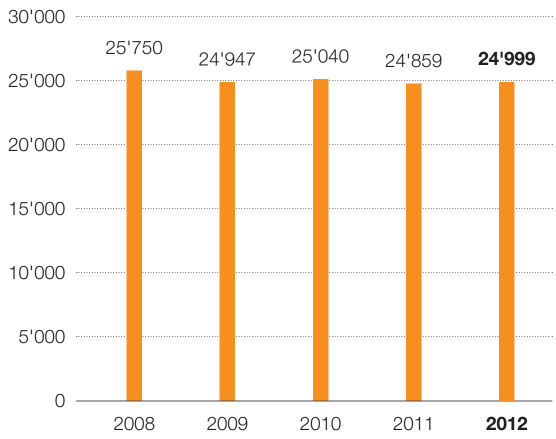
Financial reporting 2012

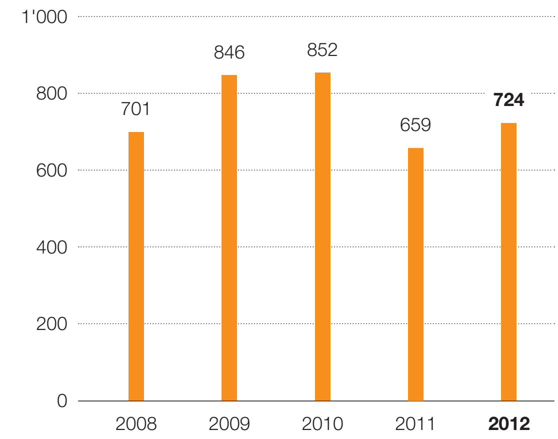
MIGROS GROUP

Development of Group results

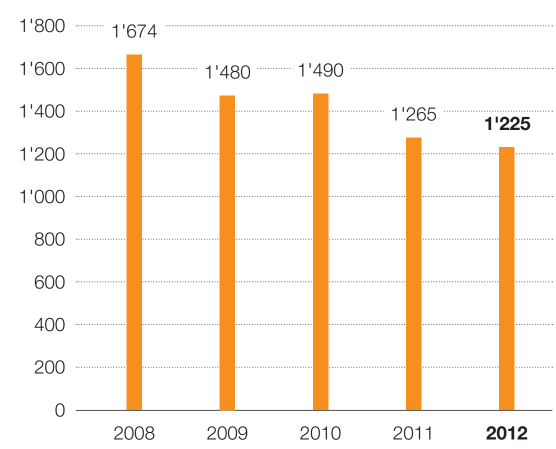
Income
[in million CHF]



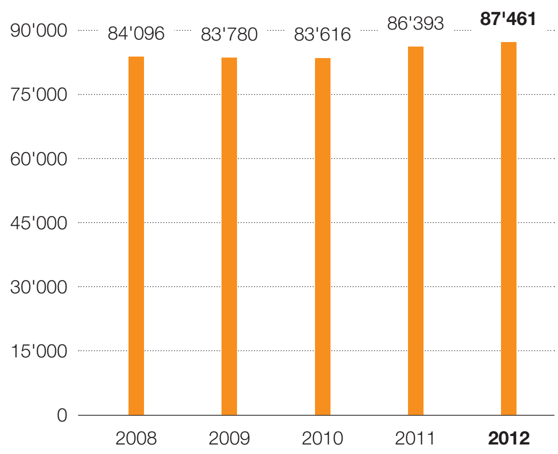
Profit[1]
[in million CHF]



Investments
[in million CHF]



Workforce
[number of persons]



[1] Before effect from pension plans.

Key figures and ratios

CHF million, except where indicated		2008	2009	2010	2011	2012	Change from previous year in %
Income		**25'749.8**	**24'946.9**	**25'040.3**	**24'858.8**	**24'998.8**	**0.6**
↳ of which income before income from financial services business		24'732.0	23'958.4	24'080.4	23'893.6	24'076.9	0.8
↳ of which Migros retail sales		21'557.0	21'037.2	21'199.8	21'058.6	21'333.9	1.3
↳ of which income of the Cooperatives		15'387.6	15'221.8	15'164.2	14'661.9	14'524.0	- 0.9
Total Migros distribution sites	Number	601	604	610	623	631	1.3
Total Migros sales area	m^2	1'251'115	1'266'062	1'293'204	1'332'397	1'344'738	0.9
EBITDA [1] (Earnings before interest, taxes, depreciation and amortisation)		**2'096.8**	**2'278.4**	**2'315.7**	**2'116.2**	**2'177.4**	**2.9**
as % of income	%	8.1	9.1	9.2	8.5	8.7	
↳ of which EBITDA of the retail and industry sector		1'869.3	2'039.2	2'001.8	1'791.2	1'901.5	6.2
EBIT [1] (earnings before interest and taxes)		**1'112.9**	**1'153.1**	**1'176.2**	**979.0**	**985.6**	**0.7**
as % of income	%	4.3	4.6	4.7	3.9	3.9	
Profit [1]		**700.7**	**846.3**	**851.6**	**659.3**	**724.2**	**9.8**
as % of income	%	2.7	3.4	3.4	2.7	2.9	
Effect from pension plans after income tax		–	135.3	40.2	3.1	271.0	
Cash flow from operating activity		**2'471.5**	**2'409.6**	**1'999.0**	**1'126.7**	**1'267.5**	**12.5**
as % of income	%	9.6	9.7	8.0	4.5	5.1	
↳ of which cash flow of the retail and industry sector		1'887.4	1'494.5	1'855.1	1'347.4	2'045.3	51.8
Investments		**1'673.9**	**1'479.5**	**1'490.2**	**1'265.3**	**1'224.8**	**- 3.2**
Equity		**12'254.0**	**13'363.4**	**14'294.0**	**14'878.4**	**15'922.3**	**7.0**
as % of balance sheet total	%	25.1	26.3	27.3	27.0	27.4	
↳ of which equity of the retail and industry sector		10'698.5	11'634.9	12'412.4	12'893.2	13'754.1	6.7
as % of balance sheet total	%	56.0	59.5	62.1	63.6	63.8	
Balance sheet total		**48'740.9**	**50'805.2**	**52'374.5**	**55'181.4**	**58'164.0**	**5.4**
↳ of which balance sheet total of the retail and industry sector		19'088.1	19'564.0	19'973.1	20'256.8	21'567.8	6.5
Expenditure for cultural, social and economic policy purposes		**119.7**	**114.1**	**114.9**	**117.6**	**125.0**	**6.3**
Workforce/Migros Cooperatives							
Workforce (number of persons – annual average)	Number	84'096	83'780	83'616	86'393	87'461	1.2
Migros Cooperatives (number of members)	Number	2'055'044	2'074'259	2'086'294	2'091'188	2'111'084	1.0

[1] Before effect from pension plans.

Report on the financial situation of Migros Group

A. Overview

A.1. Key figures and ratios

CHF million	Migros Group 2012	Migros Group 2011
Income	24'998.8	24'858.8
↳ of which income before income from financial services business	24'076.9	23'893.6
Operating profit [1]	985.6	979.0
Profit [1]	724.2	659.3
Cash flow (from operating activity)	1'267.5	1'126.7
↳ of which cash flow of the retail and industry sector [2]	2'045.3	1'347.4
Investments	1'224.8	1'265.3
Equity	15'922.3	14'878.4
↳ of which equity of the retail and industry sector [2]	13'754.1	12'893.2
Balance sheet total	58'164.0	55'181.4
↳ of which balance sheet total of the retail and industry sector [2]	21'567.8	20'256.8

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

A.2. Income statement

	Migros Group		Retail and Industry sector [1]		Financial Services sector [1]	
CHF million	2012	2011	2012	2011	2012	2011
Net revenue from goods and services sold	23'798.9	23'586.0	23'799.8	23'586.9	3.7	3.6
Other operating income	278.0	307.6	278.6	308.1	2.3	2.5
Income before financial services business	**24'076.9**	**23'893.6**	**24'078.4**	**23'895.0**	**6.0**	**6.1**
Income from financial services business	921.9	965.2	–	–	921.9	965.3
Total income	**24'998.8**	**24'858.8**	**24'078.4**	**23'895.0**	**927.9**	**971.4**
Cost of goods and services sold	14'371.4	14'302.5	14'372.7	14'303.7	–	–
Expenses of financial services business	366.4	369.7	–	–	366.8	369.9
Personnel expenses	5'033.3	5'038.5	4'858.7	4'865.2	175.0	172.6
Depreciation	1'191.8	1'137.2	1'156.2	1'103.7	37.7	33.4
Other operating expenses	3'050.3	3'031.9	2'945.5	2'934.9	111.0	103.4
Operating profit before effect from pension plans	**985.6**	**979.0**	**745.3**	**687.5**	**237.4**	**292.1**
Effect from pension plans before income tax	341.3	3.9	328.2	3.8	13.2	0.1
Operating profit	**1'326.9**	**982.9**	**1'073.5**	**691.3**	**250.6**	**292.2**

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

A.3. Balance sheet

CHF million	Migros Group 2012	Migros Group 2011	Retail and Industry sector [1] 2012	Retail and Industry sector [1] 2011	Financial Services sector [1] 2012	Financial Services sector [1] 2011
ASSETS						
Cash and cash equivalents	4'350.9	4'569.4	2'132.8	1'424.4	2'656.2	3'252.2
Receivables due from banks	1'158.1	30.1	19.5	31.3	1'139.3	–
Mortgages and other customer receivables	32'586.5	30'858.3	–	–	32'601.7	30'871.9
Other receivables	779.4	742.1	779.9	742.6	–	0.0
Inventories	2'200.5	2'162.5	2'200.4	2'162.5	–	–
Other financial assets	2'039.0	2'418.9	960.8	1'083.9	1'078.2	1'335.0
Investments in associated companies and joint ventures	148.5	108.8	886.0	846.2	–	–
Investment property	377.1	299.8	346.7	269.1	30.5	30.7
Tangible assets	11'866.9	11'747.8	11'719.8	11'592.1	147.2	155.8
Intangible assets	1'339.3	1'380.9	1'257.6	1'285.7	79.6	95.1
Other assets	1'317.8	862.8	1'264.3	819.0	33.4	37.0
	58'164.0	**55'181.4**	**21'567.8**	**20'256.8**	**37'766.1**	**35'777.7**
Non-current assets held for sale	–	–	–	–	–	–
BALANCE SHEET TOTAL	**58'164.0**	**55'181.4**	**21'567.8**	**20'256.8**	**37'766.1**	**35'777.7**
LIABILITIES AND EQUITY						
Payables due to banks	490.0	528.7	463.9	502.2	41.3	38.9
Customer deposits and liabilities	27'775.9	25'891.3	–	–	28'210.6	26'000.9
Other financial liabilities	2'022.5	2'030.6	2'015.5	2'017.3	7.0	13.3
Other liabilities	3'081.4	2'621.9	2'944.6	2'465.4	141.5	157.1
Provisions	125.1	116.5	117.6	110.7	7.5	5.8
Issued debt instruments	6'530.4	7'060.5	449.4	598.8	6'081.0	6'461.7
Liabilities from employee benefits	538.2	517.5	526.5	505.7	19.2	18.8
Current income tax payables	102.5	89.6	60.9	46.9	41.6	42.7
Deferred income tax liabilities	1'575.7	1'446.4	1'235.3	1'116.6	334.8	327.0
Total liabilities	**42'241.7**	**40'303.0**	**7'813.7**	**7'363.6**	**34'884.5**	**33'066.2**
Total equity including non-controlling interests	**15'922.3**	**14'878.4**	**13'754.1**	**12'893.2**	**2'881.6**	**2'711.5**
BALANCE SHEET TOTAL	**58'164.0**	**55'181.4**	**21'567.8**	**20'256.8**	**37'766.1**	**35'777.7**

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

A.4. Cash flow statement

CHF million	Migros Group 2012	Migros Group 2011	Retail and Industry sector [1] 2012	Retail and Industry sector [1] 2011	Financial Services sector [1] 2012	Financial Services sector [1] 2011
Cash flow from operating activity	1'267.5	1'126.7	2'045.3	1'347.4	- 408.8	- 503.3
Cash flow from investing activity	- 979.2	- 438.9	- 1'211.2	- 1'207.1	238.5	767.9
Cash flow from financing activity	- 508.9	759.1	- 127.8	- 46.0	- 425.7	690.6
Changes in cash and cash equivalents	**- 220.6**	**1'446.9**	**706.3**	**94.3**	**- 596.0**	**955.2**
Cash and cash equivalents, at beginning of year	4'569.4	3'125.4	1'424.4	1'333.0	3'252.2	2'297.0
Foreign exchange differences	2.1	- 2.9	2.1	- 2.9	–	–
Cash and cash equivalents, at end of year	**4'350.9**	**4'569.4**	**2'132.8**	**1'424.4**	**2'656.2**	**3'252.2**

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

B. Introduction

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

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

C. Acquisitions and disposals

During the last two years, Migros Group has acquired and sold various companies. Transactions carried out in the 2012 financial year included the following:

After having entered into a strategic cooperation with Cash + Carry Angehrn (CCA) in autumn 2006 and acquiring a 30% share in the family-owned company, the Federation of Migros Cooperatives (FMC) increased its shareholding to 80% as at 1 July 2012. The Angehrn family retains the remaining 20% of the cash-and-carry wholesaler CCA and continues to be actively involved on an operating level and represented on the company's board of directors.

In August 2012, the Federation of Migros Cooperatives acquired a minority interest of 30% in Galaxus AG with its online shops digitec.ch and galaxus.ch. With this new innovative partner, Migros will further strengthen its position as the leader in online business. Digitec.ch, the largest online retailer for information technology, consumer electronics and telecommunications goods, and the online store galaxus.ch, will benefit from Migros' expertise in traditional in-store business as well as from improved procurement conditions.

A number of other acquisitions of minor value were made in the areas of office automation, health care, fitness and travel.

The Hotelplan Group sold its 51% shareholding in the Russian tour operator Ascent Travel as planned on 29 February 2012.

At the end of September 2012, Medbase AG also sold its majority stake in Quevita AG.

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

2012

CHF million	Income	Expenses	Profit
Cooperative Retailing	2.5	3.2	-0.7
Commerce	2.2	2.2	0.0
Industry & Wholesaling	155.7	158.4	-2.7
Travel	–	0.0	0.0
Total effect of acquisitions	**160.4**	**163.8**	**-3.4**

The following companies were acquired or sold during the financial year 2011:

In 2009, the Federation of Migros Cooperatives acquired a 49% stake in the German retailer Gries Deco Holding GmbH, Niedernberg (Germany), with the aim of expanding this investment in the medium term. Under the leadership of the Federation of Migros Cooperatives, a growth strategy was devised together with Gries Deco at the end of 2010. With financing from the Federation of Migros Cooperatives, work on implementing this strategy has been ongoing since 2011. Since this means that Migros Group in effect controls Gries Deco, since 1 January 2011 the company has been reported as a fully consolidated subsidiary with a shareholding of 51.1%.

On 11 August 2011, the Hotelplan Group announced the acquisition of a 26% share in Germany's Inter Chalet Ferienhaus-Gesellschaft mbH, Freiburg im Breisgau (Germany). The investment in Inter Chalet, which is to be increased in the medium term, will enable the Hotelplan Group to exploit synergies with Interhome, one of its subsidiaries.

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

D. Income trend (sales trend) of Migros Group

The total income of Migros Group increased by CHF 140.0 million (+ 0.6%) in 2012 to CHF 25.0 billion (previous year CHF 24.9 billion). Income in the Retail and Industry sector rose by CHF 183.4 million to CHF 24.1 billion, of which CHF 160.4 million was from acquisitions. In Cooperative Retailing alone, Migros invested CHF 204 million in lower prices.

In the financial services business, income fell by a total of CHF 43.5 million to CHF 927.9 million, due in particular to the low level of interest rates and reduced commission income.

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

	Total income		
CHF million	**2012**	2011	Change from previous year in %
Cooperative Retailing	15'230.0	15'306.4	- 0.5
Commerce	6'797.4	6'395.4	6.3
Industry & Wholesaling	5'204.6	5'127.4	1.5
Travel	1'214.1	1'408.7	- 13.8
Others	155.0	189.5	- 18.2
Eliminations (within Retail and Industry sector)	- 4'522.7	- 4'532.4	0.2
Total Retail and Industry sector	**24'078.4**	**23'895.0**	**0.8**

The activities of the regional Migros Cooperatives, the Federation of Migros Cooperatives and the services of the Group's logistics companies are combined in the **strategic business unit Cooperative Retailing**. In 2012, the ten regional Cooperatives generated sales of CHF 14.3 billion in Switzerland and CHF 201.5 million abroad (total CHF 14.5 billion). Adjusted to take account of the non-recurring effect in the wholesaling business in the amount of CHF 78.4 million (transfer of the Migros Cooperative Zurich to migrolino), sales fell by 0.4% in nominal terms compared to the previous year. With negative inflation of 1.4% across the entire range, real growth amounted to 1.0%. The market share is 14.9% (previous year 15.2%).

The supermarkets and hypermarkets saw sales fall by 0.6% to CHF 11.4 billion. With negative inflation of 1.4%, this resulted in real growth of 0.8%. The specialist markets (Micasa, SportXX, Melectronics, Do it + Garden and OBI) posted sales of CHF 1'370 million (+ 1.8%). Taking into account negative inflation of 4.6%, Migros' specialist markets thus enjoyed real growth of 6.4% on the previous year.

Price reductions worth over CHF 200 million

The Cooperatives reduced prices by an average of 1.4% in 2012 and cemented their leading position in terms of value for money. For customers, this translated into price cuts worth CHF 204 million in total, across more than 2000 products. Melectronics and Micasa implemented the largest price reductions, of 6.4% and 4.9% respectively.

Positive trend in products offering sustainable added value

Sales of label products were increased markedly in 2012, driven primarily by the Migros Bio range (+ 9.1%), FSC-certified products (+ 19.2%) and products from sustainable fishing bearing the MSC label (+ 12.2%). In addition, 65% of the chocolate bars at Migros produced by Chocolat Frey had received UTZ certification by the end of 2012 (cocoa from sustainable, socially responsible and environmentally compatible cultivation). The particularly energy-efficient appliances bearing the Topten label posted sales growth of 24%. As part of Migros' sustainability strategy, 87 specific programmes on «sustainable consumption» incorporating 16 binding commitments by Migros to **Generation M** («Generation von morgen», or «the generation of tomorrow») were being implemented. As every year, the regional Cooperatives made substantial investments in constructing new stores and remodelling existing ones, focusing on improving local sourcing. Overall, the sales area for supermarkets, hypermarkets, specialist markets and catering grew by 12'341 m^2 to 1'344'738 m^2 (+ 0.9%).

The **strategic business unit Commerce** mainly includes the retail companies Denner, Migrol, Magazine zum Globus, Ex Libris, Office World Group (OWiba), Interio and Depot (Gries Deco Group) as well as Le Shop.

In 2012, **Denner** achieved sales of CHF 2'832.8 million, equating to real growth of 3.3% with inflation at 1.5%. Denner increased customer numbers by 2.5% at a total of 788 (+ 24) locations in 2012, outperforming the market average and gaining further market share. Denner reduced the price of 234 products in total during 2012, some 12% of its entire product range.

Migrol increased sales in cubic metres by 2.4% with persistently high fossil fuel prices (+ 4.4%). Its sales amounted to CHF 1'881.6 million (+ 6.5%).

Magazine zum Globus AG (Globus and Herren Globus) posted total net sales of CHF 778.9 million in 2012, down 1.1% on the previous year. Taking into account a fall in average sales prices of around 1.6% and negative inflation for the year, the result for 2012 exceeded expectations. Globus thus succeeded once again in gaining market share from its direct competitors. Globus stores posted a decline in sales of 0.8%, generating net sales of CHF 704.6 million. The Herren Globus specialist markets achieved net sales of CHF 74.3 million (- 4.9%).

Although **Ex Libris** sales fell by 8.8% year-on-year to CHF 153.8 million, it still gained market share. While growth of 5.2% marked a pleasing performance for its online business, which achieved record sales figures, in-store business remains challenging.

The **Office World Group** increased its sales to CHF 160.2 million (+2.6%) in the reporting year.

Interio posted a fall in sales of 19.2% to CHF 196.1 million, due in part to the separation of Depot and Interio (transfer of the 24 homeware stores and boutiques to Depot Schweiz AG). The furniture stores suffered a decline of 8.9%, 2.2% of which was due to the two-month closure of the flagship Dübendorf store following hail damage (adjusted fall of 6.7%).

Retail chain «Depot» continues strong growth

In 2012, the retail chain **«Depot»** (Gries Deco Group) was once again among the fastest-growing non-food businesses in Europe and was able to clearly extend its market leadership in the area of home accessories. Total sales increased by 28.3% to EUR 276.4 million in Germany, Switzerland and Austria (CHF 332.7 million, or +25.4%, on a currency-adjusted basis for Migros Group). A 150'000 m^2 logistics centre, built in 2012 and due to be opened at the start of 2013, considers also to the cater for the 90 new shops opened last year as well as the launch of a Depot online shop.

As at the end of 2012, **migrolino** operated a total of 194 sites (+20) and generated sales of CHF 224.3 million (including CHF 78.4 million from the transfer of the Migros Cooperative Zurich). The sites break down as follows: 43 (+4) stand-alone stores, 84 (+3) Migrol-migrolinos, 59 (+5) Shell-migrolinos and 8 (+8) Socar-migrolinos.

In 2012, **Le Shop** generated food sales worth CHF 149.5 million, thus matching the previous year's result. Le Shop is still Switzerland's largest online food retailer by some margin. 2012 was a year of numerous innovations. The pick-up locations LeShop.ch Drive and LeShop.ch Rail had an excellent start and the mobile share of sales climbed to 23% as a result of the new iPad app. The number of new customers rose by 15% (+4'200 on the previous year).

Overall, Migros succeeded once again in cementing its position as the undisputed market leader in **e-commerce business**, posting sales of CHF 704.5 million (+6.0%). This includes LeShop.ch, the online operations of the Hotelplan Group, the online business of Ex Libris, Office World, Migrol and Probikeshop as well as Micasa, SportXX and Melectronics.

Market position enhanced despite challenging environment

The **strategic business unit Industry & Wholesaling** further developed its market position in Switzerland and abroad in what was a difficult environment, growing 3.4% in real terms. Despite negative inflation of 1.8%, sales rose to CHF 5'419.8 million (previous year CHF 5'333.2 million). The acquisition of a majority stake in Cash + Carry Angehrn and the greater market share that this secured enabled sales from wholesaling operations to increase significantly to CHF 776.5 million (previous year CHF 626.6 million). Business with Migros Group was characterised by substantial price reductions, ending 2012 0.5% down on the previous year. At CHF 478.0 million, international sales were kept virtually at the same level despite streamlining the portfolio.

Sharp fall in sales in Italy

The sales trend in the **strategic business unit Travel** was influenced by a decline in business in Italy, by lower sales prices due to price reductions necessitated by the exchange rate situation, and by the sale of the Russian business entity. Sales fell by 13.5% to CHF 1'203.2 million. The positive financial year experienced by Hotelplan Suisse is not yet reflected in the sales performance, with posted sales falling by 5.9%. Passenger numbers were very pleasing, particularly in the summer period. Interhome, Europe's leading agent for holiday homes, also saw a slight fall in sales of 2.6%. The departure of the managing director of the online provider Travelwindow brought expansion into the Scandinavian market to a halt, with posted sales falling by 5.2%. In the reporting year, the UK business, which specialises in skiing holidays, matched last year's sales result in local currency; in Swiss francs, this equates to growth of 3.6%. In Italy, the travel market slumped by over 25%, reducing Hotelplan Italia's business volume by 26.3%. Despite this significant slump and the challenging environment on the Italian travel and tour operating market, the Hotelplan Group remains committed to Hotelplan Italia. The Italian subsidiary is to be completely realigned and restructured, with a new strategy to focus the business on the core areas of expertise and concentrate on the long-haul sector and – under the previous specialist brand Turisanda – on Egypt as a holiday destination with Red Sea beach holidays and Nile cruises.

