336**	**676**	**229**	**16**	**1'932**
Accumulated depreciation and impairment provision						
as per 1 January 2014	**–262**	**–216**	**–255**	**–189**	**–0**	**–922**
Changes to the scope of consolidation	–	–4	–4	–	–	–9
Depreciation	–53	–37	–59	–11	–0	–160
Impairments	–	–	–	–	–	–
Reversal of impairments	–	–	–	–	–	–
Reclassifications	–	–0	–	0	–	–
Disposals	–	33	4	1	–	37
Currency translation differences	–2	0	–1	–0	–	–3
As per 31 December 2014	**–317**	**–224**	**–315**	**–199**	**–0**	**–1'055**
Balance sheet value						
1 January 2014	**304**	**137**	**343**	**29**	**14**	**826**
31 December 2014	**357**	**112**	**360**	**31**	**16**	**877**
Additional information about intangible assets						
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets						–

28. Other assets

CHF million	31.12.2015	31.12.2014
Prepayments	92	142
Real estate from collateral loans[1]	3	4
Accrued interest income	13	16
Other accured income	129	120
Total other assets	**237**	**283**

[1] From financial services segment.

29. Other financial liabilities

CHF million	Notes	31.12.2015	31.12.2014
Liabilities from finance leases		118	123
Derivative financial instruments	*24*	6	10
Staff accounts		0	–
Staff investment accounts		1'708	1'686
Other financial liabilities		22	13
Total other financial liabilities		**1'855**	**1'832**

The staff investment accounts earn interest at a preferential rate. The rate is equivalent to Migros Bank's variable interest rate for first-ranking 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 withdrawals over CHF 25'000. Lower maximum limits apply from 1 January 2016.

Liabilities from finance leases

	31.12.2015			31.12.2014		
CHF million	Nominal	Discount[1]	Present value[2]	Nominal	Discount[1]	Present value[2]
Remaining contract terms						
Up to one year	11	7	4	13	8	5
More than one and up to five years	58	34	24	54	34	20
More than five years	157	67	90	172	74	98
Total liabilities from finance leases	**226**	**108**	**118**	**239**	**115**	**123**

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

Additional information about finance leases

CHF million	31.12.2015	31.12.2014
Contingent lease payments recorded in the income statement	5	4
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 leasing agreements which, due to their economic content, have been classified as operating leasing agreements. See also Note 36.

30. Trade payables and other liabilities

CHF million	31.12.2015	31.12.2014
Trade payables	1'634	1'525
Other liabilities	847	961
Accrued expenses		
↳ Course fees of Club Schools	58	58
↳ Rent	6	8
↳ Interest	67	45
↳ Other accrued expenses	259	283
Total trade payables and other liabilities	**2'870**	**2'878**

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

31. Provisions

CHF million	Guarantees	Restructuring	Onerous contracts	Legal cases	Insured claims	Others	Total
As per 1 January 2014	**15**	**4**	**24**	**26**	**10**	**50**	**128**
Changes to scope of consolidation	–	–	–	0	–	2	2
Addition	17	2	10	3	8	24	63
Usage	–16	–1	–7	–4	–4	–8	–39
Release	–0	–1	–4	–2	–3	–19	–29
Unwinding of discounts	–	–	0	–	–	0	1
Reclassification	–	–	–	–	–	–	–
Currency translation differences	0	0	0	0	–	–0	–0
As per 31 December 2014	**16**	**3**	**23**	**22**	**11**	**49**	**124**
Of which current	16	3	4	21	11	16	71
As per 1 January 2015	**16**	**3**	**23**	**22**	**11**	**49**	**124**
Changes to scope of consolidation	0	–	0	–	–	0	1
Addition	16	10	7	2	5	20	60
Usage	–18	–1	–5	–20	–5	–9	–59
Release	–0	–1	–0	–1	–3	–9	–15
Unwinding of discounts	–	–	0	–	–	0	0
Reclassification	–	–	–	–	–	–	–
Currency translation differences	–0	–	–0	–0	–	–1	–1
As per 31 December 2015	**14**	**11**	**25**	**3**	**8**	**50**	**111**
Of which current	10	5	4	2	4	14	40

Overall, provisions as at 31 December 2015 are slightly lower than as at 31 December 2014.

Provisions for restructuring increased in the 2015 financial year due to recently decided and communicated restructuring measures, especially in the case of Magazine zum Globus.

Provisions from onerous contracts mainly refer to rented property of the Cooperatives.

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

Due to lower provisions at Migros Bank, provisions for legal cases are well below those of the previous year.

The other provisions are of various kinds.

32. Issued debt instruments

CHF million	31.12.2015	31.12.2014
Long-term bonds issued	150	400
Mortgage backed loans[1]	5'151	4'430
Medium-term bonds[1]	869	952
Private placements	–	50
Total issued debt instruments	**6'170**	**5'832**
Of which subordinated	–	–

[1] From financial services segment.

