

Coop Group in figures

Key figures	80
Key figures at a glance	80
Development of the Coop Group	81
Net sales	82
Sales outlets/ markets	83
Investments (cash flow)	84
Statement of added value	85
Employees	86
Sustainability	90
Report on the financial year	92
Annual consolidated financial statements	94
Consolidated income statement	94
Consolidated balance sheet	95
Consolidated cash flow statement	96
Statement of changes in equity	97
Notes to the annual consolidated financial statements	98
Report of the statutory auditor	116

All values rounded up/down individually.

Key figures

Key figures at a glance

Total sales

30 662 CHF million

Net sales Group

29 565 CHF million

of which

19 931 CHF million Switzerland

9 634 CHF million abroad

Net sales segments

17 743 CHF million Retail

14 170 CHF million Wholesale/Production

Net sales online trading

785 CHF million Retail

1 537 CHF million Wholesale/
Production

Employees at 31.12

47 195 Retail

42 384 Wholesale/Production

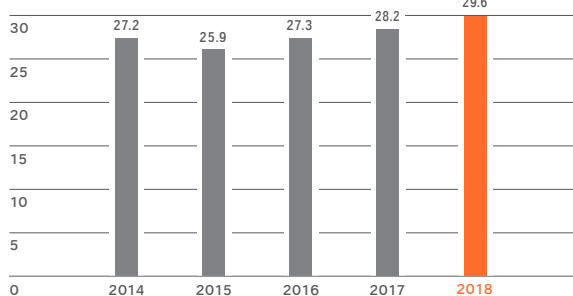
Trainees at 31.12

2 547 Retail

900 Wholesale/Production

Net sales

in CHF billion



Earnings

2 103 CHF million EBITDA

7.1% of net sales

772 CHF million EBIT

2.6% of net sales

Profit

473 CHF million

1.6% of net sales

Equity

9 754 CHF million

47.9% Equity ratio

Free cash flow

218 CHF million

Investments in tangible fixed assets

1 016 CHF million Switzerland

527 CHF million abroad

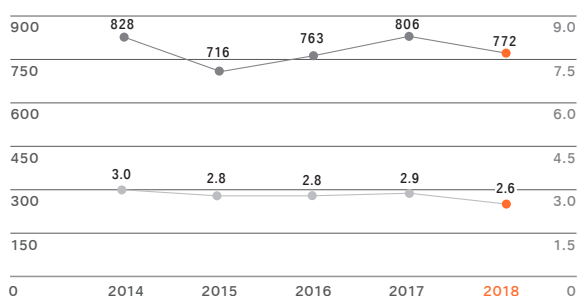
Sales outlets / markets

2 313 Retail

145 Wholesale/Production

Operating result (EBIT)

— in CHF million — as a % of net sales



Development of the Coop Group

in CHF million or as indicated	2014	2015	2016	2017	2018
Total sales	28 174	26 932	28 322	29 207	30 662
Retail	17 718	17 253	17 162	17 405	17 743
Wholesale / Production	11 193	10 611	12 248	13 006	14 170
Consolidation	-1 749	-1 969	-2 151	-2 259	-2 348
Net sales from goods and services	27 163	25 895	27 259	28 152	29 565
of which net sales Switzerland	19 822	19 252	19 251	19 476	19 931
as a % of net sales	73.0	74.3	70.6	69.2	67.4
of which net sales abroad	7 341	6 643	8 008	8 676	9 634
as a % of net sales	27.0	25.7	29.4	30.8	32.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	2 038	1 933	2 044	1 994	2 103
as a % of net sales (EBITDA margin)	7.5	7.5	7.5	7.1	7.1
Operating result (EBIT)	828	716	763	806	772
as a % of net sales (EBIT margin)	3.0	2.8	2.8	2.9	2.6
Profit	470	416	475	485	473
as a % of net sales (profit margin)	1.7	1.6	1.7	1.7	1.6
Cash flow from operating activities	1 551	1 653	1 582	1 453	1 701
as a % of net sales (cash flow margin)	5.7	6.4	5.8	5.2	5.8
Cash flow from investing activities	-1 700	-1 477	-1 939	-1 473	-1 792
as a % of net sales	6.3	5.7	7.1	5.2	6.1
Cash flow from financing activities	-166	-301	238	-238	325
Free cash flow¹	327	234	61	99	218
Total assets	17 441	17 654	18 663	19 482	20 364
Equity incl. minority interests	8 089	8 401	8 928	9 339	9 754
Equity ratio incl. minority interests in %	Target value: > 40.0	46.4	47.6	47.8	47.9
Financial liabilities	4 753	4 700	5 043	5 096	5 781
Net financial liabilities	3 560	3 614	4 061	4 368	4 832
Debt coverage ratio	Target value: < 3.0	1.7	1.9	2.0	2.3
Interest coverage ratio²	Target value: > 8.0	22.6	25.4	33.8	40.2
FTE (incl. trainees) at 31.12	66 124	69 039	73 451	74 638	77 448
Employees (incl. trainees) at 31.12	77 087	79 954	85 001	86 424	89 579
Trainees at 31.12	3 271	3 410	3 505	3 486	3 447
Retail number of sales outlets / markets at 31.12	1 978	2 198	2 254	2 296	2 313
Retail sales area in m² at 31.12	1 798 081	1 814 469	1 852 653	1 869 362	1 882 557
Wholesale / Production number of sales outlets / markets at 31.12	212	214	226	142	145
Wholesale / Production sales area in m² at 31.12	938 283	938 768	1 004 472	1 007 100	1 014 532
Number of members	2 500 036	2 536 800	2 542 848	2 582 309	2 547 851

Prior-year figures restated

¹ Free cash flow definition: Cash flow from operating activities minus net investments in tangible fixed and intangible assets

² Interest coverage ratio definition: EBITDA / Interest and other financial expenses

Net sales

in CHF million	2018	2017
Coop Supermarkets	10 408	10 326
Interdiscount	1 014	975
Coop City	769	773
Coop Building & Hobby	629	625
Livique / Lumimart	197	192
Import Parfumerie	146	145
Coop@home	151	142
Christ Watches & Jewellery	81	81
Coop Mineraloel AG	2 476	2 279
Dipl. Ing. Fust AG	1 031	1 040
Coop Vitality AG	202	186
Coop Restaurant	245	249
Marché Restaurants Schweiz AG	111	110
Betty Bossi AG	75	78
The Body Shop Switzerland AG	29	30
Other companies and effects from segment consolidation	179	174
Specialist formats	7 335	7 080
Retail	17 743	17 405
Transgourmet Central and Eastern Europe	6 124	5 668
Transgourmet France	1 375	1 335
Transgourmet Österreich	611	568
Transgourmet Switzerland	1 598	1 518
Transgourmet Group	9 710	9 087
Bell Food Group	4 059	3 537
Coop Cooperative Production	802	759
Other companies and effects from segment consolidation	-400	-377
Wholesale / Production	14 170	13 006
Consolidation Coop Group	-2 348	-2 259
Net sales	29 565	28 152
Other operating income	1 097	1 055
Total sales	30 662	29 207
of which net sales online trading	2 322	1 926
Online trading in home electronics	512	437
– Microspot.ch	242	212
– Nettoshop.ch	88	90
– Other	181	135
Coop@home	151	142
Other online trading Retail	122	102
Online trading Retail	785	680
Online trading Wholesale / Production	1 537	1 246
of which net sales Switzerland	19 931	19 476
of which net sales abroad	9 634	8 676

Prior-year figures restated

Sales outlets/markets

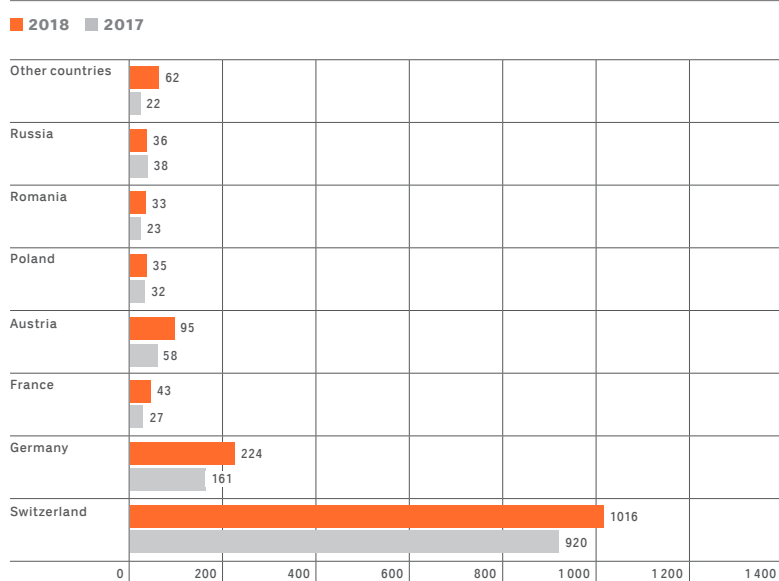
	Number at 31.12		Sales area m ² at 31.12	
	2018	2017	2018	2017
Coop Supermarkets	918	908	988 896	984 119
Interdiscount	186	188	62 467	64 318
Coop City	30	31	126 031	128 454
Coop Building & Hobby	74	74	309 920	307 087
Livique / Lumimart	46	44	123 965	122 650
Import Parfumerie	118	121	9 864	10 042
Christ Watches & Jewellery	65	69	5 395	5 549
Hotels	4	4		
Coop Mineraloel AG	318	306	37 329	35 659
Dipl. Ing. Fust AG	155	156	87 988	88 999
Coop Vitality AG	78	75	9 681	9 567
Coop Restaurant	201	205	59 510	59 965
Marché Restaurants Schweiz AG	33	33	15 481	15 481
The Body Shop Switzerland AG	45	49	2 659	2 881
update Fitness AG	40	31	43 372	34 591
Tropenhäuser	2	2		
Specialist formats	1 395	1 388	893 661	885 243
Retail	2 313	2 296	1 882 557	1 869 362
Transgourmet Central and Eastern Europe	102	100	835 632	831 766
Transgourmet Österreich	13	12	55 481	51 915
Transgourmet Switzerland	30	30	123 419	123 419
Transgourmet Group	145	142	1 014 532	1 007 100
Wholesale / Production	145	142	1 014 532	1 007 100
Coop Group	2 458	2 438	2 897 089	2 876 462