D.2. Income trend in the Financial Services sector

Income from financial services business amounted to CHF 921.9 million in the reporting year, with interest revenue totalling CHF 797.3 million or 86.5%, constituting the main share of total income. Commission income amounted to CHF 88.9 million and other financial assets and foreign exchange dealings generated a net profit of CHF 35.7 million. In the fiercely contended mortgage market, Migros Bank achieved a growth in mortgage loans of CHF 1'729.8 million or 5.6%, due to the company's beneficial conditions. On the liabilities side, Migros Bank achieved a net increase in customer deposits and liabilities of CHF 2'209.7 million or 8.5%.

E. Operating result of Migros Group

The operating result (EBIT before pension plan effect) of Migros Group was CHF 985.6 million, CHF 6.6 million or 0.7% above the previous year's figure. In the Retail and Industry sector, the result was increased by CHF 57.8 million to CHF 745.3 million (+ 8.4%).

In the financial services business, the operating result fell by CHF 54.7 million to CHF 237.4 million. In addition to the interest rate trend, this was also due to increased impairments and lower commission income as well as to income from other financial assets.

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

	Total operating profit before effect from pension plans		
CHF million	**2012**	2011	**Change from previous year in %**
Cooperative Retailing	565.5	427.9	32.2
Commerce	13.9	63.4	- 78.1
Industry & Wholesaling	125.8	185.7	- 32.3
Travel	- 25.9	- 19.4	- 33.5
Others	69.6	29.9	132.8
Eliminations (within Retail and Industry sector)	- 3.6	–	–
Total Retail and Industry sector	**745.3**	**687.5**	**8.4**

Sustainable cost management

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

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

As the largest of the ten Cooperatives, **Migros Aare** is handling the challenges in three directions. The focus on **growth, efficiency and management** is paying off. As well as increasing sales, it has gained market share from its principal competitor.

With the «einfach besser» («Simply Better») project, Migros Aare is concentrating on **growth and efficiency**. The mobile shop in the project logo represents a consistent focus on the customer: straightforward, more transparent, clearer, less complicated. The customer is at the centre here, always and everywhere.

The «Simply Better» project is designed to simplify the organisational setup with a customer-centred transformation of standards, business models, management, processes and structures, and to generate substantial value added. Work began in autumn 2012 with seven projects (analysis phase in the first half of 2013; implementation in stages from the second half of the year onwards). The focus here is on excellent structures and processes in the operations centre as well as in the branches. In addition, the branches are designed to fulfil customer requirements and provide an ambience of well-being, without increasing operating costs.

At **management level**, the **«Excellent Implementation»** project was continued. The focus is concentrated on the sustainable performance of all employees who contribute to the company's success as part of a performance culture.

At **Migros Vaud** a crucial phase of the CAP 345 project «Together into the Future» was completed in 2012. The supermarkets successfully modified their key processes relating to the validation of new types of organisation and implemented them in their day-to-day operations.

«subito» meets customer needs

Self-scanning and self-checkout: Following a successful pilot phase, the Retail Committee (RC) approved the Swiss-wide rollout of the **subito** self-service system in early May 2012. As at the end of January 2013, «subito**»** is already available in 29 branches. By the end of this year, customers will be able to use «subito» in selected branches of all Cooperatives. The Cooperatives' current timetable envisages the introduction of «subito**»** to some 120 stores by autumn 2014. The high level of acceptance that «subito**»** is enjoying among all customer groups has been pleasing.

The system to automate food order-picking at **Migros Verteilzentrum Suhr AG,** which began operations in the previous year, brought its full benefit to bear in 2012, enabling output and efficiency to be increased considerably. For the first time, a large proportion of seasonal Christmas and Easter products were also processed using the new system. In addition, Migros Verteilzentrum Suhr AG increased its warehousing capacity by 16'800 new pallet bays in the reporting year, thereby eliminating the need for interim storage and making the flow of goods more efficient. Since 2012, Migros Verteilzentrum Suhr AG has been a new strategic logistics partner of migrolino AG. The migrolino shops, numbering more than 170, are supplied with all the main fresh produce, food, non-food, brand products, alcohol and tobacco ranges from the distribution centre. This has allowed goods processes to be combined and aligned with the further expansion of migrolino AG's convenience business.

Migros-Verteilbetrieb Neuendorf AG began the construction of a system to partially automate the order-picking of non-food ranges in 2012. This year, further automation projects to boost efficiency will be launched as part of a long-term strategy.

Successful centralisation of IT services

After successfully integrating the national IT services such as SAP Fresh, POS systems, finances, human resources and Club Schools/leisure into the Migros IT services and generating the corresponding synergies, Migros turned its attention to the next step in the centralisation process: IT infrastructure services are now also to be centralised. As well as cost savings, the measure is intended to simplify the national provision of services significantly. The key elements of this project are as follows:

A nationwide **MigrosNet** for the smooth exchange of data within the Cooperative Retailing segment. Migros' main data networks are to be combined into a single network which will extend well beyond Cooperative boundaries to the end consumer (branches, places of work).

The **«M-Workplace 2014»** is being developed in a project in which the Cooperatives and industrial companies are heavily involved. This standard workplace of tomorrow comprises all of the equipment needed in an office both now and in the future (computers, telephones, mobility, printing, network). The M-Workplace will be launched in the participating Migros companies from 2014 onwards in a rollout that is still to be planned.

The **Migros computer centres** are to be consolidated in a national Migros data centre network operating out of two sites. Having a single data centre management setup, led by Migros' IT services, will enable the physical service components to be ideally deployed and efficiently operated. In this project as well, the solutions will be found in collaboration with the affected locations and then implemented gradually.

Innovative strength

The companies from the other strategic business units are also working to improve their processes on an ongoing basis: **M-Industry** further increased its operating capacity during the 2012 financial year. Thanks to a range of efficiency-boosting and optimisation programmes (most notably «Fit for Europe»), considerable savings were made in 2012 as well. This enabled M-Industry to support Migros Group with substantial price reductions and boost Migros' market position through its innovative strength. The successful launch of the «Café Royal» coffee capsules secured additional market share, while new ranges of muesli, yoghurts and milk drinks were introduced for Migros' own «Farmer» and «Bifidus» brands. M-Industry is thereby playing a key role in Migros' differentiation strategy.

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

Optimisation of procurement management

Procurement management was able to continue the savings made over the past few years, albeit to a somewhat lesser extent. The effects of the exchange rate floor for the Swiss franc against the euro somewhat counteracted the improvement in purchase prices from August 2012 onwards. Our membership of the European buying alliance AMS, online tendering and auctions, and direct procurement at source remain the main levers for optimising costs in procurement management. Our two procurement offices in Hong Kong and Shanghai will be supplemented by an additional office in Gurgaon (India) over the course of 2013. The two main duties of these procurement offices are to work efficiently with Asian producers and to ensure that we uphold our corporate social responsibility in our procurement activities in the Far East in terms of humane working conditions. Another, increasingly important lever is the optimisation of the supply chain, from the dispatch of goods by the supplier to their delivery at the branch. New concepts on this issue were developed in 2012 and are now being implemented in practice.

Overall, **commodity prices** remained high in 2012. Only a few prices that are relevant for us eased somewhat over the course of the year (coffee, cotton and, to a lesser extent, crude oil). As part of our sustainability strategy, employing a range of measures to ensure the availability of certified raw materials is becoming increasingly important. Having our own industrial companies in close proximity to the commodity markets (compared to a simple trading company) provides a favourable basis for this.

During the reporting year, **exchange rate developments** had a minor impact on the Retail and Industry sector.

Migros performs well despite sustained price pressure

Despite the rise in the **cost of goods and services sold** by CHF 69.0 million to CHF 14.4 billion, **gross profit** increased by CHF 114.4 million to CHF 9'705.7 million thanks to rigorous procurement management and a raft of process optimisation measures. The gross profit margin grew by 0.2% to 40.3%.

Savings of CHF 6.5 million in comparison with the previous year were achieved in **human resources**. In addition to normal investing activities, the increase of CHF 52.5 million in **depreciation and amortisation** to CHF 1.2 billion was also due to impairments.

The rise of CHF 10.6 million in **other operating expenses** to CHF 2.9 billion reflects the increased rental costs due to expansion as well as energy saving measures and lower IT costs in the wake of centralisation at the Federation of Migros Cooperatives.

Overall, the operating result for the Retail and Industry sector improved by CHF 57.8 million to CHF 745.3 million.

The operating result of the **Cooperative Retailing sector** increased by CHF 137.6 million to CHF 565.5 million due to the aforementioned efficiency improvements along the value-added chain and the contribution to investments in pricing made by the **Industry & Wholesaling sector**. The fall in **Commerce** of CHF 49.5 million to CHF 13.9 million can be put down to the repositioning of Interio, the in-store business of Ex Libris and additional expenditure on logistics and warehousing at the Gries Deco Group.

In the **Travel segment**, the result was affected by the strong fall in sales, restructuring costs and impairments at Hotelplan Italia as well as the bankruptcy of the airline Hello. Thanks to stringent cost management and a healthy business trend at Hotelplan Suisse, the result deteriorated by only CHF 6.5 million.

In the previous year, the **Others segment** was adversely affected by non-recurring costs arising from the sale of Limmatdruck AG. In addition, gains on sales made by Liegenschaften-Betrieb AG contributed to an improvement in the result in the amount of CHF 39.7 million in 2012.

E.2. Operating result of the Financial Services sector

The Financial Services sector generated income from financial services business totalling CHF 921.9 million with costs of CHF 366.8 million. Net income from financial services business decreased from CHF 595.4 million to CHF 555.1 million, due to higher impairments.

Net income from interest margin business remains the most important component in the financial services business. Approximately 86% of income was generated in this sector during 2012. The sustained low level of interest rates means that the interest margin was reduced slightly. Net interest income therefore saw a rise of just 4.7% on the previous year.

Income from the commission business suffered from customers' cautious approach to investment business, falling by 2.9% against the previous year's result.

Income from other financial investments and foreign currency and money transmission business fell from CHF 66.4 million to CHF 35.7 million, thanks to the stable euro exchange rate.

Thanks to improved IT support, staffing levels decreased by 20 from the previous year to 1’375 employees. Personnel expenses, on the other hand, increased by 1.4% to CHF 175.0 million, as a result of wage adjustments.

Migros Bank also made considerable investments in its IT platform in 2012. Depreciation and other operating expenses were therefore increased from CHF 136.8 million to CHF 148.7 million.

In a landmark ruling on 30 October 2012, the Federal Supreme Court held that retrocessions received by banks from a provider for the distribution of investment funds and structured products must be passed on to their asset management customers. Migros Bank has been one of the first banks to decide to reimburse these retrocessions, proactively and of its own accord, to some 2’800 asset management customers and has set aside a provision of CHF 4.2 million in the annual financial statements for this purpose.

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 3.0 billion to CHF 58.2 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 2012 amounted to 47.8% of the balance sheet total (31 December 2011: 46.9%).

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

The balance sheet total for the Retail and Industry sector rose by 6.5% on the previous year to CHF 21'567.8 million. The increase in the balance sheet total and the change to the balance sheet structure from the previous year were mainly due to acquisitions and operating business.

The carrying amount of tangible assets increased by CHF 127.7 million on the previous year as a result of extensive investment activities by Migros Group. During the last financial year, the companies in the Retail and Industry sector invested CHF 1'211.5 million (previous year CHF 1'243.3 million) mainly in renewing the branch network and plants in Switzerland. The Cooperatives were able to commence operations at eight new sales locations. The focus of such moves was the improvement of local sourcing by Migros. A new Migros supermarket was one of the developments in a number of other localities and districts, e.g. in Frutigen, Hasle-Rüegsau, Oberriet, Ruswil, Luzern-Allmend, Zurich-Altstetten railway station. The first Alnatura organic supermarket was also opened in Zurich-Höngg. With regard to the specialist markets, the centres in Nyon and Martigny were completely renovated. At the Glatt shopping centre (Wallisellen), the first branch of Melectronics with the new store concept has been opened.

Outside of Switzerland, Gries Deco Group (Depot) invested the equivalent of CHF 60.2 million in the new distribution centre in Niedernberg.

Intangible assets amounted to CHF1'257.6 million as at 31 December 2012 (previous year CHF 1'285.7 million). Goodwill (intangible assets with an unlimited period of use) is CHF 809.7 million (previous year CHF 811.5 million). An important item in this figure is the goodwill acquired in 2007 with the acquisition of Denner.

Migros Group recognises actuarial gains and losses on defined benefit pension schemes in the income statement, using the «corridor approach». This means that the actuarial gains and losses are, if at all, recorded only as expenditure pro rata and with a delay. Other assets are made up of assets from employee benefits from the employer contribution reserves without waiver of utilisation of CHF 422.9 million (previous year CHF 370.0 million) and CHF 566.8 million (previous year CHF 225.6 million) in unrecognised actuarial losses under the corridor approach (see also explanations in Section H and Notes 10 and 38).

The balance sheet structure of the Retail and Industry sector remains very healthy. In 2012, net finance debts were reduced by a further CHF 249.4 million to CHF 706.2 million. Based on the current EBITDA of CHF 1’901.5 million, these debts can be paid off within half a year. Shareholder equity increased by CHF 860.9 million to CHF 13'754.1 million and corresponds to 63.8% (previous year 63.6%) of the balance sheet total. The principle of matched maturities, whereby shareholder equity and long-term loan capital cover non-current assets, has been maintained.

F.2. Balance sheet of the Financial Services sector

During the reporting year, mortgages and other customer receivables rose by 5.6% from the previous year to CHF 32.6 billion.

In order to ensure refinancing of loans to customers at any time, also under changed market conditions, Migros Bank holds significant cash reserves in the form of securities. Securities shown under the balance sheet item other financial assets amount to CHF 1.1 billion in total and mainly consist of debt securities and widely diversified investment funds. During the reporting year, these cash reserves were reduced by CHF 256.8 million in total as a result of risk considerations, and invested as cash and cash equivalents and receivables due from banks.

This marked credit growth was mainly financed with new customer deposits. Customer deposits and liabilities increased by CHF 2.2 billion or 8.5%. Customer deposits totalled CHF 28.2 billion, corresponding to 86.5% of customer lending at the end of 2012. Migros Bank consequently continues to benefit from a comfortable refinancing structure.

Due to the positive result for the year, the bank once again managed to significantly strengthen its equity base. As of 31 December 2012, the bank's equity amounted to CHF 2'881.6 million, significantly above the coverage required under Swiss banking law.

On 13 February 2013, the Federal Council decided to activate the so-called countercyclical capital buffer as provided for under the Capital Adequacy Ordinance. This measure was carried out upon the submission of a proposal by the Swiss National Bank and aims to have a dampening effect on the real estate market. For Migros Bank, this measure means that it will require additional regulatory capital of some CHF 100 million, which will be taken into account in the Bank's multi-year equity capital planning.

G. Cash flow statement of Migros Group

Positive cash flow from operating activity of CHF 1.3 billion

The cash and cash equivalents of Migros Group stood at CHF 4'350.9 million as at 31 December 2012 and therefore decreased on a currency-adjusted basis by CHF 218.5 million on the previous year (31 December 2011: CHF 4'569.4 million). Total investments of CHF 1'224.8 million in tangible and intangible assets were funded in full by the cash flow from operating activities of CHF 1'276.5 million. The remaining CHF 42.7 million as well as net revenue from other financial assets of CHF 327.1 million were used to repay debts of CHF 508.9 million.

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

At the end of 2012, cash and cash equivalents of the Retail and Industry sector came to CHF 2'132.8 million, representing an increase of CHF 708.4 million on a currency-adjusted basis compared with CHF 1'424.4 million at the end of 2011.

Cash inflows from **operating activity** increased in 2012 compared with the end of 2011 by CHF 697.7 million to CHF 2'045.3 million, due among other things to the better result compared to the previous year.

The cash outflow from **investing activity** came to CHF 1'211.2 million in the reporting period (previous year CHF 1'207.1 million) and is characterised primarily by investments in both tangible and intangible assets of CHF 1'211.5 million. The highest investment volumes have been in the Cooperative Retailing (CHF 859.2 million) and Commerce (CHF 193.9 million) segments. The outflow of funds from investing activity was once again fully financed from the inflow of funds generated (from operating activity) in the reporting period.

The outflow of funds generated by **financing activity** in the reporting year amounted to CHF 127.8 million. The higher cash outflow than in the previous year (2011 CHF 46.0 million) can be explained essentially by the repayment of a long-term bond with a nominal value of CHF 150 million by the Federation of Migros Cooperatives.

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

At the end of 2012, cash and cash equivalents of the financial services business amounted to CHF 2'656.2 million. Compared to the total of CHF 3'252.2 million at the end of 2011, this represents a decrease of CHF 596.0 million.

Cash outflow of CHF 408.8 million resulted from operating activity in 2012. The operating outflow was mainly the result of the growth in mortgage and other customer receivables of CHF 1'729.8 million. Moreover, liquidity of CHF 1'139.3 million was invested over the longer term in receivables due from banks. The increase in customer deposits and liabilities resulted, on the other hand, in a cash inflow of CHF 2'209.7 million.

CHF 13.3 million was invested in extending the bank's infrastructure. On the other hand, non-current other financial assets were reduced by CHF 251.8 million in the reporting year. Overall, a cash inflow of CHF 238.5 million resulted from the investment activities in the reporting year.

Financing activity generated a cash outflow of CHF 425.7 million during 2012. Of this, CHF 231.3 million is due to the decrease in medium-term bonds and mortgage-backed loans as well as CHF 149.4 million on the repayment of a bond CHF 45.0 million was paid out to shareholders as dividends during the reporting year.

H. Pension schemes

As regards employee benefits, IAS 19 differentiates between defined benefit and defined contribution pension schemes. The type of scheme determines the method of accounting treatment. In case of defined contribution plans according to IAS 19, the obligations of the employer are limited to the payment of a fixed contribution to a fund which will provide the benefits to the employee at a later stage. The actuarial risk (e.g. the effects of incorrectly estimated likelihoods of fluctuations, mortality rates) and the investment risk are borne by the employee. The employer contribution is recognised as an expense in the year the employee worked for the company.

In case of a defined benefit scheme according to IAS 19, the employer is obliged to pay out an agreed amount. The employer thus bears the main share of the actuarial and investment risk. For defined benefit pension schemes, the expense for the period under review is determined from the change in pension provisions, calculated using the so-called Projected Unit Credit Method. Swiss pension plans under BVG (BVG contribution and BVG benefit liability plans) apply as defined benefit pension plans under IAS 19 as a rule. Migros Group insures its employees predominantly under defined benefit pension plans. Companies of Migros Group use different, legally independent pension providers. The largest of these providers are the Migros Pension Fund, the Globus Group Pension Fund, the Denner Pension Fund and the Employee Pension Foundation Travel. In contrast to the previous year, these providers posted a surplus of cover under IAS 19 at the end of 2012.

However, IAS 19 limits the extent of the gains to be recognised. This therefore results in a pension asset in the balance sheet in 2012, in the amount of the employer's voluntary payments (employer contribution reserves without waiver of utilisation) plus the actuarial losses which have not yet been recorded in the income statement.

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

CHF million	2012 after effect from pension plans	2012 before effect from pension plans	2011 after effect from pension plans	2011 before effect from pension plans
Personnel expenses	4'692.0	5'033.3	5'034.6	5'038.5
Operating profit	**1'326.9**	**985.6**	**982.9**	**979.0**
Income tax expense	255.9	185.6	133.7	132.9
Group profit	**995.2**	**724.2**	**662.4**	**659.3**

I. Value-oriented management as basis for creating value added

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

The concept applied, and its methodology, are not intended solely to strengthen the notion of value added; they also improve the quality and transparency of decisions and ensure the availability of relevant financial information. This means that Migros can focus more on sustained implementation of its corporate strategy and on greater integration of strategic, financial and investment planning. Annual results, budgets and plans are assessed on the basis of established targets and new projects evaluated accordingly. Sector-specific evaluations with differentiated targets also enable 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 positive focussing on greater attractiveness are ever-present considerations.

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

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

J.1.1. General risk management

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

The risk management process is integrated in the annual financial planning and strategy process. Using a systematic risk analysis, the Board of Directors and the management of each individual Migros company identify the main risks and assess these as regards likeliness of occurrence and financial effects. The Boards of Directors of the companies then decide upon suitable measures for preventing, reducing or passing on such risks. Risks borne by the company are rigorously monitored. Risks in business processes affecting the financial reporting are reduced by the internal control system. The results of the risk evaluation are appropriately considered during the annual analysis of the corporate strategy. The results of the risk assessments of the individual companies are summarised and grouped by strategic business units (bottom-up view). The departmental managers carry out an overall risk assessment for their respective strategic business unit (top-down view). Based on this information, the Board of Directors of the FMC will assess the influence of the main risks on the strategic business units and will consequently decide on further measures.

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

J.1.2. Financial risk management

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

Exchange rate risks originate from the purchase of commodities, raw materials and services from abroad, as well as to a limited extent from international activities in the business segments Cooperative Retailing, Commerce, Industry & Wholesaling and Travel. Each entity defines its maximum foreign currency exposure from which it defines its hedging requirement. The individual enterprises enter into hedging relationships with the Treasury department of the Federation of Migros Cooperatives. The Treasury department of the Federation of Migros Cooperatives is responsible for hedging against foreign currency exposure on the market in different currencies used by the Retail and Industry sector. The main currencies are the euro and US dollar. The main hedging instruments used are forward exchange contracts and to some extent also foreign currency options are used as hedging instruments. The individual companies report their foreign currency exposure on a regular basis to the Treasury department of the Federation of Migros Cooperatives, which generates the foreign exchange exposure or foreign exchange risk of the Retail and Industry sector from these figures.

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

Migros also buys a limited amount of shares to maintain liquidity. Share price fluctuations consequently have a direct effect on the result. In this regard, care is taken to ensure that share investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by analyses before the purchase and by the regular monitoring of the investments' performance and risks.

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

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

The companies within the Retail and Industry sector obtain their funding centrally from the Federation of Migros Cooperatives, providing capital at the best available cost and diversified in respect of maturity staggering and counterparties. The creditworthiness of the Retail and Industry sector is regularly checked by independent external specialists.

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

J.1.3. Insurance risk management
Insurance cover for the Retail and Industry sector is provided by the Group's own insurance and by contracts with private insurers and public law insurance institutions. Based on the actual risk situation, the potential damage and the criteria of likelihood of occurrence and extent of damage, it is generally decided whether a risk is to be self financed, i.e. covered by the Group's own insurance, or whether it is to be covered externally, i.e. passed on. The insurance department of the Federation of Migros Cooperatives acts as an in-house insurance broker with insurance companies. Having group contracts means, firstly, that the insurance cover available is very comprehensive and extensive, and, secondly that the amounts covered are high. This also ensures that all companies of the Retail and Industry sector have the best insurance cover available, at reasonable premiums.

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

J.1.4. Tax and VAT risk management
The management of tax risks is an integral part of tax planning. Tax risks are thus those uncertainties that could have negative effects for the company in the various types of taxation. In case of associated risks (tax legislation and tax practices), process risks (correct fiscal handling of different circumstances and transactions) as well as information risks (tax evaluation based on uncertain assumptions) risks are recorded, measured and appropriate action taken, where necessary.

J.1.5. Risk management of legal cases
The annual risk assessment within the Retail and Industry sector has shown that the sector is not involved in any court or arbitration proceedings as plaintiff or defendant that could have a considerable negative effect on the economic situation. Also, no administrative proceedings exist that could have a considerable adverse effect on the economic situation of the sector. 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 have been set up for such claims, as far as allowed in accordance with the IFRS. The sector also enjoys extensive insurance cover, where this makes economic sense.