No payment defaults or contract infringements occurred in issued debt instruments either during the reporting year or the 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
Federation of Migros Cooperatives	11'760'647	2011	2.00 %	2.08 %	CHF	03.05.2017	150
Total long-term bonds issued							**150**

One long-term bond from Migros Bank with a nominal value of CHF 250.0 million reached maturity during the reporting year. No new long-term bonds were issued.

33. Assets and liabilities from employee benefits

A number of different pension plans are available for Migros Group employees. The majority of Migros Group employees are insured under a defined benefit Swiss pension fund. Under the Swiss Federal Law on Occupational Old Age, Survivors' and Disability Pension Plans (BVG), employees insured in Switzerland are insured against the risks of old age, death and disability in various legally independent pension funds. The largest pension funds are the Migros Pension Fund, the Globus Group Pension Fund, the Denner Pension Fund and the Employee Pension Foundation Travel.

These pension funds are foundations which are legally separate from Migros Group and whose executive bodies are made up equally of employer and employee representatives. The executive bodies determine, among other things, the amount of pension benefits as well as the investment strategy for pension plan assets, based on an asset liability study carried out at regular intervals. The asset liability studies are based on the pension obligations calculated in accordance with statutory pension provisions, since the former are authoritative for cash flows. The regulations drawn up by the executive bodies as part of the statutory investment provisions also form the basis for the way in which the assets of the pension plans are invested. Responsibility for their implementation lies with the investment committees of the executive bodies concerned. The management board of each pension fund is entrusted with the investment of the assets.

The benefits provided by the pension plans are significantly higher than the minimum level prescribed by law. If an insured party leaves either Migros Group or the corresponding pension plan before reaching retirement age, the vested benefits acquired on the basis of statutory pension provisions are transferred to the insured party's new pension provision solution. In addition to the funds brought into the pension plan by the insured party, the vested benefits also include employee and employer contributions as well as a mandatory premium. Upon reaching retirement age, the insured party can choose whether to draw their benefits in the form of an annuity or as a lump sum. Within the context of the financial options available to a pension plan, and in accordance with statutory pension provisions, pensions must be adapted in line with inflation.

Assets from employee benefits

CHF million	31.12.2015	31.12.2014
Short-term benefits	38	39
Post-employment benefits	0	1
Employer contribution reserves	560	492
Economic benefit from pension funds	–	–
Total assets from employee benefits	**598**	**531**

Employer contribution reserve

CHF million	Pension funds	patronage funds / patronage pension institutions	Total
Nominal Value			
As per 1 January 2015	**492**	**–**	**492**
Accumulation of employer contribution reserves	77	–	77
Use of employer contribution reserves	–9	–	–9
Interest income	0	–	0
As per 31 December 2015	**560**	**–**	**560**
Granted renounced use			
As per 1 January 2015	**–**	**–**	**–**
Granted renounced use in the reporting period	–	–	–
Reversed renounced use in the reporting period	–	–	–
As per 31 December 2015	**–**	**–**	**–**
Total employer contribution reserves 31 December 2015	**560**	**–**	**560**
Nominal Value			
As per 1 January 2014	**459**	**–**	**459**
Accumulation of employer contribution reserves	61	–	61
Use of employer contribution reserves	–29	–	–29
Interest income	1	–	1
31 December 2015	**492**	**–**	**492**
Granted renounced use			
As per 1 January 2014	**–**	**–**	**–**
Granted renounced use in the reporting period	–	–	–
Reversed renounced use in the reporting period	–	–	–
As per 31 December 2014	**–**	**–**	**–**
Total employer contribution reserves 31 December 2014	**492**	**–**	**492**

The employer contribution reserve is formed from pension contributions paid by the employer in advance. The employer can derive an economic benefit from the reserve in the form of reduced future contributions, provided that the employer has not granted any conditional waiver of use.

Liabilities from employee benefits

CHF million	31.12.2015	31.12.2014
Short-term benefits	256	260
Termination benefits	8	10
Post employment benefits	138	160
Other long-term benefits	429	422
Economic obligation from pension funds	–	–
Total liabilities from employee benefits	**831**	**853**

Economic benefit / Economic obligation from pension funds

	Surplus / Deficit	Economical part of Migros Group		Change resulting in profit compared to previous periode resp. recognised in the reporting period	Contributions concerning current period	Pension benefit expenses current period	
CHF million	12/31/2015	12/31/2015	12/31/2014	2015	2015	2015	2014
Patronage funds / patronage pension institutions	–	–	–	–	–	–	–
Pension institutions without surplus / deficit	–	–	–	–	16	16	10
Pension institutions with surplus	350	–	–	–	407	407	378
Pension institutions with deficit	–	–	–	–	–	–	–
Pension institutions without own assets	–	–	–	–	13	13	15
Total	**350**	**–**	**–**	**–**	**436**	**436**	**403**

Migros Group pension funds posted a surplus.
The surplus is of no economic benefit to the employer.