Prior-year figures restated

Investments (cash flow)

in CHF million	2014	2015	2016	2017	2018
Switzerland	975	1 202	992	920	1 016
Germany	119	94	160	161	224
France	51	34	27	27	43
Austria			191	58	95
Poland	38	74	36	32	35
Romania	12	17	40	23	33
Russia	12	13	47	38	36
Other countries	2	20	20	22	62
Abroad	233	253	517	361	527
Investments in tangible fixed assets	1 209	1 455	1 509	1 281	1 544
Disposals of tangible fixed assets	41	105	107	59	198
Net investments in tangible fixed assets	1 167	1 350	1 402	1 222	1 346
Other net investments	533	127	537	251	446
Net investments	1 700	1 477	1 939	1 473	1 792

Investments in tangible fixed assets by country in CHF million



Statement of added value

in CHF million	2018	2017	Index %
Net sales from goods and services	29 565	28 152	105.0
Other services rendered	1 139	1 097	103.9
Merchandise expenses and other upstream services	22 561	21 547	104.7
Gross added value	8 144	7 701	105.8
Depreciation and amortization / other	1 316	1 183	111.2
Company added value	6 829	6 518	104.8
Employees			
Wages and salaries	3 736	3 509	106.5
Social security contributions / other contributions	1 232	1 149	107.2
Public sector	1 213	1 194	101.5
Investors	49	50	99.3
Minority interests	126	131	96.2
Retained profits (self-financing)	473	485	97.4
Distribution of added value	6 829	6 518	104.8

Prior-year figures restated

The Coop Group's statement of added value shows the added value created by the Group in a given year and how it is used. The Coop Group aims to create added value on a sustained basis, thereby enabling it to safeguard the Group companies and jobs.

At 72.8% (previous year: 71.5%), the largest proportion of the newly created value goes to the Coop Group's employees. The Coop Group employed 77 448 FTE (previous year: 74 638).

The public sector receives 17.8% (previous year: 18.3%) from taxes, customs duties and charges.

The 0.7% (previous year: 0.8%) going to investors comprises interest paid. Due to low interest rates, this remains at a relatively low level.

Adequate profits are retained for self-financing purposes and used to safeguard the Group's continued existence as a going concern, jobs and its ability to provide competitive goods and services for customers.

Employees

FTE

	2018	2017	Change	Index %
Coop Supermarkets	18 833	18 690	143	100.8
Interdiscount	1 658	1 626	32	102.0
Coop City	2 016	2 071	-54	97.4
Coop Building & Hobby	1 601	1 597	4	100.2
Livique / Lumimart	561	550	10	101.9
Import Parfumerie	503	507	-4	99.2
Coop@home	151	169	-18	89.3
Christ Watches & Jewellery	296	293	3	101.2
Coop Mineraloel AG	107	103	4	104.2
Dipl. Ing. Fust AG	2 129	2 153	-25	98.9
Coop Vitality AG	649	629	19	103.1
Coop Restaurant	1 581	1 626	-46	97.2
Marché Restaurants Schweiz AG	627	601	27	104.5
Betty Bossi AG	102	97	5	104.9
The Body Shop Switzerland AG	166	170	-4	97.6
Other companies	999	998	2	100.2
Logistics / Corporate services	5 517	5 435	82	101.5
Retail	37 497	37 315	181	100.5
Transgourmet Central and Eastern Europe	20 713	20 024	688	103.4
Transgourmet France	3 101	3 131	-30	99.0
Transgourmet Österreich	1 658	1 541	117	107.6
Transgourmet Switzerland	1 775	1 703	71	104.2
Transgourmet Group	27 246	26 400	846	103.2
Bell Switzerland	4 848	4 613	236	105.1
Bell abroad	6 007	4 459	1 547	134.7
Bell Food Group	10 855	9 072	1 783	119.7
Coop Cooperative Production	1 838	1 841	-3	99.8
Other companies	12	9	3	133.3
Wholesale / Production	39 952	37 322	2 629	107.0
FTE (incl. trainees) at 31.12	77 448	74 638	2 811	103.8

Prior-year figures restated

Employees

	2018	2017	Change	Index %
Coop Supermarkets	24 782	24 586	196	100.8
Interdiscount	1 792	1 730	62	103.6
Coop City	2 518	2 585	-67	97.4
Coop Building & Hobby	2 003	2 004	-1	100.0
Livique / Lumimart	640	632	8	101.3
Import Parfumerie	672	689	-17	97.5
Coop@home	155	173	-18	89.6
Christ Watches & Jewellery	401	391	10	102.6
Coop Mineraloel AG	110	106	4	103.8
Dipl. Ing. Fust AG	2 208	2 235	-27	98.8
Coop Vitality AG	893	869	24	102.8
Coop Restaurant	2 050	2 078	-28	98.7
Marché Restaurants Schweiz AG	898	849	49	105.8
Betty Bossi AG	127	122	5	104.1
The Body Shop Switzerland AG	220	216	4	101.9
Other companies	1 754	1 556	198	112.7
Logistics / Corporate services	5 972	5 893	79	101.3
Retail	47 195	46 714	481	101.0
Transgourmet Central and Eastern Europe	22 145	21 423	722	103.4
Transgourmet France	3 115	3 240	-125	96.1
Transgourmet Österreich	1 764	1 631	133	108.2
Transgourmet Switzerland	1 963	1 873	90	104.8
Transgourmet Group	28 987	28 167	820	102.9
Bell Switzerland	5 241	4 947	294	105.9
Bell abroad	6 224	4 649	1 575	133.9
Bell Food Group	11 465	9 596	1 869	119.5
Coop Cooperative Production	1 920	1 933	-13	99.3
Other companies	12	14	-2	85.7
Wholesale / Production	42 384	39 710	2 674	106.7
Employees (incl. trainees) at 31.12	89 579	86 424	3 155	103.7

Prior-year figures restated

Trainees

	2018	2017	Change	Index %
Coop Supermarkets	1 359	1 447	-88	93.9
Interdiscount	345	344	1	100.3
Coop City	155	174	-19	89.1
Coop Building & Hobby	117	116	1	100.9
Livique / Lumimart	35	37	-2	94.6
Import Parfumerie	42	43	-1	97.7
Coop@home		1	-1	..
Christ Watches & Jewellery	29	30	-1	96.7
Coop Mineraloel AG	4	4	0	100.0
Dipl. Ing. Fust AG	92	87	5	105.7
Coop Vitality AG	132	130	2	101.5
Coop Restaurant	22	24	-2	91.7
Marché Restaurants Schweiz AG	10	15	-5	66.7
The Body Shop Switzerland AG		1	-1	..
Other companies	40	32	8	125.0
Logistics / Corporate services	165	165	0	100.0
Retail	2 547	2 650	-103	96.1
Transgourmet Central and Eastern Europe	467	432	35	108.1
Transgourmet France	87	103	-16	84.5
Transgourmet Österreich	80	77	3	103.9
Transgourmet Switzerland	84	78	6	107.7
Transgourmet Group	718	690	28	104.1
Bell Switzerland	80	70	10	114.3
Bell abroad	75	48	27	156.3
Bell Food Group	155	118	37	131.4
Coop Cooperative Production	27	28	-1	96.4
Wholesale / Production	900	836	64	107.7
Trainees at 31.12	3 447	3 486	-39	98.9

Prior-year figures restated

Employee diversity

as %	2018	Retail 2017	Wholesale / Production 2018	2017	2018	Coop Group 2017
Type of employment						
Full-time employees	56.7	57.0	81.8	81.9	68.6	68.4
Part-time employees	43.3	43.0	18.2	18.1	31.4	31.6
Percentage of women	62.3	62.3	42.6	42.7	53.0	53.3
who are full-time employees	44.0	44.1	38.0	38.3	40.6	40.9
who are part-time employees	86.1	86.4	63.3	62.6	79.9	80.1
in management positions	41.4	41.3	25.6	25.1	35.3	35.3
on Board of Directors and Executive Committee of Coop Group Cooperative					29.4	26.3
Percentage of employees over 50 years of age	26.6	26.2	26.6	24.9	26.6	25.6
Trainees						
Sales	86.2	86.5	26.9	31.2	70.7	73.2
Commercial	5.1	4.7	42.1	38.0	14.7	12.7
Trades / Other	8.7	8.8	31.0	30.8	14.6	14.1
Country of work						
Switzerland	99.7	99.6	21.5	22.0	62.7	64.0
Germany			31.4	30.1	14.9	13.8
Poland			11.3	12.1	5.3	5.6
Romania			11.1	11.5	5.2	5.3
France			8.3	9.1	3.9	4.2
Austria			6.9	6.7	3.3	3.1
other	0.3	0.4	9.5	8.5	4.7	4.0
Nationality¹						
Switzerland	67.8	68.4	44.2	44.3	64.3	64.9
Abroad	32.2	31.6	55.8	55.7	35.7	35.1

Prior-year figures restated

¹ only from areas based in Switzerland

Sustainability

Sustainable products

	2014	2015	2016	2017	2018
Sales from sustainable products					
in CHF million					
Sales from sustainable products Coop Group		3 543	3 855	4 256	4 671
of which organic ¹	1 082	1 174	1 255	1 389	1 653
of which Fairtrade ¹	260	373	462	514	601

Prior-year figures restated

¹ 2014 only retail

Packaging

in tonnes

Packaging reduction and optimization, Retail	1 045	85	230	145	336
Packaging reduction and optimization, Wholesale / Production	1 306	145	334	287	605

Environmental and climate protection

	2014	2015	2016	2017	2018
Energy consumption					
in megawatt-hours					
Retail	1 116 389	1 127 499	1 134 156	1 167 296	1 153 084
Wholesale / Production ¹	1 255 910	1 441 986	1 527 834	1 602 460	1 647 842
Total energy consumption	2 372 299	2 569 485	2 661 990	2 769 756	2 800 926

