

Financial reporting 2021

**Migros
Group**

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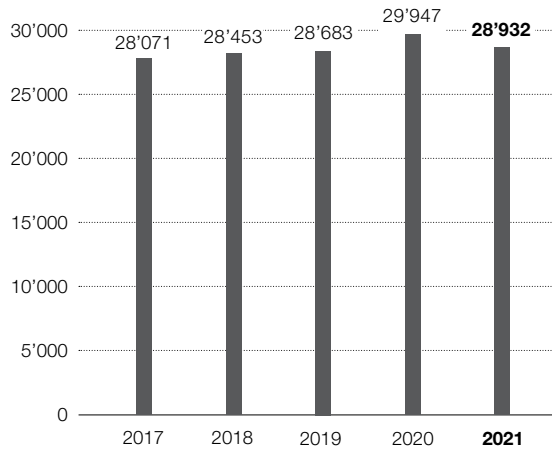
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Report of the statutory auditor

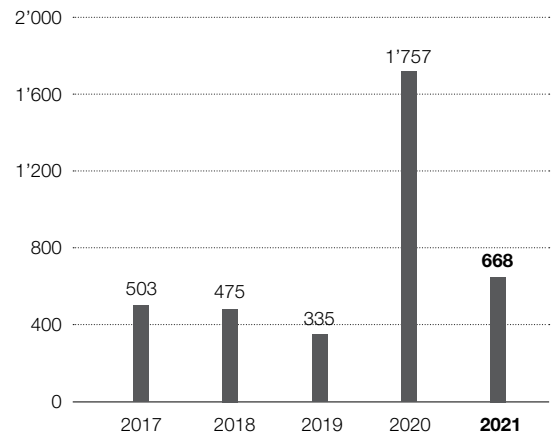
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Development of Group results

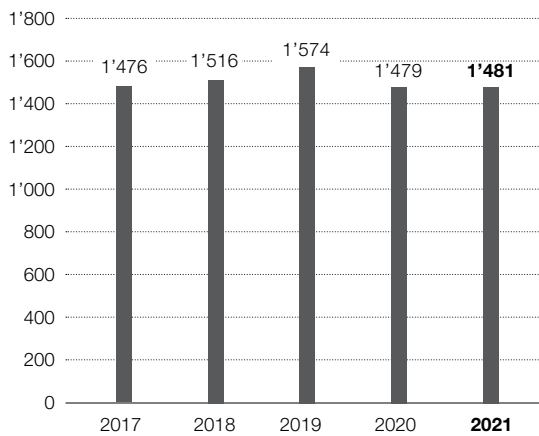
Income
[in million CHF]



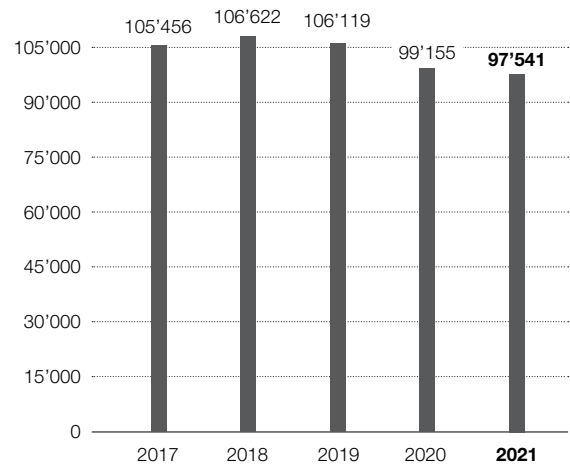
Profit
[in million CHF]



Investments
[in million CHF]



Workforce
[Number of persons]



Key figures and ratios

CHF million, except where indicated		2017	2018	2019	2020	2021	Change from previous year in %
Income		28'071	28'453	28'683	29'947	28'932	-3.4
↳ of which income before income from financial services business		27'292	27'677	27'914	29'189	28'173	-3.5
↳ of which Migros retail sales		23'296	23'729	23'757	24'379	24'744	+1.5
↳ of which income of the Cooperatives ¹		15'557	16'255	16'062	16'559	16'364	-1.2
Total Migros distribution sites	num-ber	701	727	737	726	735	+1.2
Total Migros sales area	m ²	1'402'169	1'476'827	1'478'738	1'415'437	1'437'315	+1.5
EBITDA (earnings before interest, taxes, depreciation and amortisation)		2'103	2'118	1'732	3'349	2'094	-37.5
as % of income	%	7.5	7.4	6.0	11.2	7.2	
↳ of which EBITDA of the Retail and Industry sector		1'795	1'796	1'390	3'096	1'841	-40.5
EBIT (earnings before interest and taxes)		603	651	201	1'866	800	-57.1
as % of income	%	2.1	2.3	0.7	6.2	2.8	
Profit¹		503	475	335	1'757	668	-62.0
as % of income	%	1.8	1.7	1.2	5.9	2.3	
Cash flow from operating activity		1'170	1'361	1'820	2'934	3'353	+14.3
as % of income	%	4.2	4.8	6.3	9.8	11.6	
↳ of which cash flow of the Retail and Industry sector		1'619	1'641	1'382	1'598	1'322	-17.3
Investments		1'476	1'516	1'574	1'479	1'481	+0.1
Equity		17'913	18'417	18'781	20'489	21'142	+3.2
as % of balance sheet total	%	27.7	27.7	27.5	28.2	27.1	
↳ of which equity of the Retail and Industry sector		14'931	15'282	15'438	17'004	17'545	+3.2
as % of balance sheet total	%	67.3	67.1	69.1	71.7	71.9	
Balance sheet total		64'581	66'601	68'402	72'781	77'982	+7.1
↳ of which balance sheet total of the Retail and Industry sector		22'176	22'789	22'331	23'727	24'416	+2.9
Expenditure for cultural, social and economic policy purposes		122	120	118	142	142	-0.1
Workforce / Migros Cooperatives							
Workforce (number of persons – annual average)	num-ber	105'456	106'622	106'119	99'155	97'541	-1.6
Migros Cooperatives (number of members)	num-ber	2'187'818	2'215'194	2'236'811	2'268'184	2'281'761	+0.6

¹ Adjustment as of 2018: Cooperatives including domestic and foreign subsidiaries

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A. Overview

The individual amounts have been rounded to the nearest million CHF (see also Note 3, Basis for preparation).

A.1. Key figures and ratios

CHF million	Migros Group	
	2021	2020
Earnings before interest and taxes	800	1'866
Profit	668	1'757
Cash flow (from operating activity)	3'353	2'934
↳ of which cash flow of the Retail and Industry sector ¹	1'322	1'598
Investments	1'481	1'479
Equity	21'142	20'489
↳ of which equity of the retail and industry sector ¹	17'545	17'004
Balance sheet total	77'982	72'781
↳ of which balance sheet total of the retail and industry sector ¹	24'416	23'727

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

A.2. Income statement

CHF million	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2021	2020	2021	2020	2021	2020
Net revenue from goods and services sold	27'717	27'500	27'713	27'497	14	11
Other operating income	456	1'689	465	1'698	2	0
Income before financial services business	28'173	29'189	28'178	29'196	15	11
Income from financial services business	759	758	–	–	762	758
Total income	28'932	29'947	28'178	29'196	778	770
Cost of goods and services sold	17'163	16'760	17'165	16'762	1	1
Expenses of financial services business	167	193	–	–	167	193
Personnel expenses	5'906	5'901	5'691	5'702	215	199
Depreciation	1'294	1'483	1'271	1'463	23	20
Other operating expenses	3'602	3'744	3'482	3'636	138	124
Earnings before interest and taxes	800	1'866	571	1'633	233	234

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

A.3. Balance sheet

CHF million	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2021	2020	2021	2020	2021	2020
ASSETS						
Cash and cash equivalents	12'704	10'774	4'146	4'074	8'759	7'507
Receivables due from banks	12	21	13	14	–	9
Mortgages and other customer receivables	45'032	42'243	–	–	45'074	42'249
Other receivables	1'351	1'317	1'355	1'324	5	2
Inventories	2'425	2'347	2'425	2'347	–	–
Other financial assets	1'339	1'344	817	678	523	666
Investments in associated companies and joint ventures	98	85	835	822	1	–
Investment property	341	316	318	293	24	24
Fixed assets	11'988	11'837	11'873	11'739	116	98
Intangible assets	795	872	778	853	18	19
Other assets	1'896	1'624	1'859	1'583	37	41
BALANCE SHEET TOTAL	77'982	72'781	24'416	23'727	54'556	50'615
LIABILITIES AND EQUITY						
Payables due to banks	1'255	1'389	124	42	1'173	1'352
Customer deposits and liabilities	41'893	37'211	–	–	42'094	38'019
Other financial liabilities	2'077	1'871	2'061	1'867	16	5
Other liabilities	2'793	2'795	2'728	2'738	74	66
Provisions	266	226	192	208	74	17
Issued debt instruments	6'445	6'699	–	100	6'445	6'599
Liabilities from employee benefits	755	776	731	753	24	23
Current income tax payables	153	115	112	90	42	24
Deferred income tax liabilities	1'202	1'212	924	925	278	286
Total liabilities	56'840	52'293	6'871	6'723	50'221	46'393
Total equity including minority interests	21'142	20'489	17'545	17'004	4'335	4'222
BALANCE SHEET TOTAL	77'982	72'781	24'416	23'727	54'556	50'615

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

A.4. Cash flow statement

CHF million	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2021	2020	2021	2020	2021	2020
Cash flow from operating activity	3'353	2'934	1'322	1'598	1'459	2'151
Cash flow from investing activity	–1'385	625	–1'402	602	17	23
Cash flow from financing activity	–36	–392	155	–476	–225	–0
Changes in cash and cash equivalents	1'933	3'168	74	1'724	1'252	2'173
Cash and cash equivalents, at beginning of year	10'774	7'614	4'074	2'357	7'507	5'334
Influence of foreign currency translation	–3	–7	–3	–7	–	–
Cash and cash equivalents, at end of year	12'704	10'774	4'146	4'074	8'759	7'507

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

B. Introduction

Apart from companies in the sectors Retail, Industry and Service companies, 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, Migros Industrie, Travel, Others (no activities since 2020)
Financial Services sector	Financial Services (Migros Bank and its subsidiaries)

C. Acquisitions, disposals and newly established companies

During the last two years, Migros Group has acquired and sold various companies. Transactions carried out in the **2021 financial year** included the following:

Acquisitions

On 17 March 2021, the Medbase Group acquired Centre Médical de la Côte SA in Neuchâtel in full, thereby strengthening its commitment to integrated basic healthcare in western Switzerland. The company was included in the group financial statements with retroactive effect from 1 January 2021 and was merged with Medbase AG at the same time. On 12 April 2021, Medbase AG also acquired the remaining minority interests of 36% in Medbase Romandie SA and integrated these with retroactive effect from 1 January 2021 by way of a merger by absorption.

On 10 February 2021, the Migros Cooperative Aare acquired all of the shares in Kilcher Transporte AG and thus safeguarded the company's long-term succession (inclusion in the scope of consolidation of Migros Group on 1 January 2021). The Migros Cooperative Aare also purchased a 40% share package in Capricorn Holding AG on 21 May 2021. Capricorn Holding AG and its subsidiaries operate services and logistics platforms for dessert fruit and potatoes.

On 14 July 2021, Migros Bank announced that it would become the financing partner of gowago.ch, Switzerland's largest online provider for car leasing and car subscriptions. It acquired a 22.3% shareholding in Gowago AG at the start of August.

As far as the following transactions are concerned, the information relating to financial statements was unavailable at the time of the Migros Group financial statements being released. Consequently, the initial recognition of the business combination was not possible. Full consolidation in Migros Group will only be shown in 2022:

– Acquisition of Marq Labs, Inc. with its head office in the USA and various subsidiaries in Europe and overseas on 23 December 2021

Various legal entities were also merged together in the reporting year to create Delica AG (formerly Chocolat Frey AG). The two logistics companies Migros Verteilzentrum Suhr AG (MVS) and Migros Verteilbetrieb Neuendorf AG (MVN) were merged to create a new legal entity, namely Migros Verteilbetrieb AG (MVB).

Disposals

No companies were sold in the 2021 financial year.

Newly established companies

On 18 March 2021, Medbase AG established Gesundheits- und Impfzentrum WIN AG in Winterthur. As a result of further shareholdings acquired by third parties on 27 May 2021, the equity interest is 50 % (associate, valuation in accordance with the equity method).

Miduca AG was established in the 2021 financial year as part of the process to transform the Club Schools, with the aim of centralising Club School activities and adult education and continuing to shape them in a forward-looking manner.

Please see Note 39 for further details.

The following companies were acquired or sold during the **2020 financial year**:

On 12 November 2019, Hotelplan Group acquired all of the shares of Vtours (inclusion in the scope of consolidation of Migros Group on 1 January 2020). The online travel company, which is primarily active in German-speaking countries, will remain independent and continue to operate as Vtours GmbH in Germany and as Vtours international AG in Switzerland. Hotelplan also acquired a 100 % stake in Rotstab Reisen AG and increased its shareholding in Adventure Travel Experience Inc. by 52 % to 100 %.

The Migros Cooperative Geneva increased its shareholding in Société Immobilière du Marché de gros de l'Alimentation (SIMGA) from 42.8 % to 100 % (previously entered in the balance sheet as an equity investment). Once all of the documentation had been submitted, the transaction was able to be completed in the past financial year (full consolidation with effect from 1 January 2020).

The Medbase Group made a number of acquisitions during the course of the 2020 financial year. The shareholding in Santémed Health Centres Ltd. was increased by 30 % to 100 % on 22 June 2020. The merger of Santémed with Medbase AG took place on 1 July. Medbase also acquired a 60 % shareholding in zahnarztzentrum.ch on 29 June 2020 and purchased further pharmacies. On 15 January 2020, the Medbase Group announced a cooperation arrangement with the Hirslanden Group with the aim of pooling their expertise in outpatient and inpatient medicine in future and of investing jointly in integrated healthcare close to home. A number of Hirslanden clinics, in Schaffhausen, Berne and Düringen, were acquired in the past financial year and integrated into Medbase AG. On 10 June 2020, Medbase AG also acquired 100 % of the shares in Doktor Zentrum Baden AG and subsequently merged with the company (inclusion in the scope of consolidation of Migros Group on 1 July 2020). At the end of September 2020, Medbase AG acquired all of the shares in Centre d'Imagerie Médicale de Cornavin SA (inclusion on 1 October 2020) and entered into a strategic partnership with Unilabs in the area of laboratory medicine, pathology and genetics. In this context, Medbase AG acquired a 51 % stake in Unilabs St. Gallen AG on 16 December 2020. Because of the way in which the contract is structured, Medbase AG does not exercise any control (associate).

On 1 April 2020, Mibelle AG increased its stake in Gowoonsesang Cosmetics Co., Ltd. in South Korea by 24 % to 75 %. Micarna SA acquired the remaining minority interests of KM Seafood GmbH, totalling 25.1 % on 30 June 2020. Furthermore, Delica AG purchased a 100 % shareholding in Swiss Coffee Innovation AG on 1 October 2020.

In June 2019, the Federation of Migros Cooperatives announced that it was seeking new owners for Magazine zum Globus AG. The group of buyers, a joint venture between SIGNA and Central Group, was revealed in a press release on 4 February 2020. The transaction consists of 100 % of the share capital of Magazine zum Globus AG as well as eight properties in attractive commercial locations in Swiss cities. Until the end of 2019, ownership of the properties was held by Liegenschaften-Betrieb AG, which transferred its business (including real estate) to the Federation of Migros Cooperatives on 1 January 2020. Liegenschaften-Betrieb AG was subsequently absorbed by its parent company, Migros Beteiligungen AG. Since these properties accounted for a significant proportion of the sale transaction, which was able to be completed at the end of May 2020 following approval by the European competition authorities, the profit received from the sale of Magazine zum Globus AG was reported in the segment Cooperative Retailing.

In a press release at the end of January 2020, the Federation of Migros Cooperatives announced the start of the sale process for the Glatt shopping centre in Wallisellen (ZH). The search for a new owner as part of the publicised strategic alignment and profiling of Migros in the core business and focus on digital business models was completed successfully on 10 July. Swiss Life acquired the Glatt shopping centre in the context of its third-party asset management and wants to develop the

shopping centre over the long term in cooperation with the successful centre management. The new owner will retain the majority of the Glatt centre's operational employees and take on all of its leases. Transfer of ownership was completed on 1 October 2020.

As announced in June 2020, Migros Group sold Saviva AG, which operates throughout Switzerland in the catering delivery wholesale trade with its two business segments of Food Services and Logistic Services. The sale was part of Migros Group's measures to continue focusing its strategic business units on customer-oriented products and services. The food manufacturer Heba Food Holding AG, a family-owned Swiss company with a strong market position, took over the running of Saviva and retained all of its employees. The share purchase agreement was signed on 27 November 2020. Prior to this, Saviva AG sold its 100 % shareholding in Labeye SA on 30 June 2020. Micarna SA also sold its shares in Oberschwäbische Geflügel GmbH on 11 May 2020 and Migrol AG disposed of its holding in Swisstherm AG on 29 December 2020.

Migros Eastern Switzerland had already announced its plans to focus increasingly in future on the core business with supermarkets, specialist markets, Migros Gastronomy and Club Schools and to search for a new owner for the fast food chain Chickeria back in the summer of 2019. The BKTL Group, a Swiss company and franchisee of Burger King, took over 12 out of a total of 15 Chickeria branches on 1 April 2020, retaining all of the staff. The new owner will continue to operate the restaurants under the Chickeria name for the time being, before gradually converting them to branches of Burger King and Popeyes®. A solution for the future of the branches in Winterthur Obertor and Zurich Langstrasse which were not sold has now been found, while the restaurant in St. Gallen train station was closed.

On 21 January 2020, Migros Fachmarkt AG was established with headquarters in Zurich, with the aim of optimising product and value flow along the value chain for the various specialist markets, such as melectronics, SportXX, Do it + Garden and Micasa, and to focus rigorously on customer needs (including multi-channel distribution or no-line commerce). The new operator model entered into force on 1 January 2021.

On 25 June 2020, Medbase AG founded Radiologie Win AG, based in Winterthur. The purpose of the company is to operate radiology institutes and units and to provide radiology services in the area of x-ray imaging in the Winterthur region.

On 1 July 2020, the Federation of Migros Cooperatives established MiSENSE AG, based in Zurich. Specialising in optics and hearing acoustics, MiSENSE offers a wide range of contact lenses, designer frames, sunglasses and modern hearing aids at fair prices, and is located directly in selected Migros stores. The online shop misenso.ch will be expanded gradually over the coming months, provided this business model is successful.

D. Income trend (sales trend) of Migros Group

Migros Group generated total sales of CHF 28.932 billion in 2021 (–3.4 %). Adjusted for the disposal of companies and the sale of properties (mainly in the previous year), sales grew by 2.3 %.

The Retail and Industry sector was unable to maintain the income figure from the previous year, which had benefited from portfolio adjustments, and posted a decrease of CHF 1.017 billion to CHF 28.178 billion (–3.5 %). In the core retailing business, sales in Switzerland and abroad totalled CHF 24.744 billion (an increase of CHF 365 million or + 1.5 %). Retail sales in Switzerland rose by CHF 292 million to CHF 23.165 billion (+ 1.3 %). Retail sales abroad increased by CHF 72 million to CHF 1.580 billion (+ 4.8 %), which comprises the sales of Migros France, Tegut Group and Galaxus Deutschland GmbH.

In the Financial Services sector, income increased by a total of CHF 8 million to CHF 778 million (+ 1.0 %).

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

CHF million	Total income		Change from previous year in %
	2021	2020	
Net revenue from goods and services sold			
Cooperative Retailing	17'719	17'736	-0.1
Commerce	8'182	7'733	5.8
Migros-Industry	5'748	5'975	-3.8
Travel	645	732	-11.9
Other operating income	465	1'698	-72.6
Eliminations (within Retail and Industry sector)	-4'580	-4'679	
Total Retail and Industry sector	28'178	29'196	-3.5

Migros overcame the challenges in the second year of the coronavirus pandemic effectively and prudently. The focus on core business and the accelerated expansion of online products and services paid off, as did the adjustment to the company portfolio in the previous years. Business units such as Travel and Gastronomy continued to suffer from restrictions imposed as a result of the pandemic, as did leisure facilities.

The decrease in other operating income, to CHF 465 million (-72.6%), can be attributed mainly to the sale of companies and properties (Globus and the Glatt shopping centre business operation) in the previous year.

The activities of the regional Migros Cooperatives and the Federation of Migros Cooperatives and the services of the Group's logistics companies are combined in the **strategic business unit Cooperative Retailing**.

Consolidated sales of CHF 17.719 billion (-0.1%) were generated in Cooperative Retailing. Due to the new digital strategy, this also includes Migros Online SA with sales of CHF 330 million (+24.5%). The ten regional Cooperatives, including subsidiaries, recorded domestic sales of CHF 14.865 billion (-1.3%). Sales abroad amounted to CHF 1.499 billion (+0.1%). Total sales of the Cooperatives stood at CHF 16.364 billion (-1.2%). The domestic market share was 14.6%, down from 15.0% a year earlier.

In local currency terms, sales of EUR 108 million for Migros France represented a slight increase year-on-year (+1.2%). Tegut benefited from the coronavirus pandemic and nearly matched the record level achieved in the previous year, recording sales of EUR 1.252 billion (-0.5%).

Migros **supermarkets and hypermarkets**, including Migros Online, recorded domestic sales of CHF 12.674 billion (-0.4%) following the extraordinary result of the previous year. Whereas the trend in the quantities of products sold remained stable, Migros decreased prices in its supermarkets last year by an average of 1.7%.

The **specialist markets** Micasa, SportXX, melectronics, Do it + Garden and OBI were transferred to Migros Fachmarkt AG in early 2021. This defines the strategic orientation of the formats and provides all central activities. Despite the difficult coronavirus situation and a further lockdown at the start of 2021, the specialist markets were able to maintain the momentum of the previous year. Sales rose to CHF 1.730 billion (+0.9%), despite price cuts totalling 2.2%.

Regional and sustainable products continued to prove popular with customers in 2021. Organic food sales increased by 3.0%. Sales of products with ecological or social added value amounted to CHF 3.404 billion (+0.7%).