			2015	2014
CHF million	Switzerland	Abroad	Total	Total
Employer contribution				
Contributions concerning current periode	413	14	427	375
Employer contributions accumulated by the employer contribution reserve	9	–	9	29
Total employer contribution	**422**	**14**	**436**	**404**
Change in employer contribution reserve by asset development, provision for impairment etc.	0	–	0	–1
Employer contribution and change in employer contribution reserve	**422**	**14**	**436**	**403**
Change in economic part due to surplus / deficit	–	–	–	–
Change in obligation pension institutions without own assets	–	0	0	–
Pension benefit expenses current period	**422**	**14**	**436**	**403**

34. Cooperative capital

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--/40.--	Total share certificates
1 January 2014	**2'137'076**	**166**	**2'137'242**
Change in share certificates	18'362	–14	18'348
31 December 2014	**2'155'438**	**152**	**2'155'590**
Change in share certificates	10'806	–12	10'794
31 December 2015	**2'166'244**	**140**	**2'166'384**

Change in Cooperative capital CHF thousand			
1 January 2014	**21'371**	**3**	**21'374**
Change in Cooperative capital	183	–	183
31 December 2014	**21'554**	**3**	**21'557**
Change in Cooperative capital	108	0	108
31 December 2015	**21'662**	**3**	**21'665**

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

35. Balance sheet maturities

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

			31.12.2015			31.12.2014
CHF million	Current assets	non-current assets	Total	Current assets	non-current assets	Total
ASSETS						
Cash and cash equivalents	5'929	–	5'929	4'349	–	4'349
Receivables due from banks	487	200	687	1'575	95	1'671
Mortgages and other customer receivables	9'243	26'805	36'048	9'076	26'141	35'217
Trade receivables	702	–	702	686	–	686
Other receivables	159	1	160	182	0	182
Inventories	2'519	–	2'519	2'482	–	2'482
Other financial assets	345	1'009	1'354	113	1'304	1'417
Investment in associates and joint ventures	–	88	88	–	142	142
Investment property	–	363	363	–	380	380
Fixed assets	–	12'410	12'410	–	12'300	12'300
Intangible assets	–	957	957	–	877	877
Assets from employee benefits	38	560	598	39	492	531
Current income tax receivables	37	–	37	11	–	11
Deferred income tax assets	–	49	49	–	58	58
Other assets	237	–	237	283	–	283
TOTAL ASSETS	**19'696**	**42'442**	**62'138**	**18'796**	**41'789**	**60'585**

CHF million	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
LIABILITIES						
Payables due to banks	130	122	252	148	135	283
Customer deposits and liabilities	31'690	–	31'690	31'237	–	31'237
Other financial liabilities	1'714	141	1'855	1'714	118	1'832
Trade payables	1'634	–	1'634	1'525	0	1'525
Other liabilities	1'236	–	1'236	1'354	–	1'354
Provisions	40	71	111	71	53	124
Issued debt instruments	488	5'682	6'170	794	5'039	5'832
Lliabilities from employee benefits	260	572	831	266	586	853
Current income tax payables	155	–	155	141	–	141
Deferred income tax liabilities	–	1'402	1'402	–	1'436	1'436
TOTAL LIABILITIES	**37'347**	**7'989**	**45'336**	**37'248**	**7'367**	**44'615**

36. Operating leasing

Migros Group as lessee

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

CHF million	**31.12.2015**	31.12.2014
Remaining contract terms		
Up to one year	765	748
More than one and up to five years	2'447	2'459
More than five years	2'654	2'819
Total future liabilities from operating leases	**5'866**	**6'025**
Minimum lease payments	803	772
Contingent lease payments	15	16
Income from sub-lease relationships	–60	–76
Net payments from operating leases and sub-lease contracts affecting net income	**757**	**712**
Expected future payments from sub-lease contracts	222	229

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	**31.12.2015**	31.12.2014
Remaining contract terms		
Up to one year	227	239
More than one and up to five years	600	705
More than five years	210	438
Total future receivables from operating leases	**1'037**	**1'383**
Contingent lease payments received	8	7

Future receivables from operating leases include payments that 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.

37. Off-balance-sheet transactions

Migros Group and its subsidiaries continually face legal disputes, claims and actions that usually originate from normal business activity. No major liabilities are expected inc onnection with this which are not already taken into account by corresponding provisions (see Note 31). The Board of Directors is not aware of any new facts since the last balance sheet date that could significantly influence the 2015 annual financial statements. Most of the contingent liabilities originate from the operational banking business of Migros Bank.

Contingent liabilities

CHF million	31.12.2015	31.12.2014
Contingent liabilities from the financial services business		
Guarantees for loans and similar instruments	1	2
Performance guarantees and similar instruments	74	123
Contractual loan commitments	753	577
Capital commitments	51	52
Total contingent liabilities from the financial services business	**879**	**753**
Other contingent liabilities		
Guarantees	58	60
Sureties	1	1
Others	53	55
Total other contingent liabilities	**112**	**117**

Contingent liabilities from the financial services business are part of the normal course of customer business and are higher than in the previous year. Other contingent liabilities mainly include guarantees issued by the Hotelplan Group for the travel business and remain at the same level as the previous year.

