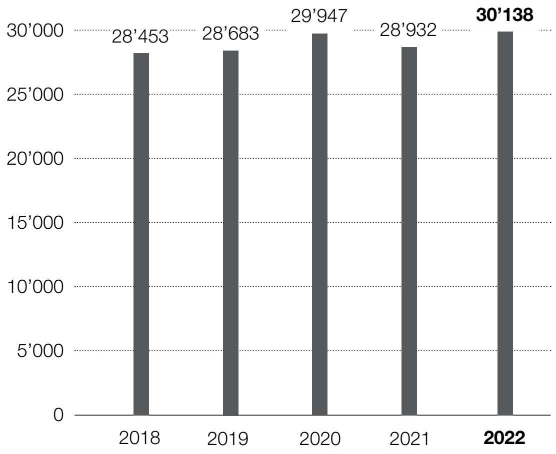
Financial reporting 2022

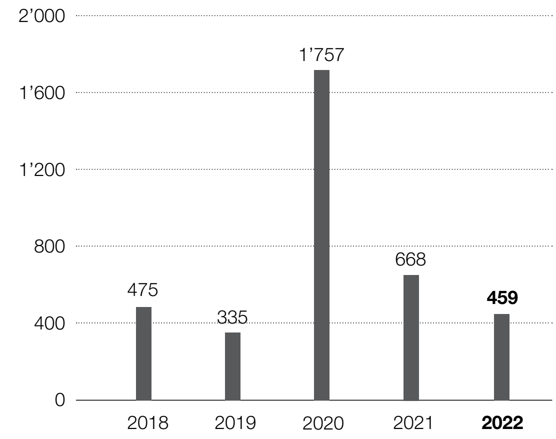
Migros Group

Development of Group results

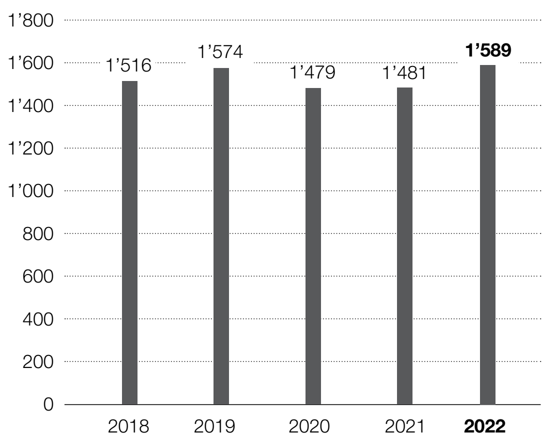
Income
[in million CHF]



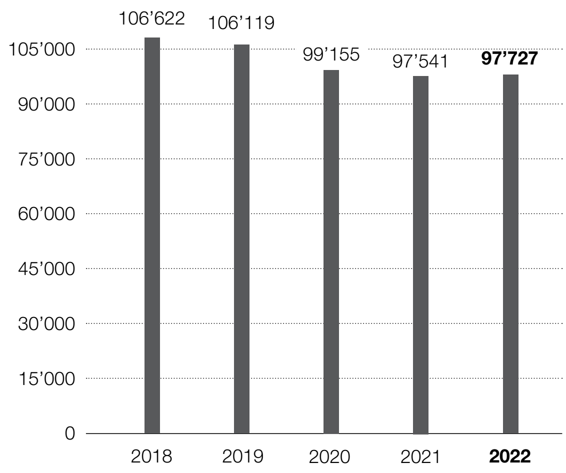
Profit
[in million CHF]



Investments
[in million CHF]



Workforce
[Number of persons]