As every year, the regional Cooperatives made substantial investments in the construction of new stores and the renovation of existing ones. The **Migros network of domestic sales outlets** increased by 9 in total to 735 sites at the end of 2021. The sales area for supermarkets/hypermarkets, specialist markets and catering services grew to 1'437'315 m² (+1.5%). The productivity per area in supermarkets and hypermarkets in Switzerland totalled CHF 12'894/m² (-1.6%), while the corresponding figure in specialist markets was CHF 3'893/m² (+3.5%).

Cooperative Retailing: Overall stable growth in sales with variations in individual units

The **catering** sector suffered a decline in sales due to the coronavirus, to CHF 394 million (–9.5%).

In the **health** sector, the Medbase Group recorded significant growth in all three of its business units – medicines, pharmacies and dentistry – and achieved sales of CHF 490 million (+28.8%). zahnarztzentrum.ch AG, which was acquired in 2020, was consolidated for the full year for the first time.

Commerce: All companies post sales growth

The **strategic business unit Commerce** generated consolidated sales of CHF 8.182 billion in the reporting year (+5.8%, or +8.5% adjusted for the sale of Globus and Swisstherm). Following the distinct growth already generated in the previous year, all retailers posted a further increase in sales in 2021. The sales of Digitec Galaxus rose to CHF 2.054 billion (+17.7%), further increasing the online retailer's market share in the process. Ex Libris increased sales to CHF 134 million (+10.3%), thus reaching the level of 2014 when Ex Libris still operated 88 branches prior to its transformation into Switzerland's largest online book retailer. Denner performed positively in the competitive discount market, generating sales of CHF 3.808 billion (+1.2%). The convenience store migrolino continued its success from the previous year, increasing its sales to CHF 747 million (+4.3%) thanks to growth both in its shop business and wholesale business. Migrol increased its sales to CHF 1.450 billion (+18.3%).

Strong growth in online business

In the **e-commerce business**, Migros was once again able to improve its market position considerably and further cemented its position as the Swiss market leader. Total online retail sales across all divisions of Migros Group grew by +15.5% to CHF 3.242 billion.

Migros Industrie: Stable sales growth on a divestment-adjusted basis

The **strategic business unit Migros Industrie** generated consolidated sales of CHF 5.748 billion (–3.8%) in 2021. Adjusted for the companies sold in the previous year, such as the catering wholesaler Saviva, sales remained stable (–0.2%). With its industrial companies, Migros is one of the biggest producers of own-brand products worldwide. At the same time, it supplies many third-party customers in Switzerland and abroad with its products. In 2021, Migros once again felt the effects of the pandemic in domestic sales, in particular food sales. However, it was able to largely offset these falls by growth in sales to customers abroad.

Hotelplan Group: Buoyant summer business despite a challenging environment

The seasonal nature of the financial year in the **strategic business unit Travel** was exceptionally strong. Bookings and travel were extremely low throughout the winter period. Excellent weeks were recorded during the summer and autumn months, with the number of bookings consistently surpassing 2020 levels. For weeks, bookings received by Hotelplan Suisse, Interhome Group and Vtours even exceeded the levels seen in 2019 before the pandemic. However, the loss in the winter months could not be recovered and the travel company posted net sales of CHF 645 million (–11.9% against the previous year).

D.2. Income trend in the Financial Services sector

Total income in the Financial Services sector amounted to CHF 778 million in the reporting year (+1.0%), with interest revenue of CHF 578 million or 74.3% constituting the main share of this figure.

E. Operating results of Migros Group

The operating result (EBIT) of Migros Group was CHF 800 million, CHF 1.066 billion (–57.1 %) less than the previous year's figure, which had benefited from the proceeds of sales.

In the Retail and Industry sector, the result decreased by CHF 1.062 billion to CHF 571 million (–65.0 %).

In the Financial Services sector, the operating result contracted by CHF 1 million to CHF 233 million (–0.5 %).

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

CHF million	Earnings before interest and taxes		Change from previous year in %
	2021	2020	
Cooperative Retailing	304	1'522	–80.0
Commerce	162	127	27.0
Migros-Industry	133	111	20.1
Travel	–41	–117	64.5
Eliminations (within Retail and Industry sector)	13	–11	
Total Retail and Industry sector	571	1'633	–65.0

The operating result for the Retail and Industry sector in 2021 was again below the previous year, which included total profits of CHF 1.202 billion realised from the portfolio adjustment. CHF 1.251 billion was generated from the sale of Globus and the Glatt shopping centre business operation, as well as from the sale of properties (segment Cooperative Retailing). In the segment Migros Industry, the losses incurred on the disposals of Saviva, Labeye and OSG (Oberschwäbische Geflügel GmbH) totalled CHF 49 million. In the segment Commerce, the operating result of Globus has a negative impact on the previous year's result up to the point of its sale. The CHF 35 million improvement in the result in the segment Commerce (+27.0 %) can be attributed for the most part to the portfolio adjustment.

The trend in the individual strategic business units varies and is influenced by the coronavirus pandemic. The online trade and the omni-channel presence (no-line commerce) are growing in importance, while in-store business is on the decline. Disruptive trends and digitalisation are influencing the course of business.

In order to overcome future challenges and provide services that are even more customer-oriented, the projects initiated in the previous years (e.g. **Winning together**) were continued in a consistent manner. The aim of such measures is to adequately align the services provided by the Federation of Migros Cooperatives with future activities and to optimise processes along the entire value chain in Cooperative Retailing and in Migros Industrie, thereby ensuring that the best value for money is secured in the long term. February 2020 marked the start of the **"EIGER"** programme, which is making the processes in Cooperative Retailing fit for the future. This business-driven transformation and the shift in terms of technology to SAP S/4 HANA will take several years.

In addition to the projects mentioned above, a **whole host of optimisation measures** were initiated, continued and completed during the past financial year.

The **"avanta"** project was successfully concluded at the end of November with the migration of the final subsidiaries. All subsidiaries of supermarkets, hypermarkets, specialist markets and gastronomy are now equipped with the new checkout system. Migros has therefore created a central point-of-purchase solution for Cooperative Retailing. The avanta solution comprises a central logic unit for calculating prices and for recording shopping baskets and is therefore ready for use in further sales channels. Other solutions such as **SubitoGo** and **MyMigros** were recently refined and adapted to the needs of the customer base for mobile shopping and payment options. In terms of systems technology, Migros benefits from shorter release cycles for software updates, high operational stability and quicker integration of new issues such as cross-channel processes.

In the **"ONE Smart Solution"** project, business scenarios and end-to-end processes are being defined for Migros Industrie (modular design with common core in the new SAP S/4 HANA system environment) and the foundation laid for further digitalisation. Operational enhancements, such as purchasing, sales & operation planning, master data and PLM (Product Lifecycle Management), will be merged together, the expectation being that this will improve efficiency. Following the migration and stabilisation phase at Aproz and Jowa, the project went live in 2021 in Industry Segment IV of Migros Industrie with the companies Chocolat Frey, Midor, Delica, TCS (Total Capsule Solutions) and Riseria, which were consolidated in a single legal entity, Delica AG (formerly Chocolat Frey AG). The project is scheduled to run for several years and should be completed by the end of 2023.

The **"HR25"** programme was developed by Group IT together with the human resources departments of Migros companies. The aim of this programme is to provide standardised and modern HR solutions which will offer both staff and management personnel efficient and optimum support in their work. The multi-year programme paves the way for a system of modern HR management across the entire Group. Under the programme, functions such as overarching talent management are to be implemented.

With the **"Lean-Agile Journey"**, Group IT is also driving forward efforts to enhance the business agility of Migros. This programme allows it to work together with all departments to develop innovative digital solutions more rapidly and on an iterative and cross-functional basis, and to make these solutions available earlier. More than 800 employees are now already adopting this agile working method in eight "agile release trains". Six project portfolios (lean portfolios), in which the large number of digital projects are managed transparently and jointly prioritised, have also been established already.

The distribution centres in Suhr and Neuendorf were amalgamated to form a single company under the name **Migros Verteilbetrieb AG (MVB)** in Neuendorf. In **Suhr**, the volume of food trading units delivered to the Migros branches increased once again (+ 1.3 %), despite the very high level recorded in the previous year, whereas delivery quantities for the reverse logistics operations of migrolino AG contracted (-2.6 %). Capacities were increased during the reporting year. At the **Neuendorf** site too, the coronavirus pandemic had a major impact on quantities (-1.3 %), leading to a delay of three months in the case of large-scale projects. The start-up of the Logistics 4.0 project (new warehousing and order picking system) began in April 2021. Phase 1 of the TTK20 project (fully-automated order picking facility for frozen goods) was completed. Commissioning and the start-up of the second phase, involving a further expansion, are underway.

Procurement management as a key corporate function designed to safeguard the leading position in terms of price and performance. Like the previous year, 2021 was influenced by the Covid-19 pandemic, with restrictions in the first half of the year having a decisive impact on the retail trade. The adverse effect of store closures was felt the most in the non-food segment and the specialist markets. These trends were partially cushioned by online sales. Whilst catering operations and restaurants remained closed, food sales benefited. With borders remaining shut into the second quarter of 2021, shopping tourism was greatly inhibited too, which also benefited trade domestically. The cold and wet summer meant that fruit and vegetable farmers in Switzerland suffered severe harvest losses. This inevitably led to higher prices and a greater share of products being imported.

However, procurement faced major challenges at the international level too. Goods imported from Asia in particular were subject to severe delays. Capacities for perishable goods such as flowers, which are dependent on flight logistics, were restricted as there were fewer scheduled flights available. The delays led not only to shortages in the availability of containers, but first and foremost to increased logistics prices. In some cases, unladen return journeys to the south had to be financed separately. The stranding of the container ship "Ever Given" in the Suez Canal in March 2021 was symbolic of the more difficult delivery conditions faced since the start of 2021.

Despite the enormous challenges in procurement, Migros did not suffer any disruption to supply. However, it was not only transport costs that rose sharply in 2021 – commodities prices also soared. The price of agricultural commodities in particular, such as durum wheat semolina (pasta), increased markedly due to a drought in North America. The effect of increases in the price of global commodities is felt on all food areas as animal feed and thus livestock production become more expensive.

In addition, the increased cost of packaging materials such as cardboard boxes, paper and plastic as well as energy led to some suppliers demanding higher prices.

The aim remained to reduce prices wherever possible and to limit price increases. Thanks to objective and analytical negotiation and improvements in purchasing with our key business partners, we were able to buck the trend and prevent or limit deteriorations in terms of trade. The entry of Migros into the Epic Partners retail alliance in summer 2021, in which optimum terms with various global players are agreed at international level, constitutes an additional basis for negotiation.

Solid result but falls short of last year's record (gains realised on disposals no longer apply)

Gross profit fell by CHF 187 million in the reporting year, to CHF 10.549 billion (– 1.7 %). **Other operating income** contracted by CHF 1.233 billion to CHF 465 million (– 72.6 %), due primarily to gains included in the previous year from the sale of both Globus and the Glatt shopping centre business operation. The decrease in **personnel expenses** by CHF 11 million to CHF 5.691 billion (– 0.2 %) is mainly due to the change in the scope of consolidation. Salary increases up to 0.5 % were granted. **Depreciation and amortisation** decreased by CHF 192 million to CHF 1.271 billion (– 13.2 %). Impairments weighed heavily upon the strategic business units Cooperative Retailing and Migros Industrie in particular. The decrease in other operating expenses by CHF 154 million to CHF 3.482 billion (– 4.2 %) is due, among other things, to the elimination of losses from the disposal of investments and business operations, and to lower administrative costs and savings in other operating expenses.

The **Retail and Industry sector** generated a total operating profit of CHF 571 million, corresponding to a decrease of CHF 1.062 billion (– 65.0 %) on the previous year, which benefited from gains realised on disposals.

E.2. Operating result of the Financial Services sector

The Financial Services sector generated income from financial services business totalling CHF 759 million (+ 0.1 %) with costs of CHF 167 million (– 13.1 %). Net income from financial services increased from CHF 565 million to CHF 591 million (+ 4.6 %), due in particular to interest business and a concurrent decrease in net commission income. Due to the FINMA Accounting Ordinance (ReIV-FINMA) which entered into force on 1 January 2020, interest income in the previous year included one-time value adjustments for inherent default risks of CHF 54 million, which were no longer incurred in 2021. Commission income in the reporting year included the creation of provisions for retrocessions of CHF 60 million which were paid out voluntarily on Migros Bank funds.

Other operating income increased by CHF 1 million compared with the previous year.

Higher operating expenses can be explained on the one hand by the sharp increase in the volume of business and on the other by investments in the brand and an expanded range of digital products and services.

The expansion of the core activities led to an increase in personnel expenses of CHF 16 million to CHF 215 million, and to a rise in other operating expenses of CHF 14 million to CHF 138 million. At CHF 23 million, depreciation and amortisation was up by CHF 4 million on the level of the previous year.

The operating result therefore decreased by CHF 1 million to CHF 233 million.

F. Balance sheet of Migros Group

The Financial Services sector has had a considerable impact on the balance sheet of Migros Group. Compared to the previous year, the balance sheet total rose by CHF 5.201 billion to CHF 77.982 billion, much of which can be attributed to the increase in cash and cash equivalents, mortgages and other customer receivables, as well as customer deposits and liabilities. Customer deposits and liabilities as at 31 December 2021 amounted to 53.7 % (previous year: 51.1 %).

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

The balance sheet total for the Retail and Industry sector increased by 2.9% to CHF 24.416 billion as at 31 December 2021.

Cash and cash equivalents rose by CHF 71 million to CHF 4.146 billion.

The carrying amount of fixed assets increased by CHF 133 million on the previous year to CHF 11.873 billion. During the past financial year, companies in the Retail and Industry sector invested a total of CHF 1.442 billion (previous year: CHF 1.441 billion), mainly in renewing the branch network and plants in Switzerland. Investments totalling CHF 111 million (previous year: CHF 83 million) were made outside of Switzerland.

Intangible assets amounted to CHF 778 million as at 31 December 2021 (previous year: CHF 853 million).

The balance sheet structure of the Retail and Industry sector remains very healthy. Net financial assets stood at CHF 2.511 billion on 31 December 2021 (previous year: CHF 2.415 billion). EBITDA was CHF 1.841 billion (previous year: CHF 3.096 billion). Equity increased by CHF 542 million to CHF 17.545 billion and corresponds to 71.9% (previous year: 71.7%) of the balance sheet total.

F.2. Balance sheet of the Financial Services sector

During the reporting year, cash and cash equivalents and receivables due from banks increased by CHF 1.243 billion in total to CHF 8.759 billion. Mortgages and other customer receivables increased by CHF 2.825 billion on the previous year to CHF 45.074 billion (+ 6.7 %).

On the liabilities and equity side, liabilities due to banks and the post office decreased by CHF 179 million to CHF 1.173 billion. Customer deposits and liabilities rose by CHF 4.075 billion to CHF 42.094 billion (+ 10.7 %).

Due to the positive result for the year, the bank once again managed to strengthen its equity base. As at 31 December 2021, the bank's equity amounted to CHF 4.336 billion, significantly above the coverage required under Swiss banking law.

G. Cash flow statement of Migros Group

The cash and cash equivalents of Migros Group stood at CHF 12.704 billion as at 31 December 2021 and increased by CHF 1.930 billion (31 December 2020: CHF 10.774 billion).

Cash flow from
business activities
of CHF 3.353 billion

Cash flow from business activities stood at CHF 3.353 billion (previous year: CHF 2.934 billion). In 2021, total investments in fixed and intangible assets were slightly up on the previous year, at CHF 1.481 billion compared with CHF 1.469 billion in 2020. A total of CHF 29 million (previous year: CHF 214 million) was spent on the acquisition of subsidiaries/business operations and other associated companies. No subsidiaries or associated companies were sold (previous year: a cash inflow of CHF 2.101 billion due to portfolio adjustment).

The cash outflow from the issuance/repayment of long-term and medium-term bonds/mortgage-backed loans amounted to CHF 154 million (previous year: cash inflow of CHF 70 million). A cash outflow of CHF 4 million (previous year: CHF 70 million) resulted from the acquisition of minority interests. The cash outflow from financing activity totalled CHF 36 million (previous year: CHF 392 million).

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

At the end of 2021, cash and cash equivalents of the Retail and Industry sector came in at CHF 4.146 billion, representing an increase of CHF 71 million (31 December 2020: CHF 4.074 billion).

In 2021, cash inflows from activity stood at CHF 1.322 billion (previous year: CHF 1.598 billion). The decrease in operating cash flow is the result, among other things, of a greater increase in net current assets compared to the previous year and of higher tax payments.

The cash outflow from investing activity came to CHF 1.402 billion in the reporting period (previous year: cash inflow of CHF 602 million, primarily as a result of the divestment of Globus, including properties, and the Glatt shopping centre). The highest investment volumes (excluding finance leases) were in the Cooperative Retailing (CHF 1.099 billion), Commerce (CHF 134 million) and Migros Industrie (CHF 206 million) segments.

Financing activity resulted in a cash inflow of CHF 155 million in the reporting year (previous year: cash outflow of CHF 476 million).

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

At the end of 2021, cash and cash equivalents of the Financial Services sector amounted to CHF 8.759 billion, which represents an increase of CHF 1.252 billion on the previous year (CHF 7.507 billion).

The cash inflow from operating activity stood at CHF 1.459 billion (previous year: CHF 2.151 billion). Thanks to the sustained high level of customer confidence in Migros Bank, the inflow in customer deposits of CHF 4.075 billion was higher than in the previous year (CHF 2.538 billion) and there was a concurrent increase in the granting of mortgages and other customer receivables of CHF 2.825 billion (previous year: CHF 1.836 billion). The resulting inflow was used, among other things, to repay liabilities due to banks of CHF 180 million (previous year: increase in liabilities of CHF 962 million), which led overall to a decrease in operating cash flow in comparison to the previous year.

CHF 39 million was invested in extending the bank's infrastructure (previous year: CHF 38 million). The proceeds from the sale of fixed asset securities decreased by CHF 3 million compared with the previous year. Overall, a cash inflow of CHF 17 million resulted from the investment activities in the reporting year (previous year: CHF 23 million).

Financing activity resulted in a cash outflow of CHF 225 million (previous year: CHF 0 million). This increase on the previous year's figure is due to the repayment of medium-term bonds and mortgage-backed loans. The dividend payment remained unchanged at CHF 70 million.

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

Value-oriented management is a recognised form of corporate financial management. For all companies, regardless of what they do, how big they are or what their legal form is, it is of central importance that they are oriented 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 the sustained implementation of its corporate strategy and on greater integration of strategic, financial and investment planning. Annual results, budgets and plans are assessed on the basis of established targets and new projects evaluated accordingly. Sector-specific evaluations with differentiated targets also enable Migros to carry out a radical evaluation of its activities and risks, showing the value added by the corresponding sectors or projects. Key variables such as appropriate returns, growth and creation of value added are therefore a component of operations and strengthen Migros' influence in an increasingly competitive market environment. Accordingly, the key concept of value-oriented management and a positive focus on greater attractiveness are ever-present considerations.

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

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

I.1.1. General risk management

Migros Group operates a comprehensive risk management system across all companies of Migros Group. The Board of Directors of the Federation of Migros Cooperatives is responsible for the way this system is structured. It defines the underlying conditions of the risk management activities within Migros Group and ensures that risk assessments are conducted in a timely and appropriate manner.

Using systematic risk analysis, the Boards of Directors and the Management of the individual companies identify the main risks and assess them in terms of the likelihood of occurrence and financial effects. These risks are prevented, reduced or passed on by using suitable measures that have been decided upon by the Boards of Directors. Risks borne by the company are rigorously monitored. Risks in business processes affecting the financial reporting are reduced by the internal control system.

The companies of the strategic business units Cooperative Retailing, Commerce, Migros Industrie and Travel are active in many markets and are thus also exposed to different risks. The results of the risk assessments of the individual companies are therefore summarised and grouped by strategic business units (bottom-up view). The departmental managers carry out an overall risk assessment for their respective strategic business unit (top-down view).

The Board of Directors of the Federation of Migros Cooperatives is regularly informed about the risk situation in Migros Group and the strategic business units by the Executive Board. Based on this information, the Board of Directors will assess the influence of the main risks on the strategic business units and will consequently decide on further measures.

Internal auditing also provides a monitoring and control function. As it operates independently of operational activities, it is able to identify any weaknesses in the risk management system and the

internal control system, and to take measures to improve the effectiveness and efficiency of the monitoring and control processes.

The risk management process is integrated in the annual strategy and financial planning process. The results of the risk assessment are appropriately considered during the annual analysis of the corporate strategy.

I.1.2. Financial risk management

As a result of its operating business activity, the Retail and Industry sector is confronted with financial risks caused by a change in interest rates, exchange rates and the price of raw materials and fuel. In order to limit these financial risks, 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 and the utilisation of such limits are consistently monitored and reported.

Exchange rate risks originate from the purchase of commodities, raw materials and services from abroad, as well as to a limited extent from international activities in the segments Cooperative Retailing, Commerce, Migros Industrie 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 in the market in different currencies used by the Retail and Industry sector. The main currencies are the euro and US dollar. The main hedging instruments used are foreign exchange forwards and swaps. The individual companies report their foreign currency exposure on a regular basis to the Treasury department of the Federation of Migros Cooperatives, which generates the foreign exchange exposure or foreign exchange risk of the Retail and Industry sector from these figures.

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

Migros also buys a limited amount of equities to maintain liquidity. Share price fluctuations consequently have a direct effect on the result. In this regard, care is taken to ensure that equity investments based on markets, securities and sectors are diversified in a reasonable manner. Loss of value risks are reduced by 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 sometimes also used for hedging against risks for a period of up to 18 months.

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

I.1.3. Insurance risk management

Insurance cover for the Retail and Industry sector is provided by the Group's own insurance and by contracts with private insurers and public law insurance institutions. Based on the actual risk situation, the potential damage and the criteria of the likelihood of occurrence and extent of damage, it is generally decided whether a risk is to be self-financed, i.e. covered by the Group's own insurance, or whether it is to be covered externally, i.e. passed on.

The insurance department of the Federation of Migros Cooperatives acts as an in-house insurance broker with insurance companies. Having group contracts means, first, that the insurance cover available is very comprehensive and extensive, and, second, that the amounts covered are high. This also ensures that all companies of the Retail and Industry sector have the best insurance cover available, at reasonable premiums.

To cover property risks (fire, storm and tempest, theft and burglary, water, EDP, machinery) the FMC operates an internal insurance scheme, whereby it bears common risks itself, up to a certain total amount. Major risks and risks of disaster are covered by a group policy and an excess of loss contract.