In the Travel segment, Migros Group faces a legal dispute arising from the termination of its contract with Germania Flug AG. Migros Group does not anticipate any obligations from this lawsuit as it does not consider the termination of the working relationship as a breach of contract. For this reason, there is no need to recognise a provision.

Contingent assets

CHF million	31.12.2015	31.12.2014
Total contingent assets	**–**	**–**

There were no contingent assets as at 31 December 2015.

Fiduciary placements

CHF million	31.12.2015	31.12.2014
Fiduciary placements with third party banks for account of the customers	**9**	**9**

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

38. Information about relationships with related parties

31.12.2015 CHF million	Associates	Joint ventures	Key mananagement personnel[1]	Pension funds	Other related parties[2]	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	10	10
Mortgages and other customer receivables	37	–	9	0	0	46
Trade receivables	1	–	–	0	0	1
Other receivables	–	–	–	–	2	2
Other financial assets	13	2	–	–	41	56
Provision for impairment	–	–	–	–	–	–
Other assets	–	–	–	8	0	8
Customer deposits and liabilities	–1	–	–	–203	–0	–204
Other financial liabilities	–	–	–	–	1	1
Trade payables	–1	–	–	–	–0	–1
Other liabilities	–	–	–	–288	–9	–297
Provisions	–2	–	–	–	–	–2
Income statement						
Net revenue from goods and services sold	15	–	0	–	1	16
Other operating income	0	0	–	0	5	5
Result from financial services	1	–	0	0	0	1
Expenses of financial services	–0	–	–	–0	–0	–0
Cost of goods and services sold	–0	–4	–	–0	–0	–4
Other operating expenses	–1	–	–	–25	–13	–39
Recognized impairment expenses	–	–	–	–	–	–
Finance income	1	0	–	464	–2	463
Finance cost	–0	–	–	–725	2	–724
Off-balance-sheet transactions						
Issued guarantees	–	–	–	–	–	–
Irrevocable loan commitments	–	–	–	–	–	–
Entered future liabilities for the purchase of						
↳ inventories	–	–	2	–	–	2
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets[3]	–	–	–	–	–	–
Entered future liabilities for the supply of						
↳ inventories	–	–	–	–	–	–
Future liabilities arising from operating lease-commitments	–1	–	–	–357	–10	–368
Future receivables arising 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. 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.
[2] Other related entities include foundations such as Eurocentres and the "Im Grünen" foundations.
[3] Non-current assets include investment property, fixed assets and intangible assets.

The sharp increase in customer deposits in pension schemes can be attributed to the increase in the investment of funds with Migros Bank, as the latter does not charge any negative interest unlike most other banks.

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

The gains achieved from foreign currency derivatives concluded in connection with pension funds are included in finance income and expense. These gains are squared by offsetting third-party transactions (see derivatives not entered in the balance sheet in connection with related parties Note 24).

31.12.2014 CHF million	Associates	Joint ventures	Key mananage-ment personnel[1]	Pension funds	Other related parties[2]	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	71	71
Mortgages and other customer receivables	4	–	9	–	–	13
Trade receivables	1	–	–	0	–	1
Other receivables	–	–	–	0	2	2
Other financial assets	9	3	–	–	20	33
Provision for impairment	–	–	–	–	–	–
Other assets	–	–	–	3	0	3
Customer deposits and liabilities	–	–	–	–9	–6	–15
Other financial liabilities	–	–	–	–	–	–
Trade payables	–1	–	–	–	–1	–2
Other liabilities	–	–	–	–379	–15	–393
Provisions	–2	–	–	–0	–	–2
Income statement						
Net revenue from goods and services sold	20	–	0	0	1	22
Other operating income	0	0	–	0	8	8
Result from financial services	–	–	0	–	0	0
Expenses of financial services	–	–	–	0	0	0
Cost of goods and services sold	–0	–4	–	–0	0	–4
Other operating expenses	–1	–	–	–25	–17	–43
Recognized impairment expenses	–	–	–	–	–	–
Finance income	4	0	–	–150	0	–146
Finance cost	–	–	–	254	–0	254
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 arising from operating lease-commitments	–2	–	–	–351	–11	–364
Future receivables arising 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. 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.
[2] Other related entities include foundations such as Eurocentres and the «Im Grünen» foundations.
[3] Non-current assets include investment property, fixed assets and intangible assets.