¹ excl. Hügli Group

Renewable energy sources

as a %

Retail	66.6	66.8	68.0	68.5	67.5
Wholesale / Production ¹	33.2	37.0	36.3	39.6	38.4
Percentage of renewable energy sources	48.9	50.1	49.8	51.8	50.4

Prior-year figures restated

¹ excl. Hügli Group

Carbon dioxide emissions (CO₂)

in tonnes

Retail	106 356	107 135	103 849	105 751	101 697
Wholesale / Production ¹	338 992	350 062	367 049	309 806	335 170
Total carbon dioxide emissions (CO ₂)	445 348	457 197	470 898	415 557	436 868

¹ excl. Hügli Group

2014 2015 2016 2017 2018

Water consumption

in thousands of cubic metres

Retail	1 154	1 060	1 282	1 300	1 378
Wholesale / Production ¹	3 030	5 632	5 902	6 115	6 756
Total water consumption	4 184	6 692	7 184	7 415	8 134

¹ excl. Hügli Group

Waste

Recycling rate

as %

Retail	80.8	80.0	80.2	80.7	80.5
Wholesale / Production ¹	68.0	70.1	73.4	76.9	78.6

¹ excl. Hügli Group

Waste production

in tonnes

Retail	126 598	129 896	134 145	139 445	136 665
Wholesale / Production ¹	65 610	65 409	84 085	109 551	124 073
Total waste production	192 208	195 305	218 230	248 996	260 738

¹ excl. Hügli Group

Social commitment

2014 2015 2016 2017 2018

Social commitment

in CHF thousands

Coop Sustainability Fund	16 550	17 000	18 655	17 511	17 146
Coop Aid for Mountain Regions	939	860	827	700	606
Additional contributions for social projects	6 341	6 496	6 053	5 782	6 952

Report on the financial year

Income statement

Net sales from goods and services

The Coop Group's net sales figure comprises net sales from the Retail and the Wholesale/Production segments. In 2018, it rose by 5.0% to a total of CHF 29 565 million (previous year: CHF 28 152 million). Total sales for the Coop Group amounted to CHF 30 662 million (previous year: CHF 29 207 million). Through its online shops, the Group generated net sales of CHF 2 322 million (previous year: CHF 1 926 million). This equates to a rise of 20.6%, to which both segments contributed with double-digit growth rates.

Operating result (EBIT)

Personnel expenses amounted to CHF 4 925 million and other operating expenses to CHF 3 010 million. Earnings before interest, tax, depreciation and amortization (EBITDA) came to CHF 2 103 million (previous year: CHF 1 994 million) with the EBITDA margin unchanged year on year at 7.1%. Depreciation and amortization of CHF 1 331 million comprises depreciation of land and buildings and installations of CHF 587 million, depreciation of other tangible fixed assets of CHF 422 million, amortization of goodwill of CHF 217 million and amortization of other intangible assets of CHF 105 million. The operating result (EBIT) was down on the prior-year figure of CHF 806 million to CHF 772 million and the EBIT margin down year on year to 2.6%.

Profit for the financial year

The result of associated organizations came to CHF 2 million (previous year: CHF 7 million). The result from foreign currencies and the financial result improved to stand at a loss of CHF 40 million (previous year: loss of CHF 54 million). Net of a non-operating result of CHF 4 million, income taxes of CHF 140 million and minority interests of CHF 126 million, profit was down by CHF 12 million year on year to CHF 473 million.

Segment report

Retail

Coop grew retail sales grew by 1.9%, generating net sales of CHF 17 743 million.

The Coop supermarkets increased footfall by 3.1% and achieved net sales of CHF 10 408 million, exceeding the prior-year figure by 0.8%.

The specialist formats lifted net sales by 3.6% to CHF 7 335 million. The consumer electronics business generated net sales of CHF 2 045 million, an increase of 1.5%. They thus consolidated their leading position in the consumer electronics market.

The reorganization enabled Livique/Lumimart to gain market share and increase net sales by 2.7% to CHF 197 million.

Coop Building & Hobby remains the leader in the DIY market. Net sales rose by 0.7% to CHF 629 million.

Net sales at Coop City department stores declined by 0.6% to stand at CHF 769 million. Market share was gained in a difficult market environment.

Coop Mineraloel AG remains the market leader. Net sales rose by 8.6% to CHF 2 476 million. The Pronto shops advanced by 3.7%.

Coop Vitality AG posted another very encouraging performance, lifting net sales by 8.4% to CHF 202 million.

Net retail sales in online business rose by 15.4% to CHF 785 million. Microspot.ch and Coop@home made a substantial contribution to this result. Online supermarket Coop@home posted growth of 6.7% and thus gained market share; net sales amounted to CHF 151 million.

The Retail segment's operating result (EBIT) decreased by CHF 35 million to CHF 462 million (previous year: CHF 497 million). The number of sales outlets in the segment (including restaurants) rose by 17 to 2 313. The Coop Group employed 47 195 people in retailing (previous year: 46 714).

Wholesale/Production

In the Wholesale/Production segment, net sales climbed to CHF 14170 million (previous year: CHF 13006 million). This equates to growth of 9.0%. Adjusted for acquisitions, the Wholesale/Production business area grew by 4.5%.

The Transgourmet Group, which operates in the cash & carry and wholesale supplies sector in Germany, Poland, Romania, Russia, France, Austria and Switzerland, generated net sales of CHF 9710 million (previous year: CHF 9087 million). It thus advanced by 6.9% and further expanded its position as the second-largest company in the European cash & carry and wholesale supplies segment. Transgourmet operated a total of 145 cash & carry markets (previous year: 142) and employed 28987 people (previous year: 28167).

The Bell Food Group is one of Europe's leading meat and convenience food processors. With its brands Bell, Hilcona, Eisberg and Hügli, the group covers a whole variety of customer requirements. Its customers include retail, food service and the food industry. At CHF 4059 million, net sales were 14.8% up on the previous year (CHF 3537 million). The Bell Food Group employed 11465 people in 2018 (previous year: 9596).

The Wholesale/Production segment's operating result (EBIT) rose by CHF 2 million to CHF 311 million (previous year: CHF 309 million).

Financial position and cash flows

Balance sheet

The Coop Group's total assets increased by CHF 882 million year on year. On the assets side, where there was a rise in cash and cash equivalents, receivables from goods and services and inventories, current assets climbed by CHF 340 million to CHF 6398 million. Non-current assets rose by CHF 542 million to CHF 13966 million. Set against the depreciation and amortization expense here are higher investments and additions originating from the acquisitions. Liabilities increased by CHF 467 million year on year to CHF 10610 million. Short-term liabilities declined by CHF 19 million to CHF 4908 million, while long-term liabilities rose by CHF 486 million to CHF 5702 million. Within long-term liabilities, the Coop Group financed itself through bonds and deposits. Equity including minority interests rose to CHF 9754 million. At 47.9%, the equity ratio was therefore well above the strategic target of 40% as at 31 December 2018. It remained unchanged year on year.

Cash flow statement

The cash inflow from operating activities increased by CHF 248 million year on year to CHF 1701 million. The cash outflow from investing activities was CHF 318 million higher than in the previous year at CHF 1792 million. This was due to both increased expenditure on acquisitions and higher net investments in tangible fixed assets. A net amount of CHF 1483 million was invested in tangible and intangible fixed assets and a further CHF 296 million in acquisitions. In the case of financial assets/securities, a net amount of CHF 13 million was invested. This resulted in free cash flow of CHF 218 million.

The cash inflow from financing activities amounted to CHF 325 million. The Coop Group Cooperative issued a bond in the amount of CHF 300 million. The Bell Food Group issued two bonds totalling CHF 350 million and made a bond repayment of CHF 175 million. The Coop Group received an inflow of CHF 198 million from the Bell Food Group's capital increase. Short and long-term financial liabilities showed a net increase of CHF 129 million. Moreover, payments of CHF 389 million were made to acquire minority interests and dividends of CHF 88 million paid to minority interests.

Annual consolidated financial statements

Consolidated income statement

in CHF million	Notes	2018	2017
Net sales from goods and services	1	29 565	28 152
Other operating income	2	1 097	1 055
Merchandise expenses		20 623	19 740
Personnel expenses	3	4 925	4 616
Other operating expenses	4	3 010	2 857
Earnings before interest, tax, depreciation and amortization (EBITDA)		2 103	1 994
Depreciation on tangible fixed assets	5	1 009	885
Amortization on intangible assets	5	322	303
Operating result (EBIT)	1	772	806
Result of associated organizations		2	7
Result from foreign currencies		-17	5
Financial result	6	-22	-59
Ordinary result		735	758
Non-operating result	7	4	3
Result before income taxes (EBT)		739	762
Income taxes	8	140	145
Result after income taxes		599	616
Minority interests		126	131
Profit		473	485

Consolidated balance sheet

in CHF million	Notes	31.12.2018	31.12.2017
Cash and cash equivalents	9	945	722
Securities		4	5
Receivables from goods and services	10	1 282	1 236
Other short-term receivables	11	297	334
Prepayments and accrued income		535	523
Inventories	12	3 336	3 237
Current assets		6 398	6 058
Tangible fixed assets	13	12 675	12 163
Financial assets	14	158	120
Intangible assets	15	1 132	1 141
Non-current assets		13 966	13 424
Assets		20 364	19 482
Payables from goods and services		1 864	1 938
Short-term financial liabilities	16	1 126	937
Other short-term liabilities	17	356	549
Short-term provisions	18	255	304
Accrued liabilities and deferred income		1 306	1 200
Short-term liabilities		4 908	4 927
Long-term financial liabilities	16	4 655	4 159
Long-term provisions	18	1 047	1 056
Long-term liabilities		5 702	5 216
Liabilities		10 610	10 143
Retained earnings		8 916	8 572
Capital reserves		-241	-145
Profit		473	485
Equity excluding minority interests		9 148	8 912
Minority interests		606	427
Equity incl. minority interests		9 754	9 339
Liabilities and equity		20 364	19 482