For all businesses that are part of the Retail and Industry sector, insurance cover exists for employer's and product liability risks under a basic contract and various excess contracts. Here, too, the Federation of Migros Cooperatives operates an internal insurance scheme, i.e. the company bears losses up to a certain amount per event and per year itself.

Transportation risks for imports and exports are covered by an own insurance solution. Claims for damages or loss which exceed the deductible are covered by a separate group policy.

A group vehicle fleet insurance covers mandatory third-party liability insurance and comprehensive risks which have been specifically requested.

For companies not subject to SUVA (the Swiss accident insurance fund), accident insurance has been concluded with private insurance companies (cover in accordance with the Swiss Accident Insurance Act UVG and in some cases supplementary insurance).

Sickness allowance insurance solutions are likewise concluded with private insurance companies.

Special risks such as new construction/conversion projects, 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 own account of the relevant insurance sectors, corresponding provisions are made on outstanding losses.

I.1.4. Tax and VAT risk management

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

I.1.5. Risk management of legal cases

The annual risk assessment within the Retail and Industry sector has shown that the sector is not involved in any court or arbitration proceedings as plaintiff or defendant that could have a considerable negative effect on the economic situation. Also, no administrative proceedings exist that could have a considerable adverse effect on the economic situation of the sector.

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

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

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

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

I.2.1. General risk management

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

The Board of Directors is responsible for determining the risk policy. The policy is reviewed at least annually 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.

The Management is responsible for setting up adequate systems for monitoring risk, controlling risk in line with targets and ensuring that legal, regulatory and internal performance targets are met. Risk management instruments are consistently being improved and adapted for this purpose. Risk management includes the identification, assessment, control, monitoring and reporting of all risks arising from operating activities.

The Risk Management and Finance business unit headed up by the Chief Risk Officer are responsible for monitoring the provisions of the risk policy. The Chief Risk Officer is a member of the management team of the bank. Every month, the individual Risk Management and Finance departments produce comprehensive risk reports for all relevant categories and submit these to the Risk & Finance Committee. The committee comprises the most senior representatives from all relevant first, second and third line business units. The Risk Report documents the compliance with risk limits, illustrates the different dimensions and aspects of the risk exposure and points out particular developments. The Risk & Finance Committee discusses and assesses the current risk position of the bank and decides on measures to mitigate risk, if necessary.

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

1.2.2. Financial risk management

Financial risks primarily cover the negative changes to credit, liquidity and financial market risks on our own positions. To this end, the bank has always pursued a restrained and somewhat conservative risk policy. Security and the assessment of risks are of utmost importance for its activities and serve as the principle for all decisions relating to risk culture, risk strategy and risk processes. Risks are always in appropriate proportion to generated income. Risks are limited with the aid of risk policy guidelines and limit structures in order to protect the bank against unexpected losses.

Credit risks comprise losses which may arise if payments that are due from borrowers are not made, are only partially made and/or are made too late. Credit risks are created as a result of loans, payment undertakings or trading positions. Detailed rules determine the competences graded by credit type and level of authority.

Credit commitments are represented using a 10-level rating model. It takes qualitative and quantitative elements into consideration for customers who are required to keep accounts and their business-specific collateral. The credit rating that is calculated is an essential element in decisions as to whether to grant credit. 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 allows the credit commitment to be managed commensurate to the risk involved.

Credit transactions are generally secured, with most loans being secured by charges on land or by private finance for housing construction. Credit allocation is based on cautious lending margins and on current valuations of the properties to be mortgaged. The corresponding collateral is well diversified throughout Switzerland. For residential mortgages, sustained affordability is assessed on the basis of a cautious, imputed rate of interest corresponding to a long-term average interest rate.

Liquidity risks – also referred to as refinancing risks – arise when the bank is no longer capable of meeting pending payment obligations in full and in a timely manner within the framework of normal business activity due to different levels of capital tied up on the asset and liability side of the balance sheet. The effects range from temporarily higher refinancing costs through to the bank's insolvency if it is no longer able to obtain the required liquidity even by accepting very high interest rates for taking on funds. The liquidity and/or refinancing situation in the short-term sector is controlled daily by central money trading. Compliance with the statutory bank criteria for short- and medium-term liquidity is in particular ensured. Medium-term and long-term liquidity and refinancing risks are monitored and controlled during monthly meetings of the Risk & Finance Committee.

Market risks in the trading ledger are losses that may arise on securities and derivatives held by the bank without the intention of permanent exposure due to adverse changes, particularly to share prices, interest rates, levels of volatility or exchange rates. Special software is used for the systematic measuring, control and monitoring of these risks. Corresponding market risk limits restrict the trading ledger volume, which is assessed using the mark-to-market method. Scenario analyses are produced periodically and earnings with profit and loss figures are recorded daily and communicated to the responsible competence parties.

Market risks in the banking book primarily concern the risk of interest rate changes. Based on the intention to hold the transactions concerned (in particular mortgages, deposits, swaps) until their maturity, the effect on income of the change in their present value as a result of market changes is not immediate. Nevertheless, changes to interest rates may have a significant impact on earnings. Special software is used for the central, systematic measuring, control and monitoring of this balance sheet structure risk. Risks relating to the balance sheet structure, cash and income are ascertained, tracked and assessed on a monthly basis. The bank normally controls interest rate risks in the banking book by means of interest rate swaps and the targeted underwriting of mortgage-backed loans. At the request of the Risk & Finance Committee, further instruments (including price incentives to control the demand for banking products) may also be used and implemented.

1.2.3. Management of legal and compliance risks

Legal and compliance risks include breaches of laws, regulations, provisions, agreements, prescribed practices or ethical standards which can subsequently lead to legal or regulatory sanctions or restrictions, the cancellation of contracts as well as to fines and financial losses for the bank.

All of the bank's units and executive officers are subject to legal and compliance risks in connection with their work. In order to ensure ongoing compliance with relevant legal and regulatory provisions, the bank has an appropriate system of directives in place. 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 department therefore also include the legal assessment of new products and contracts. The priority of the Legal Services department is to defend the interests of the company against those of third parties in the event of legal disputes. It conducts and assists with legal proceedings, represents the bank in court and before authorities and third parties, supports bank projects with regard to legal matters, and examines, drafts or negotiates contracts with third parties. Legal Services also looks after and maintains contracts with customers and coordinates contact with external lawyers and specialists that are consulted.

The Compliance function supports all of the bank's units in complying with the legal standards, regulations and ethics that apply to it. This support generally consists of identification, assessment, advice, monitoring and reporting with regard to legal, reputation and loss risks resulting from an infringement of regulatory and legal provisions and ethics. Compliance immediately notifies the Management and, if necessary, the Board of Directors of any major infringements of internal directives. 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 Compliance function.

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

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

The basic features of the Internal Control System (ICS) comply with the respective regulatory provisions of the circular 2017/1 "Corporate governance - banks" published by the Swiss Financial Market Supervisory Authority (FINMA).

Migros Bank defines internal control as all of the control structures and processes that form the basis for achieving the set goals, protecting the credit rating and reputation, complying with legal norms and ethics and ensuring the reliability of financial reporting at all levels of the bank. 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.

Operational risks are potential damages that may arise as a result of the inappropriateness or failure of persons, systems and procedures or due to external events. Specific guidelines for minimising operational risks are contained in general instructions issued by the bank, in control instructions and in codes of conduct. For the staff and management personnel concerned, these are also expressed in processes that are defined on the Intranet and which have the character of instructions. Responsibility for managing and, in particular, identifying and preventing operational risks lies primarily with each executive officer himself/herself in his/her area of responsibility and activity. These persons must guarantee that operational risks in their area of responsibility are identified, assessed, managed and controlled. At the level of the bank as a whole, the focus is on continuing processes that are business-critical. To this end, relevant bodies have been set up, most notably a crisis unit, and precautions regarding the organisation's structure and procedures (including business continuity planning) have been put in place. At a process level, operational risks need to be limited as far as possible by application-based and technical measures or by the issuing of ICS instructions. These ICS instructions include, in particular, the criteria of control object,

purpose, periodicity, responsible parties, tools, procedures, extent of control, duty of documentation and preservation of documents. Carried out checks have to be dated, initialled and contain control notes to become valid and thus traceable. ICS officers are appointed in the regional organisational units and are required to report each quarter that the material and formal implementation of the controls have taken place.

The Operational Risk Management function manages a loss database. Operational losses above a certain amount must be recorded in a structured way in a central loss database by the parties assuming the risk.

Operational Risk Management evaluates the management of operational risks within the bank in an independent and objective fashion. It also supports those parties assuming the risk in ensuring that all operational risks are understood and accounted for and that such risks are managed commensurate to the bank's willingness to incur risk. It ensures that periodic tests and exercises are performed to guarantee that precautionary measures for maintaining the operation of the bank are both in working order and up-to-date, and it also ensures that members of the crisis unit are given regular training. Any major loopholes that are identified during the course of internal controls and the ongoing risk assessment process must be recorded in the operational risks inventory and submitted on a monthly basis to the Risk & Finance Committee, together with the quantifiable operational losses, and to the Board of Directors in a risk report. The Risk & Finance Committee ensures that corrective measures are taken and implemented.

J. Statement of value added

CHF million	Retail and Industry sector ¹	
	2021	2020
ALLOCATION		
to employees	5'691	5'702
to culture / social (culture percentage)	142	142
to lenders	33	33
to public sector	1'033	1'004
↳ taxes	104	64
↳ value-added taxes	196	203
↳ customs duties / fees / fiscal charges	732	736
to the company (self-financing)	554	1'616
Net value added	7'452	8'497

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

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

At 76.4 %, personnel costs account for the lion's share of value added. They decreased by 0.2 % in comparison with the previous year, due to the wage increase of up to 0.5 % granted at Migros Group as well as to changes in the scope of consolidation, namely acquisitions of companies on the one hand and disposals of companies on the other. The Retail and Industry sector has 95'818 employees (previous year: 97'533).

Contributions to **Migros Culture Percentage**, a voluntary commitment by Migros in the areas of culture, society, education, leisure and business, amounted to 1.9 % (previous year: 1.7 %) of the value added. They help make cultural and social benefits accessible to a broad public.

Lenders received 0.4 % in the form of interest during the reporting year. The Group's unchanged sound financial situation coupled with the sustained low level of interest rates mean that there was no material change compared to the previous year.

The **public sector** received 13.9 % (previous year: 11.8 %) in taxes, customs duties and fees. The public sector has therefore received a higher level of contributions than in the previous year.

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.

Migros Group financial statements 2021

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Report of the statutory auditor

Income statement of Migros Group

CHF million	Notes	2021	2020
Net revenue from goods and services sold		27'717	27'500
Other operating income	8	456	1'689
Income before financial services business		28'173	29'189
Income from financial services business	7	759	758
Total income	6	28'932	29'947
Cost of goods and services sold	9	17'163	16'760
Expenses of financial services business	7	167	193
Personnel expenses	10	5'906	5'901
Depreciation and amortisation	11	1'294	1'483
Other operating expenses	12	3'602	3'744
Earnings before interest and taxes		800	1'866
Finance income	13	57	10
Finance cost	13	-33	-34
Share of (loss) / profit from associates and joint ventures		-3	1
Profit before income tax		821	1'844
Income tax expense	14	153	86
Profit Migros Group		668	1'757
Attribution of profit of Migros Group			
Profit attributable to members of the Cooperatives		669	1'767
Profit / (loss) attributable to minority interests		-1	-10
Profit Migros Group		668	1'757

Balance sheet of Migros Group

CHF million	Notes	31.12.2021	31.12.2020
ASSETS			
Cash and cash equivalents	17	12'704	10'774
Receivables due from banks		12	21
Mortgages and other customer receivables	18	45'032	42'243
Trade receivables	19	923	863
Other receivables	19	428	455
Inventories	20	2'425	2'347
Other financial assets	21–24	1'339	1'344
Investments in associates and joint ventures		98	85
Investment property	25	341	316
Fixed assets	26	11'988	11'837
Intangible assets	27	795	872
Assets from employee benefits	33	1'198	1'151
Current income tax receivables		267	106
Deferred income tax assets	14	74	74
Other assets	28	357	293
TOTAL ASSETS		77'982	72'781
LIABILITIES AND EQUITY			
Payables due to banks		1'255	1'389
Customer deposits and liabilities		41'893	37'211
Other financial liabilities	29	2'077	1'871
Trade payables	30	1'663	1'747
Other liabilities	30	1'130	1'048
Provisions	31	266	226
Issued debt instruments	32	6'445	6'699
Liabilities from employee benefits	33	755	776
Current income tax payables		153	115
Deferred income tax liabilities	14	1'202	1'212
Total liabilities		56'840	52'293
Cooperative capital	34	23	23
Retained earnings		21'169	20'508
Currency translation differences		–45	–44
Equity attributable to members of Cooperatives		21'146	20'487
Minority interests		–4	2
Total equity		21'142	20'489
TOTAL LIABILITIES AND EQUITY		77'982	72'781

Statement of changes in equity of Migros Group

CHF million	Notes	Attributable to members of the Cooperatives				Minority interests	Total
		Cooperative capital	Retained earnings ¹	Currency translation difference	Equity of the Cooperative members		
Equity as per 1 January 2020		22	18'777	-41	18'758	23	18'781
Profit Migros Group		-	1'767	-	1'767	-10	1'757
Change in Cooperative capital	34	0	-	-	0	-	0
Currency translation difference		-	-	-3	-3	0	-2
Dividends paid to minorities		-	-	-	-	-0	-0
Changes in scope of consolidation / equity interest ²		-	-36	-	-36	-11	-47
Equity as per 31 December 2020		23	20'508	-44	20'487	2	20'489

¹ In retained earnings there is an amount of approximately CHF 5 million reserved for the Culture Percentage. Also see note 15.

² Changes due to modifications in shareholding interests, especially in Gowoonsesang Cosmetics Co., Ltd. (+24%).

CHF million	Notes	Attributable to members of the Cooperatives				Minority interests	Total
		Cooperative capital	Retained earnings ¹	Currency translation difference	Equity of the Cooperative members		
Equity as per 1 January 2021		23	20'508	-44	20'487	2	20'489
Profit Migros Group		-	669	-	669	-1	668
Change in Cooperative capital	34	0	-	-	0	-	0
Currency translation difference		-	-	-1	-1	-1	-2
Dividends paid to minorities		-	-	-	-	-2	-2
Changes in scope of consolidation / equity interest ²		-	-8	-	-8	-2	-10
Equity as per 31 December 2021		23	21'169	-45	21'146	-4	21'142

¹ In retained earnings there is an amount of approximately CHF 10 million reserved for the Culture Percentage. Also see note 15.

² Changes due to modifications in shareholding interests, especially in Medbase Romandie SA (+36%), Sushi Mania SA (+25%) and CSL Immobilien AG (+10%).

Cash flow statement of Migros Group

CHF million	Notes	2021	2020
Profit before income tax		821	1'844
Depreciation, amortisation and impairment (net)	11	1'294	1'483
Impairment of other financial assets (net)		-18	14
(Profit)/loss from sale of non-current assets		-60	-1'254
(Profit)/loss from sale of fixed asset securities		0	-14
Profit from associates and joint ventures		3	0
Increase/(decrease) provisions		40	64
Change to operating assets and liabilities			
↳ (Increase)/decrease receivables due from banks		9	171
↳ (Increase)/decrease mortgages and other customer receivables		-2'789	-1'851
↳ (Increase)/decrease inventories		-77	117
↳ (Increase)/decrease other financial assets		63	66
↳ (Increase)/decrease other assets		-148	973
↳ Increase/(decrease) payables due to banks		-180	962
↳ Increase/(decrease) customer deposits and liabilities		4'682	1'808
↳ Increase/(decrease) other liabilities		-1	-1'242
Paid income tax expense		-287	-206
Cash flows from operating activity		3'353	2'934
Acquisition of fixed assets and investment property		-1'400	-1'356
Proceeds from sale of fixed assets and investment property		146	209
Acquisition of intangible assets		-81	-113
Proceeds from sale of intangible assets		-5	-6
Acquisition of fixed asset securities and loans		-292	-434
Proceeds from sale of fixed asset securities and loans		272	438
Acquisition of subsidiaries and business activities, net of cash acquired		-7	-204
Proceeds from sale of subsidiaries and business activities, net of cash disposed		-	2'093
Acquisition of associates and joint ventures		-22	-10
Proceeds from sale of associates and joint ventures		4	8
Cash flows from investing activity		-1'385	625

CHF million	Notes	2021	2020
Proceeds from issuance of medium-term bonds and mortgage backed loans		297	108
Repayment of medium-term bonds and mortgage backed loans		-451	-38
Increase (decrease) of short-term payables due to banks		-11	-200
Increase (decrease) of long-term payables due to banks		57	1
Proceeds (repayment) from issuance of other short-term financial liabilities		200	-389
Proceeds (repayment) from issuance of other long-term financial liabilities		-122	196
Dividends paid to minorities		-2	-0
Increase in Cooperative capital		1	1
Reduction in Cooperative capital		-1	-1
Change in equity interests of controlling interests		-4	-70
Cash flows from financing activity		-36	-392
Changes in cash and cash equivalents		1'933	3'168
Cash and cash equivalents, at beginning of year		10'774	7'614
Foreign exchange impact		-3	-7
Cash and cash equivalents, at end of year		12'704	10'774
Cash and cash equivalents include:			
Petty cash/postal accounts/bank accounts		12'700	10'768
Fixed-term deposits with an original maximum maturity of 90 days		4	7
Total cash and cash equivalents	17	12'704	10'774
Cash flows from operating activities include:			
Interest received		587	603
Interest paid		-107	-123
Dividends received		8	10

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, Ex Libris), group companies are active in various other business segments. For example, in the sector Migros Industrie (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 43 contains a list of group entities.

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

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

The present Migros Group financial statements were approved by the Board of Directors on 17 March 2022. The Assembly of Delegates takes note of the Migros Group financial statements.

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

2. Basis of preparation

Conformity with Swiss GAAP FER

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

Critical accounting estimates and judgements

Preparation of the annual financial statements of Migros Group in conformity with Swiss GAAP FER necessitates the use of accounting estimates and judgements 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 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 judgements 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, the Migros Group balance sheet is grouped by decreasing liquidity and not by current and non-current assets and current and non-current liabilities. Finance income and finance costs from the financial services business, together with the underlying cash flows, are presented as operational items. Finance income and finance costs of entities that are not involved in the financial services business are reported in finance income or finance expenses. The breakdown of the balance sheet by maturity is shown in Note 35.

Different reporting date

The financial year of Migros Group corresponds in principle to the calendar year. By way of variation, the Hotelplan Group is included on the basis of the subgroup financial statements of the Hotelplan Group as at 31 October. Interim financial statements have not been prepared. Significant transactions in the Hotelplan Group between 31 October and 31 December are taken into account in the Group financial statements. The reason for the different financial year of the Hotelplan Group is the tourism year, which follows the seasonal cycle of the travel business and is split into a summer and a winter business.

Changes to accounting policies

The annual financial statements of Migros Group are based on all accounting and reporting recommendations which have been published and are to be applied as of 01 January 2021, insofar as these are relevant to Migros Group. The application and corresponding effects on Migros Group of the new and amended standards published at the time of the preparation of group financial statements are listed below.

Changes to accounting policies as of 01 January 2021 and ongoing projects

The review procedure (Phase 1) for Swiss GAAP FER 30 "Consolidated financial statements" began in summer 2017. The recommendation was revised as part of the project implementation (Phase 2), and various topics were reviewed in terms of their topicality, completeness and relevance. The main topics covered in the revision were the treatment of associates (equity method), disclosures in the event of acquisitions and disposals, as well as the gradual acquisition and sale of companies. At its meeting in July 2021, the Commission released the draft to the recommendation for consultation, which lasted until the end of the year. The aim is for the revised standard to be formally adopted at the end of May 2022 and to be applied for financial years beginning from 1 January 2024.

A project for subsidies, aids and grants was also begun in early December 2017. At its meeting in December 2020, the Commission approved the decision to create a separate FER standard, entitled "Government grants", from the project. The consultation on the draft ended on 30 June 2021. At the Commission's meeting in November 2021, the revised text was finally discussed and the new recommendation was unanimously adopted as Swiss GAAP FER 28 "Government grants". The recommendation will enter into force on 1 January 2024; earlier application, however, is possible.

3. Summary of significant accounting policies

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

Basis for preparation

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

Consolidation policies

(a) Subsidiaries

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

Inter-company transactions, receivables and debts, plus unrealised gains/losses on transactions between group companies are eliminated when the financial statements of Migros Group are prepared. The company concerned is deconsolidated once Migros Group no longer exercises control.

(b) Joint Ventures

In a joint venture, two or more parties have shared control of a company on the basis of a contractual agreement. None of the parties have the option of controlling the joint venture. The joint venturers record their own share of the net assets as an equity interest and the following results in accordance with the equity method (cf. comments under (c) Associates).

(c) Associates

Associates are entities in which Migros Group has a significant influence on the financial and business policy, which generally means a direct or indirect shareholding of between 20 % and 50 % of the voting rights. They are initially recognised at cost, and thereafter using the equity method. The goodwill paid for associates is included in the carrying amount of the investment concerned. The Group's share in the current gains and losses of associates is recognised in income and shown separately in the Group's statement of income. If the share in the losses is equivalent or greater than the investment in the associate, no further losses are recognised unless further obligations exist in respect of these companies.

Differences arising from the conversion of shares in associates in foreign currencies are recognised directly in the equity of the Group, under currency translation differences. Upon the acquisition of additional shares related to the attainment of control of associates, old shares are not revalued but instead are transferred at the current equity carrying amount.

(d) Minority interests and transactions with minority interests

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

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

Segment reporting

Information about operating segments is disclosed on the basis that it is applied for internal reporting to executive decision makers. Within Migros Group, the Executive Board of the Federation of Migros Cooperatives is the chief operating decision-maker that allocates resources and assesses performance.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Translation from transaction currency into functional currency

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or using monthly average exchange rates, provided these are a reasonable approximation thereof. Foreign currency profits and losses from such transactions and from the conversion to the functional currency of financial foreign currency positions at the balance sheet date are included in income.

(c) Translation of functional currency into presentation currency

The annual financial statements of all subsidiaries that are not prepared in CHF are translated into the presentation currency as follows:

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

The resulting currency translation differences are recognised directly in equity under "currency translation differences".