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

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

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

J.2.1. General risk management

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

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

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

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

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

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

J.2.2. Financial risk management

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

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

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

The Financial Services sector uses a rating model with ten levels for credit-rating decisions. It takes qualitative and quantitative elements into consideration for customers who are required to keep accounts and their business-specific collateral. For business customers, the ratings of commercial credits are reviewed annually. A rating procedure based on the respective mortgage is used for the mortgage business. The period after which credit checks are carried out in the mortgage business varies depending on the rating result, the personal contribution and cover. The rating model ensures that the credit commitment is managed commensurate to the risk involved.

Credit transactions are in general secured. Most loans are secured by charges on land. Credit allocation is based on conservative lending margins. Current valuations of the properties to be mortgaged are part of each credit advance. Most of the corresponding collateral comes from the private housing sector, and is well diversified throughout Switzerland. In order to determine the sustained affordability, a technical interest rate corresponding to a long-term average interest rate is assumed for residential mortgages.

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

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

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

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

J.2.3. Management of legal and compliance risks

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

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

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

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

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

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

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

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

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

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

K. Statement of value added

CHF million		Retail and Industry sector[2] 2012		2011
ALLOCATION				
to employees[1]		4'858.7		4'865.2
to culture/social (culture percentage)		125.0		117.6
to lenders		83.0		111.7
to public sector		925.3		856.1
↳ taxes[1]	138.5		74.3	
↳ value-added taxes	167.7		166.5	
↳ customs duties/fees/fiscal charges	619.1		615.3	
to the company (self-financing)[1]		576.4		536.5
Net value added		**6'568.4**		**6'487.1**

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

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

Personnel costs account for the lion’s share of value added at 74.0%, and decreased marginally by - 0.1% on the previous year. Despite an average wage increase of 0.5% having been granted in Migros Group, personnel costs fell overall due to greater expansion in commercial business abroad. The Retail & Industry sector has 85'876 employees (previous year 84'823).

Contributions to **Migros Culture Percentage**, a voluntary sponsorship programme by Migros for Culture, Society, Education, Leisure and Economy projects, amounted to about 1.9% of the value added (previous year 1.8%), therefore offering a wider section of the population access to cultural and social benefits.

Lenders receive 1.3% in the form of interest during the reporting year. The Group's sound financial situation coupled with the sustained low level of interest rates are reducing interest costs compared to the level of the previous year. The **public sector** receives 14.1% (previous year 13.2%) in taxes, customs duties and fees. The slightly higher contributions to the public sector compared to the previous year are therefore due to the increase in sales. This also leads to a higher weighted tax rate at Group level as a result of the careful and stable income trend across the Group.

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.

Joerg Zulauf
Finance Department

Migros Group financial statements 2012

Income statement of Migros Group

CHF million	Notes	2012	2011
Net revenue from goods and services sold		23'798.9	23'586.0
Other operating income	*8*	278.0	307.6
Income before financial services business		**24'076.9**	**23'893.6**
Interest and commission income and (net) gains on financial instruments of the financial services business	*7*	921.9	965.2
Total income	*6*	**24'998.8**	**24'858.8**
Cost of goods and services sold	*9*	14'371.4	14'302.5
Interest and commission expense and valuation allowances of the financial services business	*7*	366.4	369.7
Personnel expenses	*10*	5'033.3	5'038.5
Depreciation and amortisation	*27–29*	1'191.8	1'137.2
Other operating expenses	*11*	3'050.3	3'031.9
Operating profit before effect from pension plans		**985.6**	**979.0**
Effect from pension plans before income tax	*10*	341.3	3.9
Operating profit		**1'326.9**	**982.9**
Finance income	*12*	21.9	-77.6
Finance cost	*12*	-99.6	-114.7
Share of (loss)/profit from associates and joint ventures	*13*	1.9	5.5
Profit before income tax		**1'251.1**	**796.1**
Income tax expense	*14*	255.9	133.7
Group profit		**995.2**	**662.4**

Additional information			
Effect from pension plans after income tax		271.0	3.1
Profit before effect from pension plans		**724.2**	**659.3**

Attribution of group profit			
Profit attributable to members of the Cooperatives		993.8	660.6
Profit/(loss) attributable to non-controlling interests		1.4	1.8
Group profit		**995.2**	**662.4**

Statement of comprehensive income of Migros Group

CHF million	Notes	2012	2011
Group profit		**995.2**	**662.4**
Other financial assets available for sale		70.8	- 91.6
Derivative financial instruments held for cash flow hedges		- 11.8	23.0
Currency translation differences for foreign subsidiaries		2.9	- 9.7
Share in other comprehensive income of associates and joint ventures		0.0	3.5
Income tax relating to components of other comprehensive income		- 12.1	14.8
Other comprehensive income	*16*	**49.8**	**- 60.0**
Group comprehensive income		**1'045.0**	**602.4**

Attribution of group comprehensive income			
Comprehensive income attributable to members of Cooperatives		1'043.4	600.4
Comprehensive income attributable to non-controlling interests		1.6	2.0
Group comprehensive income		**1'045.0**	**602.4**

Balance sheet of Migros Group

CHF million	Notes	31.12.2012	31.12.2011
ASSETS			
Cash and cash equivalents	17	4'350.9	4'569.4
Receivables due from banks	18	1'158.1	30.1
Mortgages and other customer receivables	19	32'586.5	30'858.3
Trade receivables	20	605.1	611.4
Other receivables	20	174.3	130.7
Inventories	21	2'200.5	2'162.5
Other financial assets	22–26	2'039.0	2'418.9
Investment in associates and joint ventures	13	148.5	108.8
Investment property	27	377.1	299.8
Tangible assets	28	11'866.9	11'747.8
Intangible assets	29	1'339.3	1'380.9
Assets from employee benefits	38	1'034.9	626.0
Current income tax receivables		13.8	8.9
Deferred income tax assets	14	47.2	22.7
Other assets	30	221.9	205.2
		58'164.0	**55'181.4**
Non-current assets held for sale	31	–	–
TOTAL ASSETS		**58'164.0**	**55'181.4**
LIABILITIES AND EQUITY			
Payables due to banks	32	490.0	528.7
Customer deposits and liabilities	33	27'775.9	25'891.3
Other financial liabilities	34	2'022.5	2'030.6
Trade payables	35	1'417.1	1'546.7
Other liabilities	35	1'664.3	1'075.2
Provisions	36	125.1	116.5
Issued debt instruments	37	6'530.4	7'060.5
Liabilities from employee benefits	38	538.2	517.5
Current income tax payables		102.5	89.6
Deferred income tax liabilities	14	1'575.7	1'446.4
		42'241.7	**40'303.0**
Liabilities relating to non-current assets held for sale	31	–	–
Total liabilities		**42'241.7**	**40'303.0**
Cooperative capital	39	21.2	21.0
Retained earnings		15'809.6	14'815.3
Currency translation differences		-44.6	-47.3
Other reserves		115.7	68.8
Equity attributable to members of Cooperatives		**15'901.9**	**14'857.8**
Non-controlling interests		20.4	20.6
Total equity		**15'922.3**	**14'878.4**
TOTAL LIABILITIES AND EQUITY		**58'164.0**	**55'181.4**

Statement of changes in equity of Migros Group

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

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

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

		Attributable to members of the Cooperatives							
					Other reserves				
CHF million	Notes	Cooperative capital	Retained earnings [1]	Currency translation difference	Other financial assets available for sale	Cash flow hedges	Equity of the Cooperative members	Non-controlling interests	Total
Equity as per 1 January 2012		**21.0**	**14'815.3**	**- 47.3**	**64.0**	**4.8**	**14'857.8**	**20.6**	**14'878.4**
Group profit		–	993.8	–	–	–	993.8	1.4	995.2
Other comprehensive income	*16*	–	–	2.7	56.0	- 9.1	49.6	0.2	49.8
Group comprehensive income		**–**	**993.8**	**2.7**	**56.0**	**- 9.1**	**1'043.4**	**1.6**	**1'045.0**
Other changes of equity									
Change in Cooperative capital	*39*	0.2	–	–	–	–	0.2	–	0.2
Dividends to non-controlling interests		–	–	–	–	–	–	- 1.3	- 1.3
Changes in equity interest [2]		–	0.5	–	–	–	0.5	- 0.5	–
Total of all other changes in equity		**0.2**	**0.5**	**–**	**–**	**–**	**0.7**	**- 1.8**	**- 1.1**
Equity as per 31 December 2012		**21.2**	**15'809.6**	**- 44.6**	**120.0**	**- 4.3**	**15'901.9**	**20.4**	**15'922.3**

[1] An amount of CHF 1.7 million is reserved in retained earnings for the Culture percentage. Also see Note 15.
[2] Changes in the equity interest, mainly in Interhome Sp z oo Warsaw (+ 25.6%) as well as in medbase Zug GmbH (+ 10%) and Swiss Prevention AG (+ 5%).

Cash flow statement of Migros Group

CHF million	Notes	2012	2011
Profit before income tax		**1'251.1**	**796.1**
Depreciation, amortisation and impairment (net)	*27–29*	1'193.9	1'136.4
Impairment of other financial assets (net)		11.8	78.9
(Profit)/loss from sale of tangible assets		-14.6	6.2
(Profit)/loss from sale of other financial assets		-7.0	-25.2
Profit from associates and joint ventures	*13*	-4.6	-33.9
Increase/(decrease) provisions		8.8	10.8
Change to operating assets and liabilities			
↳ (Increase)/decrease receivables due from banks		-1'128.0	147.6
↳ (Increase)/decrease mortgages and other customer receivables		-1'728.2	-2'004.3
↳ (Increase)/decrease inventories		7.2	-73.6
↳ (Increase)/decrease other financial assets		-1.6	32.8
↳ (Increase)/decrease other assets		-462.0	-37.9
↳ Increase/(decrease) payables due to banks		-38.4	-188.4
↳ Increase/(decrease) customer deposits and liabilities		1'884.6	1'590.4
↳ Increase/(decrease) other liabilities		466.6	-112.6
Paid income tax expense		-172.1	-196.6
Cash flows from operating activity		**1'267.5**	**1'126.7**
Acquisition of tangible assets and investment property		-1'183.8	-1'229.8
Proceeds from sale of tangible assets and investment property		64.2	50.9
Acquisition of intangible assets		-43.4	-31.6
Proceeds from sale of intangible assets		2.4	2.5
Acquisition of other financial assets		-193.2	-186.0
Proceeds from the sale of other financial assets		520.3	954.1
Acquisition of subsidiaries and business activities, net of cash acquired		-65.8	-14.1
Proceeds from sale of subsidiaries and business activities, net of cash disposed		-3.5	31.5
Acquisition of associates and joint ventures		-76.4	-16.4
Proceeds from sale of associates and joint ventures		–	–
Cash flows from investing activity		**-979.2**	**-438.9**

CHF million	Notes	2012	2011
Proceeds from issuance of long-term bonds		–	151.0
Repayment and redemption of long-term bonds		- 299.4	- 201.0
Proceeds from issuance of medium-term bonds and mortgage backed loans		–	799.8
Repayment of medium-term bonds and mortgage backed loans		- 231.3	–
Proceeds from issuance of other financial liabilities		73.3	59.0
Repayment of other financial liabilities		- 50.4	- 48.9
Dividends paid to non-controlling interests		- 1.3	- 0.9
Increase in Cooperative capital		0.6	0.5
Reduction in Cooperative capital		- 0.4	- 0.4
Cash flows from financing activity		**- 508.9**	**759.1**
Changes in cash and cash equivalents		**- 220.6**	**1'446.9**
Cash and cash equivalents, at beginning of year		4'569.4	3'125.4
Foreign exchange impact		2.1	- 2.9
Cash and cash equivalents, at end of year		**4'350.9**	**4'569.4**

Cash and cash equivalents include:			
Petty cash/postal accounts/bank accounts		3'921.4	2'991.2
Fixed-term deposits with an original maximum maturity of 90 days		429.5	1'578.2
Total cash and cash equivalents	*17*	**4'350.9**	**4'569.4**

Cash flows from operating activities include:			
Interest received		803.0	823.0
Interest paid		- 391.8	- 392.2
Dividends received		6.6	6.0

Notes to Migros Group financial statements

1. Information about Migros Group

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

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

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

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

The present Migros Group financial statements were approved by the Board of Directors on 14 March 2013. The Assembly of Delegates took note of Migros Group financial statements on 6 April 2013.

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

2. Basis of preparation

Conformity with IFRS

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

Critical accounting estimates and judgments

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

Presentation according to decreasing liquidity

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

Different reporting date

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

Amendments to accounting policies

Migros Group financial statements are based on all published Standards and Interpretations, insofar as these are relevant to the group's business and were in effect for financial years beginning 1 January 2012, or are adopted earlier by the group. Listed below are the new and amended standards and interpretations published at the date of preparation of the group financial statements described regarding their adoption status and effects for Migros Group:

(a) New or amended standards and interpretations which are effective for financial years beginning on 1 January 2012:

In October 2010, the IASB published amendments to IFRS 7 «Details on Transferring Financial Assets». They set out additional disclosure requirements to show the type and risk of the commitment existing in connection with the financial assets transferred. These changes, which are applicable for financial years starting on or after 1 July 2011, are taken into account in disclosure items also specified in Note 22 Other financial assets. However, no relevant transactions were carried out in Migros Group on 31.12.2012 or 31.12.2011.

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

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

(c) New or amended standards and interpretations which are not yet effective for financial years beginning on 1 January 2012 and have not been adopted early by Migros Group:

In November 2009, the IASB published the new IFRS 9 standard for «Classification and Measurement of Financial Instruments», thus concluding the first part of the three-phase project to replace IAS 39. Under the new standard, there are now only two measurement categories for financial assets instead of the previous four. In addition to assigning and measuring financial instruments for these two categories, requirements for derivatives and possible reclassifications were also revised. In October 2010, IFRS 9 was supplemented by requirements on accounting financial liabilities. To a great extent, the existing regulations of IAS 39 have been adopted. Amendments resulted solely when applying the fair value option. Fair value amendments arising from changes to the credit risk of the accounting company are accordingly recorded in other income. These new requirements also resulted in amendments to a number of other standards, in particular IFRS 7 «Financial Instruments: Disclosures». IFRS 9, together with the other amendments announced in the project to replace IAS 39, must be applied for financial years starting on or after 1 January 2015. Earlier adoption is permitted. These new requirements to replace IAS 39 will particularly have effects on the balance sheet and reporting of financial assets in Migros Group. It will be possible to assess the effects more accurately, however, only once the entire IASB project has been completed.

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

The IASB also published three new standards in the area of consolidated statements in May 2011. These are IFRS 10 «Consolidated Financial Statements», IFRS 11 «Joint Arrangements» and IFRS 12 «Disclosures of Interests in Other Entities». IFRS 10 replaces the portion of IAS 27 «Consolidated and Separate Financial Statements» and SIC 12 «Consolidation – Special Purpose Entities», which addresses the accounting for consolidated financial statements, and replaces these previous requirements with a single consolidation model that uses control as the basis for consolidation. IFRS 11 replaces IAS 31 «Interests in Joint Ventures» and SIC 13 «Jointly Controlled Entities – Non-monetary Contributions by Venturers». Joint arrangements are divided here into joint operations and joint ventures. The former right to choose proportionate consolidation for accounting interests in joint ventures has been abolished. Now only the equity method may be used. IFRS 12 finally now regulates the requirements for disclosing interests in subsidiaries, joint ventures, associates and unconsolidated structured entities (special purpose entities) in a single standard. The new disclosure requirements are, in each case, designed to highlight the type, risks and financial implications of the respective interests. As a result of these new standards, the IASB has amended the previous version of IAS 27 and renamed it «Separate Financial Statements». At the same time, IAS 28 was amended and renamed «Investments in Associates and Joint Ventures». In June 2012, a further set of transition guidance amendments were made for IFRS 10, IFRS 11 and IFRS 12. All of these amendments in the area of consolidation must be applied for financial years from 1 January 2013. The amendments to IFRS 10, IFRS 11 and IAS 37 published in October 2012 with regard to investment companies are applicable to financial years from 1 January 2014. All of these changes are not expected to have any major impact on the Group financial statements.

In June 2011, the revised version of IAS 19 «Employee Benefits» was published. The main changes relate to the abolition of the corridor approach applied by Migros Group with immediate recognition of all actuarial gains and losses in other comprehensive income as well as the replacement of interest costs and expected return on plan assets by a net interest figure, calculated on the basis of the net pension obligation (assets). To this end, the discounting rate for defined benefit obligations is applied. Application is mandatory for financial years starting from 1 January 2013. The changes to IAS 19 do not have any impact on the cash flow statement. The effects on the balance sheet and income statement for 2012 were estimated as shown below and are taken into account in the annual financial statements for 2013 by means of an adjustment to the previous year's figures (reduction in equity by CHF 475.4 million).

CHF million	Adjustments
Income statement 2012	
Personnel expenses – Effect from pension plans before income tax expense	- 317.6
Income tax expense	65.4
Group profit	**- 252.2**
Other comprehensive income 2012	
Remeasurements before income tax expense	933.5
Income tax expense	- 192.3
Other comprehensive income 2012	**741.2**
Balance sheet as per 31 December 2012	
Assets from employee benefits	- 598.7
Total Assets	**- 598.7**
Deferred income tax liabilities	**- 123.3**
Equity – Retained earnings (profit of the year 2012)	- 252.2
Equity – Other reserves (other comprehensive income 2012)	741.2
Equity – Other reserves (effect as per 1.1.2012)	- 964.4
Total equity	**- 475.4**
Total liabilities and equity	**- 598.7**

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

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

None of the annual improvements to IFRS (2009–2011 cycle) issued in May 2012, and which are applicable to financial years starting on 1 January 2013, will result in any significant effects on the financial statements of Migros Group.

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

IAS 12 «Income taxes: Sale of underlying assets» (in force as of 1 January 2012): In December 2010, amendments to the standard were made in relation to deferred tax liabilities or claims from investment property, which is stated on the balance sheet in accordance with the fair value model. Investment property is not stated on the balance sheet in accordance with the fair value model but in accordance with the cost model in Migros Group.

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

The new or amended standards and interpretations effective after 1 January 2012 or later and which have not been adopted early will be applied in the 2013 financial year or later.

3. Summary of significant accounting policies

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

Basis for preparation

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

Consolidation policies

(a) Subsidiaries

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

Acquisitions of subsidiaries are recognised for accounting purposes using the purchase method (acquisition method). The following cases must be distinguished here:

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

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

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

(b) Joint Ventures

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

(c) Associates

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

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

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

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Translation from transaction currency into functional currency

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or using monthly average exchange rates, provided these are a reasonable approximation thereof. Foreign currency profits and losses from such transactions and from the conversion to the functional currency of financial foreign currency positions at the balance sheet date are included in income. Excluded from this are currency translation differences, which are recorded directly in other reserves of equity during cash flow hedging via other income.

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

(c) Translation of functional currency into presentation currency

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

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

The resulting currency translation differences are recognised directly in equity under «currency translation difference» via other income.

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

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

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

Revenue recognition

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

(a) Income from retailing and sales of goods

Income from the retailing business is recognised, after taking income-reducing items into account, at the date of sale to the customer. Income from sales of goods are recognised in the income statement when the risks and rewards associated with the title to the goods have been transferred to the customer.

(b) Income from the travel business

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

(c) Income from financial services

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

(d) Dividend income

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

Payments from Culture Percentage

Payments made as part of Migros Culture Percentage are a voluntary commitment by Migros in the areas of culture, social, education/training, leisure and economic policy, and are charged to other operating expenses. The financing of this item of expenditure is specified in the statutes and rules of the Cooperatives (incl. the FMC). The Cooperatives have undertaken to spend at least 0.5% (FMC 0.33%) of their retail sales – over a four-year average – on cultural, social and economic policy purposes. According to the IFRS, shortfalls within the four-year period do not qualify as obligations and excess expenditure does not qualify as an asset. Provisions are thus only made for performance obligations towards third parties existing at the balance sheet date. Compliance with the stipulations of the statutes and rules is thus verified by the calculation of the so-called «Culture Percentage reserve». The calculation highlights any shortfalls in Culture Percentage expenditure that has to be made up over the coming years. Note 15 contains further information about payments under the Culture Percentage and the Culture Percentage reserve.

Cash and cash equivalents

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

Receivables due from banks

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

Mortgages and other customer receivables

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

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

Trade receivables and other receivables

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

Inventories

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

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

Other financial assets

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

(a) Fair value through profit or loss

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

(b) Held to maturity

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

(c) Available for sale

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

(d) Loans

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

(a) Fair value hedge

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

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

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, and can be designated as a fair value hedge.

(b) Cash flow hedge

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

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

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

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

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

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

Offsetting of financial instruments

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

Transferred financial assets where risks and rewards are retained

Under repurchase and securities lending agreements, financial assets of a debt nature are transferred to third parties; however, the risks and rewards of such assets are retained. In the case of these transactions, the economic risks (e.g. credit risk) as well as the interest income incurred during the transfer period are retained in the Retail and Industry sector (or Financial Services sector). A sale of these financial assets is not possible for the term of the transfer. Repurchase transactions are carried out in order to raise short-term liquidity, with the obtained liquidity reported as a financial liability. Securities lending is carried out as part of securities management, upon receipt of a commission but without provision of cash collateral.

Investment property

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

Buildings	20 to 67 years
Fixed equipment	5 to 20 years

Financing costs are capitalised only in the event of newly created or converted investment property, which is regarded as qualified assets. Qualified assets are assets for which a considerable period is required to put them into their intended, functional condition. Mixed-use properties are classified as investment property or as tangible assets, depending on the degree of own use. The fair value of investment property disclosed in Note 27 has been determined using the Discounted Cash Flow (DCF) method. The fair value of a property is determined from the total of all expected future net income, discounted to the balance sheet date (before tax, interest, depreciation and amortisation). External experts are not generally employed to calculate fair value.

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

Tangible assets

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

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

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

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

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

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

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

Leasing (finance leases and rental)

(a) Migros Group as lessee

Finance lease agreements:
Lease agreements for properties, facilities and other tangible assets where Migros Group essentially assumes all risks and rewards connected with ownership are classified and treated as finance leases. The fair value of the leased asset or the carrying amount of the lease payments, if that is

lower, is recognised at the beginning of the lease agreement in tangible assets. Each lease payment is divided into amortisation and interest. The amortisation portion is deducted from the capitalised lease debt, which is recognised under other financial liabilities. Tangible assets in finance leases are depreciated over the useful life or the lease term, whichever is the shorter.

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

(b) Migros Group as lessor

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

Intangible assets

(a) Goodwill

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

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

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

(b) Software and software development

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

(c) Trademarks, licences, patents, publishing rights

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

Impairment of non-financial assets

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

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

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

Non-current assets held for sale and discontinued operations

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

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

Payables due to banks

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

Customer deposits and liabilities

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

Other financial liabilities

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

(a) Finance leases

See section above, «Leasing (finance leases and rental)».

(b) Derivative financial instruments

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

(c) Other financial liabilities

Financial liabilities recognised in other financial liabilities are those that do not represent payables due to banks or originate from the financial services business. These include, for example, personnel investment accounts and loans. Other financial liabilities are measured at amortised cost using the effective interest method, which generally corresponds to the nominal amount.

Trade payables and other liabilities

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

Provisions

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

Issued debt instruments

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

Employee benefits

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

(a) Short-term benefits

Short-term employee benefits are benefits that are payable within 12 months of the end of the reporting period, such as wages, salaries, social security contributions, annual leave and overtime claims, and non-monetary benefits to active employees. Recognition of short-term benefits is done on an accrual basis.