Personnel expenses of key management personnel

CHF million	2015	2014
Short-term benefits	13	13
Post-employment benefits	2	2
Other long-term benefits	0	0
Termination benefits	–	–
Total personnel expenses of key management personnel	**15**	**14**

39. Acquisition and disposal of subsidiaries and business operations

Acquisition of subsidiaries and business operations in 2015

Fair Value[1] CHF million	Note	Segment Cooperative Retailing	Segment Industry & Wholesaling	Segment Commerce	Total
Cash and cash equivalents		8	15	16	39
Receivables		20	28	46	94
Inventories		3	13	59	75
Other financial assets		1	2	0	2
Fixed assets and investment property		27	46	9	82
Intangible assets (w / o goodwill)		4	4	107	115
Deferred income tax assets		0	–	0	1
Other assets		1	3	1	5
Financial liabilities		−33	−13	−47	−93
Trade payables		−3	−22	−25	−50
Provisions		−1	−0	−0	−1
Deferred income tax liabilities		−1	−7	−28	−36
Other liabilities		−8	−7	−8	−23
Addition net assets		**18**	**62**	**132**	**211**
Minority interests					−45
Goodwill	*27*				92
Cost of acquisition					**259**
Of which attributable to capital investment					–
Of which interests held before acquisition date					−61
Acquired cash and cash equivalents[2]					−39
Future obligations					−1
Net outflow of funds					**157**

[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 2015, a number of acquisitions were made in the Cooperative Retailing segment, including in the areas of golf (Golf Limpachtal) and health (santémed Gesundheitszentren AG), and several fitness centres were purchased. In the Industry & Wholesaling segment, the main acquisitions were the Lüchinger + Schmid Group as well as several companies in the body care and meat processing sectors. Finally, in the Commerce segment, Migros Group obtained a majority interest in the Galaxus Group, previously held as an associate, and also acquired a majority shareholding in Swisstherm AG.

Since their acquisition on 1 April 2015 and 1 January 2015 respectively, Digitec Galaxus and the Lüchinger + Schmid Group have contributed sales of CHF 498.9 million and CHF 184.1 million. Since being purchased, the other companies and business operations have generated sales of CHF 113.8 million. Had these acquisitions taken place at the beginning of the financial year, they would have generated sales of around CHF 1 billion for Migros Group.

A lack of information relating to the financial statements of the soft adventure provider Explore Worldwide and the diving specialist Regaldive means that the acquisitions made by Hotelplan Group on 1 December 2015 can only be included in 2016.

Acquisition of subsidiaries and business operations in 2014

Fair Value[1] CHF million	Note	Segment Cooperative Retailing	Segment Industry & Wholesaling	Segment Commerce	Total
Cash and cash equivalents		7	1	17	24
Receivables		1	16	3	20
Inventories		1	15	14	30
Other financial assets		–	0	13	13
Fixed assets and investment property		23	10	32	64
Intangible assets (w / o goodwill)		20	6	42	68
Deferred income tax assets		–	4	–	4
Other assets		1	1	3	4
Financial liabilities		–	–10	–81	–91
Trade payables		–1	–10	–17	–28
Provisions		0	–	–2	–2
Deferred income tax liabilities		–7	–0	–18	–25
Other liabilities		–7	–4	–11	–21
Addition net assets		**38**	**28**	**–5**	**61**
Minority interests					–10
Goodwill	*27*				106
Cost of acquisition					**158**
Of which attributable to capital investment					–
Of which interests held before acquisition date					–
Acquired cash and cash equivalents[2]					–24
Future obligations					–0
Net outflow of funds					**134**

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 2014, the scope of consolidation in the Cooperative Retailing segment was expanded following the acquisition of the Ospena Group AG (formerly Molino AG). Whereas changes in the Commerce segment mainly related to the takeover of Schild-Gruppe, the increase in the scope of consolidation in the Industry & Wholesaling segment was primarily the result of the acquisition of SweetWorks Confections LLC and Oak Leaf Confections Co.

Schild-Gruppe has generated sales of CHF 169.6 million since its acquisition on 1 January 2014. Since their acquisition, the other companies and business operations have generated sales of CHF 111.8 million. Had these acquisitions taken place at the beginning of the financial year, they would have generated sales of CHF 166.5 million for Migros Group.

Disposal of subsidiaries

In 2015 and 2014, Migros Group did not dispose of any subsidiaries or business operations.

40. Foreign exchange rates

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

	Year-end rates		Average rates for the year	
	31.12.2015	31.12.2014	**2015**	2014
1 EUR	1.09	1.20	1.06	1.21
1 GBP	1.48	1.55	1.47	1.51
1 USD	1.00	0.99	0.96	0.92

41. Events after the balance sheet date

No significant events after the balance sheet date took place 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.