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

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

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

Revenue recognition

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

(a) Income from retailing and sales of goods

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

(b) Income from the travel business

Income from the travel business is recognised, after taking income-reducing items into account, at the date of performance (commencement of travel by the customer). Pure intermediary activities are recognised net based on the commission received.

(c) Income from financial services

Commission income and income from the financial services business are recognised on an accrual basis, as soon as the corresponding service has been provided. Interest income on mortgages and other customer receivables, and other financial assets are deferred on an accrual basis.

(d) Dividend income

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

Payments from the Culture Percentage

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

Cash and cash equivalents

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

Receivables due from banks

Receivables due from banks include amounts due under money market investments and receivables from central banks and commercial banks with originally more than 90 days to maturity. Receivables due from banks are initially measured at cost, i.e. fair value plus external transaction costs that can be directly allocated at commencement. Receivables due from banks are subsequently measured at amortised cost, taking account of any deductions for impairment or uncollectibility.

Mortgages and other customer receivables

Mortgages and other customer receivables are loans by the financial services business that are granted directly to the borrower. Loans are recognised when the funds flow to the borrower. Receivables granted or acquired are initially measured at cost, i.e. fair value. Mortgages and other customer receivables are subsequently measured at amortised cost, taking account of any deductions for impairment or uncollectibility. They are entered in the balance sheet at nominal value, less any necessary value adjustments.

Mortgages and other customer receivables are reviewed at regular intervals for recoverability. Credit commitments are individually assessed, taking into account the personal circumstances of the borrower, such as their financial situation, payment record, existence of any guarantees, and if necessary the realisable value of any collateral. 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 individual impairment loss will be recorded for the receivable at risk. Impairments of mortgages and other customer receivables are disclosed in Note 7 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 or directly to the income statement.

In addition, value adjustments for inherent default risks on non-impaired receivables are created in the balance sheet item for mortgages and other customer receivables. These are value adjustments for losses that have not yet been incurred. The bank's rating system serves as the basis on which to assess the value adjustment for inherent default risks. A probability of default is assigned to each of the ten rating classes. A loss rate, which takes into account the value of the available collateral, is also estimated. This is calculated based on the current conditions and incorporates forecasts of future economic conditions on the balance sheet date.

Trade receivables and other receivables

Trade and other receivables are initially measured at cost, i.e. fair value. They are subsequently measured at amortised cost, taking account of any deductions for impairment or uncollectibility. Impairments are recognised in other operating expenses. Receivables at risk of default are individually impaired. Receivables that are not individually impaired are impaired on a flat rate basis, based on empirical payments and corresponding maturity.

Inventories

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

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

Other financial assets

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

(a) Current asset securities

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

(b) Fixed asset securities

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

(c) Loans

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

Principles for recognising and measuring other financial assets:

All other financial assets with the exception of "loans" are recognised on the trading date on which Migros Group entered into the obligation to buy or sell an asset. "Loans" are recognised on the settlement date. Fixed asset securities and loans are initially measured at fair value plus external transaction costs. In the "current asset securities" category, transaction costs are recognised on acquisition as an expense in the income statement. Other financial assets are derecognised when the rights to receive payments from the other financial asset have lapsed, or if essentially all risks and income from the other financial asset have been transferred to a third party. Other financial assets in the categories "current asset securities" are subsequently measured at fair value, those in the category "fixed asset securities" and "loans" at amortised cost.

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

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

Exchange gains and losses, plus interest and dividend income on other financial assets, are recognised as follows: (a) in interest and commission income and (net) gains 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 business units.

Measurement of the fair value of quoted other financial assets is based on the official stock market price (bid price) achieved in an active market. A market is deemed to be active if transactions between knowledgeable, willing contracting partners who are independent of each other ("at arm's length transactions") regularly take place. If there is no active market, or in the case of unlisted other financial assets, a recognised measurement method is used. Recognised measurement methods include comparisons with recent market transactions, the fair value of other, essentially identical financial assets as well as calculations of discounted cash flows and option price models.

At each balance sheet date, Migros Group assesses whether there is any objective evidence of permanent impairment of an other financial asset or group of other financial assets. Examples of objective evidence of permanent impairment are substantial financial difficulties of the borrower; breach of contract, such as default or delay in interest or redemption payments; or financial redevelopment. In the case of "fixed asset securities", the following factors give rise to impairment:

- 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 loss as the difference between cost and current fair value is recognised in the income statement as an impairment loss. Reversals of impairments are recognised in profit and loss, up to a maximum of cost.

Derivative financial instruments and hedge accounting

Migros Group uses derivative financial instruments to hedge foreign exchange, interest rate and commodity risks. No derivative financial instruments are concluded for speculative purposes. Migros Group distinguishes between the following cases when applying hedge accounting: (a) hedging of the risk on the change in the fair value of an asset or liability recognised in the balance sheet (fair value hedge) or (b) hedging of the risk of fluctuations in cash flows in connection with an asset or liability recognised in the balance sheet, or the risk associated with a planned future transaction (cash flow hedge).

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

Future sales of heating oil by Migros Group, which are exposed to a risk arising from changes in the fair value caused by changes in the market price, are hedged by commodity futures.

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

Certain derivative financial instruments do not satisfy the requirements of a hedging transaction, even though they are used for hedging purposes as part of Migros Group's risk strategy. The fair values of these contracts are reported under current asset securities and the changes in their value are recognised in the income statement.

Investment property

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

Buildings	20 to 67 years
Fixed equipment	5 to 20 years

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

Fixed assets

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

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

Buildings	20 to 53 years
Operating equipment, machinery	5 to 30 years
Furniture, vehicles	5 to 10 years
EDP equipment	3 to 8 years

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

Land, which is recognised in fixed assets, is not depreciated. Subsequent capitalisations of expenses on existing fixed assets are recognised only if it is probable that an additional economic benefit can be generated from them. Repair and maintenance costs are recognised as an expense.

The value of fixed assets is tested at the level of the smallest identifiable group of assets or cash generating units (CGUs), generating inflows of funds that are to the greatest possible extent independent of inflows of funds of other assets or other groups of assets. Fixed assets are checked for impairment where results or changes to the circumstances at Cooperative level indicate that the carrying amount can no longer be achieved. In addition, specific value retention considerations are made for shopping centres, where value drivers, assumed at the time the investment decision was made, can no longer be continuously achieved. For the industrial companies falling under the segment Migros Industrie, 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 and other operating expenses respectively as the difference between the net disposal proceeds and the carrying amount.

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

Leasing (finance leases and operating leases)

(a) Migros Group as lessee

Finance lease agreements:

Lease agreements for properties, facilities and other fixed assets where Migros Group essentially assumes all risks and rewards connected with ownership are classified and treated as finance leases. The 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 fixed assets. Each lease payment is divided into amortisation and interest. The amortisation portion is deducted from the capitalised lease debt, which is recognised under other financial liabilities. Fixed assets in finance leases are depreciated over the useful life or the lease term, whichever is the shorter.

Operating lease agreements:

Other lease agreements are classified as operating lease agreements. These are not reported in the balance sheet. The lease payments are recognised on a straight line basis over the lease term as an expense in the income statement.

(b) Migros Group as lessor

Finance lease agreements:

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

Operating lease agreements:

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

Intangible assets

(a) Goodwill

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

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

These conditions apply for the segment Cooperative Retailing at Cooperative level, for the segment Commerce at sales format or company level, for the segment Migros Industrie 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 (three to ten years).

(c) Trademarks, licences, patents, publishing rights

Trademarks, licences, patents and publishing rights are recognised at cost. The cost of trademarks, licences, patents and publishing rights that were acquired as part of the purchase of a company corresponds to their fair value on the acquisition date. The intangible assets capitalised in this category have a finite useful life, and are depreciated on a scheduled basis (5 to 20 years).

Impairment of assets

Impairment is recognised if the recoverable amount is lower than the carrying amount of the asset. The recoverable amount is the higher of its fair value less costs to sell (estimated sale proceeds after deduction of all costs incurred that are directly connected to the sale) and the value in use (carrying amount of the estimated future cash inflows and outflows from use). In order to test the impairment of goodwill and fixed assets, a respective allocation to the CGU is made. The impairments on an asset in earlier periods (with the exception of impairment on goodwill) are tested annually to ascertain whether they should be reversed.

Discontinued operations

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

Liabilities due to banks

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

Customer deposits and liabilities

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

Other financial liabilities

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

(a) Finance leases

See section above, "Leasing (finance leases and operating leases)".

(b) Derivative financial instruments

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

(c) Other financial liabilities

Financial liabilities recognised in other financial liabilities are those that do not represent payables due to banks or originate from the financial services business. These include loans, for example. Other financial liabilities are measured at amortised cost, which generally corresponds to the nominal value.

Trade payables and other liabilities

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

Provisions

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

Issued debt instruments

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

Employee benefits

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

(a) Short-term benefits

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

(b) Post-employment benefits (pension obligations)

The pension arrangements of Migros Group are tailored to local circumstances in respect of entry and range of benefits. Funding is generally shared by the employer and the employees. The majority of employees in Switzerland are insured under the company provisions by the defined benefit plans of the Migros Pension Fund in respect of age, disability and death.

In other countries, old-age provision is mainly covered by defined contribution state plans. The primary benefits under this form of provision are pensions that are paid post-employment. Contributions to defined contribution plans made on a contractual, legal or voluntary basis are recognised directly in profit and loss. Once the contributions owed have been paid, the Group has no further obligations.

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

(c) Termination benefits

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

(d) Other long-term benefits

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

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

Income tax liabilities

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

Deferred income taxes are accrued on all temporary taxable or tax-deductible differences between the tax and Swiss GAAP FER values according to the liability method. However, deferred income taxes are not recognised if they are linked to the initial recognition of an asset or liability arising from a transaction that does not relate to a business combination and where recognition has no effect on the accounting or taxable profit. Deferred income taxes are measured using the tax rates that are expected to apply to the period in which an asset is realised or a debt discharged.

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

Deferred income taxes are not recognised on temporary differences in connection with investments in subsidiaries and associates as well as joint ventures, where the reversal date can be controlled by the Group and which will not be realised in the foreseeable future.

Equity**(a) Cooperative capital**

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

(b) Retained earnings

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

(c) Currency translation difference

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

(d) Minority interests

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

Government grants

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

4. Risk management

4.1 Risk management within Migros Group

Migros Group operates its own risk management. The risk management process is part of the annual strategy and financial planning process of Migros Group. The Board of Directors of the Federation of Migros Cooperatives is responsible for insuring 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 a top-down risk analysis/evaluation is generally added. The final report for each strategic business unit is discussed by the Board of Directors of the FMC. The results of the risk evaluation are appropriately considered in the annual examination of the business units and corporate strategies.

4.2 Financial risk management and capital risk management

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

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

4.2.1 Financial risk management in the Retail and Industry sector

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

- Financial risk management is based on uniform policies and guidelines laid down by the executive Group management.
- The Boards of Directors of the different entities are responsible for strategy, supervision and control of the corresponding group entities and for the financial risk management, including the determination of each entity's risk tolerance.
- The 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, 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 segments Cooperative Retailing, Commerce, Migros Industrie and Travel.

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 as well as in the form of translation risks on balance sheet items in foreign currencies.

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

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**31.12.2021**

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	3'908	105	14	40	79	4'146
Receivables due from banks	–	11	–	1	–	13
Trade receivables	672	200	17	17	20	928
Other receivables	362	54	2	7	2	427
Other financial assets	743	60	10	–	3	817
Total financial assets	5'685	431	44	65	104	6'330
Financial liabilities						
Payables due to banks	–63	–61	–0	–0	–	–124
Other financial liabilities	–2'060	–1	–	–	–0	–2'061
Trade payables	–1'250	–364	–22	–7	–19	–1'663
Other liabilities	–946	–58	–1	–56	–6	–1'066
Issued debt instruments	–	–	–	–	–	–
Total financial liabilities	–4'320	–483	–23	–63	–25	–4'913
Foreign currency net exposure before hedging	1'366	–52	21	2	79	1'417
Foreign currency derivatives		–56	–	–	–	
Foreign currency net exposure after hedging		–108	21	2	79	

31.12.2020

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	5'456	463	36	42	92	6'089
Total financial liabilities	–4'238	–446	–23	–27	–13	–4'746
Foreign currency net exposure before hedging	1'218	18	13	15	79	1'343
Foreign currency derivatives		–54	–	–	–	
Foreign currency net exposure after hedging		–37	13	15	79	

Results of the sensitivity analysis

If EUR had been 5 % stronger against CHF on 31 December 2021, the pre-tax earnings would have been CHF 5 million lower (31.12.2020: CHF 2 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

If USD had been 5 % stronger against CHF on 31 December 2021, the pre-tax earnings would have been CHF 1 million higher (31.12.2020: CHF 1 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

If GBP had been 5 % stronger against CHF on 31 December 2021, the pre-tax earnings would have been higher by CHF 0 million (31.12.2020: CHF 1 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

(b) Interest rate risks

The Retail and Industry sector is exposed to interest rate risk because of the volatility of market rates. Demand funds, money 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 investment accounts.

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

Interest rate risk is monitored using a simulation calculation. This represents the effects of changes in market interest rates on finance income and cost.

Interest rate risk

31.12.2021 CHF million	Interest rate adjustment within				non-interest bearing	Total
	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years		
Financial assets						
Cash and cash equivalents	1'356	–	–	–	2'789	4'146
Receivables due from banks	2	10	–	–	–	13
Trade receivables	35	–	–	–	893	928
Other receivables	192	0	0	–	235	427
Other financial assets	53	234	170	75	285	817
Total financial assets	1'639	244	170	75	4'201	6'330
Financial liabilities						
Payables due to banks	–50	–9	–2	–62	–	–124
Other financial liabilities	–1'860	–7	–9	–167	–17	–2'061
Trade payables	–31	–	–	–	–1'631	–1'663
Other liabilities	–47	–0	–33	–0	–985	–1'066
Issued debt instruments	–	–	–	–	–	–
Total financial liabilities	–1'989	–16	–44	–230	–2'633	–4'913
Interest rate repricing net exposure before hedging	–351	228	126	–155	1'569	1'417
Interest derivatives	–	–	–	–	–	–
Interest rate repricing net exposure after hedging	–351	228	126	–155	1'569	1'417

31.12.2020 CHF million	Interest rate adjustment within				non-interest bearing	Total
	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years		
Total financial assets	2'003	82	176	96	3'732	6'089
Total financial liabilities	–1'744	–117	–12	–166	–2'707	–4'746
Interest rate repricing net exposure before hedging	259	–35	164	–70	1'025	1'343
Interest derivatives	–	–	–	–	–	–
Interest rate repricing net exposure after hedging	259	–35	164	–70	1'025	1'343

Results of the sensitivity analysis

Due to the lack of items with interest rate sensitivities that are potentially relevant for earnings, no analysis is carried out.

(c) Share price risks

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

CHF million	2021		2020	
	Index change	Change in result	Index change	Change in result
MSCI World	2.62 %	6	1.43 %	3

If the equity markets had finished higher by the assumed change to the index on 31 December 2021, the pre-tax earnings would have been CHF 6 million higher (31.12.2020: CHF 3 million). If the index had been lower by the same amount, the effect on the pre-tax earnings would have been the reverse.

Higher index volatility led to a higher degree of income sensitivity as a result of changes in market values in 2021.

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 reduce 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 transactions (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.

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 group.

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)

31.12.2021 CHF million	Maturing within				Total
	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	
Financial assets					
Cash and cash equivalents	4'146	–	–	–	4'146
Receivables due from banks	2	10	–	–	13
Trade receivables	923	4	0	0	928
Other receivables	408	16	2	0	427
Other financial assets					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	122	435	–	–	558
Forward exchange contract gross cash outflow	–121	–421	–	–	–542
Debt instruments	12	36	45	47	140
Others	279	191	159	69	697
Total other financial assets	292	242	204	115	853
Total financial assets and other financial assets	5'771	273	206	116	6'366
Financial liabilities					
Payables due to banks	–50	–12	–49	–12	–124
Other financial liabilities					
Gross liabilities from finance leasing	–3	–8	–45	–356	–412
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	–45	–80	–	–	–125
Forward exchange contract gross cash outflow	45	80	–	–	125
Others	–1'851	–3	–11	–12	–1'877
Total other financial liabilities	–1'854	–11	–56	–368	–2'289
Trade payables	–1'646	–16	–0	–	–1'663
Other liabilities	–938	–91	–3	–34	–1'066
Issued debt instruments	–	–	–	–	–
Financial guarantees	–1	–	–	–0	–1
Irrevocable loan commitments	–1	–	–	–	–1
Total financial liabilities	–4'490	–130	–109	–414	–5'143

31.12.2020 CHF million	Maturing within				Total
	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	
Total financial assets and other financial assets	5'623	111	273	126	6'133
Total financial liabilities	–4'339	–178	–71	–418	–5'006

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

4.2.2 Capital risk management in the Retail and Industry sector

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

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

Ratios

CHF million	31.12.2021	31.12.2020
Liabilities due to banks	124	42
Other financial liabilities (interest bearing)	2'102	1'906
Issued debt instruments	–	100
Total financial liabilities	2'226	2'048
Cash and cash equivalents	4'146	4'074
Other financial assets	591	389
Total cash and cash equivalents and other financial assets	4'737	4'463
Net financial assets	–2'511	–2'415
Total equity (without non-controlling interests)	17'551	17'004
Ratio of net financial assets to equity	–14.3 %	–14.2 %
Balance sheet total	24'416	23'727
Ratio of equity to balance sheet total	71.9 %	71.7 %

In particular, the increase in cash and other financial assets of CHF 274 million and the repayment of issued debt instruments resulted in higher net financial assets of CHF 2.511 billion as at 31 December 2021 (previous year: CHF 2.415 billion). The ratio to equity has therefore improved by a minimum of 0.1 % and the equity ratio by 0.2 %.

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

Assumption of risks is one of the entrepreneurial functions of a bank, for which, in addition to maintaining a risk-neutral margin, it is compensated by corresponding risk premiums. Consciously handling risks is therefore a key element of a bank's success. Financial risk management is regarded as a core competence in the Financial Services sector. In addition to internal risk guidelines, banks are subject to extensive regulatory provisions relating to the individual types of risk, and compliance with those is regularly monitored by the supervisory authorities.

The Financial Services sector traditionally adopts a conservative risk policy, concentrating its activities on business areas where risks are 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, the method of risk measurement and the limits to be adhered to. The Board of Directors is kept fully informed by the Management about the development of all risks at its quarterly board meetings.

Risk management involves determining risk strategies and risk control measures as well as identifying, analysing, evaluating, managing, monitoring and reporting risks. Under the leadership of the CRO line, the independent control bodies (second line) report monthly or quarterly to the Risk&Finance Committee, and quarterly to the Board of Directors, about the development of the risk profile, significant internal and external events, as well as findings from monitoring activities, as part of integrated risk reporting.

Risk Control (body in accordance with FINMA Circular 2017/1 "Corporate governance – banks") is responsible for the consolidated monitoring of compliance with the provisions set out under the risk policy, as well as for independent risk reporting to the Management every six months, and to the Board of Directors every year (Risk Control report).

At operational level, overall responsibility for financial risk management rests with the Risk & Finance Committee. This comprises members of the Management and other field specialists. The committee is updated on the development of all risks by field specialists at its monthly meetings. Depending on how risks have developed, and the estimation of future market trends, it is within the competence of the Management to decide to take on additional risk, or to order the hedging of existing risk.

Credit risks

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

To limit credit risk, a gradual approval procedure is in place for new credits and credit extensions. The credit decision-making process distinguishes between the internal competence of a customer segment 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 in the four-eye principle. Because of the high volume of mortgage business, most transactions can be decided by the internal competence of the sales organisation. The internal decision-making pathways are short. Credit Risk Management is responsible for supervising all credits transacted in respect of the applicable credit policy and compliance with the bank's relevant global instructions.

Most of the lending in the Financial Services sector relates to mortgage loans. These loans are secured on real estate.

All properties financed by Migros Bank are measured using common valuation techniques, with the principle of prudent valuation being applied at all times. In measurement of real estate, the principle of lower of cost or market applies, according to which the market value must be equivalent to no more than the purchase price (lending base for funding). The calculated market values are reviewed

at risk-based intervals. Different measurement methods are applied depending on the type of property, its size and complexity.

- Owner-occupier homes/holiday properties: hedonic pricing model of the IAZI (Zurich-based real estate information and training centre)
- Investment properties: IAZI's hedonic capitalised earnings value model for investment properties
- Business premises/commercial properties: the bank's internal capitalised earnings value model, and in some cases the present value method, DCF method, etc.

In the case of measurement models based on the capitalised earnings value, the capitalisation rate is fixed according to the property-specific features (region, macro and micro situation, age, construction condition, construction standard, rental structure, level of rent compared to surrounding area). For commercial and industrial properties, Migros Bank also measures based on the current capitalised earnings value; for properties used by a company itself, the focus of the risk assessment is primarily on the company's debt capacity. The plausibility of market value estimates submitted by external specialists is assessed by the bank's real estate specialists.

Credit quality of outstanding mortgages and other customer receivables

In the corporate clients business, the Financial Services sector uses a rating model with ten rating levels to support the credit rating decision and restrict it where the rating is insufficient. It takes qualitative (soft-facts) and quantitative elements (hard-facts), as well as the assessment of the sector, 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 coverage rating procedure is used that is based on the value of the loan and the type of property. The period after which credit checks are carried out in the mortgage business varies depending on the quality of the coverage ratio and the personal contribution. The rating model ensures that the credit commitment is managed commensurate to the risk involved.

Analysis of mortgages and other customer receivables

Breakdown of receivables by rating levels (type of collateral)

Internal rating level	Mortgage receivables (part in %)		Other customer receivables (part in %)		Total (cumulative)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1	2.0	2.1	4.0	5.2	2.1	2.3
2	16.3	16.9	9.0	5.5	15.9	16.3
3	44.8	46.2	32.8	35.5	44.2	45.6
4	13.8	13.9	18.5	20.6	14.1	14.3
5	21.6	19.9	22.9	20.1	21.7	19.9
6	0.9	0.5	7.1	8.9	1.2	0.9
7	0.2	0.2	2.2	0.2	0.3	0.2
8	0.4	0.3	3.0	3.0	0.5	0.4
9	–	–	0.4	0.6	0.0	0.0
10	–	–	0.1	0.4	0.0	0.0
Total in %	100.0	100.0	100.0	100.0	100.0	100.0
Total in CHF million	42'646	40'036	2'428	2'213	45'074	42'249

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. Most loans are secured by charges on land. Credit allocation is based on lending margins that are in line with standard banking practice. In more than 90 % of the total mortgage business, the amount of the loan is less than 80 % of the 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, an imputed affordability rate which is much higher than the actual interest rate at the present time is assumed for residential mortgages.