(b) Post-employment benefits (pension obligations)

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

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

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

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

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

(c) Other long-term benefits

Other long-term employee benefits are benefits that fall due 12 or more months after the balance sheet date. In Migros Group, these are primarily long-service awards. These benefits are determined in accordance with actuarial principles. The amount recognised in the balance sheet corresponds to the present value of the obligation thus calculated at the balance sheet date.

(d) Termination benefits

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

Income tax liabilities

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

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

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

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

Equity

(a) Cooperative capital

The Cooperative capital consists of the Cooperative capital amounts of the ten Cooperatives.

(b) Retained earnings

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

(c) Currency translation difference

The currency translation difference includes the currency translation differences arising from the conversion into the presentation currency, CHF, of the annual financial statements of foreign subsidiaries that are not denominated in CHF. A further component are translation differences from the measurement of investments in associates and joint ventures in foreign currencies, in accordance with the equity method.

(d) Other reserves

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

(e) Non-controlling interests

The non-controlling interests shown represent the share in the profit or loss, plus the net assets of subsidiaries that are not fully owned by the Group.

Government grants

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

4. Risk management

4.1 Risk management within Migros Group

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

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

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

4.2 Financial risk management and capital risk management

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

Financial instruments by categories

31.12.2012 CHF million	Fair value through profit or loss					
	Trading portfolio	Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans, receivables and liabilities	Total
Financial assets						
Cash and cash equivalents	–	–	–	–	4'350.9	4'350.9
Receivables due from banks	–	–	–	–	1'158.1	1'158.1
Mortgages and other customer receivables	–	–	–	–	32'586.5	32'586.5
Trade receivables	–	–	–	–	605.1	605.1
Other receivables	–	–	–	–	174.3	174.3
Other financial assets	229.5	116.3	1'604.5	0.2	88.5	2'039.0
Total financial assets	**229.5**	**116.3**	**1'604.5**	**0.2**	**38'963.4**	**40'913.9**
Financial liabilities						
Payables due to banks	–	–	–	–	490.0	490.0
Customer deposits and liabilities	–	–	–	–	27'775.9	27'775.9
Other financial liabilities	134.4	–	–	5.5	1'882.6	2'022.5
Trade payables	–	–	–	–	1'417.1	1'417.1
Other liabilities [1]	–	–	–	–	1'296.9	1'296.9
Issued debt instruments	–	–	–	–	6'530.4	6'530.4
Total financial liabilities	**134.4**	**–**	**–**	**5.5**	**39'392.9**	**39'532.8**

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

[1] Excluding accrued expenses.

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

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

4.2.1 Financial risk management in the Retail and Industry sector

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

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

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

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

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

Market risks

(a) Foreign exchange risks

As a retail group whose main sales activity is in Switzerland, a significant proportion of the purchasing of commodities is done in other countries, in foreign currencies. There are other foreign currency operations in other countries, in the Travel, Commerce, Industry and Wholesaling segments.

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

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

31.12.2012

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	1'922.9	146.7	7.8	35.7	19.7	2'132.8
Receivables due from banks	17.1	2.4	–	–	–	19.5
Trade receivables	498.3	83.1	5.2	17.4	1.7	605.7
Other receivables	147.5	23.2	1.5	1.7	0.3	174.2
Other financial assets	835.6	52.8	50.9	1.1	20.4	960.8
Total financial assets	**3'421.4**	**308.2**	**65.4**	**55.9**	**42.1**	**3'893.0**
Financial liabilities						
Payables due to banks	- 220.5	- 243.4	0.0	0.0	–	- 463.9
Other financial liabilities	- 1'756.3	- 162.8	- 70.4	- 5.7	- 20.3	- 2'015.5
Trade payables	- 1'195.0	- 174.9	- 33.3	- 10.8	- 3.1	- 1'417.1
Other liabilities	- 1'166.7	- 33.7	0.0	- 43.7	- 3.0	- 1'247.1
Issued debt instruments	- 449.4	–	–	–	–	- 449.4
Total financial liabilities	**- 4'787.9**	**- 614.8**	**- 103.7**	**- 60.2**	**- 26.4**	**- 5'593.0**
Foreign currency net exposure before hedging	**- 1'366.5**	**- 306.6**	**- 38.3**	**- 4.3**	**15.7**	**- 1'700.0**
Foreign currency derivatives [1]	- 280.8	145.5	222.7	- 116.1	23.1	- 5.6
Foreign currency net exposure after hedging	**- 1'647.3**	**- 161.1**	**184.4**	**- 120.4**	**38.8**	**- 1'705.6**

31.12.2011

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	2'795.9	246.3	135.4	61.6	43.0	3'282.2
Total financial liabilities	- 4'668.3	- 448.3	- 127.7	- 51.5	- 29.8	- 5'325.6
Foreign currency net exposure before hedging	**- 1'872.4**	**- 202.0**	**7.7**	**10.1**	**13.2**	**- 2'043.4**
Foreign currency derivatives [1]	- 496.9	418.4	196.1	- 148.5	26.4	- 4.5
Foreign currency net exposure after hedging	**- 2'369.3**	**216.4**	**203.8**	**- 138.4**	**39.6**	**- 2'047.9**

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

Results of the sensitivity analysis

If the EUR had been stronger against the CHF on 31 December 2012 by 5% (31.12.2011: 5%), the pre-tax profit would have been CHF 25.1 million lower (31.12.2011: CHF 18.2 million). Other reserves (equity) would have been higher by CHF 17.1 million (31.12.2011: CHF 29.0 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

If the USD had been stronger against the CHF on 31 December 2012 by 5% (31.12.2011: 5%), the pre-tax profit would have been CHF 4.0 million higher (31.12.2011: CHF 3.7 million). Other reserves (equity) would have been higher by CHF 5.2 million (31.12.2011: CHF 6.5 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

If the GBP had been stronger against the CHF on 31 December 2012 by 5% (31.12.2011: 5%), the pre-tax profit would have been CHF 0.2 million higher (31.12.2011: CHF 0.3 million). Other reserves (equity) would have been lower by CHF 6.2 million (31.12.2011: CHF 7.2 million). If it had weakened accordingly against the CHF, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

(b) Interest rate risks

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

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

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

Interest rate risk

31.12.2012

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	1'955.8	–	–	–	177.0	2'132.8
Receivables due from banks	4.5	0.0	15.0	–	–	19.5
Trade receivables	31.8	–	–	–	573.9	605.7
Other receivables	7.3	–	–	–	166.9	174.2
Other financial assets	263.9	83.7	265.0	84.1	264.1	960.8
Total financial assets	**2'263.3**	**83.7**	**280.0**	**84.1**	**1'181.9**	**3'893.0**
Financial liabilities						
Payables due to banks	- 188.3	- 106.9	- 82.6	- 85.9	- 0.2	- 463.9
Other financial liabilities	- 1'780.4	- 28.0	- 69.1	- 125.8	- 12.2	- 2'015.5
Trade payables	–	–	–	–	- 1'417.1	- 1'417.1
Other liabilities	- 789.5	–	–	–	- 457.6	- 1'247.1
Issued debt instruments	–	- 224.9	- 224.5	–	–	- 449.4
Total financial liabilities	**- 2'758.2**	**- 359.8**	**- 376.2**	**- 211.7**	**- 1'887.1**	**- 5'593.0**
Interest rate repricing net exposure before hedging	**- 494.9**	**- 276.1**	**- 96.2**	**- 127.6**	**- 705.2**	**- 1'700.0**
Interest derivatives	50.0	150.0	- 200.0	–	–	–
Interest rate repricing net exposure after hedging	**- 444.9**	**- 126.1**	**- 296.2**	**- 127.6**	**- 705.2**	**- 1'700.0**

31.12.2011

CHF million	Interest rate adjustment within					
	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	no-interest bearing	Total
Total financial assets	1'699.7	126.3	307.0	92.6	1'056.6	3'282.2
Total financial liabilities	- 2'292.9	- 292.2	- 470.3	- 299.2	- 1'971.0	- 5'325.6
Interest rate repricing net exposure before hedging	**- 593.2**	**- 165.9**	**- 163.3**	**- 206.6**	**- 914.4**	**- 2'043.4**
Interest derivatives	350.0	350.0	- 700.0	–	–	–
Interest rate repricing net exposure after hedging	**- 243.2**	**184.1**	**- 863.3**	**- 206.6**	**- 914.4**	**- 2'043.4**

Results of the sensitivity analysis
If market rates had been 0.25% (25 basis points) higher on 31 December 2012, the pre-tax profit would have been CHF 2.7 million higher (31.12.2011: CHF 6.1 million). If market rates had been 0.25% lower on 31 December 2012, the pre-tax profit would have been CHF 2.7 million lower (31.12.2011: CHF 6.1 million). The lower interest rate sensitivity compared to the previous year is due primarily to the lower holding of interest derivatives.

A changed interest rate level would also affect other reserves (equity) due to the change in the market value of fixed-interest bonds in the «available for sale» category.

If market rates had been 0.25% higher on 31 December 2012, other reserves (equity) would have been lower by CHF 1.9 million (31.12.2011: CHF 2.4 million). If market rates had been 0.25% lower on 31 December 2012, other reserves (equity) would have been CHF 1.9 million higher (31.12.2011: CHF 2.4 million). Equity reacted less sensitively to market interest changes in 2012 as the share of debt instruments (bonds) was reduced.

(c) Share price risks

The FMC purchases shares to a lesser extent to invest its liquid resources. These shares are either measured at «fair value through profit or loss» or classified as «available for sale». Share price fluctuations therefore have a direct impact on the result and/or the amount of other reserves (equity). In this regard, care is taken to ensure that share investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by analyses before the purchase and by the regular monitoring of the investments' performance and risks.

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

			2012			2011
CHF million	Index change	Change in result	Change in equity [1]	Index change	Change in result	Change in equity [1]
Swiss Market Index	3.30%	1.0	6.0	6.02%	1.7	9.9
MSCI World	3.67%	0.6	0.0	6.25%	0.9	0.0

[1] Other reserves respectively other comprehensive income.

If the assumed changes of the two indices had been reflected in stock market listings on 31 December 2012, the pre-tax profit would have been CHF 1.6 million higher (31.12.2011: CHF 2.6 million) and other reserves (equity) would have been CHF 6.0 million higher (31.12.2011: CHF 9.9 million). If the indices had been lower by the same extent, the effect on the pre-tax profit and other reserves (equity) would have been the reverse.

Despite the lower volatilities of the two indices, in 2012 higher share accounts result in a lower income sensitivity and a lower sensitivity of other reserves (equity) to changes in market value.

d) Commodity price risks

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

Credit risks

Credit risks comprise the counterparty risk on marketable debt instruments, the default risk on derivative financial instruments, current account balances and time deposits, and to a lesser extent the credit risk on open trade receivables. The maximum credit risk corresponds to the carrying amounts. For off-balance-sheet (financial guarantees, irrevocable loan commitments), the credit risk corresponds to the amounts stated in the liquidity risk.

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

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

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

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

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

	Investment Grade [1]		Non-Investment Grade		Not rated		Total	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Receivables due from banks	19.5	31.3	–	–	–	–	19.5	31.3
Other financial assets								
↳ Fair value through profit or loss	162.3	232.0	–	–	0.0	0.0	162.3	232.0
↳ Available for sale	446.3	484.6	–	–	22.5	22.5	468.8	507.1
↳ Derivative financial instruments for hedge accounting	0.2	10.7	–	–	–	–	0.2	10.7
↳ Loans	–	–	–	–	81.4	119.0	81.4	119.0
Total	**628.3**	**758.6**	**–**	**–**	**103.9**	**141.5**	**732.2**	**900.1**

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

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

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

	Past due					
	< 3 months		> 3 months		Total	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Receivables due from banks	–	–	–	–	–	–
Trade receivables	96.7	99.6	9.0	11.3	105.7	110.9
Other receivables	4.4	4.1	0.5	0.4	4.9	4.5
Other financial assets						
↳ Fair value through profit or loss	–	–	–	–	–	–
↳ Available for sale	–	–	–	–	–	–
↳ Loans	0.0	–	–	–	0.0	–
Total	**101.1**	**103.7**	**9.5**	**11.7**	**110.6**	**115.4**

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

Analysis of financial instruments individually impaired at the balance sheet date

	Gross amount		Provision for impairment		Carrying amount after provision for impairment	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Receivables due from banks	–	–	–	–	–	–
Trade receivables	23.0	25.8	- 15.3	- 16.1	7.7	9.7
Other receivables	0.9	1.2	- 0.9	- 1.1	0.0	0.1
Other financial assets						
↳ Available for sale	–	–	–	–	–	–
↳ Loans	16.4	3.9	- 8.9	- 2.5	7.5	1.4
Total	**40.3**	**30.9**	**- 25.1**	**- 19.7**	**15.2**	**11.2**

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

Liquidity risks

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

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

Liquidity risk by contractual maturity, undiscounted (gross)

31.12.2012 CHF million			Maturing within		
	0 – 3 months	**3 – 12 months**	**1 – 5 years**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	2'131.9	0.9	–	–	2'132.8
Receivables due from banks	4.5	0.0	15.0	–	19.5
Trade receivables	598.8	2.8	4.1	–	605.7
Other receivables	145.9	15.6	12.5	0.2	174.2
Other financial assets					
Net cash flow from interest rate swaps	0.0	–	0.0	–	0.0
Forward exchange contract gross cash inflow	2'856.3	844.5	31.8	–	3'732.6
Forward exchange contract gross cash outflow	- 2'789.5	- 825.3	- 31.3	–	- 3'646.1
Debt instruments	19.4	137.6	374.9	111.0	642.9
Others	50.0	27.2	206.7	10.7	294.6
Total other financial assets	**136.2**	**184.0**	**582.1**	**121.7**	**1'024.0**
Total financial assets	**3'017.3**	**203.3**	**613.7**	**121.9**	**3'956.2**
Financial liabilities					
Payables due to banks	- 193.0	- 58.8	- 196.5	- 29.6	- 477.9
Other financial liabilities					
Gross liabilities from finance leasing	- 3.9	- 11.5	- 54.0	- 197.3	- 266.7
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	- 0.7	- 3.4	- 7.0	–	- 11.1
Forward exchange contract gross cash inflow	2'805.4	829.2	233.2	27.4	3'895.2
Forward exchange contract gross cash outflow	- 2'878.1	- 851.5	- 261.9	- 28.4	- 4'019.9
Others	- 1'529.4	- 2.0	- 155.6	- 11.5	- 1'698.5
Total other financial liabilities	**- 1'606.7**	**- 39.2**	**- 245.3**	**- 209.8**	**- 2'101.0**
Trade payables	- 1'382.9	- 20.8	- 13.4	0.0	- 1'417.1
Other liabilities	- 1'126.7	- 112.8	- 6.7	- 0.9	- 1'247.1
Issued debt instruments	- 1.9	- 234.5	- 239.9	–	- 476.3
Financial guarantees	- 0.3	–	- 74.8	- 47.3	- 122.4
Irrevocable loan commitments	–	–	- 23.5	–	- 23.5
Total financial liabilities	**- 4'311.5**	**- 466.1**	**- 800.1**	**- 287.6**	**- 5'865.3**

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

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

Fair values of financial instruments

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

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

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

31.12.2012

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other financial assets at fair value through profit or loss [1]				
Debt instruments	17.8	49.6	–	67.4
Equity instruments	38.1	8.8	2.0	48.9
Total other financial assets at fair value through profit or loss	**55.9**	**58.4**	**2.0**	**116.3**
Other financial assets available for sale				
Debt instruments	446.5	–	22.5	469.0
Equity instruments	185.2	–	6.8	192.0
Total other financial assets available for sale	**631.7**	**–**	**29.3**	**661.0**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	0.1	94.7	–	94.8
Designated for hedge accounting	0.1	0.1	–	0.2
Total derivative financial assets	**0.2**	**94.8**	**–**	**95.0**
Total financial assets measured at fair value	**687.8**	**153.2**	**31.3**	**872.3**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	- 127.4	–	- 127.4
Designated for hedge accounting	–	- 5.5	–	- 5.5
Total financial liabilities measured at fair value	**–**	**- 132.9**	**–**	**- 132.9**

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

31.12.2011

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

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

Financial instruments Level 3

In 2012, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

	Financial assets			
CHF million	Fair value through profit or loss Equity instruments	Available for sale Debt instruments	Available for sale Equity instruments	Total
As per 1 January 2012	**0.0**	**22.5**	**6.6**	**29.1**
Gains/(losses) recognised				
↳ in the income statement	0.0	0.6	0.0	0.6
↳ in the other comprehensive income	–	- 0.6	0.1	- 0.5
Additions	2.0	–	0.3	2.3
Disposals	–	–	- 0.2	- 0.2
Transfers to level 3	–	–	–	–
Transfers out of level 3	–	–	–	–
Currency translation differences	–	–	0.0	0.0
As per 31 December 2012	**2.0**	**22.5**	**6.8**	**31.3**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	0.0	0.6	0.0	0.6

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

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

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

Fair values of financial instruments carried at amortised cost

	Carrying amount		Fair value	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Financial assets				
Receivables due from banks	19.5	31.3	19.5	31.3
Other financial assets				
↳ Loans	88.5	119.6	89.3	119.3
Total financial assets	**108.0**	**150.9**	**108.8**	**150.6**
Financial liabilities				
Payables due to banks	463.9	502.2	463.9	502.2
Other financial liabilities [1]	1'882.6	1'780.1	1'882.6	1'780.6
Issued debt instruments	449.4	598.8	474.6	627.5
Total financial liabilities	**2'795.9**	**2'881.1**	**2'821.1**	**2'910.3**

[1] Without derivative financial instruments.

4.2.2 Capital risk management in the Retail and Industry sector

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

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

Ratio based on IFRS

CHF million	31.12.2012	31.12.2011
Liabilities due to banks	463.9	502.2
Other financial liabilities (interest bearing)	2'806.6	2'256.5
Issued debt instruments	449.4	598.8
Total financial liabilities	**3'719.9**	**3'357.5**
Cash and cash equivalents	2'132.8	1'424.4
Other financial assets	880.9	977.5
Total cash and cash equivalents and other financial assets	**3'013.7**	**2'401.9**
Net financial liabilities	**706.2**	**955.6**
Total equity (without non-controlling interests)	13'733.7	12'872.7
Elimination other reserves	- 39.4	- 17.3
Total adjusted equity	**13'694.3**	**12'855.4**
Ratio of net financial liabilities to adjusted equity	**5.2%**	**7.4%**
Balance sheet total	**21'567.8**	**20'256.8**
Ratio of adjusted equity to balance sheet total	**63.5%**	**63.5%**

The ratio of net financial liabilities to adjusted equity changed by 2.2% to 5.2%, as adjusted equity increased more strongly than financial liabilities. The ratio of adjusted equity to the balance sheet total remained unchanged at 63.5% due to the proportional development of these two items.

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) and also on trading activities. If a customer fails to meet its obligations, the result may be a loss for the bank.

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

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

Off-balance-sheet transactions

CHF million	**31.12.2012**	31.12.2011
Financial guarantees	163.4	152.6
Irrevocable loan commitments	491.2	503.4
Total off-balance-sheet transactions	**654.6**	**656.0**

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

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

Credit quality of outstanding mortgages and other customer receivables

The Financial Services sector uses a rating model with 10 rating levels to support the credit rating decision. It takes qualitative and quantitative elements into consideration for customers who are required to keep accounts and their business-specific collateral. For business customers, the ratings of commercial credits are reviewed annually. In the mortgage business, a rating procedure is used that is based on the value of the loan. The credit review period in the mortgage business varies according to the rating level, the amount of the commitment and the collateral received. The rating model ensures that the credit commitment is managed commensurate to the risk involved.

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

Breakdown of receivables by rating levels (type of collateral)

	Mortgage receivables (part in %)		Other customer receivables (part in %)		Total (cumulative)	
Internal rating level	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
1	2.3	2.2	2.6	2.1	2.3	2.2
2	14.9	14.7	7.0	5.5	14.0	13.8
3	39.4	37.9	25.4	24.1	37.9	36.3
4	19.7	21.5	35.3	25.0	21.3	21.9
5	21.2	20.9	23.9	36.2	21.5	22.5
6	2.1	2.3	5.2	6.2	2.5	2.7
7	0.1	0.2	0.6	0.6	0.2	0.3
8	0.3	0.3	–	0.3	0.3	0.3
9	–	–	–	–	–	–
10	–	–	–	–	–	–
Total in %	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total in CHF million	**29'802.9**	**27'537.5**	**2'646.7**	**3'216.8**	**32'449.6**	**30'754.3**

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

Lending margins

The Financial Services sector works on a secured basis for most of its credit business. More than 90% of customer lending is granted on that basis, with the emphasis on mortgage lending. Most loans are secured by charges on land. Credit allocation is based on conservative lending margins. In more than 90% of the total mortgage business, the amount of the loan is less than 80% of the prudently estimated market value. Current valuations of the properties to be mortgaged are part of each credit advance. Most of the corresponding collateral comes from the private housing sector, and is well diversified throughout Switzerland. In order to determine the sustained affordability, a technical interest rate corresponding to a long-term average interest rate is assumed for residential mortgages.

Identification of default risks

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

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

	Investment Grade [1]		Non-Investment Grade		Not rated		Total	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Receivables due from banks	1'139.3	–	–	–	–	–	1'139.3	–
Other financial assets								
↳ Fair value through profit or loss	19.3	37.4	–	–	–	–	19.3	37.4
↳ Available for sale	812.8	1'075.3	–	–	–	–	812.8	1'075.3
↳ Derivative financial instruments for hedge accounting	–	–	–	–	–	–	–	–
Total	**1'971.4**	**1'112.7**	**–**	**–**	**–**	**–**	**1'971.4**	**1'112.7**

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

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

	Past due							
	< 3 months		> 3 months		Total		Secured [1] Fair Value	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Receivables due from banks	–	–	–	–	–	–	–	–
Mortgage receivables	21.0	17.0	50.4	10.0	71.4	27.0	71.4	27.0
Other customer receivables	–	–	42.5	22.4	42.5	22.4	21.2	11.2
Other financial assets								
↳ Fair value through profit or loss	–	–	–	–	–	–	–	–
↳ Available for sale	–	–	–	–	–	–	–	–
Total	**21.0**	**17.0**	**92.9**	**32.4**	**113.9**	**49.4**	**92.6**	**38.2**

[1] Mortgage-backed security

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

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

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

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

Analysis of financial instruments individually impaired at the balance sheet date

CHF million	Gross amount 31.12.2012	Gross amount 31.12.2011	Provision for impairment 31.12.2012	Provision for impairment 31.12.2011	Carrying amount after provision for impairment 31.12.2012	Carrying amount after provision for impairment 31.12.2011	Secured[1] Fair Value 31.12.2012	Secured[1] Fair Value 31.12.2011
Receivables due from banks	–	–	–	–	–	–	–	–
Mortgage receivables	28.1	33.5	-15.2	-15.7	12.9	17.8	12.9	17.8
Other customer receivables	112.6	134.2	-61.0	-62.9	51.6	71.3	47.8	67.4
Other financial assets								
↳ Available for sale	5.0	5.0	-0.5	-1.2	4.5	3.8	–	–
Total	**145.7**	**172.7**	**-76.7**	**-79.8**	**69.0**	**92.9**	**60.7**	**85.2**

[1] Mortgage-backed security

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

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

The Financial Services sector is centred mainly on mortgages. For the bank, this results in a concentration of risk in the Swiss real estate market. However, this risk concentration is considerably reduced by the structure of the credit portfolio. Accordingly, more than 90% of the loan portfolio relates to residential housing, and the average credit amount is just CHF 0.5 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 profit would have been CHF 52.2 million lower (31.12.2011: CHF 87.7 million). According to this scenario, with a 1% drop in interest rates, the pre-tax profit would have been CHF 52.2 million higher (31.12.2011: CHF 87.7 million). The result in 2012 reacted less sensitively to changes in market rates than in 2011, as the risk exposure had decreased due to newly agreed interest rate swaps.