Consolidated cash flow statement

in CHF million	2018	2017
Result after income taxes	599	616
Depreciation and amortization	1 286	1 167
Impairment loss	73	92
Reversal of impairment	-25	-36
Gains (-)/losses on disposal of fixed assets	-91	-14
Result from other non-cash items	48	-77
Result of associated organizations	-2	-7
Dividends received from associated organizations	0	1
Increase (-)/decrease in receivables from goods and services	0	-83
Increase (-)/decrease in other receivables, prepayments and accrued income	24	-101
Increase (-)/decrease in inventories	-44	-142
Increase/decrease (-) in payables from goods and services	-88	-45
Increase/decrease (-) in other short-term liabilities, accrued liabilities and deferred income	-22	122
Increase/decrease (-) in short-term provisions	-50	-30
Increase/decrease (-) in long-term provisions	-8	-10
Cash flow from operating activities	1 701	1 453
Investments in tangible fixed assets	-1 544	-1 281
Disposals of tangible fixed assets	198	59
Investments in financial assets / securities	-76	-40
Disposals of financial assets / securities	63	99
Payment for the acquisition of consolidated organizations	-296	-178
Receipts from the disposal of consolidated organizations	0	-1
Investments in intangible assets	-139	-132
Disposals of intangible assets	1	0
Cash flow from investing activities	-1 792	-1 473
Inflows from bonds issuance	650	200
Outflows for bonds repayments	-175	-250
Capital increase / reduction	198	0
Dividends to minority shareholders	-88	-86
Acquisition / disposal minority interests	-389	-167
Increase / decrease (-) in short-term financial liabilities	76	118
Increase / decrease (-) in long-term financial liabilities	53	-52
Cash flow from financing activities	325	-238
Cash flow	234	-259
Cash and cash equivalents at beginning of the reporting period	722	972
Cash flow	234	-259
Effect of exchange rate changes on cash and cash equivalents	-11	8
Cash and cash equivalents at end of the reporting period	945	722

Statement of changes in equity

in CHF million	Retained profits	Accumulated currency differences	Capital reserves	Profit	Equity excl. minority interests	Minority interests	Equity incl. minority interests
Equity at 1.1.2018	8 963	-391	-145	485	8 912	427	9 339
Capital increase / reduction			-6		-6	204	198
Changes to the scope of consolidation						85	85
Acquisition / disposal minority interests			-90		-90	-139	-229
Appropriation of prior-year profit	485			-485			
Profit				473	473	126	599
Dividends						-88	-88
Effect of exchange rate changes		-141			-141	-8	-148
Equity at 31.12.2018	9 448	-532	-241	473	9 148	606	9 754
Equity at 1.1.2017	8 488	-581		475	8 382	547	8 928
Capital increase / reduction							
Changes to the scope of consolidation						3	3
Acquisition / disposal minority interests			-145		-145	-183	-327
Appropriation of prior-year profit	475			-475			
Profit				485	485	131	616
Dividends						-86	-86
Effect of exchange rate changes		190			190	15	205
Equity at 31.12.2017	8 963	-391	-145	485	8 912	427	9 339

An increase or reduction in the ownership interest in fully consolidated organizations is regarded as a transaction with owners. The difference between the transaction price and the corresponding minority interest is eliminated against equity and presented as capital reserves. In 2018, following the acquisition of a majority stake in the Hügli Group, the shareholding was gradually increased. In addition, the outstanding shares were acquired in Service 7000 AG. In the previous year, the interests in Hilcona AG and Service 7000 AG were increased.

Notes to the annual consolidated financial statements

Consolidation and accounting principles

Basis of accounting

The annual consolidated financial statements are based on the annual financial statements of the Group companies prepared as at 31 December 2018 in accordance with uniform policies and present a true and fair view of the financial position, results of operations and cash flows. The consolidated financial statements of the Coop Group comply with all Swiss GAAP ARR (Accounting and Reporting Recommendations) and Swiss legal provisions. Assets are measured at purchase or production cost. Liabilities are carried at their historical value. The income statement is presented using the total cost (nature of expense) method. The valuation principles were applied unchanged compared with the previous year.

The annual consolidated financial statements of the Coop Group are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts are stated in millions of Swiss francs.

Cash flow statement

The fund comprising cash and cash equivalents provides the basis for the presentation of the cash flow statement. Cash flow from operating activities is calculated using the indirect method.

Scope of consolidation

The annual consolidated financial statements of the Coop Group comprise the Coop Group Cooperative and its equity investments. The Coop Group Cooperative equity investments are listed under Scope of consolidation (significant companies).

Fully consolidated organizations are organizations where the Coop Group directly or indirectly holds more than 50% of the voting rights.

Associated organizations are entities in which the Coop Group holds a 20% to 50% interest and over which it exercises significant influence.

Equity investments where it holds less than 20% are not consolidated and are presented in financial assets at cost less any necessary write-downs.

Consolidation method

Fully consolidated organizations

Assets, liabilities, income and expenses are consolidated in full. Capital consolidation uses the purchase method, whereby an organization's equity at the date of acquisition or initial consolidation is eliminated against the carrying amount of the investment at the parent. Newly acquired organizations are revalued using uniform Group policies and included in the annual consolidated financial statements from the date on which control takes effect. If the cost of acquisition is higher than the revalued net assets acquired, the remaining excess is recognized as goodwill and amortized on a straight-line basis.

Purchase price adjustments contingent on future events are forecast. If the final purchase price differs from the estimate, goodwill is adjusted accordingly.

A negative goodwill (badwill) is credited to the income statement in the period of acquisition. Organizations sold are included up until the date on which control is lost, which is usually the date of sale. An increase or reduction in the ownership interest in fully consolidated organizations is regarded as a transaction with owners. Gains and losses on such transactions are therefore eliminated directly against equity.

Minority interests in consolidated equity and in profit or loss are presented separately in the balance sheet and income statement. Intercompany transactions and relationships, i.e. income, expenses, receivables and liabilities between consolidated organizations, are offset and eliminated. If significant, intercompany profits on transactions within the Group are eliminated.

Associated organizations

If economically significant, associated organizations are included in the annual consolidated financial statements using the equity method. The financial statements of these organizations prepared in accordance with the true and fair view principle are used to determine the share of equity.

Currency conversion

Local assets and liabilities are converted into Swiss francs at the exchange rate at the balance sheet date. The local income statements and the cash flow statements are converted at the average rate. Any differences arising from the use of these two different conversion methods are taken directly to equity. When foreign subsidiaries or associated organizations are sold, the proportionate accumulated currency differences are transferred from equity to the income statement.

Foreign currency exchange rates into CHF

		Average rates		Closing rates	
		2018	2017	31.12.2018	31.12.2017
1	EUR	1.155	1.111	1.127	1.170
1	CZK	0.045	0.042	0.044	0.046
1	HKD	0.125	0.126	0.126	0.125
100	HUF	0.362	0.358	0.351	0.377
1	PLN	0.271	0.261	0.262	0.280
1	RON	0.248	0.243	0.242	0.251
1	RUB	0.016	0.017	0.014	0.017
1	USD	0.978	0.982	0.984	0.976

Net sales from goods and services

Net sales from goods and services result from the sale of goods and the provision of services in the course of ordinary activities during the reporting period. Net sales from the sale of goods to customers are generated in the supermarkets, the various specialist formats, the wholesale stores and the supplies business or originate from goods produced at Coop's own manufacturing companies. Net sales from services originate from the provision of transport services, from hotel business and from fitness centre membership subscriptions, for example. Sales are recognized at fair value. Sales and value-added taxes as well as sales reductions such as discounts, rebates and other allowances are deducted from the net sales reported. Sales are recognized when the significant risks and rewards incidental to ownership of the products sold as well as control have transferred to the customer and it is reasonably certain that the resulting receivables will be collectible in cases where the transaction is not a cash sale. Net sales from the provision of services are recognized in the accounting period in which the service was rendered. In the event of agency transactions, only the value of the service rendered by the entity itself is reported.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. They comprise cash on hand, postal and bank account balances, short-term deposits, cheques, vouchers and Reka cheques. These items are convertible into cash at any time and subject to an insignificant risk of changes in value.

Securities

Securities are marketable instruments that can be easily realized. They are carried in the balance sheet at market value. Unlisted securities are carried in the balance sheet at cost less any necessary write-downs.

Receivables from goods and services and other short-term receivables

Receivables are carried in the balance sheet at nominal value. Valuation allowances for losses that are identifiable and have occurred are deducted and charged to the income statement.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises the net purchase price and incidental charges. Purchased inventories are measured at the average cost price (moving average price) and internally produced inventories at production cost. Inventories are stated at net realizable value if this is lower than cost. Discounts are treated as reductions in the purchase price. Specific valuation allowances are recognized for goods that are no longer serviceable or difficult to sell.

Financial assets

Financial assets include the associated organizations recognized using the equity method. Long-term loans and securities held for the purpose of long-term investment are also presented as financial assets. Securities and loans are stated at cost less any necessary write-downs. Assets from employer contribution reserves are recognized as financial assets.

Tangible fixed assets

Tangible fixed assets, which also include properties not used for operating purposes, are stated at cost less any necessary depreciation. Cost comprises the purchase price plus the directly attributable costs of bringing the assets to usable condition. Investments in existing tangible fixed assets are recognized in the cost of an asset if they increase its value in use over the long term or extend its useful life. Depreciation is applied on a straight-line basis over the useful life of the asset.

Depreciation periods in years

Land and buildings

Plots of land	no depreciation
Buildings	40–67

Installations	15–30
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Furniture, machinery and IT

Furniture / tools	5–10
Sales outlet fittings / market fittings	10–15
Machinery	3–15
Production systems	20–30
IT	3–8

Vehicles	3–10
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The depreciation period for buildings ranges from 40 years in the case of properties used for operational purposes and subject to increased use to 67 years in the case of mixed-used properties. Installations are usually depreciated over a period of 15 to 20 years. At production facilities, specific production installations are depreciated over a longer useful life of up to 30 years. Experience shows that fittings in the retail sales outlets have a shorter useful life than fittings in the wholesale markets. Machinery usually has a useful life of up to 15 years, with production systems possibly forming a separate asset category and having a useful life of 20 to 30 years. Heavy commercial vehicles have a depreciation period of up to 10 years.