Identification of default risks

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

Interbank business/trading business

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

Risk concentration

Under the Federal Banking Act, credit commitments that exceed 10 % of the bank's regulatory core capital 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.

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) Risks of changes in interest rates

In the traditional core business of interest margin, interest rate changes can have a major impact on earnings. The Treasury department ensures that the regulatory requirements of the Management and the Board of Directors in the area of managing interest rate risk are adhered to. The instruments defined by the Management can be used by the Treasury department to control interest rate risks on an independent basis. Risk Control, the organisational unit that operates independently from risk management measures, monitors the limits and thresholds defined by the Board of Directors at least every month. Risk exposure in the banking book is normally controlled by means of interest rate swaps and targeted underwriting of mortgage-backed loans.

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, one scenario assumes a parallel shift of 1 % in the yield curve within twelve months.

According to this scenario, with a 1 % (100 basis points) rise in interest rates, the pre-tax earnings would have been CHF 163 million lower (31.12.2020: CHF 160 million). With a 1 % fall in interest rates, the pre-tax earnings would have been CHF 163 million higher (31.12.2020: CHF 160 million). In 2021, earnings reacted more sensitively to market interest rate changes than in 2020, as the extent of interest rate-sensitive positions has increased.

(b) Share price risks

Trading activities are centralised, and conducted by a team of specialists. A special software is used for systematic measuring, control and monitoring of market risks in the trading ledger. A limit structure restricts the risk exposure, which is assessed using the mark-to-market method. The profit and loss figures are compiled and 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 risk profile.

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

Due to the reduced share portfolio, changes in share prices in 2021 had little impact on income, as was also the case in 2020.

(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 notes to the relevant risk policy. Trading is responsible for hedging foreign currency exposure on the market. Forward exchange contracts are among the hedging instruments used.

Foreign currency exposure is calculated monthly by Risk Control and transmitted to the Risk & Finance Committee.

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**31.12.2021**

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	8'516	139	19	8	78	8'759
Receivables due from banks	–	–	–	–	–	–
Mortgages and other customer receivables	44'822	195	57	0	0	45'074
Trade receivables	4	–	–	–	–	4
Other receivables	0	–	–	–	–	0
Other financial assets	380	142	–	–	1	523
Total financial assets	53'723	476	75	8	79	54'360
Financial liabilities						
Payables due to banks	–1'156	–16	–0	–0	–0	–1'173
Customer deposits and liabilities	–40'423	–1'153	–379	–24	–115	–42'094
Other financial liabilities	–16	–	–	–	–	–16
Trade payables	–0	–	–	–	–	–0
Other liabilities	–73	–	–	–	–	–73
Issued debt instruments	–6'445	–	–	–	–	–6'445
Total financial liabilities	–48'115	–1'170	–379	–24	–115	–49'803
Foreign currency net exposure before hedging	5'608	–694	–304	–16	–36	4'557
Foreign currency derivatives		687	302	15	37	
Foreign currency net exposure after hedging		–6	–2	–2	1	

31.12.2020

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	49'776	479	93	10	76	50'434
Total financial liabilities	–44'542	–1'035	–319	–26	–120	–46'042
Foreign currency net exposure before hedging	5'234	–556	–226	–15	–45	4'392
Foreign currency derivatives		548	211	15	34	
Foreign currency net exposure after hedging		–8	–15	–1	–11	

Results of the sensitivity analysis

If EUR had been 5 % stronger against CHF on 31 December 2021, the pre-tax earnings would have been CHF 0.3 million lower (31.12.2020: CHF 0.4 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

If USD had been 5 % stronger against CHF on 31 December 2021, the pre-tax earnings would have been CHF 0.1 million lower (31.12.2020: CHF 0.8 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

Earnings in 2021 reacted less sensitively to the change in prices than in 2020 because foreign currency exposure decreased.

Liquidity risks

Liquidity risks – also referred to as refinancing risks – arise when the bank is no longer capable of meeting pending payment obligations in full and in a timely manner within the framework of normal business activity.

The liquidity and/or refinancing situation in the short-term sector is controlled daily and on a centralised basis by trading. Medium-term and long-term aspects are monitored within the framework of the Risk & Finance Committee, which meets on a monthly basis.

The Risk & Finance Committee is advised of the current situation monthly by Risk Control as part of the reporting procedure on balance sheet structure risk.

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

CHF million	Short-term liquidity		Medium-term liquidity	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Creditable liquidity	8'281	7'230	8'165	7'084
Required liquidity	569	275	5'322	5'212
Excess liquidity	7'712	6'955	2'843	1'872
Degree of compliance	1'455.4 %	2'629.1 %	153.4 %	135.9 %

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 banking legislation. These define a minimum ratio between risk-weighted assets and eligible own funds.

Capital adequacy requirements of the Financial Services sector

CHF million	31.12.2021	31.12.2020
Capital resources required and creditable as per the banking legislation		
Credit risks	1'537	1'462
Market risks	11	25
Risks not related to counterparties	12	11
Operating risks	98	96
Total capital resources required	1'659	1'594
Equity as per Swiss GAAP FER	4'336	4'222
Corrections due to banking legislation ¹	-77	-81
Creditable capital resources as per the banking legislation	4'259	4'141
Excess creditable capital resources	2'600	2'547
Excess in % of required resources	156.8	159.8

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

5. Critical accounting estimates and judgements

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

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

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

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

(b) Impairment on fixed asset securities

Migros Group follows the guidelines of Swiss GAAP FER 20 to determine whether there is an impairment that is not of a temporary nature. To determine an impairment, the Management draws on a number of factors in its assessment, such as time development, scope of the impairment, branch, technological environment, development of credit default swap spreads, and so on. This procedure is thus based on significant estimates that involve some uncertainty. In both the reporting year and the previous year, fixed asset securities were impaired. See Note 7 Net income from the financial services business and Note 13 Finance income and cost.

(c) Useful lives of fixed assets

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

(d) Impairment of fixed assets and intangible assets

The recoverability of fixed assets, intangible assets and other non-current assets is always reviewed when there is specific evidence that the carrying amounts have been overstated. Recoverability is determined on the basis of management estimates and assumptions regarding the future benefit to be derived from these assets. The values actually arrived at may differ from these estimates. In connection with investment projects, uncertainties as regards cost overruns and income targets can exist. See also Note 26 Fixed assets and Note 27 Intangible assets.

(e) Income tax expense

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

(f) Deferred income tax assets

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

6. Segment reporting

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

6.1 Determination of operating segments

The operating segments of Migros Group are determined based on the organisational units internally reported to the Executive Board of the Federation of Migros Cooperatives as the chief operating decision maker responsible for all segments. For the purpose of internal reporting, Migros Group is divided into five strategic business units that, because of their key role, are reportable operating segments. Other activities that are not assigned to these strategic business units but support the Group as a whole are generally independent operating segments which ceased to form part of Migros Group in 2020 (discontinuation of Others segment). This results in the following five business segments, which differ in terms of the products and services they produce or offer:

– Cooperative Retailing:

All activities of the Migros Cooperatives and their subsidiaries in Switzerland and abroad (supermarkets and hypermarkets including the Tegut Group, wholesale, catering, specialist markets, leisure, health services, Club Schools), services of logistics companies of the Group (transport of goods, central warehouse) and services provided by the Federation of Migros Cooperatives (central purchasing, Migros Media, etc.) as well as by the Migros online supermarket, including all commitments of Migros Group relating to Migros Culture Percentage.

– Commerce:

Sale of goods and rendering of services by Denner (discount retailer), Globus (department stores, men's and ladies wear)*, Digitec Galaxus, Ex Libris (entertainment media), Migrol and Swisstherm* (heating/fuel oils and heat supply) and migrolino (convenience stores).

– Migros Industrie:

Production and sale of goods by Migros Industrie companies within and outside of the Group as well as by the wholesale business Saviva*.

– Financial Services:

Services provided by Migros Bank in the Financial Services sector as well as by its subsidiaries (leasing, real estate management).

– Travel:

Organisation and provision of tour operator, travel agent and other related tourist services through the Hotelplan Group.

* up to the time of disposal in 2020

6.2 Information about operating segments

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

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

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

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

Information by operating segment

2021 CHF million	Cooperative Retailing	Commerce	Migros - Industry	Financial Services	Travel	Total seg- ments	Reconci- liation¹	Total Migros Group
Income								
↳ from third parties	17'635	8'261	1'615	772	649	28'932	–	28'932
↳ from other segments	522	16	4'193	5	5	4'742	–4'742	–
Total income	18'157	8'277	5'809	778	654	33'674	–4'742	28'932
Operating profit	304	162	133	233	–41	790	10	800
Segment assets	11'191	1'366	2'182	54'556	23	69'318	8'664	77'982
Segment liabilities ²	–2'403	345	472	50'221	146	48'781	8'059	56'840
Other information								
Investments	1'099	134	206	39	3	1'481	–	1'481
Depreciation, amortisation	903	123	194	23	13	1'257	–	1'257
Impairment ³	31	0	27	22	–	80	–	80
Reversal of impairment ³	–0	–0	–4	–9	–	–14	–	–14
Other expenditure (income) not affecting liquidity	31	6	17	60	2	115	–	115
2020 CHF million								
	Cooperative Retailing	Commerce	Migros - Industry	Financial Services	Travel	Total seg- ments	Reconci- liation¹	Total Migros Group
Income								
↳ from third parties	18'920	7'799	1'727	767	734	29'947	–	29'947
↳ from other segments	508	18	4'321	2	0	4'849	–4'849	–
Total income	19'428	7'816	6'048	770	734	34'796	–4'849	29'947
Operating profit	1'522	127	111	234	–117	1'878	–12	1'866
Segment assets	10'950	1'262	2'234	50'615	28	65'089	7'692	72'781
Segment liabilities ²	–2'399	254	418	46'393	186	44'851	7'442	52'293
Other information								
Investments	1'088	130	220	38	3	1'479	–	1'479
Depreciation, amortisation	964	127	249	20	25	1'385	–	1'385
Impairment ³	93	3	22	85	–	203	–	203
Reversal of impairment ³	–12	–	–5	–8	–	–25	–	–25
Other expenditure (income) not affecting liquidity	68	4	15	9	12	108	–	108

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

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

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

Reconciliation from segment to group statement

Reconciliation of profit

CHF million	2021	2020
Operating profit Total segments	790	1'878
Eliminations	10	-12
Operating profit Migros Group	800	1'866
Financial profit	21	-22
Profit before income tax Migros Group	821	1'844

Reconciliation of assets

CHF million	2021	2020
Total segment assets	69'318	65'089
Trade payables	1'663	1'747
Non-operative assets	11'522	11'001
Eliminations	-4'522	-5'056
Total assets Migros Group	77'982	72'781

Reconciliation of liabilities

CHF million	2021	2020
Total segment liabilities	48'781	44'851
Other financial assets realisable at short notice	5'809	5'640
Non-interest-bearing liabilities	4'685	4'720
Eliminations	-2'436	-2'919
Total liabilities Migros Group	56'840	52'293

6.3 Information by region

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

Information by region

CHF million	2021			2020		
	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Total income from third parties	26'389	2'543	28'932	27'419	2'528	29'947
Long-term assets	12'661	464	13'125	12'572	453	13'025

Explanations to the income statement

7. Net income from the financial services business

CHF million	2021	2020
Interest income		
Cash and cash equivalents	-2	-2
Receivables due from banks	0	2
Mortgages and other customer receivables	578	588
Fixed asset securities	2	4
Total interest income	578	592
Interest expense		
Payables due to banks	-15	-2
Customer deposits and liabilities	-9	-18
Issued debt instruments	-64	-81
Total interest expense	-88	-100
Impairments on credit business¹		
Receivables due from banks	-	-
Mortgage receivables	-4	-17
Other customer receivables	-17	-68
Total Impairments on credit business	-22	-85
Reversals of impairments on credit business¹		
Receivables due from banks	-	-
Mortgage receivables	2	2
Other customer receivables	7	6
Total reversal of impairments on credit business	9	8
Net interest income	477	415
Commission income		
Mortgages and other customer receivables	8	6
Securities and investment business	87	81
Income from other services	36	34
Total commission income	130	122
Commission expense	-67	-15
Net commission income	63	107
Income from other financial assets		
Profit (loss) on current asset securities	-0	-2
Profit (loss) on fixed asset securities	1	0
Impairment on fixed asset securities	-	-
Reversal of impairments on fixed asset securities	-	-
Dividend income on fixed asset securities	4	6
Currency translation differences, net	46	38
Income from other financial assets	51	44
Total profit from the financial services business	591	565
Disclosed in the financial statements of the Migros Group under:		
Income of financial services business	759	758
Expenses of financial services business	-167	-193
Total profit from financial services business	591	565

Despite the higher balance sheet total, the continuing fall in interest rates and the introduction of negative interest rates led to lower interest income. The interest expense has fallen in the reporting year, most notably in the area of customer deposits and liabilities as well as in issued debt instruments.

Commission income in the reporting year included the creation of provisions for retrocessions of CHF 60 million which were paid out voluntarily on Migros Bank funds.

Please refer to Note 18 for details of impairments on credit business.

8. Other operating income

CHF million	2021	2020
Income from advertising services	70	62
Internally generated assets (fixed and intangible)	26	20
Revenue from the disposal of		
↳ Investment property	29	2
↳ Fixed assets	35	64
↳ Intangible assets	–	–
↳ Investments and business operations	–	1'256
Other operating income	296	285
Total other operating income	456	1'689

Revenue reported in the previous year from the disposal of investments and business operations originates in large part from the sale of Globus and the Glatt centre.

Other operating income includes income from regular sidelines. This income includes government grants amounting to CHF 3 million (2020: CHF 7 million). Other forms of government grants directly benefiting Migros Group amount to CHF 0 million (2020: CHF 2 million). No outstanding conditions and other income uncertainties in connection with government grants shown in the accounts existed at the respective balance sheet date.

9. Cost of goods and services sold

CHF million	2021	2020
Cost of goods and services sold	17'151	16'718
Inventory change	12	42
Total cost of goods and services sold	17'163	16'760

Cost of goods and services sold include government grants in favour of Migros Industrie in particular (mainly in the form of customs duty refunds, export subsidies, milk refunds, other subsidies) totalling CHF 15 million (2020: CHF 19 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	2021	2020
Wages and salaries		4'515	4'537
Pension costs	33	497	498
Social insurance and other social security benefits		547	561
Other personnel expenses		347	305
Total personnel expenses		5'906	5'901

In agreement with the social partners, Migros companies granted salary increases – individually and performance-related – of up to 0.5 % in 2021.

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

Personnel expenses include government grants totalling CHF 0.5 million (2020: CHF 0.7 million) shown as a reduction of costs.

See Note 41 Covid-19 – Impact on the current financial year, for information regarding short-time working compensation in connection with Covid-19.

11. Depreciation, amortisation

CHF million	Notes	2021	2020
Investment property	25		
↳ Ongoing depreciation & amortisation		7	6
↳ Impairments		–	1
↳ Reversal of impairments		–	–
Total depreciation & amortisation investment property		7	7
Fixed assets	26		
↳ Ongoing depreciation & amortisation		1'092	1'209
↳ Impairments		35	98
↳ Reversal of impairments		–0	–7
Total depreciation & amortisation fixed assets		1'127	1'300
Intangible assets	27		
↳ Ongoing depreciation & amortisation		158	171
↳ Impairments		–	3
↳ Reversal of impairments		–	–
Total depreciation & amortisation intangible assets		158	173
Other assets			
↳ Ongoing depreciation & amortisation		–	–
↳ Impairments		3	3
↳ Reversal of impairments		–	–
Total depreciation & amortisation other assets		3	3
Total depreciation & amortisation			
↳ Ongoing depreciation & amortisation		1'257	1'385
↳ Impairments		38	105
↳ Reversal of impairments		–0	–7
Total depreciation & amortisation		1'294	1'483

12. Other operating expenses

CHF million	2021	2020
Rental and building-lease cost	745	754
Losses from the disposal of		
↳ Investment property	0	1
↳ Fixed assets	2	6
↳ Intangible assets	2	0
↳ Investments and business operations	–	61
Maintenance	460	476
Energy and consumables	491	506
Advertising	537	520
Administration	356	372
Other operating expenses	1'010	1'047
Total other operating expenses	3'602	3'744

Other operating expenses include costs of services relating to IT, logistics and transportation, as well as levies, fees, property and capital taxes. The change in losses from the disposal of investments and business operations is linked to the sale of companies in the previous year (see Note 39 for details).

13. Finance income and cost

CHF million	2021	2020
Finance income		
Interest income		
Cash and cash equivalents	2	2
Receivables due from banks	0	0
Fixed asset securities	3	5
Loans	6	5
Other interest income	1	1
Total interest income	13	13
Profit from other financial assets		
Profit/(loss) on current asset securities	25	21
Profit/(loss) on fixed asset securities	2	3
Dividend income on fixed asset securities	4	3
Currency translation differences, net	-4	-6
Total profit from other financial assets	27	20
Reversal of impairments on fixed asset securities and receivables due from banks		
Fixed asset securities	0	0
Loans	19	-
Receivables due from banks	-	-
Total reversal of impairments on fixed asset securities and receivables due from banks	19	0
Impairments on fixed asset securities and receivables due from banks		
Fixed asset securities	-0	-1
Loans	-2	-19
Receivables due from banks	-	-
Debt waiver of receivables	0	-4
Total impairments on fixed asset securities and receivables due from banks	-2	-23
Total finance income	57	10
Finance costs		
Interest expense		
Payables due to banks	-1	-2
Issued debt instruments	-	-
Other financial liabilities	-	-1
Finance leasing	-9	-9
Provisions: present value adjustments	-0	-0
Other interest expense	-15	-15
Total interest expense	-26	-28
Other finance costs	-7	-6
Total finance costs	-33	-34

14. Income tax expense

CHF million	2021	2020
Current income tax expense	165	189
Current income tax expense of previous years	-1	2
Total current income taxes	164	191
Deferred income tax expense / (income)	-5	-44
Changes to income tax rates	-7	-61
Total deferred income taxes	-11	-105
Total income tax expense	153	86

Reconciliation of expected and effective income tax expense

CHF million	2021	2020
Profit before income tax	821	1'844
Weighted average tax rate in	18.0 %	18.6 %
Expected income tax expense	148	343
Reasons for increase / decrease		
↳ Non-tax-deductible expenses	2	2
↳ Tax-exempted income (incl. income from investments)	-46	-154
↳ Use of non-capitalised tax loss carry forwards	-5	-35
↳ Non-capitalisation of deferred income tax assets on period losses	26	24
↳ Non-deductible depreciation / impairments of goodwill	10	10
↳ Tax on gains from disposal of properties (Zurich model)	2	-6
↳ Changes to tax rates	-7	-61
↳ Income tax expense of previous years	-1	2
↳ Other effects	23	-39
Total effective income tax expense	153	86
Effective income tax rate	18.6 %	4.7 %

In 2021, the expected income tax expense deviated by CHF -5 million (previous year: CHF +257 million) from the actual tax expense. The reduction in the weighted Group tax rate from 18.6% to 18.0% is due to the adoption of the Federal Act on Tax Reform and OASI Funding on 19 May 2019, which resulted in an increase in income of CHF 7 million (previous year: CHF 61 million). Tax-exempted income and other effects in the previous year contain mainly reclassifications as a result of the recognition of income tax effects on companies sold in corresponding expenditure or income items.

Development of the deferred tax liabilities (net)

CHF million	2021	2020
As per 1 January	1'138	1'074
Changes to the scope of consolidation	1	170
Recorded through profit and loss	-11	-105
Currency translation differences	-0	-2
As per 31 December (net)	1'128	1'138

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

CHF million	Deferred income tax assets		Deferred income tax liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Reasons for deferred income tax				
Cash and cash equivalents	–	–	–	–
Receivables	0	0	8	7
Inventories	1	0	114	102
Fixed assets	12	4	552	564
Intangible assets	2	5	53	51
Other financial assets	0	0	73	74
Tax losses carry forwards	226	199	–	–
Other assets	0	3	0	1
Liabilities from employee benefits	0	1	195	187
Financial liabilities	32	33	0	0
Other liabilities	4	1	303	323
Total	278	246	1'298	1'310
Valuation allowance	–108	–74		
Netting	–96	–98	–96	–98
Total deferred income tax in balance sheet	74	74	1'202	1'212

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

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

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

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

CHF million	31.12.2021	31.12.2020
Maturity in 1 year	24	14
Maturity in 2 years	8	29
Maturity in 3 years	16	7
Maturity in 4 years	18	14
Maturity in 5 years	16	17
Maturity after 6 years	77	55
No maturity	208	168
Total of unused tax loss carry forwards	368	305

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 unused tax loss carry forwards on which no deferred income tax assets were applied was due to the reassessment of recognised loss carry forwards and higher tax loss carry forwards as a result of the Covid-19 pandemic. 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	2021	2020
Culture	24	23
Education / training	87	88
Social	8	8
Leisure and sport	14	14
Economic policy	4	3
Administration	5	5
Total expenditure for cultural, social and economic policy purposes	142	142

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

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

Culture Percentage reserve

CHF million	2021	2020
Minimum expenditure required	119	117
Incurred expenditure	142	142
Excess / (shortfall) in expenditure for the financial year	23	24
Excess / (shortfall) in expenditure for 4-year period	59	47
Culture Percentage reserve as per 31 December	10	5

In the 2021 financial year, Migros Group's expenditure relating to the Culture Percentage exceeded the minimum specified in the charter by CHF 23 million. The Culture Percentage reserve increased by CHF 5 million to CHF 10 million in 2021.

The Culture Percentage reserve is part of retained earnings.

16. Discontinued operations

No operations were discontinued as at 31 December 2021.

Further details on the disposal of subsidiaries and business operations can be found in Note 39. Information on events after the balance sheet date can be found in Note 42.