42. 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	5'019.8	P
BEEF2go AG	Berne	E	Switzerland	CHF	100.0	50.0
cha chà AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
Culinart Gastro AG	Moosseedorf	F	Switzerland	CHF	4'000.0	100.0
FlowerPower Fitness und Wellness AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
Golf Limpachtal Betriebs- und Verwaltungs AG	Buchegg	F	Switzerland	CHF	100.0	100.0
LFS AG	Moosseedorf	F	Switzerland	CHF	200.0	100.0
Neue Brünnen AG in Liquidation	Berne	F	Switzerland	CHF	1'000.0	100.0
Public Golf Bucheggberg AG	Buchegg	F	Switzerland	CHF	4'004.0	54.4
Shopping-Center Brünnen AG	Berne	F	Switzerland	CHF	918.0	100.0
Shoppyland, Shoppy AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Time-Out AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
VOI AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Basel	Basel	F	Switzerland	CHF	1'684.7	P
Migros Deutschland GmbH	DE-Lörrach	F	Other countries	EUR	100.0	100.0
Semiba AG	Münchenstein	F	Switzerland	CHF	100.0	100.0
Mifu GmbH	Basel	F	Switzerland	CHF	120.0	100.0
Migros Cooperative Geneva	Carouge	F	Switzerland	CHF	1'296.9	P
Centre Balexert SA	Vernier	F	Switzerland	CHF	500.0	100.0
GRANDS PRES DEVELOPPEMENT (GPD) SA[3]	Collonge-Bellerive	E	Switzerland	CHF	100.0	50.0
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
NEYDDEVELOPPEMENT SASU	FR-Neydens	F	Other countries	EUR	1.0	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 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 Neydloisirs	FR-Neydens	F	Other countries	EUR	1.0	100.0
Société immobilière du Marché de gros de l'alimentation (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	1'863.5	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	La Tène	F	Switzerland	CHF	1'217.2	P
Au Léopold SA	La Tène	F	Switzerland	CHF	100.0	100.0
AVRY CENTRE SA	Avry	F	Switzerland	CHF	2'000.0	100.0
Marin Centre SA	La Tène	F	Switzerland	CHF	17'300.0	100.0
Strega SA	La Tène	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	4'101.8	P
Medbase AG	Winterthur	F	Switzerland	CHF	2'670.1	100.0
medbase Olten GmbH	Olten	F	Switzerland	CHF	20.0	70.0
Migros Vita AG	Gossau SG	F	Switzerland	CHF	7'620.0	100.0
Parking Wattwil AG	Wattwil	F	Switzerland	CHF	3'550.0	65.5
Randenburg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400.0	78.6
santémed Gesundheitszentren AG	Winterthur	F	Switzerland	CHF	2'500.0	70.0
Società Cooperativa fra produttori e consumatori Migros-Ticino	Sant'Antonino	F	Switzerland	CHF	939.1	P
ACTIV FITNESS TICINO SA	Sant'Antonino	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	787.6	P

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1'527.3	P
Kornhof Sàrl	Ecublens	F	Switzerland	CHF	2'000.0	100.0
Parking des Remparts SA	La Tour-de-Peilz	E	Switzerland	CHF	3'600.0	33.3
Parking Pré de la Tour S.A. Pully	Pully	E	Switzerland	CHF	4'409.0	28.0
Migros Cooperative Zurich	Zurich	F	Switzerland	CHF	3'227.5	P
ACTIV FITNESS AG	Stäfa	F	Switzerland	CHF	650.0	100.0
Ospena Group Ltd	Zurich	F	Switzerland	CHF	2'500.0	100.0
Marinello AG	Zurich	F	Switzerland	CHF	500.0	100.0
GMZ Deutschland Holding GmbH	DE-Munich	F	Other countries	EUR	20'000.0	100.0
KAIMUG GmbH	DE-Munich	E	Other countries	EUR	32.2	35.0
Migros Freizeit Deutschland GmbH	DE-Munich	F	Other countries	EUR	1'000.0	100.0
INLINE Unternehmensberatung für Fitness- und Wellnessanlagen GmbH	DE-Dorsten	E	Other countries	EUR	25.6	30.0
tegut… gute Lebensmittel GmbH & Co. KG	DE-Fulda	F	Other countries	EUR	1'000.0	100.0
tegut… Holding GmbH	DE-Munich	F	Other countries	EUR	20'000.0	100.0
tegut… Immobilien GmbH	DE-Fulda	F	Other countries	EUR	1'636.2	100.0
tegut… Logistik GmbH & Co. KG	DE-Fulda	F	Other countries	EUR	1'005.5	100.0
tegut… Vertriebs GmbH & Co. Handels KG	DE-Fulda	F	Other countries	EUR	100.0	100.0
tegut… Verwaltungs GmbH	DE-Munich	F	Other countries	EUR	100.0	100.0
Federation of Migros Cooperatives Owned by the regional Migros Cooperatives	Zurich	F	Switzerland	CHF	15'000.0	100.0
Cremesso AG	Zurich	F	Switzerland	CHF	100.0	100.0
Migros Beteiligungen AG	Rüschlikon	F	Switzerland	CHF	1'000.0	100.0
Migros (Hong Kong) Ltd.	HK-Kowloon	F	Other countries	HKD	100.0	100.0
Migros Consulting Services (Shenzhen) Co. Ltd.	CN-Shenzhen	F	Other countries	CNY	626.0	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	Berne	F	Switzerland	CHF	60.0	100.0
Sportxx AG	Zurich	F	Switzerland	CHF	100.0	100.0
SSP-Informatik AG	Zurich	F	Switzerland	CHF	100.0	100.0
Commerce						
Denner AG	Zurich	F	Switzerland	CHF	15'000.0	100.0
DEPOT CH AG	Winterthur	F	Switzerland	CHF	1'000.0	100.0
EG Dritte Kraft AG	Zug	F	Switzerland	CHF	600.0	100.0
Ex Libris AG	Dietikon	F	Switzerland	CHF	3'000.0	100.0
Gries Deco Holding GmbH	DE-Niedernberg	F	Other countries	EUR	63.0	90.0
Gries Deco Company GmbH	DE-Niedernberg	F	Other countries	EUR	51.0	90.0
DEPOT Handels GmbH	AT-Vienna	F	Other countries	EUR	35.0	90.0
Einkaufsgesellschaft Hongkong	CN-Hongkong	F	Other countries	HKD	25.0	90.0
digitec AG	Zurich	F	Switzerland	CHF	100.0	70.0
Digitec Galaxus AG	Zurich	F	Switzerland	CHF	240.0	70.0
Galaxus AG	Wohlen AG	E	Switzerland	CHF	360.0	70.0
Dolphin France SAS (Probikeshop)	FR-Saint Etienne	F	Other countries	EUR	226.0	51.0
E-PROCALL SASU	FR-Saint Etienne	F	Other countries	EUR	50.0	51.0
E-PROLOG SASU	FR-Saint Priest	F	Other countries	EUR	100.0	51.0
Interio AG	Dietikon	F	Switzerland	CHF	1'000.0	100.0
Le Shop S.A.	Ecublens	F	Switzerland	CHF	4'500.0	96.2