Assets under construction include the cumulative project costs eligible for capitalization. Project costs that are not eligible for capitalization are charged to the income statement when incurred. Impairment charges are recognized on assets under construction if there is evidence of impairment.

In the event of additions in the scope of consolidation, non-current assets are remeasured on the basis of the cumulative cost of and accumulated depreciation or amortization charges on the acquired assets at the acquisition date. Non-current assets are remeasured by adjusting the accumulated depreciation or amortization so that the acquired assets are measured on a net basis at their actual value at the acquisition date. They are presented gross in the statements of changes in assets. In addition, the depreciation or amortization period is reviewed, and if necessary adjusted, bearing in mind the remaining useful life.

Leases

Payments under operating leases are charged to the income statement on a straight-line basis over the lease term. Assets acquired on the basis of leases and for which the risks and rewards pass to the Coop Group at inception of the lease are classified as finance leases. For the relevant assets, therefore, the fair value or, if lower, the net present value of the future, non-cancellable lease payments is recognized as an asset and as a finance lease liability. Assets under finance leases are amortized over the shorter of their estimated useful life and the lease term.

Intangible assets

This item includes IT software, trademarks, licences, patents and goodwill from acquisitions. Intangible assets are recognized if they are clearly identifiable, the costs can be reliably determined and they yield measurable economic benefits for the entity over several years. They are amortized on a straight-line basis over their useful life.

Goodwill from acquisitions is calculated as the difference between the purchase price paid to acquire an entity and the value of the net assets. The net assets correspond to the total of the individual assets of the acquired entity less the liabilities and contingent liabilities under Swiss GAAP ARR at the acquisition date. Any goodwill that arises is generally capitalized and amortized on a straight-line basis. The amortization period is determined based on the expected useful life of the assumed market and synergy potential that gave rise to the goodwill.

Amortization periods in years

Goodwill	up to 20
Trademarks	up to 20
Patents/licences	5
Other intangible assets	3–8

Impairment

In the Coop Group, non-current assets are tested for impairment annually if there are indications of a sustained decline in value. The recoverable amount is calculated using the capital asset pricing model and taking into account updated assumptions from the multi-year plan regarding the expected business trend. If the carrying amount exceeds the recoverable amount, it is adjusted in profit or loss by way of an impairment charge.

Liabilities

Short-term liabilities include all liabilities due within one year, accrued liabilities and deferred income, and short-term provisions. Long-term liabilities comprise obligations with a maturity of more than one year. Short-term and long-term liabilities are carried in the balance sheet at their nominal amounts.

Provisions

Provisions are recognized if a past event gives rise to a probable legal or constructive obligation, the amount and/or timing of which is uncertain, but can be estimated. Provisions are measured on the basis of an estimate of the probable outflow. Provisions are discounted if the effect is material.

Income taxes

Current income taxes are recognized on an accrual basis based on the results of operations actually generated and presented in the reporting period.

Deferred income taxes are recognized for all temporary taxable or tax-deductible differences between the tax base and Swiss GAAP ARR carrying amounts using the balance sheet liability method. The deferred income taxes to be recognized annually are calculated at the future tax rate applicable to the taxable entity in question at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if they relate to the same taxable entity and are levied by the same taxation authority.

Derivative financial instruments

The Coop Group uses derivative financial instruments to hedge currency and interest rate risk. Both derivative financial instruments for the purposes of hedging balance sheet items and those not held for hedging purposes are recognized at current values. The change in the current values since the last measurement is recognized in profit or loss for the period. Instruments used to hedge contractual future cash flows are not recognized in the balance sheet, but disclosed in the notes to the financial statements. Derivative financial instruments outstanding at the balance sheet date are disclosed in the notes to the annual consolidated financial statements.

Pension benefit obligations

Pension benefit obligations are all obligations arising from pension plans and pension institutions that provide retirement, death and disability benefits.

Coop Group employees receive pension benefits, or old age pensions, which are in line with the legal regulations and provisions applicable in each of the countries. Pension plans and pension institutions are usually funded from employer and employee contributions. The contributions made by Coop Group companies are included in personnel expense under social security contributions.

In Switzerland, employees are members of a legally independent pension institution or a collective foundation of banks or insurance companies. The terms provide for benefits that usually go well beyond the statutory minimum under Swiss law. In addition, within the pension institution, most employees can choose whether to join a plan with higher or lower savings contributions. Annually, it is assessed whether a pension institution gives rise to an economic benefit or an economic obligation from the organization's perspective.

The pension institutions' annual financial statements prepared in accordance with Swiss GAAP FER 26 and giving a true and fair view of the existing surplus or deficit are taken as the basis for the assessment.

An economic benefit is only recognized if it is permitted and intended to use the surplus to reduce employer contributions. Any freely available employer contribution reserves are recognized as assets. An economic obligation is recognized if the requirements for recognizing a provision are met.

The Group companies abroad do not have legally independent pension institutions with separated assets. Here, obligations arising from pension plans are recognized directly in the balance sheet.

Related party transactions

Associated organizations, pension funds and natural persons such as members of the Executive Committee or Board of Directors are considered to be related parties.

Significant financial statement items with associated organizations and other related party transactions are disclosed in the notes to the annual consolidated financial statements.

Off-balance sheet transactions

Contingent liabilities such as guarantees, guarantee obligations, pledges and other obligations not required to be recognized in the balance sheet are measured at each balance sheet date and disclosed at nominal value. Other obligations not required to be recognized in the balance sheet include all long-term obligations entered into which cannot be terminated within one year. If contingent liabilities and other obligations not required to be recognized in the balance sheet lead to an outflow of funds without any usable inflow of funds and this outflow of funds is probable and can be estimated, a provision is recognized.

in CHF million

1 Net sales from goods and services and operating result (EBIT) by segment

	2018		2017	
	Net sales from goods and services	Operating result (EBIT)	Net sales from goods and services	Operating result (EBIT)
Retail	17 743	462	17 405	497
Wholesale / Production	14 170	311	13 006	309
Consolidation	-2 348		-2 259	
Coop Group	29 565	772	28 152	806

“Wholesale / Production” comprises the Transgourmet Group, the Bell Food Group and the manufacturing companies of the Coop Cooperative. The Consolidation line contains deliveries between the segments.

Net sales from goods and services by geographic market

	2018	2017
Switzerland	19 931	19 476
Abroad	9 634	8 676
Coop Group	29 565	28 152

2 Other operating income

	2018	2017
Operating rental income	193	194
Gains on the disposal of fixed operating assets	72	6
Own work capitalized	27	22
Other income from services	805	834
Total	1 097	1 055

The item “Other income from services” also includes pools and lottery income, income from parking and advertising, and commissions from phone credits.

3 Personnel expenses

	2018	2017
Wages / salaries	3 736	3 509
Social security contributions	869	815
Social security contributions as a %	23.3	23.2
Other personnel expenses	320	292
Total	4 925	4 616

4 Other operating expenses

	2018	2017
Advertising expense	534	490
Rental expense	737	724
Office and administrative expense	279	269
Charges and insurance premiums (non-life)	91	87
Operations-related taxes	45	43
Maintenance and replacement costs	461	410
Energy and supplies	450	422
Transport costs	219	200
Miscellaneous expenses	195	212
Total	3 010	2 857

The “Operations-related taxes” item comprises capital and property transfer taxes, duties on the issue of securities and other fiscal levies.

The “Miscellaneous expenses” item comprises uncovered damage / losses, losses on receivables, unscheduled closure costs and miscellaneous operating costs.

in CHF million

5 Depreciation and amortization	2018	2017
Goodwill, planned amortization	196	180
Goodwill, extraordinary amortization	21	0
Other intangible assets, planned amortization	105	92
Other intangible assets, extraordinary amortization		31
Amortization on intangible assets	322	303
Tangible fixed assets, planned depreciation	983	893
Tangible fixed assets, extraordinary depreciation	51	27
Reversals of depreciation charges on tangible fixed assets	-25	-35
Depreciation on tangible fixed assets	1 009	885
Total	1 331	1 188

Extraordinary depreciation of tangible fixed assets, extraordinary amortization of intangible assets and reversals of depreciation charges on real estate are recognized based on reassessments of earnings or changes in market prices.

6 Financial result	2018	2017
Dividends and revaluation gains on securities	0	1
Other financial income	27	22
Financial income	27	23
Revaluation losses on securities	0	0
Interest and other financial expenses	49	50
Value adjustments to financial assets	0	33
Financial expenses	49	83
Total	-22	-59

7 Non-operating result	2018	2017
Rental income	1	1
Gains on the disposal of fixed non-operating assets	6	12
Non-operating income	7	13
Non-operating property expenses (incl. depreciation on non-operating fixed assets)	3	5
Other non-operating expenses	0	5
Non-operating expenses	3	9
Total	4	3

The non-operating result comprises income and expenses arising from events or transactions which clearly differ from the ordinary operations of the Coop Group. These items mainly include non-operating expenses and income on properties not used for operating purposes.

in CHF million

8 Income taxes	2018	2017
Current income taxes	145	120
Change in deferred taxes	-5	26
Total	140	145

	2018		2017	
	Tax rate as %	Tax amount in CHF million	Tax rate as %	Tax amount in CHF million
Average applicable tax rate / expected income taxes	19.4	143	18.7	142
Losses in the current year for which no deferred tax assets were recognized		15		13
Use of unrecognized loss carryforwards		-30		-26
Average applicable income tax rate after loss carryforwards	17.4	129	17.1	130
Other effects		11		15
Effective income tax rate / Effective income taxes	18.9	140	19.1	145

Expected income taxes are calculated based on the assumption that the non-operating result will be taxed the same as the ordinary result. The other effects are mainly the result of non-taxable income and expenses, prior-period income taxes and effects arising from changes in tax rates.