Key figures and ratios

CHF million, except where indicated		2018	2019	2020	2021	2022	Change from previous year in %
Income		**28’453**	**28’683**	**29’947**	**28’932**	**30’138**	**+4.2**
↳ of which income before income from financial services business		27’677	27’914	29’189	28’173	29’313	+4.0
↳ of which Migros retail sales		23’729	23’757	24’379	24’744	24’678	−0.3
↳ of which income of the Cooperatives[1]		16’255	16’062	16’559	16’364	15’986	−2.3
Total Migros distribution sites	number	727	737	726	735	748	+1.8
Total Migros sales area	m²	1’476’827	1’478’738	1’415’437	1’437’315	1’448’891	+0.8
EBITDA (earnings before interest, taxes, depreciation and amortisation)		**2’118**	**1’732**	**3’349**	**2’094**	**1’883**	**−10.1**
as % of income	%	7.4	6.0	11.2	7.2	6.2	
↳ of which EBITDA of the Retail and Industry sector		1’796	1’390	3’096	1’841	1’569	−14.8
EBIT (earnings before interest and taxes)		**651**	**201**	**1’866**	**800**	**628**	**−21.5**
as % of income	%	2.3	0.7	6.2	2.8	2.1	
Profit[1]		**475**	**335**	**1’757**	**668**	**459**	**−31.4**
as % of income	%	1.7	1.2	5.9	2.3	1.5	
Cash flow from operating activity		**1’361**	**1’820**	**2’934**	**3’353**	**−70**	**−102.1**
as % of income	%	4.8	6.3	9.8	11.6	−0.2	
↳ of which cash flow of the Retail and Industry sector		1’641	1’382	1’598	1’322	1’505	+13.9
Investments		**1’516**	**1’574**	**1’479**	**1’481**	**1’589**	**+7.3**
Equity		**18’417**	**18’781**	**20’489**	**21’142**	**21’522**	**+1.8**
as % of balance sheet total	%	27.7	27.5	28.2	27.1	26.7	
↳ of which equity of the Retail and Industry sector		15’282	15’438	17’004	17’545	17’686	+0.8
as % of balance sheet total	%	67.1	69.1	71.7	71.9	72.5	
Balance sheet total		**66’601**	**68’402**	**72’781**	**77’982**	**80’746**	**+3.5**
↳ of which balance sheet total of the Retail and Industry sector		22’789	22’331	23’727	24’416	24’393	−0.1
Expenditure for cultural, social and economic policy purposes		**120**	**118**	**142**	**142**	**139**	**−2.0**
Workforce / Migros Cooperatives							
Workforce (number of persons – annual average)	number	106’622	106’119	99’155	97’541	97’727	+0.2
Migros Cooperatives (number of members)	number	2’215’194	2’236’811	2’268’184	2’281’761	2’307’939	+1.1

[1] Cooperatives including domestic and foreign subsidiaries

Report on the financial situation of Migros Group

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

	Migros Group	
CHF million	**2022**	2021
Earnings before interest and taxes	628	800
Profit	459	668
Cash flow (from operating activity)	–70	3’353
↳ of which cash flow of the Retail and Industry sector[1]	1’505	1’322
Investments	1’589	1’481
Equity	21’522	21’142
↳ of which equity of the retail and industry sector[1]	17’686	17’545
Balance sheet total	80’746	77’982
↳ of which balance sheet total of the retail and industry sector[1]	24’393	24’416

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

A.2. Income statement

	Migros Group		Retail and Industry sector[1]		Financial Services sector[1]	
CHF million	**2022**	2021	**2022**	2021	**2022**	2021
Net revenue from goods and services sold	28’787	27’717	28’784	27’713	15	14
Other operating income	525	456	534	465	9	2
Income before financial services business	**29’313**	**28’173**	**29’318**	**28’178**	**24**	**15**
Income from financial services business	825	759	–	–	825	762
Total income	**30’138**	**28’932**	**29’318**	**28’178**	**849**	**778**
Cost of goods and services sold	18’123	17’163	18’128	17’165	0	1
Expenses of financial services business	135	167	–	–	135	167
Personnel expenses	6’094	5’906	5’858	5’691	236	215
Depreciation	1’256	1’294	1’230	1’271	26	23
Other operating expenses	3’903	3’602	3’763	3’482	164	138
Earnings before interest and taxes	**628**	**800**	**339**	**571**	**288**	**233**