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

If market rates had been 1% higher on 31 December 2012, other reserves (equity) would have been lower by CHF 16.1 million (31.12.2011: CHF 25.2 million). If market rates had been 1% lower on 31 December 2012, other reserves (equity) would have been higher by CHF 16.1 million (31.12.2011: CHF 25.2 million). Other reserves reacted less sensitively to market rate changes in 2012 than in 2011 because of the decreased interest rate sensitivity and holdings of debt instruments (bonds).

(b) Share price risks

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

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

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

If share prices had been 10% higher on 31 December 2012, the pre-tax profit would have been CHF 0.5 million higher (31.12.2011: CHF 0.5 million). If share prices had been 10% lower on 31 December 2012, the pre-tax profit would have been CHF 0.5 million lower (31.12.2011: CHF 0.5 million).

Due to the reduced share portfolio, a change in share prices in 2012 had little impact on income, as was also the case in 2011.

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

(c) Foreign exchange risk

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

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

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

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

Balance sheet by currency

31.12.2012

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	2'123.8	339.2	88.9	11.3	93.0	2'656.2
Receivables due from banks	700.0	416.4	22.9	–	–	1'139.3
Mortgages and other customer receivables	32'546.0	13.2	42.4	0.0	0.1	32'601.7
Other receivables	–	–	–	–	–	–
Other financial assets	1'049.7	19.2	5.7	2.3	1.3	1'078.2
Total financial assets	**36'419.5**	**788.0**	**159.9**	**13.6**	**94.4**	**37'475.4**
Financial liabilities						
Payables due to banks	- 21.1	- 0.9	- 1.0	- 0.1	- 18.2	- 41.3
Customer deposits and liabilities	- 27'136.4	- 790.2	- 175.7	- 19.3	- 89.0	- 28'210.6
Other financial liabilities	- 7.0	–	–	–	–	- 7.0
Other liabilities	- 54.5	–	–	–	–	- 54.5
Issued debt instruments	- 6'081.0	–	–	–	–	- 6'081.0
Total financial liabilities	**- 33'300.0**	**- 791.1**	**- 176.7**	**- 19.4**	**- 107.2**	**- 34'394.4**
Foreign currency net exposure before hedging	**3'119.5**	**- 3.1**	**- 16.8**	**- 5.8**	**- 12.8**	**3'081.0**
Foreign currency derivatives	- 0.8	- 0.2	0.9	0.0	0.1	–
Foreign currency net exposure after hedging	**3'118.7**	**- 3.3**	**- 15.9**	**- 5.8**	**- 12.7**	**3'081.0**

31.12.2011

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	34'279.3	904.6	172.0	17.4	85.8	35'459.1
Total financial liabilities	- 31'364.4	- 915.2	- 181.8	- 19.9	- 95.8	- 32'577.1
Foreign currency net exposure before hedging	**2'914.9**	**- 10.6**	**- 9.8**	**- 2.5**	**- 10.0**	**2'882.0**
Foreign currency derivatives	- 0.6	- 0.5	- 1.1	2.1	0.1	–
Foreign currency net exposure after hedging	**2'914.3**	**- 11.1**	**- 10.9**	**- 0.4**	**- 9.9**	**2'882.0**

Results of the sensitivity analysis:
If the EUR had been stronger by 5% against the CHF on 31 December 2012, the pre-tax profit would have been CHF 0.2 million lower (31.12.2011: CHF 0.6 million). If the EUR had been weaker, the effect would have been the reverse. Due to the smaller net position, profit in 2012 reacted less strongly to the higher value of the EUR compared with the CHF.

If the USD had been stronger by 5% against the CHF on 31 December 2012, the pre-tax profit would have been CHF 0.8 million lower (31.12.2011: CHF 0.5 million). If the EUR had been weaker, the effect would have been the reverse. Due to the larger net position, profit in 2012 reacted more strongly to the higher value of the USD compared with the CHF.

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

Liquidity risks

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

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

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

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

Compliance with liquidity requirements specified by the banking legislation

	Short-term liquidity		Medium-term liquidity	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Creditable liquidity	2'049.9	1'294.7	3'015.8	2'459.5
Required liquidity	174.3	152.5	1'526.8	1'380.9
Excess liquidity	1'875.6	1'142.2	1'489.0	1'078.6
Degree of compliance	1'176.1%	849.0%	197.5%	178.1%

Liquidity risk by contractual maturity, undiscounted (gross)

31.12.2012 CHF million	Maturing within				
	0 – 3 months	**3 – 12 months**	**1 – 5 year(s)**	**> 5 years**	**Total**
Financial assets					
Cash and cash equivalents	2'657.2	–	–	–	2'657.2
Receivables due from banks	418.4	510.6	219.7	–	1'148.7
Mortgages and other customer receivables	5'699.8	3'889.5	19'283.2	6'427.5	35'300.0
Other receivables	–	–	–	–	–
Other financial assets					
Net cash flow from interest rate swaps	0.5	1.5	6.6	–	8.6
Forward exchange contract gross cash inflow	128.6	85.8	–	–	214.4
Forward exchange contract gross cash outflow	- 126.8	- 84.6	–	–	- 211.4
Debt instruments	132.4	167.7	593.3	6.0	899.4
Others	241.6	–	–	–	241.6
Total other financial assets	**376.3**	**170.4**	**599.9**	**6.0**	**1'152.6**
Total financial assets	**9'151.7**	**4'570.5**	**20'102.8**	**6'433.5**	**40'258.5**
Financial liabilities					
Payables due to banks	- 21.4	- 20.3	–	–	- 41.7
Customer deposits and liabilities	- 28'238.8	- 7.4	- 3.8	–	- 28'250.0
Other financial liabilities					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange transactions gross cash inflow	126.8	84.6	–	–	211.4
Forward exchange transactions gross cash outflow	- 128.8	- 85.9	–	–	- 214.7
Others	–	–	–	–	–
Total other financial liabilities	**- 2.0**	**- 1.3**	**–**	**–**	**- 3.3**
Other liabilities	- 54.5	–	–	–	- 54.5
Issued debt instruments	- 213.0	- 469.5	- 2'548.2	- 3'681.1	- 6'911.8
Financial guarantees	- 163.4	–	–	–	- 163.4
Irrevocable loan commitments	- 491.2	–	–	–	- 491.2
Total financial liabilities	**- 29'184.3**	**- 498.5**	**- 2'552.0**	**- 3'681.1**	**- 35'915.9**

31.12.2011

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

Fair values of financial instruments

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

31.12.2012

CHF million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Other financial assets at fair value through profit or loss [1]				
Debt instruments	14.1	–	–	14.1
Equity instruments	14.4	101.0	–	115.4
Total other financial assets at fair value through profit or loss	**28.5**	**101.0**	**–**	**129.5**
Other financial assets available for sale				
Debt instruments	773.0	44.3	–	817.3
Equity instruments	–	–	126.2	126.2
Total other financial assets available for sale	**773.0**	**44.3**	**126.2**	**943.5**
Derivative financial instruments				
Fair value through profit or loss: trading portfolio	–	5.2	–	5.2
Designated for hedge accounting	–	–	–	–
Total derivative financial assets	**–**	**5.2**	**–**	**5.2**
Total financial assets measured at fair value	**801.5**	**150.5**	**126.2**	**1'078.2**
Financial liabilities measured at fair value				
Derivate financial instruments				
Fair value through profit or loss: trading portfolio	–	- 7.0	–	- 7.0
Designated for hedge accounting	–	–	–	–
Total financial liabilities measured at fair value	**–**	**- 7.0**	**–**	**- 7.0**

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

31.12.2011

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

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

Financial instruments Level 3

In 2012, there were no significant transfers between Levels 1 and 2 to report. The following transactions took place for the financial instruments assigned to Level 3 during the year.

CHF million	Financial assets Fair value through profit or loss Equity instruments	Financial assets Available for sale Equity instruments	Total
As per 1 January 2012	**4.6**	**85.2**	**89.8**
Gains/(losses) recognised			
↳ in the income statement	- 0.1	–	- 0.1
↳ in the other comprehensive income	–	25.7	25.7
Additions	–	15.3	15.3
Disposals	- 4.5	–	- 4.5
Transfers to level 3	–	–	–
Transfers out of level 3	–	–	–
Currency translation differences	–	–	–
As per 31 December 2012	**–**	**126.2**	**126.2**
Gains/(losses) included in profit/(loss) for financial instruments held at the end of the reporting period	–	–	–

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

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

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

Fair values of financial instruments carried at amortised cost

	Carrying amount		Fair value	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Financial assets				
Receivables due from banks	1'139.3	–	1'139.3	–
Mortgages and other customer receivables	32'601.7	30'871.9	34'494.8	32'331.7
Total financial assets	**33'741.0**	**30'871.9**	**35'634.1**	**32'331.7**
Financial liabilities				
Payables due to banks	41.3	38.9	41.6	39.0
Customer deposits and liabilities	28'210.6	26'000.9	28'439.7	26'191.4
Issued debt instruments	6'081.0	6'461.7	6'665.4	7'024.0
Total financial liabilities	**34'332.9**	**32'501.5**	**35'146.7**	**33'254.4**

4.2.4 Capital risk management in the Financial Services sector

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

Capital adequacy requirements of the Financial Services sector

CHF million	**31.12.2012**	31.12.2011
Capital resources required and creditable as per the banking legislation		
Credit risks	1'258.9	1'228.0
Market risks	20.9	24.4
Risks not related to counterparties	99.7	110.2
Operating risks	88.9	87.8
Total capital resources required	**1'468.4**	**1'450.4**
Equity as per IFRS	2'881.6	2'711.6
Corrections due to banking legislation [1]	127.0	82.6
Creditable capital resources as per the banking legislation	**3'008.6**	**2'794.2**
Excess creditable capital resources	**1'540.2**	**1'343.8**
Excess in % of required resources	**104.9**	**92.7**

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

5. Critical accounting estimates and judgments

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

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

(a) Fair values of other financial assets and financial instruments

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

(b) Impairment of «available for sale» other financial assets

Migros Group follows the guidelines of IAS 39 to determine whether there is an impairment that is not of a temporary nature. To determine an impairment, the management draws on a number of factors in its assessment, such as time development, scope of the impairment, branch, technological environment, development of credit default swap spreads, and so on. This procedure is thus based on significant estimates that involve some uncertainty. In both the reporting year and the previous year, other financial assets in the «available for sale» category were impaired. See Note 7 Net income from the financial services business and Note 12 Finance income and cost.

(c) Useful lives of tangible assets

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

(d) Impairment of tangible assets

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

(e) Impairment of goodwill

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

(f) Employee benefit obligations

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

(g) Income tax

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

(h) Deferred income tax assets

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

6. Segment reporting

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

6.1 Determination of operating segments

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

- **Cooperative Retailing:**
  All activities of the Migros Cooperatives (supermarkets, hypermarkets, wholesale, catering, specialist markets, leisure, Club Schools), services of logistics companies of the Group (transport of goods, central warehouse) and services provided by the Federation of Migros Cooperatives (central purchasing, Migros Media etc.) including all commitments of Migros Group relating to the Migros Culture Percentage.
- **Commerce:**
  Sale of goods and rendering of services by Denner (discount retailer), Globus (warehouses, men's wear), Interio (furniture stores), Gries Deco (home accessories), Le Shop and Dolphin France (internet retail stores), Ex Libris (entertainment media), Office World as well as Iba (office equipment), m-way (electromobility), Migrol (heating and fuel oils) and migrolino (convenience stores).

- **Industry & Wholesaling:**
  Production and sale of goods by Migros Industry companies within and outside of the Group as well as by the wholesale businesses Cash+Carry Angehrn and Scana.
- **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 IFRS Group financial statements, according to Note 3.

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

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

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

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

Information by operating segment

2012 CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total segments	Reconciliation [1]	Total Migros Group
Income									
↳ from third parties	14'804.1	6'753.0	1'245.1	926.2	1'214.1	56.3	24'998.8	–	24'998.8
↳ from other segments	425.9	44.4	3'959.5	1.7	–	98.7	4'530.2	- 4'530.2	–
Total income	**15'230.0**	**6'797.4**	**5'204.6**	**927.9**	**1'214.1**	**155.0**	**29'529.0**	**- 4'530.2**	**24'998.8**
Operating profit before effect from pension plans	565.5	13.9	125.8	237.9	- 25.9	69.6	986.8	- 1.2	985.6
Effect from pension plans	215.1	6.3	86.3	13.2	14.7	5.7	341.3	–	341.3
Operating profit	**780.6**	**20.2**	**212.1**	**251.1**	**- 11.2**	**75.3**	**1'328.1**	**- 1.2**	**1'326.9**
Segment assets	9'209.0	2'344.6	2'217.8	37'786.2	137.6	739.2	52'434.4	5'729.6	58'164.0
Segment liabilities [2]	1'021.1	624.4	126.9	34'882.5	- 33.8	498.8	37'119.9	5'121.8	42'241.7
Other information									
Investments	859.2	193.9	127.6	13.3	10.3	20.5	1'224.8	–	1'224.8
Depreciation, amortisation	694.7	157.2	180.8	37.6	19.1	40.5	1'129.9	–	1'129.9
Impairment [3]	54.9	5.8	2.1	38.4	7.6	–	108.8	–	108.8
Reversal of impairment [3]	- 2.0	- 3.2	- 4.8	- 9.6	–	–	- 19.6	–	- 19.6
Other expenditure (income) not affecting liquidity	37.2	8.8	4.6	1.8	7.6	- 1.4	58.6	–	58.6

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

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

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

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

Reconciliation from segment to group statement

Reconciliation of profit

CHF million	2012	2011
Operating profit Total segments	1'328.1	982.8
Eliminations	- 1.2	0.1
Operating profit Migros Group	**1'326.9**	**982.9**
Financial profit	- 75.8	- 186.8
Profit before income tax Migros Group	**1'251.1**	**796.1**

Reconciliation of assets

CHF million	2012	2011
Total segment assets	52'434.4	50'109.1
Trade payables	1'417.1	1'546.7
Non-operative assets	10'492.6	9'070.5
Eliminations	- 6'180.1	- 5'544.9
Total assets Migros Group	**58'164.0**	**55'181.4**

Reconciliation of liabilities

CHF million	2012	2011
Total segment liabilities	37'119.9	35'474.2
Other financial assets realisable at short notice	3'820.2	3'081.0
Non-interest-bearing liabilities	4'181.4	4'080.2
Eliminations	- 2'879.8	- 2'332.4
Total liabilities Migros Group	**42'241.7**	**40'303.0**

6.3 Information by region

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

Information by region

			2012			2011
CHF million	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Total income from third parties	23'732.8	1'266.0	24'998.8	23'566.2	1'292.6	24'858.8
Long-term assets	12'933.8	649.5	13'583.3	12'845.3	583.2	13'428.5

Explanations to the income statement

7. Net income from the financial services business

CHF million	2012	2011
Interest income		
Cash and cash equivalents	9.0	15.1
Receivables due from banks	1.4	–
Mortgages and other customer receivables	761.8	766.8
Other financial assets available for sale	23.5	24.3
Unwinding of discount	1.6	0.3
Total interest income	**797.3**	**806.5**
Interest expense		
Payables due to banks	- 0.7	- 0.7
Customer deposits and liabilities	- 162.0	- 190.4
Issued debt instruments	- 159.3	- 161.6
Total interest expense	**- 322.0**	**- 352.7**
Impairments [1]		
Receivables due from banks	–	–
Mortgage receivables	- 7.7	- 5.7
Other customer receivables	- 30.6	- 60.4
Total impairments	**- 38.3**	**- 66.1**
Reversals of impairments [1]		
Receivables due from banks	–	–
Mortgage receivables	1.8	43.3
Other customer receivables	7.1	22.0
Total reversals of impairments	**8.9**	**65.3**
Net interest income	**445.9**	**453.0**
Commission income		
Mortgages and other customer receivables	5.3	5.7
Securities and investment business	51.3	56.5
Income from other services	32.3	30.2
Total commission income	**88.9**	**92.4**
Commission expense	- 15.0	- 16.3
Net commission income	**73.9**	**76.1**
Income from other financial assets		
Profits/(losses) from other financial assets at fair value: Trading portfolio	0.6	4.6
Profits/(losses) from other financial assets at fair value: Designated	–	–
Profits/(losses) from other financial assets at fair value: available for sale	–	27.4
Impairments from other financial assets at fair value: available for sale	–	- 1.2
Reversals of impairments from other financial assets at fair value: available for sale	0.7	–
Dividends received from other financial assets availabe for sale	2.0	2.1
Currency translation differences, net	32.4	33.5
Income from other financial assets	**35.7**	**66.4**
Total profit from the financial services business	**555.5**	**595.5**
Disclosed in the financial statements of the Migros Group under:		
Interest and commission income and (net) gains on financial instruments of the financial services business	921.9	965.2
Interest and commission expense and valuation allowances of the financial services business	- 366.4	- 369.7
Total profit from the financial services business	**555.5**	**595.5**

[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 stagnating interest income and lower interest expense. High impairments and reversals of impairments, which were seen in some cases in the previous year, caused these key figures to fall to a level in line with the long-term average.

8. Other operating income

CHF million	**2012**	2011
Income from advertising services	24.2	30.0
Internally generated assets (tangible and intangible)	20.8	16.3
Revenue from the disposal of		
↳ Investment property	11.9	–
↳ Tangible assets	4.8	20.0
↳ Intangible assets	–	–
↳ Investments	4.2	6.0
Other operating income	212.1	235.3
Total other operating income	**278.0**	**307.6**

Other operating income includes income from regular sidelines. This income includes government grants in connection with export contributions amounting to CHF 2.8 million (2011: CHF 2.8 million). Other forms of government grants directly benefiting Migros Group amount to CHF 0.5 million (2011: 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.

Revenue of CHF 29.1 million from the step acquisition of the Gries Deco Group was included in other operating income in 2011.

9. Cost of goods and services sold

CHF million	**2012**	2011
Cost of goods and services sold	14'285.6	14'219.5
Inventory change	85.8	83.0
Total cost of goods and services sold	**14'371.4**	**14'302.5**

Material and service costs include government grants in favour of Migros Industry (mainly in the form of customs duty refunds and milk refunds) totalling CHF 8.1 million (2011: CHF 9.6 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	2012	2011
Wages and salaries		3'915.9	3'917.1
Pension schemes and social insurance based on employer contributions		430.4	416.7
Social insurance and other social security benefits		484.1	472.1
Other personnel expenses		202.9	232.6
Total personnel expenses based on employer contributions		**5'033.3**	**5'038.5**
Absence of asset ceiling (effect from pension plans)		-341.3	-3.9
Total personnel expenses according to IFRS		**4'692.0**	**5'034.6**
Pension schemes and social insurance based on employer contributions		430.4	416.7
Absence of asset ceiling (effect from pension plans)		-341.3	-3.9
Total pension schemes and social insurance according to IFRS	*38*	**89.1**	**412.8**

In agreement with the social partners, Migros companies granted salary increases – individually and performance-related – of 0.3% to 0.8% in 2012. The fall in expenditure on wages and salaries was minimal compared to the previous year, due to changes to the scope of consolidation (disposal of the packaging business of Limmatdruck AG in 2011; addition of Cash + Carry Angehrn AG in 2012). Adjusted for acquisitions, there was a marginal increase in the number of full-time positions (31 December 2012: 63'620; 31 December 2011: 63'462).

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

Migros Group recognises actuarial gains and losses on defined benefit pension schemes in the income statement, using the «corridor approach». Under this approach, corrections in the value of pension plan surpluses are included under pension costs as per IFRS provided the employer derives no economic benefit from the surpluses («asset ceiling»). The main pension funds of Migros Group posted a surplus in the past, which under the corridor approach meant that, in accordance with IFRS, pension costs corresponded largely with the employer contributions paid. At the end of 2012, Migros Group pension funds posted surpluses, which were impaired to the economic benefit of Migros Group at the end of 2012. The formation of the corresponding impairments with an effect on net income increased pensions costs in accordance with IFRS, but these were still lower than the statutory employer contributions. The deferral of recognising through profit and loss actuarial losses as expense or actuarial gains as income, which is inherent to the corridor approach under IAS 19, means that certain losses from previous years are also capitalised in 2012.

Among other things, other personnel expenses include the effect of the change of actuarial assumptions (e.g. discounting rate, life expectancy, retirement age) in calculating the service award programme of CHF -28.6 million (2011: CHF +36.4 million).

Staff costs include government grants totalling CHF 0.1 million (2011: CHF 0.3 million) shown as a reduction of costs.

11. Other operating expenses

CHF million	2012	2011
Rental and building-lease cost	670.3	613.5
Losses from the disposal of		
↳ Investment property	1.8	1.6
↳ Tangible assets	1.9	1.4
↳ Intangible assets	–	–
↳ Investments	1.5	29.2
Maintenance	362.2	355.6
Energy and consumables	469.8	477.1
Advertising	514.4	513.3
Administration	362.5	355.0
Other operating expenses	665.9	685.2
Total other operating expenses	**3'050.3**	**3'031.9**

Other operating expenses include costs of services relating to IT, logistics and transportation, as well as levies, fees, property and capital taxes. One of the reasons for the reduction in this expense is the centralisation of IT at the Federation of Migros Cooperatives.

12. Finance income and cost

CHF million	2012	2011
Finance income		
Interest income		
Cash and cash equivalents	4.5	4.5
Receivables due from banks	0.6	1.1
Other financial assets available for sale	12.3	12.6
Loans	2.9	3.3
Unwinding of discount	–	–
Other interest income	1.6	1.2
Total interest income	**21.9**	**22.7**
Profit from other financial assets		
Profits/(losses) from other financial assets at fair value: trading portfolio	2.4	- 0.6
Profits/(losses) from other financial assets at fair value: designated	7.4	- 7.0
Profits/(losses) from other financial assets at fair value: available for sale	1.0	2.7
Dividends received from other financial assets available for sale	2.6	1.9
Currency translation differences, net	- 5.0	- 15.9
Total profit from other financial assets	**8.4**	**- 18.9**
Reversals of impairments of other financial assets and receivables due from banks		
Available for sale	–	–
Loans	0.4	0.4
Receivables due from banks	–	–
Total reversals of impairments of other financial assets and receivables due from banks	**0.4**	**0.4**
Impairments of other financial assets and receivables due from banks		
Available for sale	- 2.2	- 77.8
Loans	- 6.6	- 0.3
Receivables due from banks	–	–
Debt waiver of receivables	–	- 3.7
Total impairments of other financial assets and receivables due from banks	**- 8.8**	**- 81.8**
Total finance income	**21.9**	**- 77.6**
Finance costs		
Interest expense		
Payables due to banks	- 3.6	- 4.1
Issued debt instruments	- 15.6	- 18.1
Other financial liabilities	0.0	0.0
Finance leasing	- 8.7	- 9.0
Provisions: present value adjustments	- 0.3	- 0.4
Other interest expense	- 63.6	- 76.1
Total interest expense	**- 91.8**	**- 107.7**
Other finance costs	- 7.8	- 7.0
Total finance cost	**- 99.6**	**- 114.7**

13. Associates and joint ventures

Investments in associates and joint ventures

CHF million	2012	2011
As per 1 January	**108.8**	**94.5**
Acquisition including share of profit	77.8	24.6
Share of other comprehensive income	0.0	3.5
Reclassifications	- 34.6	- 13.6
Reversals of impairment	–	–
Impairments	- 3.5	–
Disposals	–	- 0.2
Currency translation differences	–	–
As per 31 December	**148.5**	**108.8**

Profit from associates and joint ventures

CHF million	2012	2011
Share of profit	5.4	5.5
Investment impairment	- 3.5	–
Others	–	–
Total share of profit	**1.9**	**5.5**

Additional information on associates and joint ventures

CHF million	2012	2011
Assets	720.5	552.7
Liabilities	304.8	268.7
Revenue	856.2	739.0
Result	17.0	13.4

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

2012 included a 30% acquisition of Galaxus AG with its online shops digitec.ch and galaxus.ch.