No deferred tax assets were recognized for loss carryforwards of CHF 775 million (31.12.2017: CHF 827 million).

9 Cash and cash equivalents	31.12.2018	31.12.2017
Cash on hand, postal and bank account balances	910	666
Reka cheques / cheques / vouchers	23	27
Term deposits	11	29
Total	945	722

10 Receivables from goods and services	31.12.2018	31.12.2017
Receivables from goods and services	1 333	1 289
Value adjustment	-51	-53
Total	1 282	1 236

11 Other short-term receivables	31.12.2018	31.12.2017
Other receivables	290	326
Prepayments to suppliers	9	10
Value adjustment	-2	-2
Total	297	334

12 Inventories	31.12.2018	31.12.2017
Merchandise	2 746	2 721
Finished goods (production)	215	213
Unfinished goods, work in progress	177	183
Raw materials	187	146
Supplies and packaging materials	82	60
Prepayments to suppliers	68	50
Value adjustment	-139	-136
Total	3 336	3 237

in CHF million

14 Financial assets

	Employer contribution reserve	Associated organizations	Other financial assets	Total
Financial assets 2018				
Net carrying amount 1.1.2018	11	80	29	120
Changes to the scope of consolidation			0	0
Investments		44	39	83
Disposals	0	-36	-10	-46
Write-ups (+) / Value adjustments (-)	0	2	0	2
Effect of exchange rate changes		-1	0	-1
Net carrying amount 31.12.2018	11	90	58	158
of which goodwill associated organizations		18		18

Financial assets 2017

Net carrying amount 1.1.2017	10	91	95	196
Changes to the scope of consolidation	1	0	1	2
Investments			40	40
Disposals		-18	-75	-93
Write-ups (+) / Value adjustments (-)		6	-33	-27
Effect of exchange rate changes		2	1	3
Net carrying amount 31.12.2017	11	80	29	120
of which goodwill associated organizations		0		0

Other financial assets

	31.12.2018	31.12.2017
Loans	55	95
Miscellaneous financial assets	10	9
Value adjustments to other financial assets	-7	-75
Total	58	29

in CHF million

15 Intangible assets	Goodwill	Trademarks / Patents / Licences	Software	Other intangible assets	Assets under development	Total
Intangible assets 2018						
Cost 1.1.2018	3 715	638	514	45	101	5 014
Changes to the scope of consolidation	149	5	38	1	1	195
Investments / Purchase price adjustments		2	80	4	53	139
Disposals		0	-48	-2	0	-50
Effect of exchange rate changes	-20	-1	-4	-1	0	-26
Reclassifications	-2	3	15	1	-16	0
Cost 31.12.2018	3 842	646	594	49	138	5 270
Accumulated amortization at 1.1.2018	3 082	349	376	36	30	3 873
Changes to the scope of consolidation	-34	0	36	1		4
Planned amortization	196	36	66	3		301
Extraordinary amortization	21					21
Disposals		0	-48	-1		-49
Effect of exchange rate changes	-7	-1	-4	0		-12
Reclassifications	-1	2	0	0		0
Accumulated amortization at 31.12.2018	3 256	387	426	39	30	4 138
Net carrying amount 31.12.2018	586	259	168	10	108	1 132
Intangible assets 2017						
Cost 1.1.2017	3 527	632	435	41	46	4 681
Changes to the scope of consolidation	157	0	7	5	2	172
Investments / Purchase price adjustments	-1	0	65	6	60	130
Disposals		-1	-4	-8		-12
Effect of exchange rate changes	32	2	7	1	0	43
Reclassifications		4	3	0	-7	0
Cost 31.12.2017	3 715	638	514	45	101	5 014
Accumulated amortization at 1.1.2017	2 890	311	315	38	0	3 554
Changes to the scope of consolidation		0	4	2		7
Planned amortization	180	37	52	3		272
Extraordinary amortization			1	0	30	31
Disposals		-1	-4	-8		-12
Effect of exchange rate changes	12	2	6	1		21
Reclassifications		0	0	0		0
Accumulated amortization at 31.12.2017	3 082	349	376	36	30	3 873
Net carrying amount 31.12.2017	633	288	138	9	71	1 141

in CHF million

16 Financial liabilities

	Interest rate as % (weighted)	31.12.2018	31.12.2017
Bank current accounts		1	3
Deposit accounts	0.56	1 754	1 755
Medium-term notes	0.92	238	211
Bonds		3 055	2 580
Bank loans	0.14	431	127
Mortgages	3.48	67	92
Finance leases		1	1
Other financial liabilities		233	327
Total		5 781	5 096
of which short-term financial liabilities		1 126	937
of which long-term financial liabilities		4 655	4 159
of which liabilities to pension funds	0.25	200	200

Bonds	Currency	Term	Interest rate as % (weighted)	31.12.2018	31.12.2017
Bell Food Group AG	CHF	May 2013–2018	1.000		175
Coop-Gruppe Genossenschaft	CHF	Jul 2012–2019	1.250	250	250
Coop-Gruppe Genossenschaft	CHF	Jul 2015–2020	0.250	300	300
Coop-Gruppe Genossenschaft	CHF	Jun 2014–2021	0.875	200	200
Bell Food Group AG	CHF	May 2013–2022	1.750	175	175
Coop-Gruppe Genossenschaft	CHF	Sep 2016–2022	0.250	200	200
Coop-Gruppe Genossenschaft	CHF	Sep 2014–2023	1.000	200	200
Coop-Gruppe Genossenschaft	CHF	Jul 2015–2024	0.880	200	200
Bell Food Group AG	CHF	Feb 2018–2024	0.375	200	
Bell Food Group AG	CHF	Mar 2016–2025	0.625	300	300
Coop-Gruppe Genossenschaft	CHF	May 2016–2026	0.500	380	380
Coop-Gruppe Genossenschaft	CHF	Sep 2017–2027	0.500	200	200
Bell Food Group AG	CHF	Jan 2018–2028	0.750	150	
Coop-Gruppe Genossenschaft	CHF	Jun 2018–2025	0.750	300	
Total				3 055	2 580

17 Other short-term liabilities

	31.12.2018	31.12.2017
Vouchers in circulation	74	71
Prepayments from customers	145	146
Other taxes	86	82
Other short-term liabilities	51	251
Total	356	549

As at 31 December 2017, other short-term liabilities included the remaining purchase price for the acquisition of the 49% minority interest in Hilcona AG.

in CHF million

18 Provisions	Pension benefits	Restruc- turings	Supercard	Deferred taxes	Other provisions	Total
Provisions 2018						
Carrying amounts 1.1.2018	111	33	180	798	238	1 360
Changes to the scope of consolidation	1			5	5	10
Creation of provisions	26	4	206		50	286
Use of provisions	-19	-17	-219		-48	-303
Reversal of provisions no longer required	-4	-7	-3		-13	-27
Change in deferred taxes				-5		-5
Effect of exchange rate changes	-2	0		-15	-2	-18
Reclassifications						0
Carrying amounts 31.12.2018	113	13	164	783	230	1 303
of which short-term provisions	20	9	164		62	255
of which long-term provisions	93	4		783	168	1 047
Provisions 2017						
Carrying amounts 1.1.2017	112	51	185	767	263	1 378
Changes to the scope of consolidation	0			3	0	3
Creation of provisions	24	11	189		44	268
Use of provisions	-22	-18	-191		-63	-294
Reversal of provisions no longer required	-3	-11	-3		-15	-32
Change in deferred taxes				26		26
Effect of exchange rate changes	3	0		3	5	11
Reclassifications	-4				4	0
Carrying amounts 31.12.2017	111	33	180	798	238	1 360
of which short-term provisions	21	25	180		78	304
of which long-term provisions	89	8		798	160	1 056

Other provisions mainly include provisions for personnel in the amount of CHF 102 million (31.12.2017: CHF 103 million) and sales outlets in the amount of CHF 25 million (31.12.2017: CHF 24 million).

in CHF million

19 Pension funds

Employer contribution reserve 2018	Nominal value	Waiver of use	Balance sheet value
Carrying amounts 1.1.2018	11		11
Changes to the scope of consolidation			
Use (Personnel expenses)	0		0
Carrying amounts 31.12.2018	11		11

Employer contribution reserve 2017

Carrying amounts 1.1.2017	10		10
Changes to the scope of consolidation	1		1
Use (Personnel expenses)	0		0
Carrying amounts 31.12.2017	11		11

Economic benefit / economic obligation	Non-committed funds / deficit		Economic share of the Coop Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Pension fund with non-committed funds	8	1		
Pension plans without own assets			-113	-111
Total	8	1	-113	-111

Pension benefit expenses	Change in balance sheet item 2018		Contributions concerning the business period 2018	Pension benefit expenses with- in personnel expenses 2018	Change in balance sheet item 2017		Contributions concerning the business period 2017	Pension benefit expenses with- in personnel expenses 2017
	without effect on profit or loss ¹	recognized in profit or loss			without effect on profit or loss ¹	recognized in profit or loss		
Pension fund without non-committed funds / deficit	0	0	252	252			262	262
Pension fund with non-committed funds			8	8			1	1
Pension plans without own assets	20	22		22	-23	22		22
Pension fund reinsured			11	11			1	1
Use of employer contribution reserve		0		0				
Total	20	22	271	293	-23	22	264	286

¹ Payments, foreign currency conversion, changes to the scope of consolidation

As at 31 December 2018, the CPV/CAP shows a funding ratio of 108.4% (prior year: 114.0%). In terms of Swiss GAAP FER 16 there is no surplus or deficit, as the target for the fluctuation reserve has not yet been reached.

in CHF million

20 Off-balance-sheet transactions	31.12.2018	31.12.2017
Guarantees, guarantee obligations	10	27
Other quantifiable commitments with a contingent character	10	6
Other non-recognizable commitments	65	127
Carrying amount of pledged assets	127	128

Obligations to minority interest shareholders from put options on the shares they hold in consolidated Group organizations are presented in "Other non-recognizable commitments". The same applies to obligations with regard to the acquisition of shares in associated organizations.