Explanations to the balance sheet

17. Cash and cash equivalents

CHF million	31.12.2021	31.12.2020
Petty cash/postal accounts/bank accounts	12'700	10'768
Fixed-term deposits with an original maximum maturity of 90 days	4	7
Total cash and cash equivalents	12'704	10'774

18. Mortgages and other customer receivables

CHF million	31.12.2021	31.12.2020
By type of engagement		
Mortgages		
↳ Residential property	41'102	38'646
↳ Office and commercial property	778	650
↳ Manufacturing and industry property	550	536
↳ Other mortgages	267	245
Other customer receivables	2'445	2'270
Total mortgages and other customer receivables (gross)	45'142	42'348
Provision for impairment	-110	-105
Total mortgages and other customer receivables	45'032	42'243
By type of collateral		
Mortgages	42'768	40'146
Securities	-	-
Sureties or other collateral	235	282
Unsecured	2'140	1'920
Total mortgages and other customer receivables (gross)	45'142	42'348
Provision for impairment	-110	-105
Total mortgages and other customer receivables	45'032	42'243

The sustained demand for real estate loans resulted in an increase in mortgages and customer receivables by CHF 2.8 billion. Through a combination of digital channels and personal consultations, Migros Bank was able to increase its mortgage volume by 6.5%. The growth in customer lending in both the corporate clients and private clients business occurred under an unchanged prudent risk policy.

Changes to the provision for impairment

CHF million	2021			2020		
	Mortgages	Customer receivables	Total	Mortgages	Customer receivables	Total
As per 1 January	41	64	105	15	33	48
Changes to the scope of consolidation	–	–	–	–	–	–
Impairments	4	17	22	17	68	85
Reversals of impairments	–2	–7	–9	–2	–6	–8
Disposals / Reclassifications	7	–14	–7	11	–31	–20
Currency translation differences	–	–	–	–	–	–
As per 31 December	51	59	110	41	64	105

The mortgage business of the financial services business is mainly secured and in the Swiss real estate market.

In response to the FINMA Accounting Ordinance introduced on 1 January 2020, Migros Bank created value adjustments for inherent default risks, recognised one-time through profit and loss in the previous year, which were reflected in the impairments (see description in Notes 2 and 3). Impairments and reversals of impairments in the 2021 financial year fall within a long-term variation range.

CHF million	31.12.2021	31.12.2020
Mortgages pledged to mortgage bond bank	8'341	8'486
Loans from mortgage bond bank	6'122	5'825

19. Trade receivables and other receivables

CHF million	31.12.2021	31.12.2020
Receivables of goods and services sold	969	906
Other receivables	429	457
Total receivables of goods and services sold and other receivables (gross)	1'398	1'362
Provision for impairment	–48	–45
Total receivables of goods and services sold and other receivables	1'351	1'317

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

Changes to the provision for impairment

CHF million	2021	2020
As per 1 January	-45	-37
Changes to the scope of consolidation	4	4
Impairments	-13	-20
Reversals of impairments	5	7
Disposals	2	1
Currency translation differences	0	0
As per 31 December	-48	-45
Pledged receivables	-	-

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

20. Inventories

CHF million	31.12.2021	31.12.2020
Raw materials and consumables	536	480
Work in process	84	78
Finished products	309	301
Goods for resale	1'757	1'714
Compulsory stocks	22	27
Total inventories (gross)	2'707	2'601
Provision for impairment	-283	-253
Total inventories	2'425	2'347
Pledged inventories	-	-

The level of inventories has increased as a result of higher volumes of raw materials and goods for resale. Impairments are subject to annual fluctuations but have increased on the whole compared with the previous year.

21. Other financial assets

CHF million	Derivative financial instruments for trading portfolio	Current asset securities	Fixed asset securities	Loans	Total
Notes	24	22	23		
As per 1 January 2021	5	264	789	317	1'375
Changes to the scope of consolidation	–	–	0	–	0
Additions	–	0	24	267	292
Fair value gains / (losses) through profit and loss	75	22	1	–2	95
Reclassifications	–	–	–	–	–
Disposals	–47	–90	–93	–180	–411
Currency translation differences	–	–0	–0	–0	–0
As per 31 December 2021	32	196	721	402	1'351
Accumulated provision for impairment					
As per 1 January 2021			–6	–25	–31
Changes to the scope of consolidation			–	–	–
Impairments			–3	–2	–4
Reversals of impairments			0	19	19
Reclassifications			–	–	–
Disposals			1	3	4
Currency translation differences			–	1	1
As per 31 December 2021			–7	–4	–12
Balance sheet value					
1 January 2021	5	264	783	292	1'344
31 December 2021	32	196	714	397	1'339
Additional information about financial instruments					
Pledged financial assets	–	–	–	–	–

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

CHF million	Derivative financial instruments for trading portfolio	Current asset securities	Fixed asset securities	Loans	Total
Notes	24	22	23		
As per 1 January 2020	12	320	876	204	1'412
Changes to the scope of consolidation	–	2	–0	–0	1
Additions	–	48	41	400	488
Fair value gains / (losses) through profit and loss	33	17	14	0	65
Reclassifications	–	–	–	–	–
Disposals	–40	–122	–142	–287	–592
Currency translation differences	–	0	–0	0	0
As per 31 December 2020	5	264	789	317	1'375
Accumulated provision for impairment					
As per 1 January 2020			–4	–7	–11
Changes to the scope of consolidation			–	–	–
Impairments			–1	–19	–20
Reversals of impairments			0	–	0
Reclassifications			–	–	–
Disposals			–2	1	–0
Currency translation differences			–	–0	–0
As per 31 December 2020			–6	–25	–31
Balance sheet value					
1 January 2020	12	320	872	197	1'401
31 December 2020	5	264	783	292	1'344
Additional information about financial instruments					
Pledged financial assets	–	–	–	–	–

22. Current asset securities

CHF million	31.12.2021	31.12.2020
Debt instruments		
Listed on stock exchanges	–	–
Not listed	3	11
Total debt instruments	3	11
Equity instruments		
Listed on stock exchanges	191	252
Not listed	2	2
Total equity instruments	193	254
Total current asset securities	196	264

The decrease in listed equity instruments is mainly linked to the operating needs of asset management and liquidity management at Migros Bank.

23. Fixed asset securities

CHF million	31.12.2021	31.12.2020
Debt instruments		
Listed on stock exchanges	513	574
Not listed	4	28
Total debt instruments	516	601
Equity instruments		
Listed on stock exchanges	25	22
Not listed	179	166
Total equity instruments	205	188
Total fixed asset securities (gross)	721	789
Provision for impairment	–7	–6
Total fixed asset securities	714	783

Debt instruments falling into the fixed asset securities category were reduced further through the decision not to reinvest after maturity of securities.

24. Derivative financial instruments

CHF million	31.12.2021			31.12.2020		
	Replacement values		Contract volume	Replacement values		Contract volume
	positive	negative		positive	negative	
Derivative financial instruments recognised						
Trading portfolio						
Interest instruments	–	–	–	–	–	–
Foreign currency instruments	32	31	1'680	5	9	1'467
Commodity hedging	–	–	–	–	–	–
Equity instruments	–	–	–	–	–	–
Total derivative financial instruments recognised	32	31	1'680	5	9	1'467
Derivative financial instruments not recognised						
Held for cash flow hedge						
Interest instruments	–	–	–	–	–	–
Foreign currency instruments	1	21	926	4	6	728
Commodity hedging	1	–	9	0	–	11
Held for Fair Value Hedge						
Interest instruments	5	99	7'450	–	161	3'300
Derivative financial instruments concluded in connection with related parties						
Foreign currency instruments - related counterparty ¹	6	172	11'954	28	194	11'346
Foreign currency instruments - third party counterparty ¹	172	6	11'954	194	28	11'346
Total derivative financial instruments not recognised	185	298	32'292	227	390	26'730
Total derivative financial instruments	217	328	33'972	231	398	28'197

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

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

The volume of foreign currency hedges recognised in the balance sheet (fair value hedges) has risen as a result of the increase in balance sheet items in foreign currencies for hedging.

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

25. Investment property

CHF million	2021	2020
Acquisition costs		
As per 1 January	510	394
Changes to the scope of consolidation	–	6
Additions from		
↳ acquisitions	8	11
↳ capitalised costs	–	–
Reclassifications from /to fixed assets	52	107
Disposals	–56	–8
Currency translation differences	–0	–0
As per 31 December	514	510
Accumulated depreciation and impairment provision		
As per 1 January	–194	–151
Changes to the scope of consolidation	–	–1
Depreciation	–7	–6
Impairments	–	–1
Reversal of impairments	–	–
Reclassifications	–2	–41
Disposals	31	7
Currency translation differences	–0	0
As per 31 December	–172	–194
Balance sheet value		
1 January	316	243
31 December	341	316
Additional information about investment property		
Undeveloped plots of land recognised as investment property		
↳ Acquisition costs	95	96
↳ Accumulated impairment provision	–6	–6
Investment property - finance lease	–	–
Rental income from investment property	20	16
Maintenance and operating costs for investment properties generating rental income during the period	8	7
Maintenance and operating costs for investment properties not generating rental income during the period	4	1
Existence and extent of restrictions with regard to sale	4	4
Contractual obligations to purchase, construct and maintain investment property	13	2

26. Fixed assets

CHF million	Undeveloped land	Land & buildings	Plant, machinery & equipment	Other fixed assets	Assets under construction	Total
Acquisition costs						
As per 1 January 2021	82	12'106	13'200	1'802	890	28'080
Changes to the scope of consolidation	–	9	2	0	–	11
Additions from						
↳ acquisitions	3	314	498	100	469	1'383
↳ capitalised costs	–	–	0	–	9	9
Reclassifications						
↳ within fixed assets	–	124	367	34	–525	–
↳ from/to investment property	–	–49	–	–0	–3	–52
Disposals	–	–135	–406	–80	–36	–657
Currency translation differences	–0	–13	–15	–4	–3	–35
As per 31 December 2021	85	12'355	13'646	1'853	801	28'739
Accumulated depreciation and impairment provision						
As per 1 January 2021	–5	–5'831	–9'049	–1'311	–47	–16'243
Changes to the scope of consolidation	–	–	–	–	–	–
Depreciation	–	–304	–669	–118	–1	–1'092
Impairments	–	–	–35	–0	–	–35
Reversal of impairments	–	–	0	0	–	0
Reclassifications						
↳ within fixed assets	–	–0	0	–0	–	–
↳ from/to investment property	–	2	0	0	–	2
Disposals	–	116	404	77	1	598
Currency translation differences	–	6	10	2	–0	18
As per 31 December 2021	–5	–6'011	–9'338	–1'350	–47	–16'751
Balance sheet value						
1 January 2021	77	6'274	4'151	492	843	11'837
31 December 2021	79	6'343	4'308	503	754	11'988
Additional information about fixed assets						
Fixed assets – finance leasing	–	125	2	3	–	129
Pledged or restricted title of fixed assets	–	144	–	–	–	144
Contractual obligation to purchase, construct and maintain fixed assets	–	33	27	1	322	383
Reimbursements / compensation received from third parties	–	–	1	–	–	1

Impairments carried out in 2021 mainly affect the segment Cooperative Retailing (in the amount of CHF 28 million), following a failure to meet anticipated earnings.

In 2021, Migros Group received government grants for fixed assets of CHF 0 million (2020: CHF 3 million), which were deducted directly from the acquisition costs of the assets concerned.

CHF million	Undeveloped land	Land & buildings	Plant, machinery & equipment	Other fixed assets	Assets under construction	Total
Acquisition costs						
As per 1 January 2020	84	13'037	13'360	1'988	731	29'200
Changes to the scope of consolidation	–	–906	–392	–194	–3	–1'495
Additions from						
↳ acquisitions	1	285	439	97	528	1'349
↳ capitalised costs	–	–	1	–	9	9
Reclassifications						
↳ within fixed assets	–	59	281	17	–358	–
↳ from/to investment property	–	–107	7	1	–7	–107
Disposals	–2	–260	–492	–106	–10	–871
Currency translation differences	–0	–2	–4	–0	0	–6
As per 31 December 2020	82	12'106	13'200	1'802	890	28'080
Accumulated depreciation and impairment provision						
As per 1 January 2020	–6	–6'017	–9'182	–1'445	–3	–16'652
Changes to the scope of consolidation	–	447	342	154	–	943
Depreciation	–	–381	–704	–124	–0	–1'209
Impairments	–	–41	–12	–1	–44	–98
Reversal of impairments	–	–	6	0	–	7
Reclassifications						
↳ within fixed assets	–	1	–1	0	0	–
↳ from/to investment property	–	41	0	–0	–	41
Disposals	0	117	500	104	0	721
Currency translation differences	–	1	2	0	–0	4
As per 31 December 2020	–5	–5'831	–9'049	–1'311	–47	–16'243
Balance sheet value						
1 January 2020	79	7'020	4'178	543	728	12'547
31 December 2020	77	6'274	4'151	492	843	11'837
Additional information about fixed assets						
Fixed assets – finance leasing	–	129	1	0	0	130
Pledged or restricted title of fixed assets	–	206	–	–	–	206
Contractual obligation to purchase, construct and maintain fixed assets	–	11	44	5	383	442
Reimbursements / compensation received from third parties	–	–	–	–	–	–

Impairments carried out in 2020 mainly affect the segment Cooperative Retailing (in the amount of CHF 90 million), following a failure to meet anticipated earnings.

In 2020, Migros Group received government grants for fixed assets of CHF 3 million (2019: CHF 2 million), which were deducted directly from the acquisition costs of the assets concerned.

27. Intangible assets

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2021	918	420	786	316	21	2'462
Changes to the scope of consolidation	0	–	1	–	–	1
Additions from						
↳ acquisitions	–	29	9	0	42	81
↳ capitalised costs	–	–	–	–	0	0
Reclassifications	–	–106	1	142	–37	–
Disposals	–2	–30	–4	–4	–0	–41
Currency translation differences	1	–2	–1	0	–0	–1
As per 31 December 2021	918	312	792	455	26	2'503
Accumulated depreciation and impairment provision						
As per 1 January 2021	–570	–211	–536	–274	–0	–1'591
Changes to the scope of consolidation	–	–	–	–	–	–
Depreciation	–56	–24	–51	–27	–	–158
Impairments	–	–	–	–	–	–
Reversal of impairments	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Disposals	2	30	4	4	–	40
Currency translation differences	–2	4	–1	–0	0	1
As per 31 December 2021	–626	–201	–584	–296	–0	–1'707
Balance sheet value						
1 January 2021	348	210	250	43	21	872
31 December 2021	291	111	209	158	26	795
Additional information about intangible assets						
Pledged or restricted title	–	–	0	–	–	0
Obligations to purchase intangible assets	–	0	–	–	0	0

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

Changes to the scope of consolidation are due to company acquisitions and disposals. Details can be found in Note 39.

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

Reclassifications relate to internally generated intangible assets as part of the "ONE Smart Solution" project (new system environment SAP S/4 HANA), and which were transferred from M-Industrie Ltd. to the Federation of Migros Cooperatives in the reporting year.

CHF million	Goodwill	Software	Trademarks, licences, patents, publishing rights	Development costs	Intangible assets in development	Total
Acquisition costs						
As per 1 January 2020	862	367	797	315	12	2'353
Changes to the scope of consolidation	64	-30	-1	-6	-	26
Additions from						
↳ acquisitions	-	93	2	3	15	113
↳ capitalised costs	-	-	-	-	0	0
Reclassifications	-	-2	2	5	-6	-
Disposals	-	-8	-8	-0	-0	-17
Currency translation differences	-7	-0	-5	-0	-0	-13
As per 31 December 2020	918	420	786	316	21	2'462
Accumulated depreciation and impairment provision						
As per 1 January 2020	-634	-226	-538	-260	-0	-1'658
Changes to the scope of consolidation	112	45	49	4	-	210
Depreciation	-55	-39	-57	-20	-	-171
Impairments	-0	-	-3	-	-	-3
Reversal of impairments	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Disposals	-	9	8	2	0	19
Currency translation differences	7	0	4	0	0	11
As per 31 December 2020	-570	-211	-536	-274	-0	-1'591
Balance sheet value						
1 January 2020	228	141	260	55	11	695
31 December 2020	348	210	250	43	21	872
Additional information about intangible assets						
Pledged or restricted title	-	-	-	-	-	-
Obligations to purchase intangible assets						0

28. Other assets

CHF million	31.12.2021	31.12.2020
Prepayments	166	102
Real estate from collateral loans ¹	0	0
Accrued interest income	15	15
Other accrued income	175	175
Total other assets	357	293

¹ From Financial Services segment.

The increase in prepayments can be attributed in particular to higher prepayments linked to acquisitions.

29. Other financial liabilities

CHF million	Notes	31.12.2021	31.12.2020
Liabilities from finance leases		170	169
Derivative financial instruments	24	31	8
Staff investment accounts		1'312	1'322
Other financial liabilities		564	373
Total other financial liabilities		2'077	1'871

The staff investment accounts earn interest at a preferential rate. M-Community employees can pay funds into the staff investment accounts, which pay a preferential interest rate, up to a maximum limit of CHF 150'000. This figure is CHF 50'000 for retired M-Community employees. The funds deposited are subject to withdrawal at three months' notice for withdrawals over CHF 25'000.

Liabilities from finance leases

CHF million	31.12.2021			31.12.2020		
	Nominal	Discount ¹	Present value ²	Nominal	Discount ¹	Present value ²
Remaining contract terms						
Up to one year	11	9	2	11	9	2
More than one and up to five years	45	36	9	45	36	9
More than five years	356	197	158	363	206	158
Total liabilities from finance leases	412	243	170	420	251	169

¹ Future financing costs.

² Carrying amounts in the balance sheet.

Additional information about finance leases

CHF million	31.12.2021	31.12.2020
Contingent lease payments recorded in the income statement	7	6
Expected future minimum lease payments from sub-lease contracts	–	–

Finance leases mainly comprise long-term rental agreements for real estate. Apart from finance leases, Migros Group also operates rental and lease agreements, which due to their economic content have been classified as operating leasing agreements. See also Note 36.

30. Trade payables and other liabilities

CHF million	31.12.2021	31.12.2020
Trade payables	1'663	1'747
Other liabilities	656	617
Accrued expenses		
↳ Course fees of Club Schools	38	44
↳ Rent	11	10
↳ Interest	26	27
↳ Other accrued expenses	400	350
Total trade payables and other liabilities	2'793	2'795

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

31. Provisions

CHF million	Guarantees	Restructuring	Onerous contracts	Legal cases	Insured claims	Others	Total
As per 1 January 2020	11	7	86	10	13	44	170
Changes to scope of consolidation	-0	-	-10	-0	-	1	-9
Addition	14	5	23	34	8	70	154
Usage	-13	-4	-39	-3	-3	-16	-78
Release	-0	-0	-3	-0	-4	-3	-11
Unwinding of discounts	-	-	0	-	-	0	0
Reclassification	-	-	-	-	-	-	-
Currency translation differences	-0	-	-0	-0	-	-0	-0
As per 31 December 2020	12	8	56	40	14	96	226
Of which current	9	2	19	13	5	19	67
As per 1 January 2021	12	8	56	40	14	96	226
Changes to scope of consolidation	-	-	-	-	-	-	-
Addition	17	2	9	5	11	85	129
Usage	-16	-3	-30	-6	-3	-17	-74
Release	-	-0	-1	-1	-9	-4	-15
Unwinding of discounts	-	-	-0	-	-	0	0
Reclassification	-	-	-	-	-	-	-
Currency translation differences	-0	-	0	-0	-	-0	-0
As per 31 December 2021	13	7	34	37	14	161	266
Of which current	9	1	7	9	6	84	117

Overall, provisions as at 31 December 2021 are CHF 40 million higher than the previous year's level.

Provisions for guarantees are slightly higher than the previous year.

Provisions from onerous contracts are CHF 21 million lower than the previous year, and mainly relate to rented property.

Insured claims include liabilities for which an insurance exists (such as liability claims and transport claims). They are roughly in line with the previous year's level.

Provisions for legal cases are CHF 3 million less than the previous year's level.

Other provisions increased by CHF 65 million. These include the recognition of provisions for the voluntary payment of retrocessions totalling CHF 60 million on Migros Bank funds.

32. Issued debt instruments

CHF million	31.12.2021	31.12.2020
Long-term bonds issued ¹	200	200
Mortgage backed loans ¹	6'122	5'825
Medium-term bonds ¹	124	575
Private placements	–	100
Total issued debt instruments	6'445	6'699
Of which subordinated	–	–

¹ From Financial Services segment.

No payment defaults or contract infringements occurred in issued debt instruments either during the reporting year or the previous year. In order to control interest rate risk, refinancing was increased during the reporting year by means of long-term mortgage-backed loans.

Detailed overview of long-term bonds issued

CHF million	Securities number	Year of issue	Interest rate nominal	Interest rate effective	Currency	Maturity	Nominal amount
Migros Bank	46'123'893	2019	0.25 %	0.20 %	CHF	10.12.2027	200
Total long-term bonds issued							200

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

33. Assets and liabilities from employee benefits

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

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

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

Assets from employee benefits

CHF million	31.12.2021	31.12.2020
Short-term benefits	41	47
Post-employment benefits	0	0
Employer contribution reserves	1'157	1'104
Economic benefit from pension funds	-	-
Total assets from employee benefits	1'198	1'151

Patronage funds/patronage pension institutions

CHF million	Pension funds	Patronage funds / patronage pension institutions	Total
Nominal Value			
As per 1 January 2021	1'104	-	1'104
Accumulation of employer contribution reserves	112	-	112
Use of employer contribution reserves	-60	-	-60
Interest income	0	-	0
As per 31 December 2021	1'157	-	1'157
Granted renounced use			
As per 1 January 2021	-	-	-
Granted renounced use in the reporting period	-	-	-
Reversed renounced use in the reporting period	-	-	-
As per 31 December 2021	-	-	-
Total employer contribution reserves 31 December 2021	1'157	-	1'157
Nominal Value			
As per 1 January 2020	817	-	817
Accumulation of employer contribution reserves	356	-	356
Use of employer contribution reserves	-69	-	-69
Interest income	0	-	0
As per 31 December 2020	1'104	-	1'104
Granted renounced use			
As per 1 January 2020	-	-	-
Granted renounced use in the reporting period	-	-	-
Reversed renounced use in the reporting period	-	-	-
As per 31 December 2020	-	-	-
Total employer contribution reserves 31 December 2020	1'104	-	1'104

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

Liabilities from employee benefits

CHF million	31.12.2021	31.12.2020
Short-term benefits	244	253
Termination benefits	6	6
Post-employment benefits	127	124
Other long-term benefits	379	392
Economic obligation from pension funds	–	–
Total liabilities from employee benefits	755	776

Economic benefit/Economic obligations from pension funds

CHF million	Surplus / Deficit 31.12.2021	Economic part of Migros Group		Change resulting in profit compared to previous period resp. recognised in the reporting period 2021	Contributions concerning current period 2021	Pension benefit expenses current period	
		31.12.2021	31.12.2020			2021	2020
Patronage funds / patronage pension institutions	–	–	–	–	–	–	–
Pension institutions without surplus / deficit	–	–	–	–	–	–	–
Pension institutions with surplus	3'429	–	–	–	480	480	481
Pension institutions with deficit	–	–	–	–	–	–	–
Pension institutions without own assets	–	–	–	–	17	17	16
Total	3'429	–	–	–	497	497	498

Three foundations posted a surplus. The surplus is of no economic benefit to the employer.