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Magazine zum Globus AG	Spreitenbach	F	Switzerland	CHF	33'000.0	97.7
m-way ag	Opfikon	F	Switzerland	CHF	1'000.0	100.0
moso GmbH	AT-Innsbruck	E	Other countries	EUR	22.0	49.0
Sharoo AG	Opfikon	F	Switzerland	CHF	900.0	55.6
Migrol AG	Zurich	F	Switzerland	CHF	52'000.0	100.0
Swisstherm AG	Rupperswil	F	Switzerland	CHF	400.0	90.0
Widmer AG Brenn- und Treibstoffe	Oftringen	F	Switzerland	CHF	200.0	100.0
migrolino AG	Suhr	F	Switzerland	CHF	6'000.0	100.0
cevastore GmbH	Suhr	F	Switzerland	CHF	50.0	100.0
OWiba AG	Bolligen	F	Switzerland	CHF	100.0	100.0
Iba AG	Bolligen	F	Switzerland	CHF	1'000.0	100.0
Office World AG	Zurich	F	Switzerland	CHF	1'000.0	100.0
Tramondi Büro AG	Hägendorf	F	Switzerland	CHF	100.0	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	1'000.0	20.0
Bischofszell Nahrungsmittel AG	Bischofszell	F	Switzerland	CHF	6'000.0	100.0
gastina GmbH	AT-Frastanz	F	Other countries	EUR	2'236.3	100.0
Chocolat Frey AG	Buchs AG	F	Switzerland	CHF	4'000.0	100.0
Chocolat Frey Canada Ltd	CA-Vancouver	F	Other countries	CAD	5'781.5	100.0
Chocolat Frey USA Ltd	US-Delaware	F	Other countries	USD	3'784.0	100.0
Oak Leaf Confections Co	CA-Halifax	F	Other countries	CAD	356.1	51.0
SweetWorks Confections LLC	US-Delaware	F	Other countries	USD	–	51.0
Swiss Industries GmbH	Birsfelden	F	Switzerland	CHF	20.0	100.0
Delica AG	Birsfelden	F	Switzerland	CHF	1'000.0	100.0
Total Capsule Solutions S.A	Stabio	F	Switzerland	CHF	100.0	80.0
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
Hug Bäckerei AG	Lucerne	E	Switzerland	CHF	1'000.0	25.0
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 Future Consumer Products AG	Buchs AG	E	Switzerland	CHF	200.0	50.0
Mibelle Ltd.	UK-Bradford	F	Other countries	GBP	1'000.1	100.0
QBC Group Holdings Ltd.	GB-Wokingham	F	Other countries	GBP	0.2	51.0
QBC Holdings Ltd.	GB-Wokingham	F	Other countries	GBP	1.0	51.0
The Quantum Beauty Company Ltd.	GB-Wokingham	F	Other countries	GBP	0.3	51.0
Absolute Beauty Solutions Ltd.	GB-Wokingham	F	Other countries	GBP	0.2	51.0
Micarna SA incl. Micarna AG, Bazenheid branch	Courtepin	F	Switzerland	CHF	10'000.0	100.0
Centravo Holding AG	Zurich	E	Switzerland	CHF	2'040.0	29.2
Favorit Geflügel AG	Lyss	F	Switzerland	CHF	500.0	100.0
KM Seafood GmbH	DE-Schirgiswald-Kirschau	F	Other countries	EUR	25.0	50.0
Mérat & Cie. AG	Berne	F	Switzerland	CHF	50.0	100.0
Rudolf Schär AG	Thal	F	Switzerland	CHF	960.0	100.0
Schlachtbetrieb St. Gallen AG	Gossau SG	E	Switzerland	CHF	9'000.0	46.2
Stauss Geflügel GmbH	DE-Ertingen	F	Other countries	EUR	125.0	80.0