21 Obligations under off-balance sheet operating leases	31.12.2018	31.12.2017
Due within one year	766	750
Due in 1 to 5 years	2 562	2 549
Due in more than 5 years	3 366	3 602

Unrecognized operating lease obligations result mainly from long-term rental and ground lease agreements.

22 Open derivative financial instruments

Derivative financial instruments 2018		Contract values	Recognized in balance sheet		Not recognized in balance sheet	
Underlying asset	Purpose		Assets	Liabilities	Assets	Liabilities
Foreign exchange	Hedging	1 791	16	2	0	1

Derivative financial instruments 2017		Contract values	Recognized in balance sheet		Not recognized in balance sheet	
Underlying asset	Purpose		Assets	Liabilities	Assets	Liabilities
Foreign exchange	Hedging	1 368	0	15	2	0

23 Related-party transactions

Transactions with associated organizations	2018	2017
Net sales from goods and services	19	36
Other operating income	1	6
Merchandise expenses	8	7
Office and administrative expense	2	2
Rental expense	3	2
	31.12.2018	31.12.2017
Receivables from goods and services	1	6
Other short-term receivables	0	2
Prepayments and accrued income	0	2
Loans	37	76
Payables from goods and services	7	3
Short-term financial liabilities	0	6

In addition there are liabilities to pension funds in Switzerland which are presented as financial liabilities. Above and beyond this, there are no other significant transactions with other related parties.

24 Significant changes to the scope of consolidation

2018

Company		Change	Date	31.12.2018 as %	31.12.2017 as %
Hügli Group	CH-Steinach	Acquired	01/2018	66.29	
Der Milchbauer Gross- handels-gesellschaft mbH	DE-St. Gangloff	Merged into EGV Lebensmittel für Grossverbraucher AG	01/2018	100.00	100.00
Cher-Mignon SA	CH-Chermignon	Merged into Bell Schweiz AG	01/2018	100.00	100.00
Peter Riegger Holding AG	CH-Zug	Merged into Weinkeller Riegger AG	01/2018	100.00	100.00
update Beteiligungen AG	CH-Uzwil	Merged into update Fitness AG	01/2018	51.00	51.00
Niggemann Food Frischemarkt GmbH	DE-Bochum	Acquired	02/2018	100.00	
Two Spice AG	CH-Hergiswil	Acquired	03/2018	32.80	
Braschler's Comestibles Import AG	CH-Zürich	Acquired	04/2018	100.00	
Sylvain & CO SA	CH-Champvent	Acquired	05/2018	66.29	
Service 7000 AG	CH-Netstal	Interest increased	05/2018	100.00	75.00
siroop AG	CH-Zürich	Interest increased and merged into Coop Genossenschaft	05/2018	100.00	50.00
Bell Food Group AG	CH-Basel	Capital increased	06/2018	66.29	66.29
Palink UAB	LT-Vilnius	Sold	09/2018		20.00

2017

Company		Change	Date	31.12.2017 as %	31.12.2016 as %
Frostag Food-Centrum AG	CH-Landquart	Acquired	01/2017	66.29	
Alimentana Sista Holding AG	CH-Ebikon	Acquired and merged into Coop Genossenschaft	01/2017	100.00	
Soc. Coopération de Collaboration Intern.	BE-Bruxelles	Liquidation	01/2017		25.00
Peter Riegger Holding AG	CH-Zug	Acquired	01/2017	100.00	
Tropenhaus Frutigen AG	CH-Frutigen	Merged into Coop Genossenschaft	01/2017	100.00	100.00
Service 7000 AG	CH-Netstal	Interest increased	02/2017	75.00	50.06
ZIMBO Czechia s.r.o.	CZ-Praha-Holesovice	Sold	03/2017		66.29
HiCoPain AG	CH-Dagmersellen	Sold	04/2017		40.00
Bell Food Group AG	CH-Basel	Renamed (formerly: Bell AG)	04/2017	66.29	66.29
F&B - Food and Beverage Services GmbH	DE-Riedstadt	Established	07/2017	100.00	
Team Beverage AG	DE-Wildeshausen	Acquired	07/2017	70.00	
Hilcona AG	FL-Schaan	Interest increased	09/2017	100.00	51.00
Tropenhaus Wolhusen AG	CH-Wolhusen	Interest increased and merged into Coop Genossenschaft	09/2017	100.00	94.31
OOO Torgovy Dom Global Foods	RU-Moskau	Acquired	09/2017	100.00	
Bell Espana Alimentacion S.L.U.	ES-Casarrubios del Monte	Renamed (formerly: Sanchez Alcaraz S.L.U.)	11/2017	66.29	66.29
gastronovi GmbH	DE-Bremen	Acquired	12/2017	51.00	

The interests listed are calculated on the basis of the shares held by the Coop Group.

in CHF million

25 Most significant components at acquisition of organizations

2018	siroop AG	Hügli Group	Sylvain & CO SA	Niggemann Food	Other entities
Cash and cash equivalents	3	11	6	1	1
Receivables, prepayments and accrued income	3	61	9	7	6
Inventories	3	72	1	3	20
Tangible fixed assets	1	160	9	4	8
Financial assets		0		0	
Intangible assets (excl. goodwill)	1	2	0	5	
Liabilities, accrued liabilities and deferred income	12	45	6	8	3
Financial liabilities		84	5	1	0
Provisions	1	7	1	1	1

2017	Team Beverage Group	Frostag Group	Alimentana Group	Riegger Group	Other entities
Cash and cash equivalents	1	0	19	13	1
Receivables, prepayments and accrued income	20	2	6	4	7
Inventories	1	2	3	7	3
Tangible fixed assets	2	16	8	5	9
Financial assets	1		0	1	0
Intangible assets (excl. goodwill)	6		0		1
Liabilities, accrued liabilities and deferred income	29	3	10	4	6
Financial liabilities	0	13		0	2
Provisions	0	0	1	2	0

26 Most significant components at disposal of organizations

In 2018 no fully consolidated companies were sold.

2017	ZIMBO Czechia s.r.o.
Cash and cash equivalents	1
Receivables, prepayments and accrued income	1
Inventories	0
Tangible fixed assets	1
Liabilities, accrued liabilities and deferred income	2
Financial liabilities	1
Provisions	0

27 Scope of consolidation (significant companies)

			Interest held ¹		Share capital	Method of inclusion
			31.12.2018 as %	31.12.2017 as %	31.12.2018 in million	
Coop-Gruppe Genossenschaft	CH-Basel	Equity investment company				
Coop Genossenschaft	CH-Basel	Retail, production	100.00	100.00	0.0 CHF	☐
Betty Bossi AG	CH-Zürich	Magazine publisher	100.00	100.00	0.2 CHF	☐
Coop Immobilien AG	CH-Bern	Real estate	100.00	100.00	200.0 CHF	☐
Dipl. Ing. Fust AG	CH-Oberbüren	Electrical appliances, multi-media	100.00	100.00	10.0 CHF	☐
RS Vertriebs AG	CH-St. Gallen	Online trading of electrical appliances, multimedia	100.00	100.00	1.0 CHF	☐
Service 7000 AG	CH-Netstal	Repairs service	100.00	75.00	1.6 CHF	☐
Pearlwater Mineralquellen AG	CH-Termen	Mineral waters	100.00	100.00	22.4 CHF	☐
siroop trading AG	CH-Basel	Online trading	100.00	100.00	0.1 CHF	☐
The Body Shop Switzerland AG	CH-Uster	Beauty and cosmetic products	100.00	100.00	0.4 CHF	☐
Alifresca AG	CH-Basel	Purchasing company	100.00	100.00	0.1 CHF	☐
Bell Food Group AG	CH-Basel	Holding	66.29	66.29	3.1 CHF	☐
Bell Deutschland Holding GmbH	DE-Seevetal	Sub-holding	100.00	100.00	0.0 EUR	☐
Bell Deutschland GmbH & Co. KG	DE-Seevetal	Charcuterie	100.00	100.00	1.0 EUR	☐
Interfresh Food GmbH	DE-Seevetal	Sub-holding	100.00	100.00	0.1 EUR	☐
Bell Polska Sp. z o.o.	PL-Niepolomice	Charcuterie	100.00	100.00	10.0 PLN	☐
Bell Benelux Holding N.V.	BE-Zellik	Sub-holding	100.00	100.00	5.3 EUR	☐
Bell Benelux N.V.	BE-Zellik	Trade in meat products	100.00	100.00	0.6 EUR	☐
Bell Nederland B.V.	NL-AX Breda	Trade in meat products	100.00	100.00	2.7 EUR	☐
Bell Espana Alimentacion S.L.U.	ES-Casarrubios del Monte	Air-dried ham	100.00	100.00	0.6 EUR	☐
ZIMBO Húsipari Termelő Kft.	HU-Perbal	Meat and sausage products	99.75	99.75	400.0 HUF	☐
Bell France Holding SAS	FR-Teilhède	Sub-holding	100.00	100.00	20.0 EUR	☐
Salaision Polette & Cie SAS	FR-Teilhède	Cured sausages	100.00	100.00	2.6 EUR	☐
Bell Schweiz AG	CH-Basel	Fresh meat, charcuterie, poultry, seafood	100.00	100.00	20.0 CHF	☐
Centravo Holding AG ²	CH-Zürich	Processing of by-products	30.10	30.10		●
Geiser AG	CH-Schlieren	Charcuterie	100.00	100.00	0.5 CHF	☐
Hilcona AG	FL-Schaan	Convenience foods	100.00	100.00	1.0 CHF	☐
Eisberg Holding AG	CH-Dänikon	Convenience foods	100.00	100.00	0.7 CHF	☐
Frostag Food-Centrum AG	CH-Landquart	Convenience foods	100.00	100.00	1.5 CHF	☐
Dr. A. Stoffel Holding AG	CH-Steinach	Holding	100.00		1.0 CHF	☐
Hügli Holding AG	CH-Steinach	Holding	100.00		0.5 CHF	☐
H.L. Verwaltungs-GmbH	AT-Pfaffstätt	Sub-holding	100.00	100.00	0.3 CHF	☐
CapCo AG	FL-Vaduz	Insurance company	100.00	100.00	5.0 CHF	☐
Centre Commercial Moncor S.A.	CH-Villars-sur-Glâne	Real estate	100.00	100.00	1.2 CHF	☐
Centre de formation «du Léman»	CH-Jongny	Training	100.00	100.00	0.0 CHF	☐
Chocolats Halba S.A. de C.V.	HN-San Pedro Sula	Cocoa production	75.00	75.00	0.1 USD	☐
Coop-ITS-Travel AG	CH-Freienbach	Travel agency	50.00	50.00		●
Coop Mineraloel AG	CH-Allschwil	Filling stations with shops	51.00	51.00	10.0 CHF	☐
Coop Tagungszentrum	CH-Muttenz	Training	100.00	100.00	0.4 CHF	☐
Coop Vitality AG	CH-Bern	Pharmacies	51.00	51.00	5.0 CHF	☐
Elektronik Distribution AG	CH-Basel	Purchasing alliance	100.00	100.00	0.1 CHF	☐
Eurogroup Far East Ltd.	CN-Hong Kong	Purchasing company	100.00	100.00	0.1 HKD	☐
Marché Restaurants Schweiz AG	CH-Dietlikon	Restaurant	100.00	100.00	8.0 CHF	☐
Panflor AG	CH-Zürich	Cereals and ground products	100.00	100.00	0.1 CHF	☐