The reclassification affects Cash + Carry Angehrn AG, which is fully consolidated as from 1 July 2012 due to the increase in the equity interest to 80%. With the business trend permanently falling short of expectations, the value of the equity interest in Mount Lavinia Hotels & Resorts Ltd. was reduced.

Despite a current equity interest of just over 20%, the investment in Charles Vögele Holding AG is not reported as an investment in an associate, but instead as a financial asset since Migros Group has not exercised any major influence in the sense of taking part in decisions affecting financial and business policy. Accordingly, Migros Group is not represented in any managerial or supervisory bodies of Charles Vögele and there was no exchange of managerial staff or market information.

14. Income tax expense

CHF million	2012	2011
Current income tax expense	187.8	177.6
Current income tax expense of previous years	-7.8	-6.8
Total current income taxes	**180.0**	**170.8**
Deferred income tax expense/(income)	81.1	-4.8
Changes to income tax rates	-5.2	-32.3
Total deferred income taxes	**75.9**	**-37.1**
Total income tax expense	**255.9**	**133.7**

Reconciliation of expected and effective income tax expense

CHF million	2012	2011
Profit before income tax	1'251.1	796.1
Weighted average tax rate in	20.6%	20.2%
Expected income tax expense	**257.7**	**160.8**
Reasons for increase/decrease		
↳ Non-tax-deductible expenses	14.9	2.2
↳ Tax-exempted income (incl. income from investments)	-22.9	-17.8
↳ Use of non-capitalized tax loss carry forwards	-1.9	-0.9
↳ Non-capitalization of deferred income tax assets on period losses	24.9	24.4
↳ Non-deductible impairments of goodwill	1.3	0.3
↳ Tax on gains from disposal of properties (Zurich model)	–	–
↳ Changes to tax rates	-5.2	-32.3
↳ Income tax expense of previous years	-7.8	-6.8
↳ Other effects	-5.1	3.8
Total effective income tax expense	**255.9**	**133.7**
Effective income tax rate	20.5%	16.8%

In 2012, the expected income tax expense deviated by CHF +1.8 million (previous year CHF +27.1 million) from the effective income tax expense. The increase in the weighted Group tax rate from 20.2% to 20.6% is in line with normal fluctuations.

Development of the deferred tax liabilities (net)

CHF million	2012	2011
As per 1 January	**1'423.7**	**1'458.7**
Changes to the scope of consolidation	16.7	19.0
Recorded through profit and loss	75.9	- 37.1
Recorded in other comprehensive income [1]	12.1	- 14.9
Currency translation differences	0.1	- 2.0
As per 31 December (net)	**1'528.5**	**1'423.7**

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

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

	Deferred income tax assets		Deferred income tax liabilities	
CHF million	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Reasons for deferred income tax				
Cash and cash equivalents	–	–	–	–
Receivables	0.2	0.5	8.5	9.4
Inventories	0.0	–	119.9	117.7
Tangible assets	3.1	2.2	693.8	679.8
Intangible assets	7.0	8.3	81.9	90.8
Other financial assets	4.8	1.7	94.8	61.2
Tax losses carry forwards	142.9	96.8	–	–
Other assets	0.6	9.1	81.8	71.8
Liabilities from employee benefits	0.8	0.8	193.6	121.3
Financial liabilities	29.1	19.8	0.3	0.6
Other liabilities	0.6	1.7	357.4	349.2
Total	**189.1**	**140.9**	**1'632.0**	**1'501.8**
Valuation allowance	- 85.6	- 62.8	–	–
Netting	- 56.3	- 55.4	- 56.3	- 55.4
Total deferred income tax in balance sheet	**47.2**	**22.7**	**1'575.7**	**1'446.4**

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

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

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

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

CHF million	31.12.2012	31.12.2011
Maturity in 1 year	1.5	0.4
Maturity in 2 years	13.6	1.1
Maturity in 3 years	54.9	4.4
Maturity in 4 years	49.8	50.1
Maturity in 5 years	29.8	56.5
Maturity after 6 years	156.2	96.8
No maturity	136.2	119.4
Total of unused tax loss carry forwards	**442.0**	**328.7**

Income tax effects on tax losses carried forward can only be taken into consideration if adequate taxable results can be produced in future against which the tax loss carry forwards can be offset. The evaluation of whether tax effects can be capitalised depends on the expected development of the business and the existence of tax savings options. The increase in loss carry forwards not yet used, on which no deferred income tax assets were applied, was due to additional loss carry forwards of branches being built up and restructured. The ability to use these loss carry forwards must be assessed every year.

15. Expenditure for cultural, social and economic policy purposes

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

CHF million	2012	2011
Culture	33.9	34.4
Education/training	57.8	51.2
Social	9.0	9.2
Leisure and sport	14.4	13.1
Economic policy	3.5	3.4
Administration	6.4	6.3
Special expenditure	–	–
Total expenditure for cultural, social and economic policy purposes	**125.0**	**117.6**

The financing of this item of expenditure is specified in the statutes and rules of the Cooperatives (incl. the FMC). The Cooperatives have undertaken to spend at least 0.5% (FMC 0.33%) of their retail sales – over a four-year average – on cultural, social and economic policy purposes. Some of the funds are, for instance, used to support the Club Schools. This expenditure is included in the operating costs. According to the IFRS, shortfalls within the four-year period do not qualify as obligations and excess expenditure does not qualify as an asset.

Provisions are thus only made for performance obligations towards third parties existing at the balance sheet date. Compliance with the stipulations of the statutes and rules is thus verified by the calculation of the so-called «Culture Percentage reserve». The calculation highlights any shortfalls in Culture Percentage expenditure that has to be made up over the coming years.

Culture Percentage reserve

CHF million	2012	2011
Minimum expenditure required	112.7	113.6
Incurred expenditure	125.0	117.6
Excess/(shortfall) in expenditure for the financial year	**12.3**	**4.0**
Excess/(shortfall) in expenditure for 4-year period	12.3	1.8
Culture Percentage reserve as per 31 December	**1.7**	**8.2**

In the 2012 financial year, Migros Group's expenditure relating to the Culture Percentage exceeded the minimum specified in the charter by CHF 12.3 million. Four Cooperatives fell slightly short of the minimum expenditure in 2012. At Group level, the Culture Percentage reserve was reduced by CHF 6.5 million.

The Culture Percentage reserve is part of retained earnings.

Explanations to the statement of comprehensive income

16. Other comprehensive income

CHF million	2012	2011
Other financial assets available for sale		
↳ Fair value adjustments	70.3	- 140.5
↳ Transfer from sales to income statement	- 1.0	- 30.1
↳ Transfer of impairments to income statement	1.5	79.0
↳ Deferred income tax	- 14.8	19.6
Derivative financial instruments held for cash flow hedges		
↳ Fair value adjustments	- 7.9	- 21.9
↳ Transfer to income statement	- 0.1	20.4
↳ Transfer to the acquisition cost of non-financial assets	- 3.8	24.5
↳ Deferred income tax	2.7	- 4.7
Currency translation differences for foreign subsidiaries		
↳ Currency translation differences	2.9	- 9.7
↳ Transfer to income statement relating to (partial) disposals of foreign subsidiaries	–	–
↳ Deferred income tax	–	–
Share in other comprehensive income of associates and joint ventures		
↳ Change in share of other comprehensive income	0.0	3.5
↳ Deferred income tax	0.0	- 0.1
Other comprehensive income	**49.8**	**- 60.0**

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

Explanations to the balance sheet

17. Cash and cash equivalents

CHF million	**31.12.2012**	31.12.2011
Petty cash/postal accounts/bank accounts	3'921.4	2'991.2
Fixed-term deposits with an original maximum maturity of 90 days	429.5	1'578.2
Total cash and cash equivalents	**4'350.9**	**4'569.4**

18. Receivables due from banks

CHF million	**31.12.2012**	31.12.2011
Money market papers	–	–
Receivables due from central banks	–	–
Receivables due from other commercial banks	1'156.7	28.3
Receivables from reverse-repurchase agreements [1]	–	–
Cash deposits on securities borrowed	–	–
Other receivables due from banks	1.4	1.8
Total receivables due from banks (gross)	**1'158.1**	**30.1**
Provision for impairment	–	–
Total receivables due from banks	**1'158.1**	**30.1**
[1] Covered by other financial assets with a fair value of	–	–

Receivables due from banks are held in connection with the management of liquid assets and include, in particular, fixed-term deposits with an original maturity of more than 90 days.

Since the short-term interest rates in the interbank market have fallen towards zero, liquid assets in the financial services business have been increasingly invested with a maturity of more than 90 days.

19. Mortgages and other customer receivables

CHF million	31.12.2012	31.12.2011
By type of engagement		
Mortgages		
↳ Residential property	27'374.0	25'217.1
↳ Office and commercial property	1'301.3	1'372.8
↳ Manufacturing and industry property	1'111.1	901.4
↳ Other mortgages	116.1	106.7
Other customer receivables	2'786.6	3'359.8
Total mortgages and other customer receivables (gross)	**32'689.1**	**30'957.8**
Provision for impairment	- 102.6	- 99.5
Total mortgages and other customer receivables	**32'586.5**	**30'858.3**
By type of collateral		
Mortgages	30'036.5	28'394.6
Securities	–	–
Sureties or other collateral	161.7	187.8
Unsecured	2'490.9	2'375.4
Total mortgages and other customer receivables (gross)	**32'689.1**	**30'957.8**
Provision for impairment	- 102.6	- 99.5
Total mortgages and other customer receivables	**32'586.5**	**30'858.3**

The sustained demand for real estate loans resulted in an increase in mortgages and customer receivables by CHF 1.7 billion.

Changes to the provision for impairment

			2012			2011
CHF million	Mortgages	Customer receivables	Total	Mortgages	Customer receivables	Total
As per 1 January	**19.9**	**79.6**	**99.5**	**57.5**	**55.3**	**112.8**
Changes to the scope of consolidation	–	–	–	–	–	–
Impairments	7.7	30.6	38.3	5.7	60.4	66.1
Reversals of impairments	- 1.8	- 7.1	- 8.9	- 43.3	- 22.0	- 65.3
Unwinding of discounts	–	–	–	–	–	–
Disposals	- 5.3	- 21.0	- 26.3	–	- 14.1	- 14.1
Currency translation differences	–	–	–	–	–	–
As per 31 December	**20.5**	**82.1**	**102.6**	**19.9**	**79.6**	**99.5**

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

High impairments and reversals of impairments, which were seen in some cases in the previous year, caused these key figures to fall to a level in line with the long-term average.

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

CHF million	31.12.2012	31.12.2011
Mortgages pledged to mortgage bond bank	5'896.6	7'232.1
Loans from mortgage bond bank	4'615.7	4'653.8

Receivables from finance leases (as lessor)

CHF million	31.12.2012	31.12.2011
Remaining contract terms		
Up to one year	42.1	38.3
More than one and up to five years	69.8	64.7
More than five years	12.8	16.3
Total receivables from finance leases [1]	**124.7**	**119.3**
Not guaranteed residual values in favour of lessor	–	–
Accumulated valuation allowances for outstanding minimum lease payments	–	–
Contigent income recognised in profit and loss	–	–

[1] Are shown under customer receivables.

As part of its client lending, Migros Bank also offers finance leasing. Generally, investment goods with a value of CHF 200'000 to CHF 2 million are financed. The leasing period depends on the economic life of the investment object and generally lasts for three to six years. Upon expiration of the leasing period, the investment goods are purchased for a symbolic residual amount.

20. Trade receivables and other receivables

CHF million	31.12.2012	31.12.2011
Trade receivables	629.8	636.1
Other receivables	176.0	133.4
Total trade receivables and other receivables (gross)	**805.8**	**769.5**
Provision for impairment	- 26.4	- 27.4
Total trade receivables and other receivables	**779.4**	**742.1**

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

Changes to the provision for impairment

CHF million	2012	2011
As per 1 January	**- 27.4**	**- 33.9**
Changes to the scope of consolidation	0.0	0.5
Impairments	- 7.1	- 8.7
Reversals of impairments	3.1	0.9
Unwinding of discounts	–	–
Disposals	5.1	13.6
Currency translation differences	- 0.1	0.2
As per 31 December	**- 26.4**	**- 27.4**
Pledged receivables	–	–

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

21. Inventories

CHF million	31.12.2012	31.12.2011
Raw materials and consumables	344.1	364.2
Work in process	59.6	56.0
Finished products	252.6	270.3
Goods for resale	1'514.1	1'449.0
Legal required stock	30.1	23.0
Total inventories	**2'200.5**	**2'162.5**
Pledged inventories	–	–

Inventories were subject to impairments totalling CHF 6.5 million (previous year CHF 8.5 million); reversals of impairment amounted to CHF 7.9 million (previous year CHF 5.3 million).

22. Other financial assets

CHF million	Fair value through profit or loss: Trading portfolio[1]	Fair value through profit or loss: Designated	Available for sale	Derivative financial instruments for hedge accounting	Loans	Total
Notes	*23/25*	*23*	*24*	*25*	*26*	
As per 1 January 2012	**340.5**	**104.6**	**1'843.5**	**10.7**	**122.8**	**2'422.1**
Changes to the scope of consolidation	–	–	0.0	–	- 0.3	- 0.3
Additions	5.0	23.3	120.9	–	49.1	198.3
Fair value gains/(losses) through profit and loss	264.8	5.6	0.1	- 0.3	0.0	270.2
Fair value gains/(losses) recognised directly in equity	–	–	70.3	3.8	–	74.1
Reclassifications						
↳ within other financial assets	–	–	–	–	–	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	- 380.8	- 17.2	- 430.4	- 14.0	- 73.7	- 916.1
Currency translation differences	0.0	–	0.1	–	- 0.1	0.0
As per 31 December 2012	**229.5**	**116.3**	**1'604.5**	**0.2**	**97.8**	**2'048.3**
Change of provision for impairment						
As per 1 January 2012					**- 3.2**	**- 3.2**
Changes to the scope of consolidation					–	–
Impairments					- 6.6	- 6.6
Reversals of impairments					0.4	0.4
Unwinding of discounts					–	–
Reclassifications					–	–
Disposals					0.2	0.2
Currency translation differences					- 0.1	- 0.1
As per 31 December 2012					**- 9.3**	**- 9.3**
Balance sheet value						
1 January 2012	**340.5**	**104.6**	**1'843.5**	**10.7**	**119.6**	**2'418.9**
31 December 2012	**229.5**	**116.3**	**1'604.5**	**0.2**	**88.5**	**2'039.0**
Additional information about financial instruments						
Under repurchase and securities lending agreements						
↳ transferred financial assets	–	–	–	–	–	–
↳ related liabilities	–	–	–	–	–	–
Pledged other financial assets						0.2

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

In 2012, no reclassifications were carried out within other financial assets.

Further details on the amounts of the other financial assets disclosed can be found in Notes 23 to 26. Further details on the other financial assets' effects on net income and capital are included in Note 7 Net income from financial services business, Note 12 Finance income and cost and Note 16 Other comprehensive income.

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

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

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

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

CHF million	31.12.2012	31.12.2011
Debt instruments		
Listed on stock exchanges	31.9	45.4
Not listed	49.6	42.1
Total debt instruments	**81.5**	**87.5**
Equity instruments		
Listed on stock exchanges	51.9	52.3
Not listed	112.4	123.4
Total equity instruments	**164.3**	**175.7**
Derivative financial instruments held for trading purposes	100.0	181.9
Total other financial assets at fair value through profit or loss	**345.8**	**445.1**

Due to the increased capital market risks, listed debt and equity instruments of the «fair value through profit or loss» category were reduced further during the reporting year. The reduction in investments in listed debt instruments of the «fair value through profit or loss» category was offset by corresponding recoveries in value. In terms of value in particular, the holdings of foreign currency hedges were reduced as a result of the more stable trend in the exchange rate.

24. Other financial assets available for sale

CHF million	31.12.2012	31.12.2011
Debt instruments		
Listed on stock exchanges	1'219.4	1'509.8
Not listed	66.8	76.4
Total debt instruments	**1'286.2**	**1'586.2**
Equity instruments		
Listed on stock exchanges	185.2	165.5
Not listed	133.1	91.8
Total equity instruments	**318.3**	**257.3**
Total other financial assets available for sale	**1'604.5**	**1'843.5**

Due to the increased capital market risks, the holdings of debt instruments of the «available for sale» category were reduced further through sales as well as by the decision not to reinvest maturing instruments. The increase in the holdings of listed equity instruments is due primarily to recoveries in the stock market prices of the instruments held.

25. Derivative financial instruments

Derivative financial instruments held for trading purposes[1]

	31.12.2012			31.12.2011		
	Replacement values		Contract	Replacement values		Contract
CHF million	positive	negative	volume	positive	negative	volume
Interest instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	2.1	14.5	8'680.0	0.0	46.6	980.0
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total interest instruments	**2.1**	**14.5**	**8'680.0**	**0.0**	**46.6**	**980.0**
Foreign currency instruments						
Over the counter (OTC)						
↳ Futures	29.6	33.7	1'274.9	154.7	120.0	2'325.2
↳ Swaps	67.8	86.0	2'956.1	27.2	77.9	1'930.5
↳ Options	0.4	0.2	4.6	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total foreign currency instruments	**97.8**	**119.9**	**4'235.6**	**181.9**	**197.9**	**4'255.7**
Commodities						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	0.1	–	4.1	0.0	–	15.2
↳ Options	–	–	–	–	–	–
Total commodities	**0.1**	**–**	**4.1**	**0.0**	**–**	**15.2**
Investment instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Options	–	0.0	2.7	–	2.5	10.0
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total investment instruments	**–**	**0.0**	**2.7**	**–**	**2.5**	**10.0**
Total derivative financial instruments held for trading purposes	**100.0**	**134.4**	**12'922.4**	**181.9**	**247.0**	**5'260.9**

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

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

Compared to the previous year, interest hedges for the mortgage portfolio of the financial services business were increasingly carried out.

In terms of value in particular, the holdings of foreign currency hedges were reduced as a result of the more stable trend in the exchange rate.

Derivative financial instruments held for cash flow hedges

	31.12.2012			31.12.2011		
	Replacement values			Replacement values		
CHF million	positive	negative	Contract volume	positive	negative	Contract volume
Interest instruments						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	–	–	–	0.0	1.2	100.0
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total interest instruments	**–**	**–**	**–**	**0.0**	**1.2**	**100.0**
Foreign currency instruments						
Over the counter (OTC)						
↳ Futures	0.1	5.5	458.2	9.5	2.3	731.8
↳ Swaps	–	–	–	–	–	–
↳ Options	–	0.0	37.4	1.2	–	41.3
Traded on stock exchanges						
↳ Futures	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Total foreign currency instruments	**0.1**	**5.5**	**495.6**	**10.7**	**2.3**	**773.1**
Commodities						
Over the counter (OTC)						
↳ Futures	–	–	–	–	–	–
↳ Swaps	–	–	–	–	–	–
↳ Options	–	–	–	–	–	–
Traded on stock exchanges						
↳ Futures	0.1	–	10.2	–	0.1	3.7
↳ Options	–	–	–	–	–	–
Total commodities	**0.1**	**–**	**10.2**	**–**	**0.1**	**3.7**
Total derivative financial instruments held for cash flow hedges	**0.2**	**5.5**	**505.8**	**10.7**	**3.6**	**876.8**

Additional information about cash flow hedges

CHF million	2012	2011
Amounts reclassified from equity to the income statement		
Cost of goods and services sold (currencies & commodities)	0.2	19.9
Finance costs	- 0.3	0.5
Total amounts recognised in income statement	**- 0.1**	**20.4**
Ineffective amounts recognised in the income statement	0.0	0.0
Amounts reclassified from equity to the purchase costs of non-financial assets		
Inventories	- 3.8	22.9
Tangible assets	–	1.6
Total amounts recognised in the cost of non-financial assets	**- 3.8**	**24.5**

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

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

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

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

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

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

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

Total derivative financial instruments

CHF million	31.12.2012 Replacement values positive	31.12.2012 Replacement values negative	31.12.2012 Contract volume	31.12.2011 Replacement values positive	31.12.2011 Replacement values negative	31.12.2011 Contract volume
Held for cash flow hedging	0.2	5.5	505.8	10.7	3.6	876.8
Held for fair value hedging	–	–	–	–	–	–
Total for hedging	**0.2**	**5.5**	**505.8**	**10.7**	**3.6**	**876.8**
Held for trading purposes [1]	100.0	134.4	12'922.4	181.9	247.0	5'260.9
Total derivative financial instruments	**100.2**	**139.9**	**13'428.2**	**192.6**	**250.6**	**6'137.7**

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

Interest rate swaps were not designated as fair value hedges either in the reporting year or in the previous year.

26. Loans

CHF million	31.12.2012	31.12.2011
Loans to public sector	0.1	0.1
Loans to private sector	97.7	122.7
Various	–	–
Total loans (gross)	**97.8**	**122.8**
Provision for impairment	- 9.3	- 3.2
Total loans	**88.5**	**119.6**

27. Investment property

CHF million	2012	2011
Acquisition costs		
As per 1 January	**453.4**	**431.3**
Changes to the scope of consolidation	–	–
Additions from		
↳ acquisitions	91.0	12.8
↳ capitalized costs	–	–
Subsequent adjustment of fair values (IFRS 3)	–	–
Reclassifications		
↳ from/to tangible assets	7.3	15.2
↳ from/to non-current assets held for sale	–	–
↳ from assets under construction	–	–
Disposals	- 32.2	- 5.8
Currency translation differences	0.0	- 0.1
As per 31 December	**519.5**	**453.4**
Accumulated depreciation and impairment provision		
As per 1 January	**- 153.6**	**- 137.8**
Changes to the scope of consolidation	–	–
Depreciation	- 6.6	- 9.0
Impairments	–	- 1.2
Reversal of impairments	–	–
Reclassifications		
↳ from/to tangible assets	- 4.4	- 9.3
↳ from/to non-current assets held for sale	–	–
Disposals	22.2	3.7
Currency translation differences	0.0	0.0
As per 31 December	**- 142.4**	**- 153.6**
Balance sheet value		
1 January	**299.8**	**293.5**
31 December	**377.1**	**299.8**
Additional information about investment property		
Fair value as per 31 December	643.9	564.7
Investment property - finance lease	–	–
Rental income from investment property	26.1	22.4
Maintenance and operating costs for investment properties generating rental income during the period	7.3	6.7
Maintenance and operating costs for investment properties not generating rental income during the period	0.9	1.1
Existence and extent of restrictions with regard to sale	3.7	3.7
Contractual obligations to purchase, construct and maintain investment property	–	–

28. Tangible assets

CHF million	Land & buildings	Plant, machinery & equipment	Other tangible assets	Assets under construction	Total
Acquisition costs					
As per 1 January 2012	**10'908.4**	**10'975.6**	**1'740.3**	**455.2**	**24'079.5**
Changes to the scope of consolidation	149.6	20.0	5.8	0.0	175.4
Additions from					
↳ acquisitions	242.1	463.9	98.9	279.5	1'084.4
↳ capitalized costs	–	0.2	–	6.0	6.2
Subsequent adjustment of fair values (IFRS 3)	–	–	–	–	–
Reclassifications					
↳ within tangible assets	98.6	185.5	18.6	- 302.7	–
↳ from/to investment property	- 6.9	- 0.4	0.0	0.0	- 7.3
↳ from/to non-current assets held for sale	–	–	–	–	–
Disposals	- 120.9	- 426.9	- 97.1	- 13.3	- 658.2
Currency translation differences	- 1.3	- 0.1	- 0.2	- 0.2	- 1.8
As per 31 December 2012	**11'269.6**	**11'217.8**	**1'766.3**	**424.5**	**24'678.2**
Accumulated depreciation and impairment provision					
As per 1 January 2012	**- 4'299.7**	**- 6'858.7**	**- 1'172.1**	**- 1.2**	**- 12'331.7**
Changes to the scope of consolidation	–	- 3.9	- 2.3	–	- 6.2
Depreciation	- 311.0	- 598.2	- 127.1	1.0	- 1'035.3
Impairments	- 46.9	- 9.9	- 3.1	–	- 59.9
Reversal of impairments	–	–	–	–	–
Reclassifications					
↳ within tangible assets	1.6	- 6.6	5.0	–	–
↳ from/to investment property	4.0	0.4	0.0	–	4.4
↳ from/to non-current assets held for sale	–	–	–	–	–
Disposals	98.9	428.7	90.4	- 1.0	617.0
Currency translation differences	0.3	0.0	0.1	–	0.4
As per 31 December 2012	**- 4'552.8**	**- 7'048.2**	**- 1'209.1**	**- 1.2**	**- 12'811.3**
Balance sheet value					
1 January 2012	**6'608.7**	**4'116.9**	**568.2**	**454.0**	**11'747.8**
31 December 2012	**6'716.8**	**4'169.6**	**557.2**	**423.3**	**11'866.9**
Additional information about tangible assets					
Tangible assets – finance leasing	95.0	0.3	3.1	–	98.4
Pledged or restricted title of tangible assets	785.2	10.6	0.0	0.5	796.3
Contractual obligation to purchase construct and maintain tangible assets	63.2	11.4	0.8	141.6	217.0
Reimbursements/compensation received from third parties	–	0.2	3.1	0.7	4.0

Impairments carried out in 2012 mainly affect the segment Cooperative Retailing. The Cooperatives Migros Aare and Migros Basel and their subsidiaries carried out impairments totalling CHF 54.9 million on shopping centres and fitness parks following a failure to meet anticipated earnings. Further impairments of CHF 5.0 million were carried out in the Industry & Wholesaling and Travel segments. In 2012, Migros Group received government grants for tangible assets of CHF 0.2 million (2011: CHF 0.2 million), which were deducted directly from the costs of the assets concerned. In addition, CHF 1.7 million borrowing costs were recognised as part of the costs of tangible assets, which are regarded as qualified assets. The relevant interest rate for these borrowing costs ranges between 1.75% and 2.25%.