CHF million			2021	2020
	Switzerland	Abroad	Total	Total
Employer contribution				
Contributions concerning current period	418	19	437	429
Employer contributions accumulated by the employer contribution reserve	60	–	60	69
Total employer contribution	478	19	496	497
Change in employer contribution reserve by asset development, provision for impairment, etc.	0	–	0	0
Employer contribution and change in employer contribution reserve	478	19	497	497
Change in economic part due to surplus / deficit	–	–	–	–
Change in obligation pension institutions without own assets	–	0	0	0
Pension benefit expenses current period	478	19	497	498

34. Cooperative capital

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--	Total share certificates
01.01.2020	2'236'869	100	2'236'969
Change in share certificates	31'387	-2	31'385
31.12.2020	2'268'256	98	2'268'354
Change in share certificates	17'870	-6	17'864
31.12.2021	2'286'126	92	2'286'218

Change in Cooperative capital CHF thousand

01.01.2020	22'369	2	22'371
Change in Cooperative capital	314	-0	314
31.12.2020	22'683	2	22'685
Change in Cooperative capital	179	-0	178
31.12.2021	22'862	2	22'863

Cooperative capital – Statutory provisions

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

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

Further explanations

35. Balance sheet maturities

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

CHF million	31.12.2021			31.12.2020		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
ASSETS						
Cash and cash equivalents	12'704	–	12'704	10'774	–	10'774
Receivables due from banks	12	–	12	21	–	21
Mortgages and other customer receivables	11'736	33'296	45'032	7'656	34'587	42'243
Trade receivables	923	–	923	863	–	863
Other receivables	428	0	428	455	0	455
Inventories	2'425	–	2'425	2'347	–	2'347
Other financial assets	552	787	1'339	338	1'006	1'344
Investment in associates and joint ventures	–	98	98	–	85	85
Investment property	–	341	341	–	316	316
Fixed assets	–	11'988	11'988	–	11'837	11'837
Intangible assets	–	795	795	–	872	872
Assets from employee benefits	41	1'157	1'198	47	1'104	1'151
Current income tax receivables	267	–	267	106	–	106
Deferred income tax assets	–	74	74	–	74	74
Other assets	357	–	357	293	–	293
TOTAL ASSETS	29'445	48'537	77'982	22'900	49'881	72'781

CHF million	31.12.2021			31.12.2020		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
LIABILITIES						
Payables due to banks	1'194	61	1'255	1'384	5	1'389
Customer deposits and liabilities	41'893	–	41'893	37'211	–	37'211
Other financial liabilities	1'897	180	2'077	1'370	502	1'871
Trade payables	1'663	–	1'663	1'747	–	1'747
Other liabilities	1'097	34	1'130	1'047	0	1'048
Provisions	117	149	266	67	158	226
Issued debt instruments	769	5'676	6'445	1'241	5'458	6'699
Liabilities from employee benefits	249	506	755	258	518	776
Current income tax payables	153	–	153	115	–	115
Deferred income tax liabilities	–	1'202	1'202	–	1'212	1'212
TOTAL LIABILITIES	49'032	7'808	56'840	44'440	7'853	52'293

36. Operating leasing

Migros Group as lessee

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

CHF million	31.12.2021	31.12.2020
Remaining contract terms		
Up to one year	708	709
More than one and up to five years	2'253	2'380
More than five years	2'187	2'298
Total future liabilities from operating leases	5'148	5'387
Minimum lease payments	733	743
Contingent lease payments	12	10
Income from sub-lease relationships	-56	-58
Net payments from operating leases and sub-lease contracts affecting net income	689	696
Expected future payments from sub-lease contracts	186	176

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	31.12.2021	31.12.2020
Remaining contract terms		
Up to one year	187	194
More than one and up to five years	437	447
More than five years	163	163
Total future receivables from operating leases	788	804
Contingent lease payments received	3	9

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

37. Off-balance-sheet transactions

Migros Group and its subsidiaries continually face legal disputes, claims and actions that usually originate from normal business activity. No major liabilities are expected in this connection which are not already taken into account by corresponding provisions (see Note 31). The Board of Directors is not aware of any new facts since the last balance sheet date that could significantly influence the 2021 annual financial statements.

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

Contingent liabilities

CHF million	31.12.2021	31.12.2020
Contingent liabilities from the financial services business		
Guarantees for loans and similar instruments	0	1
Performance guarantees and similar instruments	56	80
Unutilised irrevocable loan commitments	1'150	1'019
Capital commitments	64	64
Total contingent liabilities from the financial services business	1'270	1'164
Other contingent liabilities		
Guarantees	2	15
Sureties	–	–
Others	32	32
Total other contingent liabilities	34	47

Contingent liabilities from the financial services business are part of the normal course of customer business and are CHF 106 million higher than in the previous year. Other contingent liabilities mainly include guarantees issued by the Hotelplan Group for the travel business, and have fallen sharply compared to the previous year.

Contingent assets

CHF million	31.12.2021	31.12.2020
Total contingent assets	–	–

There were no contingent assets as at 31 December 2021.

Fiduciary placements

CHF million	31.12.2021	31.12.2020
Fiduciary placements with third party banks for account of the customers	0	0

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.

38. Information about relationships with related parties

31.12.2021

CHF million	Associates	Joint ventures	Key management personnel ¹	Pension funds	Other related parties ²	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	4	4
Mortgages and other customer receivables	27	–	8	–	–	35
Trade receivables	1	1	–	0	0	2
Other receivables	4	1	0	170	10	185
Other financial assets	3	2	–	–	37	41
Other assets	–	–	–	–	0	0
Customer deposits and liabilities	–6	–	–	–346	–0	–353
Other financial liabilities	–28	–	–	–541	–1	–570
Trade payables	–1	–	–0	–	–	–1
Other liabilities	–	–	–	–7	–17	–25
Provisions	–	–	–	–	–	–
Income statement						
Net revenue from goods and services sold	22	1	1	5	0	29
Other operating income	0	–	0	0	7	7
Result from financial services	0	–	0	–	–	1
Cost of goods and services sold	–0	–	–4	–0	–0	–4
Other operating expenses	–2	–	–	–16	–18	–36
Finance income	1	0	–	407	0	408
Finance cost	–0	–	–	–291	–0	–291
Off-balance-sheet transactions						
Issued guarantees	–	–	–	–	–	–
Irrevocable loan commitments	–	–	–	–	–	–
Entered future liabilities for the purchase of						
↳ inventories	–	–	–	–	–	–
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets ³	–	–	–	–	–	–
Entered future liabilities for the supply of						
↳ inventories	–	–	–	–	–	–
Future liabilities arising from operating lease-commitments	–	–	–	–219	–8	–227
Future receivables arising from operating lease-commitments	–	–	–	–	–	–

¹ Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives. Transactions between Migros Group and the key management personnel are, in case of external members of the Board, carried out at market conditions and, in case of staff being engaged as key management personnel, at standard employee conditions.

² Other related entities include foundations such as Eurocentres and the "Im Grünen" foundations.

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

The other receivables include short-term deposits of the Federation of Migros Cooperatives from pension funds.

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

Finance income and cost contain realised gains derived from foreign currency derivatives concluded in connection with pension funds. These gains are offset by opposing third-party transactions (see recognised derivatives in connection with related parties Note 24).

31.12.2020

CHF million	Associates	Joint ventures	Key management personnel ¹	Pension funds	Other related parties ²	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	7	7
Mortgages and other customer receivables	27	–	12	–	–	39
Trade receivables	2	1	–	–	–	3
Other receivables	1	1	0	–	9	11
Other financial assets	3	2	–	–	47	52
Other assets	–	–	–	2	0	2
Customer deposits and liabilities	–6	–	–	–610	–0	–616
Other financial liabilities	–21	–	–	–348	–1	–370
Trade payables	–2	–	–0	–1	–0	–3
Other liabilities	–1	–	–	–9	–10	–20
Provisions	–	–	–	–	–	–
Income statement						
Net revenue from goods and services sold	19	0	0	3	0	23
Other operating income	0	0	0	1	7	7
Result from financial services	0	–	0	–	–	1
Cost of goods and services sold	–0	–0	–2	–6	–0	–8
Other operating expenses	–2	–0	–0	–16	–19	–37
Finance income	5	0	–	159	0	164
Finance cost	–0	–	–	–619	–0	–619
Off-balance-sheet transactions						
Issued guarantees	–	–	–	–	–	–
Irrevocable loan commitments	–	–	–	–	–	–
Entered future liabilities for the purchase of						
↳ inventories	–	–	–	–	–	–
↳ other financial assets	–	–	–	–	–	–
↳ non-current assets ³	–	–	–	–	–	–
Entered future liabilities for the supply of						
↳ inventories	–	–	–	–	–	–
Future liabilities arising from operating lease-commitments	–	–	–	–288	–9	–297
Future receivables arising from operating lease-commitments	–	–	–	–	–	–

¹ Key management personnel includes the Board of Directors of the Federation of Migros Cooperatives, the Managing Directors of the Cooperatives and the Executive Board of the Federation of Migros Cooperatives. Transactions between Migros Group and the key management personnel are, in case of external members of the Board, carried out at market conditions and, in case of staff being engaged as key management personnel, at standard employee conditions.

² Other related entities include foundations such as Eurocentres and the "Im Grünen" foundations.

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

Personnel expenses of key management personnel

CHF million	2021	2020
Short-term benefits	14	14
Post-employment benefits	2	2
Other long-term benefits	0	0
Termination benefits	0	0
Total personnel expenses of key management personnel	16	16

39. Acquisition and disposal of subsidiaries and business operations

Acquisition of subsidiaries and business operations in 2021

Fair Value¹ CHF million	Note	Segment Cooperative Retailing	Total
Cash and cash equivalents		0	0
Receivables		2	2
Inventories		0	0
Other financial assets		0	0
Fixed assets and investment property		11	11
Intangible assets (w/o goodwill)		1	1
Deferred income tax assets		–	–
Other assets		0	0
Financial liabilities		–4	–4
Trade payables		–0	–0
Provisions		–	–
Deferred income tax liabilities		–1	–1
Other liabilities		–1	–1
Addition net assets		7	7
Minority interests			–
Badwill			–
Goodwill	27		0
Cost of acquisition			8
Of which attributable to capital investment			–
Of which interests held before acquisition date			–
Acquired cash and cash equivalents ²			–0
Future obligations			–
Compensation for already existing financing operations			–
Net outflow of funds			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 the segment **Cooperative Retailing**, the Migros Cooperative Aare acquired Kilcher Transporte AG, which was included in the scope of consolidation of Migros Group on 1 January 2021. Medbase AG acquired Centre Médical de la Côte SA, which was included on 1 January 2021; a merger with this company also took place on the integration date. The acquired companies have contributed sales of CHF 11 million since their inclusion in the scope of consolidation.

As far as the following transactions are concerned, the information relating to financial statements was unavailable at the time of the Migros Group financial statements being released. Consequently, the initial recognition of the business combination was not possible. Full consolidation in Migros Group will only be shown in 2022:

- Acquisition of 65 % of the shares in the US-based company Marq Labs, Inc. by the Mibelle Group on 23 December 2021.

Acquisition of subsidiaries and business operations in 2020

Fair Value ¹	Note	Segment Cooperative Retailing	Segment Migros - Industry	Segment Travel	Total
CHF million					
Cash and cash equivalents		19	0	31	50
Receivables		15	0	14	29
Inventories		7	–	–	7
Other financial assets		2	–	0	2
Fixed assets and investment property		69	–	0	69
Intangible assets (w/o goodwill)		30	26	19	75
Deferred income tax assets		–	–	0	0
Other assets		4	–	26	31
Financial liabilities		–63	–	–1	–65
Trade payables		–9	–	–22	–31
Provisions		–0	–	–1	–1
Deferred income tax liabilities		–13	–4	–5	–22
Other liabilities		–25	–0	–41	–66
Addition net assets		37	22	20	79
Minority interests					8
Badwill					–2
Goodwill	27				175
Cost of acquisition					260
Of which attributable to capital investment					–
Of which interests held before acquisition date					–10
Acquired cash and cash equivalents ²					–50
Future obligations					–
Compensation for already existing financing operations					4
Net outflow of funds					204

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 the segment **Cooperative Retailing**, most acquisitions were made by the Medbase Group. On 1 July 2020, the majority shareholding (60 %) in *zahnarztzentrum.ch* was included in the scope of consolidation of Migros Group. Medbase AG acquired other companies (MBZR Apotheken AG, ZRMB Marketplace AG, both included on 1 January 2020, Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG, included on 1 April 2020 and merged at the same time with Medbase AG, Doktor Zentrum Baden AG, included on 1 July 2020 and merged at the same time with Medbase AG as well as Centre d'Imagerie Médicale de Cornavin SA (CIMC), included on 1 October 2020). The Hirslanden medical centres in Berne and Düringen were integrated into Medbase AG on

1 June 2020, and the centre in Amriswil on 1 October 2020, by way of an asset deal. Medbase Apotheken AG also acquired Pharmacie Parfumerie Reformhaus Bruggmoos GmbH and Zentrum Apotheke Volketswil AG, included on 1 January 2020, as well as Pharmacie-Parfumerie Hilfiker SA, included on 1 July 2020; mergers with these companies also took place on the respective integration date.

The Migros Cooperative Geneva acquired the remaining shares in Société Immobilière du Marché de gros de l'Alimentation (SIMGA), which is now fully consolidated as of 1 January 2020.

The acquired companies have contributed sales of CHF 96 million since their inclusion in the scope of consolidation. If all of the companies had already been acquired as at 1 January 2020, the sales of Migros Group would have been greater by CHF 150 million in total.

In the segment **Migros Industry**, Migros Group acquired Swiss Coffee Innovation AG in 2020, which was included in the scope of consolidation of Migros Group on 1 October 2020. The company is not active operationally and therefore made no contribution to sales.

In the segment **Travel**, the Hotelplan Group acquired Rotstab Reisen AG, as well as the remaining shares in Adventure Travel Experience Inc. Both companies were included in the scope of consolidation of Migros Group at the start of the 2020 financial year. Vtours, the online travel company acquired on 12 November 2019 and which is primarily active in German-speaking countries, was also integrated into Migros Group at the start of the 2020 financial year. The contribution to the sales of Migros Group made by the companies since their acquisition amounted to CHF 149 million.

Disposal of subsidiaries and business operations in 2021

No disposals were made during the reporting year.

Disposal of subsidiaries and business operations in 2020

CHF million	Segment Cooperative Retailing	Segment Commerce	Segment Migros - Industry	Total
Cash and cash equivalents	41	1	7	49
Receivables	28	2	28	58
Inventories	149	2	17	167
Other financial assets	0	–	0	0
Fixed assets	596	1	23	620
Intangible assets	14	–	3	17
Deferred income tax assets	186	–	4	189
Other assets	23	0	11	34
Financial liabilities	–65	–2	–71	–138
Trade payables	–16	–1	–17	–34
Provisions	–10	–0	–0	–10
Deferred income tax liabilities	–	–0	–	–0
Other liabilities	–49	–1	–12	–62
Currency translation differences	–	–	–	–
Disposal of net assets	896	0	–7	889
Retained part of net assets of associated companies / minority interests				–
Retained share of net assets from subsidiaries and associated companies				1'260
Sales price				2'148
Of which claim waiver seller				–
Of which claim waiver buyer				–
Disposed of cash and cash equivalents				–49
Deferred sales price payments				–7
Compensation for already existing financing operations				1
Net inflow of funds / (Outflow of funds)				2'093

In the segment **Cooperative Retailing**, a majority of the Chickeria branches were sold on 31 March 2020 in an asset deal. Furthermore, 100 % of the share capital of Magazine zum Globus AG was sold on 31 May 2020 to a joint venture of SIGNA and Central Group. In addition to the operating business, the transaction included eight properties in attractive commercial locations in Swiss cities. Since the transfer of assets from Liegenschaften-Betrieb AG (previously reported in the segment Others) to the Federation of Migros Cooperatives (FMC) on 1 January 2020, these properties had been managed in the segment Cooperative Retailing. Since these properties account for the greater part of the sales transaction, the profit received from the disposal of Magazine zum Globus AG is reported in the segment Cooperative Retailing. The Glatt shopping centre, including the majority of its operational employees and its leases, were transferred to new ownership on 1 October 2020. As these properties had also been managed in the Cooperative Retailing segment since the transfer of assets to FMC, they are also reported in this segment. The contribution made by these companies to sales amounted to CHF 215 million at the time of disposal.

In the segment **Commerce**, Swisstherm AG was sold by Migros Group on 31 December 2020. Until the time of its disposal, the contribution made by Swisstherm AG to the sales of Migros Group was CHF 11 million.

In the segment **Migros Industrie**, both Oberschwäbische Geflügel GmbH and Labeye SA were sold on 30 June 2020. Saviva AG, which operates throughout Switzerland in the catering delivery wholesale business, was also sold on 31 December 2020. The contribution made by these companies to sales amounted to CHF 236 million at the time of disposal.

The disposal of the subsidiaries and business operations resulted in a total profit of CHF 1.260 billion. Taking into account the effects of disposals on parent companies, the profit stands at CHF 1.202 billion (see Notes 8 and 12).

40. Foreign exchange rates

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

	Year-end rates		Average rates for the year	
	31.12.2021	31.12.2020	2021	2020
1 EUR	1.04	1.08	1.08	1.07
1 GBP	1.23	1.21	1.26	1.21
1 USD	0.91	0.88	0.91	0.93

41. Covid-19 – Impact on the current financial year

The rapid spread of the Covid-19 virus since March 2020 caused a considerable number of infections. The measures taken by different governments to contain the virus continued to suppress economic activity in 2021. Since the start of the pandemic, we have introduced a raft of measures to mitigate the impact of Covid-19 on our business activity, including codes of good practice governing the health and safety of our employees (e.g. physical distancing in the workplace and working from home where possible) and securing the supply of raw materials that are vital to our production processes.

We have recognised the effects of the Covid-19 pandemic accordingly when valuing the balance sheet items. We will continue to follow government regulations and at the same time do everything we can to carry on operating in the best possible fashion without putting the health of our employees and other stakeholders at risk.

Short-time work was introduced for some employees in the segments Cooperative Retailing (catering, fitness and specialist markets), Travel (Hotelplan Group) and Migros Industrie. Personnel expenses include compensation payments for short-time work totalling CHF 71 million (2020: CHF 71 million). Employees in the segments Cooperative Retailing and Migros Industrie continued to be paid their wages in full. No employer contribution reserves were used to pay employee contributions to the staff pension funds. Rent concessions entered into as a tenant or lessor roughly balance each other out and are insignificant in terms of their amounts.

Migros Group did not claim any Covid-19 loans in the 2020 and 2021 financial years.

42. Events after the balance sheet date

With the exception of the event described in the next paragraph and the ongoing Covid-19 situation, no significant events took place after the balance sheet date and up to the release of the publication of the annual accounts by the Board of the Federation of Migros Cooperatives.

In a press release on 3 February 2022, the Migros Cooperative Zurich announced the sale of its subsidiary ACISO Fitness & Health GmbH, which is based in and operates in Germany, with retroactive effect from 1 January 2022. The effects of this decision in accounting terms are taken into account in the financial statements for 2021.