			Interest held ¹		Share capital	Method of inclusion
			31.12.2018 as %	31.12.2017 as %	31.12.2018 in million	
railCare AG	CH-Härkingen	Railway company operations	100.00	100.00	1.0 CHF	☐
Retail Marketing Switzerland AG	CH-Basel	Retail	100.00	100.00	0.1 CHF	☐
SC Swiss commercial GmbH	DE-Konstanz	Distribution company	100.00	100.00	0.0 EUR	☐
Steinfels Swiss GmbH	DE-Konstanz	Distribution company	100.00	100.00	0.0 EUR	☐
Transgourmet Holding AG	CH-Basel	Holding	100.00	100.00	520.1 CHF	☐
Braschler's Comestibles Import AG	CH-Zürich	Fish merchant	100.00		0.1 CHF	☐
gastronovi GmbH	DE-Bremen	Software	51.00	51.00	0.1 EUR	☐
Transgourmet Beteiligungs GmbH	AT-Wiener Neudorf	Sub-holding	100.00	100.00	1.0 EUR	☐
OOO Selgros	RU-Moskau	Cash & Carry	100.00	100.00	10.1 RUB	☐
OOO Torgovy Dom Global Foods	RU-Moskau	Wholesale supplies	100.00	100.00	0.1 RUB	☐
Transgourmet Central and Eastern Europe AG	CH-Basel	Sub-holding	100.00	100.00	0.1 CHF	☐
Transgourmet Deutschland GmbH & Co. OHG	DE-Riedstadt	Wholesale supplies	100.00	100.00	0.1 EUR	☐
EGV Lebensmittel für Grossverbraucher AG	DE-Unna	Wholesale supplies	100.00	100.00	0.6 EUR	☐
F&B - Food and Beverage Services GmbH	DE-Riedstadt	Sub-holding	100.00	100.00	0.1 EUR	☐
Team Beverage AG	DE-Bremen	Wholesale supplies	70.00	70.00	1.0 EUR	☐
FrischeParadies GmbH & Co. KG	DE-Frankfurt	Wholesale	100.00	100.00	0.0 EUR	☐
Niggemann Food Frischemarkt GmbH	DE-Bochum	Wholesale	100.00		1.0 EUR	☐
Transgourmet Central and Eastern Europe GmbH	DE-Riedstadt	Sub-holding	100.00	100.00	17.7 EUR	☐
Richard Sump GmbH	DE-Hamburg	Sub-holding	75.00	75.00	1.0 EUR	☐
Sump & Stammer GmbH International Food Supply	DE-Hamburg	Wholesale supplies	100.00	100.00	2.5 EUR	☐
SELGROS CASH & CARRY S.R.L.	RO-Brasov	Cash & Carry	100.00	100.00	288.3 RON	☐
Transgourmet Polska Sp. z o.o.	PL-Poznan	Wholesale	100.00	100.00	310.0 PLN	☐
Transgourmet France SAS	FR-Valenton	Wholesale supplies	100.00	100.00	486.9 EUR	☐
Transgourmet Österreich GmbH	AT-Traun	Wholesale supplies	100.00	100.00	1.0 EUR	☐
Transgourmet Schweiz AG	CH-Basel	Wholesale	100.00	100.00	66.5 CHF	☐
Casa del Vino SA	CH-Zürich	Beverage trade	100.00	100.00	0.3 CHF	☐
Weinkeller Riegger AG	CH-Mellingen	Beverage trade	100.00	100.00	0.5 CHF	☐
Two Spice AG	CH-Hergiswil	Restaurant	32.80			●
update Fitness AG	CH-Uzwil	Fitness centres	51.00	51.00	0.1 CHF	☐

☐ = Fully consolidated company

● = Company included by using the equity method

¹ Stake held by respective parent company

² Proportion of the shares in circulation

28 Events after the balance sheet date

Significant changes to the scope of consolidation (subject to the approval of the local competition authorities):

– In January 2019, the Transgourmet Group transferred a 49% stake in F&B – Food and Beverage Services GmbH to the Oetker Group.

– In February 2019, the Transgourmet Group took over Emmi Frisch-Service AG based in Schlieren. The company operates in the food retail and supplies business.

The Board of Directors approved the annual consolidated financial statements of the Coop Group on 13 February 2019. They have to be approved by the Delegate Assembly on 28 March 2019.



Report of the statutory auditor to the Delegate Assembly of Coop Group Cooperative, Basle

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Coop Group Cooperative and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated cash flow statement and statement of changes in equity for the year then ended, and notes to the annual consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 94 to 115) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 140 million

We concluded full scope audit work for four reporting units in Switzerland and for the Bell Food Group. In addition, we conducted a full scope audit jointly with another audit firm at the Transgourmet Group.

Our audit scope addressed over 95% of the net sales from goods and services of the Group. In addition, specified procedures were performed on a further three reporting units.

As key audit matters, the following areas of focus have been identified:

- Impairment of goodwill
- Impairment of inventories

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Overall materiality</i>	CHF 140 million
<i>How we determined it</i>	0.5% of net sales from goods and services (rounded)
<i>Rationale for the materiality benchmark applied</i>	We chose net sales from goods and services as the benchmark because the Group is not primarily oriented to the capital markets and the Coop's cooperative members do not provide risk capital. Furthermore, it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 7 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment of goodwill

Key audit matter

We consider the impairment testing of goodwill (amortised over a period of 8 years to a maximum of 20 years) to be a key audit matter for the following reasons.

- As of 31 December 2018, the balance sheet includes goodwill of CHF 586 million, which is a significant amount. The biggest items result from acquisitions made in recent years.
- In addition, judgement is required to determine the assumptions relating to the future business results and the discount rate applied to the forecasted cash flows.

Please refer to the consolidation and accounting principles (page 100) and Appendix 15 Intangible assets (page 107) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We discussed with Management the results and the prospects for the future of those individual business units to which the goodwill relates and we examined the relevant minutes of meetings of the Board of Directors and of the Executive Committee. This gave us an overview of the multi-year planning as approved by the Board of Directors and of any impairment indicators within the Group.

Based on our considerations of risk and materiality, we involved our inhouse valuation experts to support us in auditing the impairment testing. In particular, we focused on assessing the appropriateness of the valuation methods applied, the mathematical correctness of the underlying calculations and the plausibility of the key assumptions (discount rate and growth rates). By comparing the business results of the year under review with the forecasted results from the prior year, we also assessed the appropriateness of the prior year's assumptions.

Further, we compared the assumptions concerning revenue and margin forecast applied by Management with economic and industry-specific forecasts. The capital asset pricing model was used to calculate the weighted cost of capital. We compared the discount rate with that of comparable enterprises, taking into account country-specific aspects. We checked the forecasted change in net working capital and in capital expenditure for plausibility.

Further, we tested the sensitivity analyses prepared by Management of the key assumptions. These analyses enabled us to check for any potential impairment of goodwill. We discussed the results of our audit with Management and the Audit Committee.

We consider the valuation process and the assumptions applied by Management to be an appropriate and sufficient basis for the impairment testing of goodwill.



Impairment of inventories

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>We consider the assessment of the carrying value of inventories to be a key audit matter due to the book value of CHF 3.3 billion as of 31 December 2018.</p> <p>We focussed on the risk of an overstatement of inventories due to goods that can no longer be used or that are difficult to sell.</p> <p>Please refer to the consolidation and accounting principles (page 99) and Appendix 12 Inventories (page 104) in the notes to the consolidated financial statements.</p>	<p>We assessed the principles for calculating the impairment of inventories and discussed with Management the results of the analysis concerning the required write-downs. We examined the relevant minutes of meetings of the Board of Directors and of the Executive Committee in order to identify impairment indicators.</p> <p>We reviewed on a sample basis the compliance with the obsolete inventory management process and the correctness of the inventory valuation calculations. In addition, selected inventory counts were observed with regard to the identification and write-down of obsolete inventory.</p> <p>Our audit results support Management's assessment of the carrying value of inventories as of 31 December 2018.</p>

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

A blue ink signature of Bruno Rossi on a white background with a faint grid pattern. To the right of the signature is a small red circular stamp with a white cross, a Swiss official seal.

Bruno Rossi
Audit expert
Auditor in charge

A blue ink signature of Pascal Bucheli on a white background with a faint grid pattern. To the right of the signature is a small red circular stamp with a white cross, a Swiss official seal.

Pascal Bucheli
Audit expert

Basle, 13 February 2019