As at 31.12.2012, the fire insurance value of tangible assets totalled CHF 24'980.3 million (movable property CHF 10'580.7 million / real estate CHF 14'399.6 million).

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

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

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

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

29. Intangible assets

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2012	**839.6**	**311.9**	**578.4**	**198.5**	**11.5**	**1'939.8**
Changes to the scope of consolidation	- 0.9	- 0.2	- 9.0	0.7	–	- 9.4
Additions from						
↳ acquisitions	–	23.7	7.0	1.6	11.0	43.3
↳ capitalized costs	1.2	–	–	–	–	1.2
Adjustment due to recognition of a deferred tax asset	–	–	–	–	–	–
Subsequent adjustment of fair values (IFRS3)	–	–	–	–	–	–
Reclassifications						
↳ within intangible assets	–	4.0	0.1	8.8	- 12.9	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	- 3.6	- 10.3	- 3.5	- 0.3	–	- 17.7
Currency translation differences	2.9	0.0	0.4	0.0	–	3.3
As per 31 December 2012	**839.2**	**329.1**	**573.4**	**209.3**	**9.6**	**1'960.5**
Accumulated depreciation and impairment provision						
as per 1 January 2012	**- 28.1**	**- 175.6**	**- 185.8**	**- 169.4**	**0.0**	**- 558.9**
Changes to the scope of consolidation	0.9	0.1	15.2	0.6	–	16.8
Depreciation	–	- 33.9	- 41.3	- 12.9	–	- 88.1
Impairments	- 4.0	–	–	–	–	- 4.0
Reversal of impairments	–	–	–	–	–	–
Reclassifications						
↳ within intangible assets	–	0.0	–	- 0.0	–	–
↳ from/to non-current assets held for sale	–	–	–	–	–	–
Disposals	1.7	9.5	2.0	0.4	–	13.6
Currency translation differences	–	0.0	- 0.5	- 0.1	–	- 0.6
As per 31 December 2012	**- 29.5**	**- 199.9**	**- 210.5**	**- 181.4**	**0.0**	**- 621.2**
Balance sheet value						
1 January 2012	**811.5**	**136.3**	**392.6**	**29.1**	**11.5**	**1'380.9**
31 December 2012	**809.7**	**129.2**	**362.9**	**27.9**	**9.6**	**1'339.3**
Additional information about intangible assets						
Intangible assets with indefinite useful life	809.7	–	–	–	–	809.7
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets						–
Research and development costs recognized as expense						38.5

Capitalised development costs mainly comprise the costs of EDP solutions developed in-house (applications, customising of standard solutions).
Additions from the changes to the scope of consolidation are due to company acquisitions and disposals. Details of business combinations and disposals are provided in Note 45.
Additions from acquisitions are mainly investments in goods management and logistics systems as well as in systems for online trading.
Additions from capitalised costs in the column goodwill contain effects form adjustments of contingent considerations of previous acquisitions.

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

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

Intangible assets with indefinite useful life

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

CHF million	Cooperative Retailing	Commerce	Industry & Wholesaling	Financial Services	Travel	Others	Total
31 December 2012							
Goodwill	112.5	472.1	114.7	–	110.4	–	809.7
Intangible assets with indefinite useful life	–	–	–	–	–	–	–
Total carrying amount	**112.5**	**472.1**	**114.7**	**–**	**110.4**	**–**	**809.7**
31 December 2011							
Goodwill	115.6	468.4	114.3	–	113.2	–	811.5
Intangible assets with indefinite useful life	–	–	–	–	–	–	–
Total carrying amount	**115.6**	**468.4**	**114.3**	**–**	**113.2**	**–**	**811.5**

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

In order to determine the recoverability of goodwill value, a nominal discount rate of 4.5% is used in the segments Cooperative Retailing and Industry & Wholesaling, 7.0% to 10.0% in the segment Commerce and 9.0% to 11.0% in the segment Travel. The value in use is generally determined for a period of five years. For additional years, a growth rate of 1.0% to 3.0% is assumed.

The goodwill impairment of CHF 4.0 million carried out in 2012 affects the Italian subsidiary in the Travel segment.

30. Other assets

CHF million	**31.12.2012**	31.12.2011
Prepayments	78.4	78.1
Real estate from collateral loans [1]	5.1	2.5
Accrued interest income	23.1	29.0
Other accured income	115.3	95.6
Total other assets	**221.9**	**205.2**

[1] From financial services segment.

31. Non-current assets held for sale

CHF million	**31.12.2012**	31.12.2011
Other financial assets	–	–
Investment property	–	–
Tangible assets	–	–
Intangible assets	–	–
Total non-current assets held for sale	**–**	**–**

At 31 December 2012 and 31 December 2011, there were no non-current assets held for sale.

32. Payables due to banks

CHF million	**31.12.2012**	31.12.2011
Payables from money market papers	–	–
Payables due to central banks	–	–
Payables due to other commercial banks	461.0	499.0
Payables from repurchase agreements	–	–
Cash deposits for securities lent	–	–
Mortgage-backed payables	29.0	29.7
Total payables due to banks	**490.0**	**528.7**

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

33. Customer deposits and liabilities

CHF million	**31.12.2012**	31.12.2011
Savings and investment deposits	24'735.5	23'031.4
Other liabilities	3'040.4	2'859.9
Total customer deposits and liabilities	**27'775.9**	**25'891.3**

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

34. Other financial liabilities

CHF million	Notes	31.12.2012	31.12.2011
Liabilities from finance leases		135.2	140.6
Derivative financial instruments	*25*	139.9	250.6
Staff accounts		0.0	0.3
Staff investment accounts		1'528.9	1'464.9
Other financial liabilities		218.5	174.2
Total other financial liabilities		**2'022.5**	**2'030.6**

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

Liabilities from finance leases

			31.12.2012			31.12.2011
CHF million	Nominal	Discount [1]	Present value [2]	Nominal	Discount [1]	Present value [2]
Remaining contract terms						
Up to one year	15.4	8.1	7.3	14.4	8.4	5.9
More than one and up to five years	54.0	34.2	19.8	58.6	35.6	23.0
More than five years	197.3	89.2	108.1	207.8	96.2	111.7
Total liabilities from finance leases	**266.7**	**131.5**	**135.2**	**280.8**	**140.2**	**140.6**

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

Additional information about finance leases

CHF million	31.12.2012	31.12.2011
Contingent lease payments recorded in the income statement	4.6	7.0
Expected future minimum lease payments from sub-lease contracts	–	–

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

35. Trade payables and other liabilities

CHF million	31.12.2012	31.12.2011
Trade payables	1'417.1	1'546.7
Other liabilities	1'296.9	722.1
Accrued expenses		
↳ Course fees of Club Schools	54.8	54.1
↳ Rent	6.6	8.1
↳ Interest	60.1	64.5
↳ Other accrued expenses	245.9	226.4
Total trade payables and other liabilities	**3'081.4**	**2'621.9**

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

36. Provisions

CHF million	Guarantees	Restructuring	Onerous contracts	Legal cases	Insured claims	Others	Total
As per 1 January 2011	**16.2**	**11.7**	**30.5**	**7.9**	**8.3**	**37.0**	**111.6**
Changes to scope of consolidation	0.0	- 2.7	–	–	–	- 0.2	- 2.9
Addition	22.2	3.6	14.0	10.0	4.5	17.6	71.9
Usage	- 21.0	- 4.6	- 5.1	- 1.0	- 1.2	- 11.1	- 44.0
Release	- 0.2	- 5.0	- 2.6	- 1.6	- 1.9	- 6.2	- 17.5
Unwinding of discounts	–	–	0.4	–	–	–	0.4
Reclassification	–	–	0.4	–	–	- 3.2	- 2.8
Currency translation differences	0.0	–	0.0	0.0	–	- 0.2	- 0.2
As per 31 December 2011	**17.2**	**3.0**	**37.6**	**15.3**	**9.7**	**33.7**	**116.5**
Of which current	11.4	2.1	5.2	8.2	9.7	16.2	52.8
As per 1 January 2012	**17.2**	**3.0**	**37.6**	**15.3**	**9.7**	**33.7**	**116.5**
Changes to scope of consolidation	–	–	- 0.2	–	–	–	- 0.2
Addition	16.1	6.0	13.5	4.1	5.9	27.4	73.0
Usage	- 17.8	- 0.6	- 8.3	- 5.1	- 3.8	- 14.2	- 49.8
Release	–	- 0.5	- 3.3	- 2.3	- 1.6	- 7.0	- 14.7
Unwinding of discounts	–	–	0.3	–	–	–	0.3
Reclassification	–	–	–	–	–	–	–
Currency translation differences	0.0	0.0	0.0	0.0	–	0.0	0.0
As per 31 December 2012	**15.5**	**7.9**	**39.6**	**12.0**	**10.2**	**39.9**	**125.1**
Of which current	7.4	6.6	8.3	7.4	10.2	18.7	58.6

Overall, provisions as at 31 December 2012 are slightly higher than at 31 December 2011.
Provisions for restructuring increased in the 2012 financial year due to new restructuring measures, especially at Hotelplan Italy, which were decided upon and communicated.
The provisions from burdening contracts mainly refer to rented property of the Cooperatives.
The insured claims include liabilities for which an insurance exists (such as liability claims and transport claims).
The other provisions are of various kinds.

37. Issued debt instruments

CHF million	31.12.2012	31.12.2011
Long-term bonds issued	598.5	897.2
Mortgage backed loans [1]	4'615.7	4'653.9
Medium-term bonds [1]	1'216.2	1'409.4
Private placements	100.0	100.0
Total issued debt instruments	**6'530.4**	**7'060.5**
Of which subordinated	–	–

[1] From financial services segment.

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

Detailed overview of long-term bonds issued

CHF million	Securities number	Year of issue	Interest rate nominal	Interest rate effective	Currency	Maturity	Nominal amount	Carrying amount
Migros Bank	2'868'940	2007	2.75%	2.91%	CHF	09.02.2015	250.0	249.1
Federation of Migros Cooperatives	3'087'408	2007	2.875%	3.02%	CHF	04.06.2013	200.0	199.9
Federation of Migros Cooperatives	11'760'647	2011	2.00%	2.08%	CHF	03.05.2017	150.0	149.5
Total long-term bonds issued							**600.0**	**598.5**

The Federation of Migros Cooperatives and Migros Bank each redeemed a long-term bond of CHF 150.0 million – making a total of CHF 300.0 million – in the reporting year. No new long-term bonds were issued.

38. Assets and liabilities from employee benefits

	Assets from employee benefits		Liabilities from employee benefits	
CHF million	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
Short-term benefits	45.2	30.3	292.5	274.5
Post-employment benefits from defined contribution plans	–	0.1	0.5	0.6
Post-employment benefits from defined benefit plans	989.7	595.6	0.4	0.5
Other long-term benefits	–	–	231.1	226.3
Termination benefits	–	–	13.7	15.6
Total employee benefits	**1'034.9**	**626.0**	**538.2**	**517.5**

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

CHF million	**31.12.2012**	31.12.2011
Present value of the defined benefit obligation	- 19'302.5	- 18'665.9
Plan assets at fair value	19'839.5	18'051.5
Surplus/(deficit)	**537.0**	**- 614.4**
Unrecognised actuarial (gains)/losses	598.7	1'214.1
Unrecognised past service cost	–	–
Assets not recorded due to the asset ceiling	- 146.0	- 4.1
Present value of pension plan assets not financed through a fund	–	–
Net assets in the balance sheet from defined benefit plans	**989.7**	**595.6**

Companies of Migros Group use different, generally legally independent pension providers. These are primarily defined benefit plans according to IAS 19.

The position recognised in the balance sheet under defined benefit pension plans corresponds to the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets and the accruals for any unrecognised actuarial profits and losses or adjustments of past service costs not yet recognised. If this formula produces a negative value, an asset must be recognised in the balance sheet for defined benefit pension plans. It is limited to the smaller of the product of the above formula and the total economic benefit for the employer from a future surplus plus, if available, any unrecognised actuarial losses.

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

The major pension funds of Migros Group (Migros Pension Fund and the Globus Group Pension Fund) recovered in 2012, reporting an IAS 19 surplus at the end of 2012. An economic benefit resulted only from these within the scope of the employer contribution reserves paid in. The asset in the balance sheet contains, in addition to the economic benefit, the actuarial losses not yet recorded in the profit and loss account.

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

CHF million	2012	2011
As per 1 January	**18'665.9**	**17'031.2**
Changes to the scope of consolidation	29.4	- 46.5
Service cost (net)	403.4	433.4
Interest cost	437.0	500.7
Employee contributions	213.2	213.2
Actuarial (gains)/losses	337.5	1'335.2
Benefit payments	- 762.0	- 706.8
Past service cost	- 11.4	–
Plan curtailments	- 10.5	- 94.6
Plan compensations	–	–
Currency translation differences	–	0.1
As per 31 December	**19'302.5**	**18'665.9**

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

CHF million	2012	2011
As per 1 January	**18'051.5**	**18'103.0**
Changes to the scope of consolidation	29.4	- 48.7
Expected return on plan assets	736.3	792.9
Actuarial gains/(losses)	1'092.6	- 773.0
Employer contribution	478.5	470.8
Employee contributions	213.2	213.2
Benefit payments	- 762.0	- 706.8
Plan compensations	–	–
Currency translation differences	–	0.1
As per 31 December	**19'839.5**	**18'051.5**

Investment categories of the plan assets and expected return

	Investment categories		
in %	31.12.2012	31.12.2011	Expected return
Equity securities	30.2	30.3	5.3
Debt securities	31.6	33.6	2.1
Mortgages	5.7	4.7	1.3
Alternative investments	–	–	–
Real estate	29.1	29.1	4.3
Other	3.4	2.3	0.5

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

Plan assets include debt instruments (e.g. bonds, deposit certificates) of the FMC and of Migros Bank totalling CHF 827.1 million (2011: CHF 252.6 million).

Plan assets also include properties in the amount of CHF 696.9 million (2011: CHF 694.5 million), which are used by Migros Group.

Migros Group estimates that it will pay employer contributions of CHF 398.5 million into plans in 2013.

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

CHF million	Notes	2012	2011
Service cost		616.6	646.5
Interest cost		437.0	500.7
Employee contributions		- 213.2	- 213.2
Expected return on plan assets		- 736.3	- 792.9
Recognised actuarial losses/(profits) [1]		- 139.7	1'124.0
Effects from plan curtailments and plan compensations		- 10.5	- 94.6
Past service cost		- 11.4	–
Effects from the asset ceiling (IAS 19.58b)		141.9	- 762.7
Total pension cost for defined benefit plans		**84.4**	**407.8**
Pension costs for defined contribution plans		4.7	5.0
Total pension costs	*10*	**89.1**	**412.8**
Actual investment income on plan assets		1'833.0	19.9

[1] Incl. effect of IAS 19.58A.

Pension costs for defined benefit pensions plans were CHF 341.3 million below employer contributions made in 2012 (2011: CHF 3.9 million) («Effect from pension plans», see also Note 10).

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

At the end of 2012, Migros Group pension funds posted an IAS 19 surplus. Actuarial gains totalling CHF 755.1 million were incurred in 2012. Of this figure, gains of CHF 1'092.6 million relate to differences between the actual and the expected return on plan assets and losses of CHF 337.5 million to adjustments of defined benefit obligations to the current circumstances (e.g. discounting rate). Under the «asset ceiling» conditions, pro rata actuarial gains of CHF 139.7 million together with «asset ceiling» impairments of CHF 141.9 million were recognised in profit and loss. The remaining actuarial gains of CHF 615.4 million were deferred in accordance with the corridor approach.

In 2012, decisions were taken regarding statutory changes to the Globus Group Pension Fund. These changes are due to become effective on 1 January 2013. The change to the regulations includes a reduction in the conversion and pension rate. This led to a reduction in defined benefit obligations of CHF 11.4 million which, under IAS 19, is to be recognised at the time the resolution is officially adopted.

Underlying actuarial assumptions

in %	31.12.2012	31.12.2011
Discount rate	1.90	2.40
Expected return on plan assets	1.90	4.12
Future salary increases	1.27	1.52
Future pension increases	0.24	0.52

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

In 2012, various actuarial assumptions were adjusted to actuarial data established from in-depth analysis by the pension funds. The calculations were also carried out using the most up-to-date actuarial basis.

Development of the surplus/deficit

CHF million	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Present value of the defined benefit obligation	- 19'302.5	- 18'665.9	- 17'031.2	- 17'223.1	- 16'780.7
Fair value of the plan assets	19'839.5	18'051.5	18'103.0	17'499.5	15'838.5
Surplus/(deficit)	**537.0**	**- 614.4**	**1'071.8**	**276.4**	**- 942.2**
Experience-based adjustment of the plan obligations	- 10.2	- 136.0	- 0.8	0.9	- 21.5
Experience-based adjustment of the plan assets	1'092.6	- 773.0	- 131.9	1'030.0	- 3'024.3

39. Cooperative capital

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--/40.--	Total share certificates
1 January 2011	**2'086'438**	**220**	**2'086'658**
Change in share certificates	4'886	- 19	4'867
31 December 2011	**2'091'324**	**201**	**2'091'525**
Change in share certificates	19'877	- 20	19'857
31 December 2012	**2'111'201**	**181**	**2'111'382**

Change in Cooperative capital CHF thousand			
1 January 2011	**20'864**	**4**	**20'868**
Change in Cooperative capital	49	–	49
31 December 2011	**20'913**	**4**	**20'917**
Change in Cooperative capital	199	–	199
31 December 2012	**21'112**	**4**	**21'116**

Cooperative capital – Statutory provisions

Share certificates: Each Cooperative issues its own registered share certificates.

Liability: The assets of a Cooperative are exclusively liable for the commitments of that Cooperative. Any personal liability on the part of Cooperative members is excluded.

Further explanations

40. Maturities of financial assets and liabilities

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

			31.12.2012			31.12.2011
CHF million	current	non-current	Total	current	non-current	Total
Financial assets						
Cash and cash equivalents	4'350.9	–	4'350.9	4'569.4	–	4'569.4
Receivables due from banks	932.0	226.1	1'158.1	30.1	–	30.1
Mortgages and other customer receivables	9'476.9	23'109.6	32'586.5	8'946.1	21'912.2	30'858.3
Trade receivables	605.1	–	605.1	611.4	–	611.4
Other receivables	174.3	–	174.3	130.2	0.5	130.7
Other financial assets	1'149.7	889.3	2'039.0	1'232.2	1'186.7	2'418.9
Total financial assets	**16'688.9**	**24'225.0**	**40'913.9**	**15'519.4**	**23'099.4**	**38'618.8**
Financial liabilities						
Payables due to banks	271.5	218.5	490.0	207.0	321.7	528.7
Customer deposits and liabilities	27'772.1	3.8	27'775.9	25'884.5	6.8	25'891.3
Other financial liabilities	1'827.6	194.9	2'022.5	1'809.0	221.6	2'030.6
Trade payables	1'417.1	–	1'417.1	1'546.7	–	1'546.7
Other liabilities [1]	1'296.9	–	1'296.9	722.1	–	722.1
Issued debt instruments	897.6	5'632.8	6'530.4	777.0	6'283.5	7'060.5
Total financial liabilities	**33'482.8**	**6'050.0**	**39'532.8**	**30'946.3**	**6'833.6**	**37'779.9**

[1] Excluding accrued expenses.

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

41. Operating leases

Migros Group as lessee

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

CHF million	**31.12.2012**	31.12.2011
Remaining contract terms		
Up to one year	620.3	588.1
More than one and up to five years	2'119.3	1'926.4
More than five years	2'626.2	2'586.5
Total future liabilities from operating leases	**5'365.8**	**5'101.0**
Minimum lease payments	659.4	600.3
Contingent lease payments	12.9	12.5
Income from sub-lease relationships	- 84.3	- 82.3
Net payments from operating leases and sub-lease contracts affecting net income	**588.0**	**530.5**
Expected future payments from sub-lease contracts	278.7	277.7

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	**31.12.2012**	31.12.2011
Remaining contract terms		
Up to one year	234.0	233.7
More than one and up to five years	611.6	619.1
More than five years	267.6	280.4
Total future receivables from operating leases	**1'113.2**	**1'133.2**
Contingent lease payments received	7.8	7.5

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

42. Contingent liabilities and contingent assets

Migros Group and its subsidiaries continually face legal disputes, claims and actions, which originate from normal business activity as a rule. No major liabilities are expected in this connection which are not already taken into account by corresponding provisions (see Note 36). The Board of Directors is not aware of any new facts since the last balance sheet date that could significantly influence the 2012 annual accounts.

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

Contingent liabilities

CHF million	31.12.2012	31.12.2011
Contingent liabilities from the financial services business		
Guarantees for loans and similar instruments	3.6	14.6
Performance guarantees and similar instruments	159.8	138.0
Contractual loan commitments	491.2	503.4
Capital commitments	51.6	32.3
Total contingent liabilities from the financial services business	**706.2**	**688.3**
Other contingent liabilities		
Guarantees	81.0	82.3
Sureties	41.4	44.8
Others	23.5	18.2
Total other contingent liabilities	**145.9**	**145.3**

Contingent liabilities from the financial services business are part of the normal course of customer business and are slightly 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 previous year's level.

Contingent assets

CHF million	31.12.2012	31.12.2011
Total contingent assets	**–**	**0.3**

There were no contingent assets as at 31 december 2012.