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [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
Bergsenn AG	Ennnetbürgen	F	Switzerland	CHF	500.0	100.0
Dörig Käsehandel AG	Urnäsch	F	Switzerland	CHF	200.0	100.0
Mifroma France SA	FR-Chalamont	F	Other countries	EUR	1'105.0	100.0
M Industry Canada Inc.	CA-Saint John NB	F	Other countries	CAD	300.0	100.0
M-Industry China LLC	CN-Shanghai	F	Other countries	CNY	908.8	100.0
M-Industrie Deutschland GmbH	DE-Bensheim	F	Other countries	EUR	225.0	100.0
M Industry Japan K.K.	JP-Tokyo	F	Other countries	YEN	74'000.0	100.0
M Industry USA Inc.	US-Delaware	F	Other countries	USD	700.0	100.0
Riseria Taverne SA	Torricella-Taverne	F	Switzerland	CHF	100.0	100.0
Saviva AG	Regensdorf	F	Switzerland	CHF	8'000.0	80.0
L+S Holding AG	Appenzell	F	Switzerland	CHF	800.0	100.0
Lüchinger + Schmid AG, Eier und Eierprodukte	Kloten	F	Switzerland	CHF	5'600.0	100.0
Eier Hungerbühler AG	Flawil	F	Switzerland	CHF	200.0	100.0
EGW Liegenschaften AG	Flawil	F	Switzerland	CHF	50.0	100.0
Farmco AG	Köniz	F	Switzerland	CHF	1'036.0	70.0
Orofrais S.A.	Echallens	F	Switzerland	CHF	200.0	100.0
Proei AG	Landquart	F	Switzerland	CHF	500.0	100.0
LABEYE SA	Etagnières	F	Switzerland	CHF	100.0	100.0
SCG Swiss Consumer Goods GmbH	DE-Bensheim	F	Other countries	EUR	25.0	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:						
bta first travel ag	Steinhausen	F	Switzerland	CHF	100.0	100.0
Chalet Service AG	Lauterbrunnen	F	Switzerland	CHF	100.0	100.0
Enigma Holidays Ltd.	GB-Godalming	F	Other countries	GBP	3'200.0	100.0
Enigma Travel Group Ltd.	GB-Godalming	F	Other countries	GBP	147.0	100.0
Espirit Holidays Ltd.	GB-Godalming	F	Other countries	GBP	50.0	100.0
Gattinoni Travel Network s.r.l.	IT-Lecco	E	Other countries	EUR	1'000.0	34.0
Horizonte Club España sl	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-Godalming	F	Other countries	GBP	2.0	100.0
Hotelplan (UK Group) Ltd.	GB-Godalming	F	Other countries	GBP	1'025.0	100.0
Hotelplan Inghams Sàrl	FR-Chamonix	F	Other countries	EUR	7.6	100.0
Hotelplan Intern. Reiseorganisation GmbH	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-Godalming	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

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
IHOM Sp z oo	PL-Warsaw	F	Other countries	PLN	1'000.5	96.8
Inghams Canada Ltd.	CA-Banff	F	Other countries	CAD	10.0	100.0
Inntravel Ltd.	GB-York	F	Other countries	GBP	224.6	100.0
Inter Chalet Ferienhaus AG	Opfikon	F	Switzerland	CHF	100.0	100.0
Inter Chalet Ferienhaus GmbH	DE-Freiburg i.B.	F	Other countries	EUR	25.6	100.0
Inter Chalet j.d.o.o.	HR-Rijeka	F	Other countries	HRK	0.0	100.0
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 Sàrl	FR-Paris	F	Other countries	EUR	130.8	100.0
Interhome Sp z oo	PL-Warsaw	F	Other countries	PLN	200.5	100.0
Interhome S.r.l.	IT-Milan	F	Other countries	EUR	30.0	100.0
Interhome S.L.	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
Itinerary Ltd.	GB-York	F	Other countries	GBP	40.0	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
Norddeich Ferienwohnungen Maus GmbH	DE-Norden-Norddeich	F	Other countries	EUR	25.0	100.0
travelwindow AG	Zurich	F	Switzerland	CHF	100.0	100.0
travelwindow GmbH	AT-Vienna	F	Other countries	EUR	17.5	100.0

Others

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
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

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
Migros-Group
Zürich

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 balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 28 to 108), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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 906 CO in connection with 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 Management.

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

PricewaterhouseCoopers AG

Rodolfo Gerber
Audit expert
Leitender Revisor

Aysegül Eyiz Zala
Audit expert Revisionsexpertin

Zürich, 17 March 2016

Impressum

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