43. Scope of consolidation

Segment / Company	Domicile	Accounting method ¹	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % ²
Cooperative Retailing						
Migros Cooperative Aare	Moosseedorf	F	Switzerland	CHF	5'380.6	P
Capricorn Holding AG	Rüdtligen-Alchenflüh	E	Switzerland	CHF	1'000.0	40.0
Casa Interio AG	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
cha chà Ltd	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
Culinart Gastro AG	Moosseedorf	F	Switzerland	CHF	4'000.0	100.0
FlowerPower Fitness und Wellness LTD	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Golf Limpachtal Betriebs- und Verwaltungs-AG	Buchegg	F	Switzerland	CHF	1'000.0	100.0
Kilcher Transporte AG	Utzenstorf	F	Switzerland	CHF	150.0	100.0
LFS Ltd.	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Public Golf Bucheggberg AG	Buchegg	F	Switzerland	CHF	4'004.0	54.4
MA Ventures Ltd.	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
Naturparkkäserei Diemtigtal AG	Diemtigen	E	Switzerland	CHF	400.0	23.0
Shopping-Center Brünnen AG	Berne	F	Switzerland	CHF	918.0	100.0
Shopyland, Shopy AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Time-Out AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
VOI LTD	Moosseedorf	F	Switzerland	CHF	1'000.0	100.0
Genossenschaft Migros Basel	Basel	F	Switzerland	CHF	1'693.9	P
Migros Deutschland GmbH	DE-Lörrach	F	Other countries	EUR	100.0	100.0
Semiba AG in Liquidation	Münchenstein	F	Switzerland	CHF	100.0	100.0
Mifu GmbH in Liquidation	Basel	F	Switzerland	CHF	120.0	100.0
Société coopérative Migros Genève	Carouge	F	Switzerland	CHF	1'379.0	P
Bagros SA	FR-Strasbourg	E	Other countries	EUR	13'051.4	46.0
Bamica SA	Carouge	F	Switzerland	CHF	300.0	100.0
b-Sharpe SA	Geneva	E	Switzerland	CHF	100.0	30.0
Centre Balexert SA	Vernier	F	Switzerland	CHF	500.0	100.0
GRANDS PRES DEVELOPPEMENT (GPD) SA ³	Collonge-Bellerive	E	Switzerland	CHF	100.0	50.0
Smood Ltd	Plan-les-Ouates	E	Switzerland	CHF	122.2	46.0
Société Immobilière du Marché de gros de l'Alimentation	Carouge	F	Switzerland	CHF	2'625.0	100.0
SAMEF, Société anonyme Migros en France	Carouge	F	Switzerland	CHF	8'985.0	100.0
Migros France SAS	FR-Gaillard	F	Other countries	EUR	3'500.0	100.0
M-Loisirs	FR-Neydens	F	Other countries	EUR	750.0	100.0
NEYDDEVELOPPEMENT SASU	FR-Neydens	F	Other countries	EUR	1.0	100.0
SCI des Voirons	FR-Cranves-Sales	F	Other countries	EUR	990.9	100.0
S.R.M. (Société des restaurants Migros S.à.r.l.)	FR-Etrembières	F	Other countries	EUR	600.0	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
Migros Cooperative Lucerne	Dierikon	F	Switzerland	CHF	2'048.7	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	1'270.0	P
Agy Est SA	Granges-Paccot	F	Switzerland	CHF	100.0	100.0
AVRY CENTRE SA	Avry	F	Switzerland	CHF	2'000.0	100.0
Marin Centre SA	La Tène	F	Switzerland	CHF	17'300.0	100.0
Strega SA	La Tène	F	Switzerland	CHF	100.0	100.0
Au Léopold SA	La Tène	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	4'249.7	P
Parking Wattwil AG	Wattwil	F	Switzerland	CHF	3'550.0	65.5
Randenbourg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400.0	99.9

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	1'041.6	P
ACTIV FITNESS TICINO SA	Sant'Antonino	F	Switzerland	CHF	100.0	100.0
Mitico Ticino SA	Sant'Antonino	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	835.2	P
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1'605.5	P
Kornhof Sàrl	Ecublens	F	Switzerland	CHF	2'000.0	100.0
Migros Logistique Lémanique SA	Ecublens	F	Switzerland	CHF	1'200.0	100.0
Parking des Remparts SA	La Tour-de-Peilz	E	Switzerland	CHF	3'600.0	33.3
Parking Pully Centre SA	Pully	E	Switzerland	CHF	4'409.0	28.0
Migros Cooperative Zurich	Zurich	F	Switzerland	CHF	3'359.0	P
movemi Ltd.	Zurich	F	Switzerland	CHF	650.0	100.0
Ospena Group Ltd	Zurich	F	Switzerland	CHF	2'500.0	100.0
GMZ Deutschland Holding GmbH	DE-Munich	F	Other countries	EUR	20'000.0	100.0
ACISO Fitness & Health GmbH	DE-Munich	F	Other countries	EUR	1'000.0	100.0
tegut... gute Lebensmittel GmbH & Co. KG	DE-Fulda	F	Other countries	EUR	1'000.0	100.0
tegut... Holding GmbH	DE-Munich	F	Other countries	EUR	20'000.0	100.0
tegut... Immobilien GmbH	DE-Fulda	F	Other countries	EUR	1'636.2	100.0
tegut... Logistik GmbH & Co. KG	DE-Fulda	F	Other countries	EUR	1'005.5	100.0
tegut... Logistikkimmobilien GmbH	DE-Fulda	F	Other countries	EUR	25.0	100.0
tegut... Vertriebs GmbH & Co. KG	DE-Fulda	F	Other countries	EUR	100.0	100.0
tegut... Verwaltungs GmbH	DE-Munich	F	Other countries	EUR	100.0	100.0
Herzberger Bäckerei GmbH	DE-Fulda	F	Other countries	EUR	153.4	100.0
Miduca Ltd.	Zurich	F	Switzerland	CHF	10'000.0	100.0
Migros Fachmarkt AG	Zurich	F	Switzerland	CHF	10'000.0	100.0
Migros Vita AG	Gossau SG	F	Switzerland	CHF	33'600.0	100.0
Medbase AG	Winterthur	F	Switzerland	CHF	2'670.1	100.0
Bluespace Ventures AG	Winterthur	E	Switzerland	CHF	1'875.0	48.0
Centre d'Imagerie Médicale de Cornavin SA	Geneva	F	Switzerland	CHF	100.0	100.0
fit im job AG	Winterthur	F	Switzerland	CHF	100.0	100.0
Gesundheits- und Impfzentrum WIN AG	Winterthur	E	Switzerland	CHF	100.0	50.0
Groupe Médical Synergie SA	Lausanne	F	Switzerland	CHF	102.0	60.8
IMRAD Ltd.	Lausanne	E	Switzerland	CHF	100.0	25.0
MBZR Apotheken Ltd.	Frauenfeld	F	Switzerland	CHF	100.0	50.1
Medbase Berner Oberland AG	Winterthur	F	Switzerland	CHF	800.0	60.0
Medbase Zentralschweiz AG	Winterthur	F	Switzerland	CHF	1'800.0	60.0
Medbase Apotheken AG	Winterthur	F	Switzerland	CHF	268.5	100.0
Müller Reformhaus Vital Shop AG	Volketswil	E	Switzerland	CHF	833.0	40.0
Operationszentrum Burgdorf AG	Burgdorf	F	Switzerland	CHF	970.0	100.0
Radiologie Luzern AG	Luzern	F	Switzerland	CHF	240.0	100.0
Radiologie Win Ltd.	Winterthur	F	Switzerland	CHF	100.0	100.0
Unilabs St. Gallen Ltd.	St. Gallen	E	Switzerland	CHF	100.0	51.0
ZRMB Marketplace Ltd.	Frauenfeld	F	Switzerland	CHF	100.0	50.1
zahnarztzentrum.ch Holding AG	Zurich	F	Switzerland	CHF	384.0	60.0
zahnarztzentrum.ch Beteiligungs AG	Zurich	F	Switzerland	CHF	342.9	60.0
zahnarztzentrum.ch AG	St. Gallen	F	Switzerland	CHF	800.0	60.0
Federation of Migros Cooperatives Owned by the regional Migros Cooperatives	Zurich	F	Switzerland	CHF	15'000.0	100.0
Atlante S.r.l.	IT-Casalecchio di Reno	E	Other countries	EUR	1'000.0	20.0
MIACAR Ltd. in liquidation	Zurich	F	Switzerland	CHF	3'500.0	100.0
Migros Beteiligungen AG	Rüschlikon	F	Switzerland	CHF	1'000.0	100.0
Löwenbräu-Kunst AG	Zurich	E	Switzerland	CHF	27'000.0	33.3

Segment / Company	Domicile	Accounting method ¹	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % ²
Migros (Hong Kong) Ltd.	HK-Kowloon	F	Other countries	HKD	100.0	100.0
Migros Consulting Services (Shenzhen) Co. Ltd.	CN-Shenzhen	F	Other countries	CNY	626.0	100.0
Migros Digital Solutions Ltd	Zurich	F	Switzerland	CHF	100.0	100.0
Migros India Private Limited	IN-Gurugram	F	Other countries	INR	20'000.0	100.0
Migros Online Ltd.	Ecublens	F	Switzerland	CHF	4'500.0	100.0
Migros Verteilbetrieb AG	Neuendorf	F	Switzerland	CHF	39'500.0	100.0
MiSENSO Ltd.	Zurich	F	Switzerland	CHF	1'000.0	100.0
Bike World Ltd	Zurich	F	Switzerland	CHF	60.0	100.0
Snäx Ltd.	Zurich	F	Switzerland	CHF	3'000.0	100.0
Sportxx AG	Zurich	F	Switzerland	CHF	100.0	100.0

Commerce

Denner Ltd	Zurich	F	Switzerland	CHF	15'000.0	100.0
EG Dritte Kraft AG	Zug	F	Switzerland	CHF	600.0	100.0
Ex Libris AG	Dietikon	F	Switzerland	CHF	3'000.0	100.0
digitec Ltd.	Zurich	F	Switzerland	CHF	100.0	70.0
Digitec Galaxus Ltd.	Zurich	F	Switzerland	CHF	240.0	70.0
Galaxus Deutschland GmbH	DE-Hamburg	F	Other countries	EUR	25.0	70.0
Digitec Galaxus d.o.o. Beograd-Stari Grad	SRB-Belgrad-Stari Grad	F	Other countries	RSD	0.1	70.0
Migrol AG	Zurich	F	Switzerland	CHF	52'000.0	100.0
migrolino Ltd	Suhr	F	Switzerland	CHF	6'000.0	100.0
cevastore GmbH	Suhr	F	Switzerland	CHF	50.0	100.0
primetrust Ltd	Suhr	F	Switzerland	CHF	500.0	100.0

Migros-Industry

Aproz Sources Minérales SA	Nendaz	F	Switzerland	CHF	850.0	97.5
Bischofszell Food Ltd	Bischofszell	F	Switzerland	CHF	6'000.0	100.0
gastina GmbH	AT-Frastanz	F	Other countries	EUR	2'236.3	100.0
Sushi Mania SA	Vuadens	F	Switzerland	CHF	300.0	76.0
Delica Ltd.	Buchs AG	F	Switzerland	CHF	4'000.0	100.0
Delica Foods Canada LTD	CA-Vancouver	F	Other countries	CAD	8'748.9	100.0
Oak Leaf Confections Co	CA-Halifax	F	Other countries	CAD	356.1	100.0
Delica Foods North America LTD	US-Delaware	F	Other countries	USD	10'988.8	100.0
Delica USA Real Estate LLC	US-Buffalo	F	Other countries	USD	–	100.0
SweetWorks Confections LLC	US-Delaware	F	Other countries	USD	–	100.0
Swiss Industries GmbH	Birsfelden	F	Switzerland	CHF	20.0	100.0
Café Royal Pro SAS	FR-Paris	E	Other countries	EUR	2'000.0	47.3
Swiss Coffee Innovation AG	Oltén	F	Switzerland	CHF	120.0	100.0
ecoserre Ltd in liquidation	Nendaz	F	Switzerland	CHF	1'000.0	100.0
Estavayer Lait SA	Estavayer-le-Lac	F	Switzerland	CHF	3'500.0	100.0
Financière du Solimont SAS	FR-Hochfelden	F	Other countries	EUR	600.8	100.0
Idhèa SAS	FR-Hochfelden	F	Other countries	EUR	6'500.0	100.0
Schwyzzer Milchhuus AG	Ingenbohl	F	Switzerland	CHF	4'500.0	100.0
Schwyzzer Milchhuus Deutschland GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
SoGood Holding B.V.	NL-Limburg	F	Other countries	EUR	329.5	94.8
SoFine Foods B.V.	NL-Limburg	F	Other countries	EUR	18.0	94.8
Sperwer Vastgoed B.V.	NL-Limburg	F	Other countries	EUR	10.0	94.8
Jowa AG incl. production plants	Volketswil	F	Switzerland	CHF	10'000.0	100.0
Hug Bäckerei AG	Lucerne	F	Switzerland	CHF	1'000.0	70.0
Mibelle AG	Buchs AG	F	Switzerland	CHF	2'000.0	100.0

Segment / Company	Domicile	Accounting method ¹	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % ²
Gowoonsesang Cosmetics Co., Ltd.	KR-Seoul	F	Other countries	KRW	2'552'299.5	75.0
Gowoonsesang Shanghai Co., Ltd.	CN-Shanghai	F	Other countries	CNY	13'462.6	75.0
Illusie Trading Ltd. in liquidation	Buchs AG	E	Switzerland	CHF	800.0	50.0
Mibelle Ltd.	UK-Bradford	F	Other countries	GBP	1'000.1	100.0
QBC Group Holdings Ltd.	GB-Wokingham	F	Other countries	GBP	0.2	100.0
QBC Holdings Ltd.	GB-Wokingham	F	Other countries	GBP	1.0	100.0
The Quantum Beauty Company Ltd.	GB-Wokingham	F	Other countries	GBP	0.3	100.0
Absolute Beauty Solutions Ltd.	GB-Wokingham	F	Other countries	GBP	0.2	100.0
Ondal France S.à.r.l	FR-Sarreguemines	F	Other countries	EUR	1'000.0	100.0
Micarna SA incl. Micarna AG, Bazenheim branch	Courtepin	F	Switzerland	CHF	10'000.0	100.0
Centravo Holding AG	Zurich	E	Switzerland	CHF	2'040.0	29.2
Favorit Geflügel AG	Lyss	F	Switzerland	CHF	500.0	100.0
KM Seafood GmbH	DE-Schirgiswald-Kirschau	F	Other countries	EUR	25.0	100.0
Mérat & Cie. AG	Berne	F	Switzerland	CHF	50.0	100.0
Tipesca SA	Monteceneri	F	Switzerland	CHF	100.0	100.0
Rudolf Schär AG	Thal	F	Switzerland	CHF	960.0	100.0
Schlachtbetrieb St. Gallen AG	Gossau SG	E	Switzerland	CHF	1'080.0	46.2
TMF Extraktionswerk AG	Kirchberg SG	E	Switzerland	CHF	1'200.0	15.0
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	100.0
Delica Benelux B.V.	NL-Rotterdam	F	Other countries	EUR	100.0	100.0
Delica Deutschland GmbH	DE-Bensheim	F	Other countries	EUR	225.0	100.0
Delica France SA	FR-Chalamont	F	Other countries	EUR	1'105.0	100.0
Delica Spain S.L.	ES-Barcelona	F	Other countries	EUR	100.0	100.0
Delica North America Inc.	US-Delaware	F	Other countries	USD	700.0	100.0
M-Industrie Ltd	Zurich	F	Switzerland	CHF	10'000.0	100.0
M-Industry China LLC	CN-Shanghai	F	Other countries	CNY	895.6	100.0
M-Industry International Ltd.	UK-Bradford	F	Other countries	GBP	100.0	100.0
M-INDUSTRY Japan K.K.	JP-Tokyo	F	Other countries	YEN	74'000.0	100.0
L+S Holding AG	Appenzell	F	Switzerland	CHF	800.0	100.0
Lüchinger + Schmid AG, Eier & Eiprodukte	Kloten	F	Switzerland	CHF	5'600.0	100.0
Farmco AG	Köniz	F	Switzerland	CHF	1'036.0	70.1
SCG Swiss Consumer Goods GmbH	DE-Bensheim	F	Other countries	EUR	25.0	100.0

Financial Services

Migros Bank AG	Zurich	F	Switzerland	CHF	700'000.0	100.0
CSL Immobilien AG	Zurich	F	Switzerland	CHF	158.7	80.0
CSL Invest Ltd	Zurich	F	Switzerland	CHF	200.0	70.0
Swisslease AG	Wallisellen	F	Switzerland	CHF	100.0	100.0
GOWAGO Ltd.	Zurich	E	Switzerland	CHF	354.6	22.3

Travel

Hotelplan Management Ltd	Opfikon	F	Switzerland	CHF	10'000.0	100.0
incl. subsidiaries:						
Adventure Travel Experience Inc.	US-New Castle	F	Other countries	USD	0.0	100.0
BF International Services kft.	HU-Budapest	F	Other countries	HUF	3'000.0	100.0
BF International Travel Ltd	Opfikon	F	Switzerland	CHF	100.0	100.0
bta first travel ag	Steinhausen	F	Switzerland	CHF	100.0	100.0

Segment / Company	Domicile	Accounting method ¹	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % ²
Finass Travel Ltd	Wetzikon (ZH)	F	Switzerland	CHF	200.0	100.0
Explore Aviation Ltd.	GB-Farnborough	F	Other countries	GBP	2.0	100.0
Explore Worldwide Ltd.	GB-Farnborough	F	Other countries	GBP	100.0	100.0
Explore Worldwide Adventures Ltd.	CA-Vancouver	F	Other countries	CAD	0.0	100.0
HHD Ltd	Opfikon	F	Switzerland	CHF	4'500.0	100.0
HHD B.V.	NL-Rijswijk	F	Other countries	EUR	70.0	100.0
HHD d.o.o.	HR-Jurdani (Rijeka)	F	Other countries	HRK	20.0	100.0
HHD GesmbH	AT-Innsbruck	F	Other countries	EUR	80.0	100.0
HHD GmbH	DE-Freiburg i.B.	F	Other countries	EUR	25.6	100.0
HHD Ltd.	GB-London	F	Other countries	GBP	50.0	100.0
HHD NV	BE-Diegem	F	Other countries	EUR	126.0	100.0
HHD Rentals S.L.	ES-Barcelona	F	Other countries	EUR	70.0	100.0
HHD Sarl	FR-Paris	F	Other countries	EUR	130.8	100.0
HHD Service AB	SE-Stockholm	F	Other countries	SEK	100.0	100.0
HHD Service GmbH	DE-Norden-Norddeich	F	Other countries	EUR	25.0	100.0
HHD Sp. z.o.o.	PL-Warsaw	F	Other countries	PLN	200.5	100.0
HHD S.r.l.	IT-Milan	F	Other countries	EUR	30.0	100.0
HHD s.r.o.	CZ-Prague	F	Other countries	CZK	4'000.0	100.0
IHOM Sp z oo	PL-Warsaw	F	Other countries	PLN	1'000.5	96.8
Intravel Ltd.	GB-York	F	Other countries	GBP	224.6	100.0
Inter Chalet Ferienhaus AG	Opfikon	F	Switzerland	CHF	100.0	100.0
Inter Chalet j.d.o.o.	HR-Rijeka	F	Other countries	HRK	0.0	100.0
Interhome GmbH	DE-Düren	F	Other countries	EUR	31.0	100.0
Interhome Oy	FI-Espoo	NC	Other countries	EUR	16.8	20.0
Itinerary Ltd.	GB-York	F	Other countries	GBP	40.0	100.0
LLC HHD	RU-Moscow	F	Other countries	RUB	10.0	80.0
Horizonte Club España sl	ES-Barcelona	F	Other countries	EUR	274.0	100.0
Horizontes Club Holidays Ltd.	GR-Athens	F	Other countries	EUR	17.6	100.0
Hotelplan CC Services GmbH in Liquidation	DE-Inzlingen	F	Other countries	EUR	307.6	100.0
Hotelplan (Transport) Ltd.	GB-Farnborough	F	Other countries	GBP	2.0	100.0
Hotelplan (UK Group) Ltd.	GB-Farnborough	F	Other countries	GBP	1'100.0	100.0
Hotelplan Intern. Reiseorganisation GmbH	AT-Innsbruck	F	Other countries	EUR	36.3	100.0
Hotelplan Ltd.	GB-Farnborough	F	Other countries	GBP	1'000.0	100.0
Hotelplan Travel s.r.l.	IT-Torino	F	Other countries	EUR	10.0	100.0
Mount Lavinia Hotels & Resorts Ltd. ³	MV-Male	E	Other countries	MVR	87'380.0	50.0
MTCH Ltd	Opfikon	F	Switzerland	CHF	2'400.0	100.0
Náttúra-Yurtel ehf.	ISL-Garöabaer	F	Other countries	ISK	500.0	100.0
TW Ltd	Spiez	F	Switzerland	CHF	100.0	100.0
Vtours GmbH	DE-Aschaffenburg	F	Other countries	EUR	40.0	100.0
Vtours International AG	Opfikon	F	Switzerland	CHF	100.0	100.0
Vtours International GmbH in Liquidation	DE-Büdingen	F	Other countries	EUR	25.0	100.0
Others						
Ferrovia Monte Generoso SA	Mendrisio	NC	Switzerland	CHF	3'500.0	100.0
Mitreva Ltd	Zurich	NC	Switzerland	CHF	200.0	100.0

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 on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Migros Group (the Group) as at 31 December 2021, which comprise the income statement of the Migros Group for the year ending on 31 December 2021, the balance sheet of the Migros Group as at 31 December 2021, the statement of changes in equity and the cash flow statement of the Migros Group for the year then ended and notes to the annual financial statements of the Migros Group, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 30 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for the opinion

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

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

Our audit approach

Overview



Materiality: CHF 130 million

We concluded full scope audit work at 13 Group companies in Switzerland. These Group companies contributed 64.8% of the Group's revenues.

As key audit matter, the following area of focus has been identified:

Impairment of mortgage and other customer receivables of Migros Bank AG

Materiality

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

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

Overall Group materiality	CHF 130 million
How we determined it	Total income
Rationale for the materiality benchmark applied	We chose the proceeds of the Migros Group as the benchmark because the Migros Group is not primarily capital-market oriented. The owners of Migros (i.e. the cooperative members) do not provide risk capital and Migros has no obligation to pay a dividend to members. Furthermore, it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors. The Group auditor performed the audit of the consolidation, the presentation of the consolidated financial statements and the audit of goodwill. As the Group auditor, we were adequately involved in the work of the component auditors in order to assess whether sufficient appropriate audit evidence was obtained on the financial information of the components to provide a basis for our opinion. Our involvement comprised communicating the risks identified at Group level, specifying the materiality thresholds to be applied, examining the reporting, conducting conference calls with the component auditors during the interim audit and the year-end audit.

Report on key audit matters

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

Impairment of mortgage and other customer receivables of Migros Bank AG

Key audit matter

The principal business of Migros Bank AG is the provision of private and corporate loans. Mortgage and other customer receivables are disclosed on the balance sheet in the amount of CHF 45.0 billion.

Migros Bank primarily issues mortgage-based loans for residential and business properties as well as unsecured loans as financing for commercial purposes. Further, the Bank provides personal loans to private individuals.

Besides its significance on the balance sheet (58 %), we consider the recoverability of this item to be a key audit matter for the following reasons: changes in market conditions, especially in the property market, and the economic situation can affect the value of the loan portfolio or of individual loans. Further, numerous factors can put at risk the repayment of individual loans.

Please refer to pages 57 to 59 (Credit risks) and pages 76 and 77 (Notes to the financial statements).

How our audit addressed the key audit matter

Our audit approach consisted principally of testing the effectiveness of the processes and controls implemented by the Bank. We tested compliance with the rules and processes as well as the effectiveness of these controls by using risk-based samples. We also performed substantive audit procedures.

We performed the following examinations:

- Tested selected key controls of the Bank relating to the approval, processing and monitoring of loans.
- On a sample basis, tested credit items (including a valuation check of the collateral) for indications of impairment ("impairment triggers") and tested already impaired loans.
- On a sample basis, checked the assessment of the recoverability of loans (credit review).

Overall, based on our audit procedures, we consider the principles and the assumptions applied by Management to test for the impairment of mortgage and other customer loans to be acceptable.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with art. 906 CO in conjunction with art. 728a para. 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

Sandra Boehm Uglow

Audit expert
Auditor in charge

Aysegül Eyiz Zala

Audit expert

Zurich, 17 March 2022



Migros-Genossenschafts-Bund
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