43. Fiduciary business

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

CHF million	31.12.2012	31.12.2011
Fiduciary placements with third party banks for account of the customers	**14.3**	**16.4**

44. Information about relationships with related parties

31.12.2012 CHF million	Associates	Joint ventures	Key mananage-ment personnel[1]	Pension funds	Other related parties[2]	Total
Balance sheet						
Cash and cash equivalents	8.0	–	–	–	19.0	27.0
Mortgages and other customer receivables	–	–	10.5	–	–	10.5
Trade receivables	1.6	–	–	0.1	–	1.7
Other receivables	0.0	–	–	0.4	6.2	6.6
Other financial assets	0.3	4.5	–	9.0	–	13.8
Provision for impairment	–	–	–	–	–	–
Other assets	–	–	–	1.8	–	1.8
Customer deposits and liabilities	–	–	–	- 41.2	–	- 41.2
Other financial liabilities	- 0.4	–	–	- 81.0	- 7.3	- 88.7
Trade payables	- 1.5	–	–	0.0	- 0.3	- 1.8
Other liabilities	0.0	–	–	- 766.3	- 9.8	- 776.1
Provisions	- 1.5	–	–	–	–	- 1.5
Income statement						
Net revenue from goods and services sold	21.6	–	–	1.8	2.3	25.7
Other operating income	0.0	–	–	0.1	8.2	8.3
Interest and commission income	–	–	0.1	–	–	0.1
Interest and commission expenses	–	–	–	- 0.1	–	- 0.1
Cost of goods and services sold	- 0.1	- 5.0	–	- 0.1	- 0.2	- 5.4
Other operating expenses	- 8.9	–	–	- 25.7	- 13.4	- 48.0
Recognized impairment expenses	–	–	–	–	–	–
Finance income	0.7	0.1	–	- 26.3	0.3	- 25.2
Finance cost	–	–	–	- 0.9	0.0	- 0.9
Off-balance-sheet transactions						
Issued guarantees	–	–	–	–	–	–
Irrevocable loan commitments	- 3.9	–	–	–	–	- 3.9
Entered future liabilities for the purchase of	–	–	–	–	–	–
↳ inventories		–	–			–
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets[3]	–	–	–	–	–	–
Entered future liabilities for the supply of	–	–	–	–	–	–
↳ inventories	–	–	–	–	–	–
Future liabilities araising from operating lease-commitments	–	–	–	- 396.7	- 7.3	- 404.0
Future receivables araising from operating lease-commitments	–	–	–	–	–	–

[1] Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives. 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, tangible assets and intangible assets.

Both the volume and value of currency hedging transactions concluded by the Treasury department of the Federation of Migros Cooperatives were down on 2011 due to the more stable trend in exchange rates. These hedging transactions are reported under other financial assets or other financial liabilities and posted primarily negative fair values on the balance sheet date, as in the previous year. A corresponding loss is shown as part of finance income. This loss is offset by a corresponding profit within finance income from initial transactions concluded with non-affiliated third parties, for which reason the transactions are not reported.

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

In addition to the transactions set out above, the Migros Cooperative Eastern Switzerland acquired three properties from the Migros Pension Fund in 2012 at fair market prices, for a total of CHF 53.6 million.

31.12.2011

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

1 Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives. 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, tangible assets and intangible assets.

Personnel expenses of key management personnel

CHF million	2012	2011
Short-term benefits	12.3	12.4
Post-employment benefits	1.8	1.8
Other long-term benefits	0.1	0.0
Termination benefits	–	–
Total personnel expenses of key management personnel	**14.2**	**14.2**

45. Business combinations and disposals

Business combinations in 2012

Fair Value [1] CHF million	Note	Segment Cooperative Retailing	Segment Industry & Wholesaling	Segment Commerce	Segment Travel	Total
Cash and cash equivalents		0.0	6.6	1.1	0.0	7.7
Receivables		0.2	0.9	–	–	1.1
Inventories		0.2	37.1	0.4	–	37.7
Other financial assets		–	0.0	–	–	0.0
Mzm10m2151		0.6	168.1	0.7	–	169.4
Intangible assets (w/o goodwill)		3.1	1.4	2.5	0.6	7.6
Other assets		0.0	3.2	0.1	–	3.3
Financial liabilities		0.0	- 57.6	–	–	- 57.6
Trade payables		- 0.1	- 16.0	- 0.6	–	- 16.7
Provisions		–	–	–	–	–
Deferred income tax liabilities		- 0.1	- 17.4	- 0.5	- 0.2	- 18.2
Other liabilities		- 1.2	- 11.8	- 0.2	–	- 13.2
Addition net assets		**2.7**	**114.5**	**3.5**	**0.4**	**121.1**
Non-controlling interests		–	–	–	–	–
Goodwill	*29*	–	–	–	–	–
Cost of acquisition						**121.1**
Of which attributable to capital investment						–
Of which interests held before acquisition date						- 34.7
Acquired cash and cash equivalents [2]						- 7.7
Future obligations						- 22.0
Net outflow of funds						**56.7**

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 2012, several fitness centres were the primary acquisitions in the Cooperative Retailing segment. In the Industry & Wholesaling segment, the company Cash + Carry Angehrn AG was added. Finally, the acquisition of Tramondi Büro AG and of two small travel companies were made in the Commerce and Travel segments respectively. The effects of all 2012 company purchases are shown in the overview.

Cash + Carry Angehrn AG (CCA) was included in the scope of consolidation on 1 July 2012. As part of a step acquisition from 30.0% to 80.0%, the previously held share of 30.0% was measured at fair value at the time of acquisition. This resulted in income of CHF 0.1 million which is reported as part of other operating income. Call-put options at a fixed price were agreed between the Federation of Migros Cooperatives and minority shareholder for the remaining share. The options can be exercised from 1 January 2015. These options are recognised in the balance sheet by the Federation of Migros Cooperatives as a purchase commitment. From July 2012, CCA generated sales of CHF 155.7 million and a loss of CHF 2.7 million. Had the acquisition taken place at the start of the year, sales would have amounted to CHF 308.8 million and the loss would have been CHF 2.6 million.

Since being purchased, the other companies and business operations acquired during 2012 generated sales of CHF 4.7 million and a combined loss of CHF 0.7 million. Had these acquisitions taken place at the beginning of the financial year, Migros Group would have achieved sales of CHF 9.6 million and a combined loss of CHF 0.6 million.

Business combinations in 2011

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

[1] Fair value according to Purchase Accounting. Fair value analyses were made for all balance sheet categories; where essential a valuation adjustment was carried out.
[2] For capital invested, only the liquid funds before capital investment are regarded as acquired from a Group perspective.

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

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

Since being purchased, the other companies and business operations acquired during 2011 generated sales of CHF 25.4 million and a combined loss of CHF 12.9 million in that particular financial year. Had these acquisitions taken place at the beginning of the financial year, Migros Group would have achieved sales of CHF 34.5 million and a combined loss of CHF 12.4 million in 2011.

Disposal of subsidiaries in 2012

CHF million	Diverse segments Carrying amount
Cash and cash equivalents	1.7
Receivables	0.3
Inventories	0.0
Other financial assets	0.3
Tangible assets	0.3
Intangible assets	0.2
Other assets	1.8
Financial liabilities	- 18.6
Trade payables	- 0.6
Provisions	- 0.2
Deferred income tax liabilities	- 1.5
Other liabilities	- 4.3
Translation differences	–
Disposal of net assets	**- 20.6**
Retained share of net assets from associated companies	3.8
Sales price	**- 16.8**
Of which claim waiver seller	15.2
Of which claim waiver buyer	- 0.2
Disposed of cash and cash equivalents	- 1.7
Deferred sales price payments	–
Net inflow of funds/(Outflow of funds)	**- 3.5**

In 2012, the Medbase Group sold the online health portal Quevita AG.
The Hotelplan Group also sold its Russia business with the disposal of Travel Holding Company AG (Ascent Group).

Disposal of subsidiaries in 2011

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

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

46. 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	
	31.12.2012	31.12.2011	**2012**	2011
1 EUR	1.21	1.21	1.20	1.23
1 GBP	1.49	1.45	1.49	1.42
1 USD	0.92	0.94	0.93	0.88

47. Events after the balance sheet date

After the balance sheet date and up to the release of the publication of the annual accounts by the Board of the Federation of Migros Cooperatives, a number of different investments were carried out. In particular, in January 2013 the Migros Cooperative Zurich acquired in full the commercial business of the German company tegut… Gutberlet Stiftung & Co. KG with around 290 stores and 5'000 employees. tegut… remains an independent group, with its headquarters in Fulda. Migros Zurich views its long-term commitment as an opportunity to strengthen the profile of tegut… as a regional trading company for healthy food and to strengthen its economic area. Synergies are also expected in terms of organic product ranges and in the sales of Migros Industry products. Since information relating to the financial statements of the acquired tegut 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.

48. Scope of consolidation

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Cooperative Retailing						
Migros Cooperative Aare	Moosseedorf	F	Switzerland	CHF	4'881.2	P
cha chà AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
FlowerPower Fitness und Wellness AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
LFS AG	Moosseedorf	F	Switzerland	CHF	200.0	100.0
Neue Brünnen AG	Bern	F	Switzerland	CHF	1'000.0	100.0
Shopping-Center Brünnen AG	Bern	F	Switzerland	CHF	918.0	100.0
Shoppyland, Shoppy 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	1'673.3	P
Migros Deutschland GmbH	DE-Lörrach	F	Other countries	EUR	10'000.0	100.0
Semiba AG	Münchenstein	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Geneva	Carouge	F	Switzerland	CHF	1'220.3	P
Centre Balexert SA	Vernier	F	Switzerland	CHF	500.0	100.0
Fondation Mi-Terra	Carouge	F	Switzerland	CHF	50.0	100.0
GRANDS PRES DEVELOPPEMENT (GPD) SA [3]	Collonge-Bellerive	E	Switzerland	CHF	100.0	50.0
ILEM SA	Plan-les-Ouates	E	Switzerland	CHF	530.0	34.4
Migros France SAS	FR-Gaillard	F	Other countries	EUR	3'500.0	100.0
M-Loisirs	FR-Neydens	F	Other countries	EUR	750.0	100.0
S.A. Migros en France (SAMEF)	Carouge	F	Switzerland	CHF	8'985.0	100.0
SCI des Voirons	FR-Cranves-Sales	F	Other countries	EUR	990.9	100.0
SCI Les Blanchardes in Liquidation	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI M-Etrembières	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI M-Thoiry	FR-Gaillard	F	Other countries	EUR	1.0	100.0
SCI 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	1'800.8	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	1'199.7	P
Jolimay S.A.	Colombier	F	Switzerland	CHF	100.0	100.0
Marin Centre SA	La Tène	F	Switzerland	CHF	17'300.0	100.0
Strega SA	La Tène	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	4'008.9	P
Medbase AG	Winterthur	F	Switzerland	CHF	1'470.1	66.9
Dr. med. Hans-Ulrich Backes AG	St Gallen	F	Switzerland	CHF	100.0	66.9
medbase Bern GmbH	Bern	F	Switzerland	CHF	20.0	66.9
medbase Olten GmbH	Olten	F	Switzerland	CHF	20.0	46.9
medbase St. Gallen GmbH	St Gallen	F	Switzerland	CHF	20.0	66.9
medbase Winterthur GmbH	Winterthur	F	Switzerland	CHF	20.0	60.2
medbase Zug GmbH	Zug	F	Switzerland	CHF	20.0	66.9
medbase Zürich GmbH	Zurich	F	Switzerland	CHF	20.0	66.9
Migros Vita AG	Gossau SG	F	Switzerland	CHF	2'400.0	100.0
Parking Wattwil AG	Wattwil	F	Switzerland	CHF	3'550.0	65.5
Randenburg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400.0	74.4
Swiss Prevention AG	Winterthur	F	Switzerland	CHF	100.0	63.6

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Società Cooperativa fra produttori e consumatori Migros-Ticino	Sant'Antonino	F	Switzerland	CHF	882.8	P
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	767.6	P
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1'537.6	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	5'325.0	24.6
Migros Cooperative Zurich	Zurich	F	Switzerland	CHF	3'143.5	P
ACTIV FITNESS AG	Stäfa	F	Switzerland	CHF	650.0	100.0
GMZ Deutschland Holding GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
KAIMUG GmbH	DE-Munich	E	Other countries	EUR	32.2	35.0
Migros Beteiligungs GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
Migros Freizeit Deutschland GmbH	DE-Munich	F	Other countries	EUR	1'000.0	100.0
Migros Verwaltungs GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
Federation of Migros Cooperatives Owned by the regional Migros Cooperatives	Zurich	F	Switzerland	CHF	15'000.0	100.0
Migros Beteiligungen AG	Rüschlikon	F	Switzerland	CHF	1'000.0	100.0
Migros (Hong Kong) Ltd.	HK-Kowloon	F	Other countries	HKD	100.0	100.0
Migros Liegenschaften GmbH	DE-Lörrach	F	Other countries	EUR	5'120.0	100.0
Migros-Verteilbetrieb Neuendorf AG	Neuendorf	F	Switzerland	CHF	4'500.0	100.0
Migros Verteilzentrum Suhr AG	Suhr	F	Switzerland	CHF	35'000.0	100.0
Ryffel Running AG	Bern	F	Switzerland	CHF	60.0	60.0
Ryffel Running Versand AG in Liquidation	Uster	F	Switzerland	CHF	100.0	100.0
Sportxx AG	Zurich	F	Switzerland	CHF	100.0	100.0
SSP-Informatik AG	Zurich	F	Switzerland	CHF	100.0	100.0
TKL Tiefkühllager AG	Neuendorf	F	Switzerland	CHF	2'500.0	100.0
Commerce						
Denner AG	Zurich	F	Switzerland	CHF	15'000.0	100.0
DEPOT CH AG	Winterthur	F	Switzerland	CHF	1'000.0	100.0
DEPOT Handels GmbH	AT-Vienna	F	Other countries	EUR	35.0	51.1
Dolphin France SAS (Probikeshop)	FR-Saint Etienne	F	Other countries	EUR	226.0	51.0
E-PROLOG S.A.S.	FR-Saint Etienne	F	Other countries	EUR	100.0	51.0
EG Dritte Kraft AG	Zug	F	Switzerland	CHF	600.0	100.0
Einkaufsgesellschaft Hongkong	CN-Hongkong	F	Other countries	HKD	25.0	51.1
Ex Libris AG	Dietikon	F	Switzerland	CHF	3'000.0	100.0
Galaxus AG	Wohlen AG	E	Switzerland	CHF	360.0	30.0
Gries Deco Company GmbH	DE-Niedernberg	F	Other countries	EUR	51.0	51.1
Gries Deco Holding GmbH	DE-Niedernberg	F	Other countries	EUR	63.0	51.1
Interio AG	Dietikon	F	Switzerland	CHF	1'000.0	100.0
Le Shop S.A.	Ecublens	F	Switzerland	CHF	4'500.0	92.4
Magazine zum Globus AG	Spreitenbach	F	Switzerland	CHF	33'000.0	100.0
Migrol AG	Zurich	F	Switzerland	CHF	52'000.0	100.0
migrolino AG	Suhr	F	Switzerland	CHF	6'000.0	100.0
m-way ag	Opfikon	F	Switzerland	CHF	1'000.0	100.0
cevastore GmbH	Suhr	F	Switzerland	CHF	50.0	100.0
Office World AG	Zurich	F	Switzerland	CHF	1'000.0	100.0
Iba AG	Bolligen	F	Switzerland	CHF	1'000.0	100.0
Tramondi Büro AG	Hägendorf	F	Switzerland	CHF	100.0	100.0
IBA GmbH	DE-Ludwigshafen	F	Other countries	EUR	51.2	100.0
OWiba AG	Bolligen	F	Switzerland	CHF	100.0	100.0
Widmer AG Brenn- und Treibstoffe	Oftringen	F	Switzerland	CHF	200.0	100.0

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Industry & Wholesaling						
Aproz Sources Minérales SA	Nendaz	F	Switzerland	CHF	850.0	97.5
Atlante S.r.l.	IT-Casalecchio di Reno	E	Other countries	EUR	400.0	20.0
Bischofszell Nahrungsmittel AG	Bischofszell	F	Switzerland	CHF	6'000.0	100.0
gastina GmbH	AT-Frastanz	F	Other countries	EUR	2'236.3	98.4
Cash + Carry Angehrn AG	Gossau SG	F	Switzerland	CHF	8'000.0	80.0
Chocolat Frey AG	Buchs AG	F	Switzerland	CHF	4'000.0	100.0
Cremesso AG	Zurich	F	Switzerland	CHF	200.0	100.0
Delica AG	Birsfelden	F	Switzerland	CHF	1'000.0	100.0
Estavayer Lait SA	Estavayer-le-Lac	F	Switzerland	CHF	3'500.0	100.0
Schwyzer Milchhuus AG	Ingenbohl	E	Switzerland	CHF	4'500.0	34.0
Jowa AG incl. production plants	Volketswil	F	Switzerland	CHF	10'000.0	100.0
delice & friends GmbH	DE-Bensheim	F	Other countries	EUR	100.0	100.0
Jowa France S.A.R.L.	FR-Etrembières	F	Other countries	EUR	750.0	100.0
Mibelle AG	Buchs AG	F	Switzerland	CHF	2'000.0	100.0
Mibelle Ltd.	UK-Bradford	F	Other countries	GBP	1'000.1	95.0
Micarna SA incl. Micarna AG, Bazenheid branch	Courtepin	F	Switzerland	CHF	10'000.0	100.0
Centravo Holding AG	Zurich	E	Switzerland	CHF	2'400.0	24.8
Favorit Geflügel AG	Lyss	F	Switzerland	CHF	500.0	100.0
Mérat & Cie. AG	Bern	F	Switzerland	CHF	50.0	100.0
Schlachtbetrieb St. Gallen AG	Gossau SG	E	Switzerland	CHF	9'000.0	42.2
TMF Extraktionswerk AG	Kirchberg SG	E	Switzerland	CHF	1'200.0	15.0
Midor AG	Meilen	F	Switzerland	CHF	2'000.0	100.0
Mifa AG Frenkendorf	Frenkendorf	F	Switzerland	CHF	2'000.0	100.0
Mifroma SA	Ursy	F	Switzerland	CHF	3'000.0	100.0
Dörig Käsehandel AG	Urnäsch	F	Switzerland	CHF	200.0	85.0
Mifroma France SA	FR-Chalamont	F	Other countries	EUR	1'105.0	100.0
M Industry USA Inc.	US-Delaware	F	Other countries	USD	700.0	100.0
M Industry Canada Inc.	CA-Saint John NB	F	Other countries	CAD	300.0	100.0
Riseria Taverne SA	Torricella-Taverne	F	Switzerland	CHF	100.0	100.0
Scana Lebensmittel AG	Regensdorf	F	Switzerland	CHF	9'000.0	100.0
Swiss Industries GmbH	Birsfelden	F	Switzerland	CHF	20.0	100.0
Swiss Industries GmbH	DE-Weil am Rhein	F	Other countries	EUR	125.0	100.0
Financial Services						
Migros Bank AG	Zurich	F	Switzerland	CHF	700'000.0	100.0
Swisslease AG	Wallisellen	F	Switzerland	CHF	100.0	100.0
Travel						
Hotelplan Holding AG	Opfikon	F	Switzerland	CHF	10'000.0	100.0
incl. subsidiaries:						
Bladon Group PLC	GB-Godalming	F	Other countries	GBP	1'960.0	100.0
bta first travel ag	Steinhausen	F	Switzerland	CHF	100.0	100.0
dialogs 24/7 s.r.o.	CZ-Prague	F	Other countries	CZK	200.0	100.0
Enigma Holidays Ltd.	GB-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
Espirit Vacations Ltd.	GB-Godalming	F	Other countries	GBP	2.0	100.0
Filoxenia Ltd.	GB-York	F	Other countries	GBP	30.0	100.0
Gattinoni Travel Network s.r.l.	IT-Lecco	E	Other countries	EUR	855.0	34.0

Segment / Company	Domicile	Accounting method [1]	Switzerland/ Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
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
IHOM Sp z oo	PL-Warsaw	F	Other countries	PLN	1'000.5	96.8
Inghams Canada Ltd.	CA-Banff	F	Other countries	CAD	0.1	100.0
Inghams Schweiz AG	Opfikon	F	Switzerland	CHF	100.0	100.0
Inntravel Ltd.	GB-York	F	Other countries	GBP	224.6	100.0
Inter Chalet Ferienhaus GmbH	DE-Freiburg i.B.	E	Other countries	EUR	25.6	26.0
Interhome AB	SE-Stockholm	F	Other countries	SEK	100.0	100.0
Interhome AG	Opfikon	F	Switzerland	CHF	4'500.0	100.0
Interhome BV	NL-Rijswijk	F	Other countries	EUR	70.0	100.0
Interhome GesmbH	AT-Innsbruck	F	Other countries	EUR	80.0	100.0
Interhome GmbH	DE-Düren	F	Other countries	EUR	31.0	100.0
Interhome Ltd.	GB-London	F	Other countries	GBP	50.0	100.0
Interhome OOO	RU-Moscow	F	Other countries	RUB	10.0	80.0
Interhome Oy	FI-Helsinki	NC	Other countries	EUR	16.8	20.0
Interhome SA	BE-Brussels	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.r.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
Klickfortravel Sweden AB	SE-Uppsala	F	Other countries	SEK	50.0	100.0
Mount Lavinia Hotels & Ressorts Ltd.[3]	MV-Male	E	Other countries	MVR	87'380.0	50.0
MTCH AG	Opfikon	F	Switzerland	CHF	2'400.0	100.0
Norddeich Ferienwohnungen Maus GmbH	DE-Norden-Norddeich	F	Other countries	EUR	25.0	100.0
Q Events AG	Opfikon	E	Switzerland	CHF	800.0	37.5
Total Aviation Ltd.	GB-Godalming	F	Other countries	GBP	2.0	100.0
Total Holidays Ltd.	GB-Godalming	F	Other countries	GBP	50.0	100.0
travelwindow AG	Zurich	F	Switzerland	CHF	100.0	100.0
travelwindow AS	NO-Oslo	F	Other countries	NOK	100.0	100.0
travelwindow GmbH	AT-Vienna	F	Other countries	EUR	17.5	100.0
Westbury Travel Ltd.	GB-Godalming	F	Other countries	GBP	30.0	100.0
Others						
Ferrovia Monte Generoso SA	Mendrisio	NC	Switzerland	CHF	3'500.0	100.0
Liegenschaften-Betrieb AG	Zurich	F	Switzerland	CHF	18'000.0	100.0
Betriebsgesellschaft Zentrum Glatt AG	Wallisellen	F	Switzerland	CHF	200.0	100.0
Löwenbräu-Kunst AG	Zurich	E	Switzerland	CHF	27'000.0	33.3
S.I. Soleya S.A.	Avry	F	Switzerland	CHF	2'000.0	55.0

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

Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Migros Group, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and notes (pages 31 to 139), for the year ended 31 December 2012.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Daniel Anliker
Audit expert
Auditor in charge

Hans Peter Heiber
Audit expert

Zurich, 14 March 2013

Glossary of technical terms

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

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

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

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

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

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

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

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

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

Income (sales)
The income (sales) of Migros Group consists of the net revenue from goods and services sold, other operating income and income from the Financial Services sector with third parties. The terms income and sales are used synonymously.

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

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

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

Net borrowing (Retail and Industry sector)
Total of interest-bearing liabilities less liquid assets, receivables and short-term realisable securities.

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

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

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

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

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

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

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

Statement of comprehensive income
The statement of comprehensive income covers all components of «profit/loss» and «other comprehensive income» for the period, and therefore corresponds to all changes in equity with the exception of shareholder transactions, such as dividend payments or capital increases.

Workforce
Number of employees on the reporting date.

Impressum

FEDERATION OF MIGROS COOPERATIVES
Limmatstrasse 152
PO Box
8031 Zurich

www.migros.ch