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

A.3. Balance sheet

CHF million	Migros Group 2022	Migros Group 2021	Retail and Industry sector[1] 2022	Retail and Industry sector[1] 2021	Financial Services sector[1] 2022	Financial Services sector[1] 2021
ASSETS						
Cash and cash equivalents	10’925	12’704	3’635	4’146	7’401	8’759
Receivables due from banks	37	12	13	13	25	–
Mortgages and other customer receivables	48’782	45’032	–	–	48’839	45’074
Other receivables	1’294	1’351	1’298	1’355	6	5
Inventories	2’613	2’425	2’613	2’425	–	–
Other financial assets	1’546	1’339	821	817	726	523
Investments in associated companies and joint ventures	107	98	843	835	2	1
Investment property	334	341	311	318	24	24
Fixed assets	12’126	11’988	12’008	11’873	117	116
Intangible assets	992	795	955	778	37	18
Other assets	1’990	1’896	1’896	1’859	94	37
BALANCE SHEET TOTAL	**80’746**	**77’982**	**24’393**	**24’416**	**57’271**	**54’556**
LIABILITIES AND EQUITY						
Payables due to banks	943	1’255	171	124	830	1’173
Customer deposits and liabilities	44’230	41’893	–	–	44’341	42’094
Other financial liabilities	1’664	2’077	1’659	2’061	5	16
Other liabilities	3’168	2’793	3’012	2’728	167	74
Provisions	218	266	195	192	23	74
Issued debt instruments	6’997	6’445	–	–	6’997	6’445
Liabilities from employee benefits	728	755	704	731	25	24
Current income tax payables	130	153	94	112	35	42
Deferred income tax liabilities	1’147	1’202	873	924	274	278
Total liabilities	**59’225**	**56’840**	**6’707**	**6’871**	**52’697**	**50’221**
Total equity including minority interests	**21’522**	**21’142**	**17’686**	**17’545**	**4’573**	**4’335**
BALANCE SHEET TOTAL	**80’746**	**77’982**	**24’393**	**24’416**	**57’271**	**54’556**

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

A.4. Cash flow statement

CHF million	Migros Group 2022	Migros Group 2021	Retail and Industry sector[1] 2022	Retail and Industry sector[1] 2021	Financial Services sector[1] 2022	Financial Services sector[1] 2021
Cash flow from operating activity	–70	3’353	1’505	1’322	–1’680	1’459
Cash flow from investing activity	–1’684	–1’385	–1’450	–1’402	–234	17
Cash flow from financing activity	–15	–36	–555	155	556	–225
Changes in cash and cash equivalents	**–1’768**	**1’933**	**–500**	**74**	**–1’358**	**1’252**
Cash and cash equivalents, at beginning of year	12’704	10’774	4’146	4’074	8’759	7’507
Influence of foreign currency translation	–11	–3	–11	–3	–	–
Cash and cash equivalents, at end of year	**10’925**	**12’704**	**3’635**	**4’146**	**7’401**	**8’759**

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

B. Introduction

Apart from companies in the sectors Retail, Industry and Wholesaling, Migros Group also owns Migros Bank. The financial services business of Migros Bank differs fundamentally from other segments of Migros Group. For this reason, in the annual financial statements 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-Industry, Travel, Others
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 **2022 financial year** included the following:

Acquisitions
Marq Labs, Inc., which was acquired on 23 December 2021, was included in Migros Group on 1 January 2022. On 3 July 2022, Estavayer Lait SA (ELSA) acquired Aaremilch AG, which was integrated into Migros Group as a joint venture (equity accounting). ELSA also acquired 100 % of the shares in Simmental Switzerland AG, which has been fully consolidated since 1 July 2022. On 16 December 2022, the Mibelle Group strengthened its brand portfolio with the complete acquisition of the UK company Lee Stafford Ltd.

In the health sector, a majority shareholding was acquired in Best Smile AG on 31 March 2022 to further increase the expertise in dental medicine. Medbase Apotheken AG integrated Apotheke Münch on 1 July 2022. The Medbase Group also acquired the following companies in 2022:

– Radiologische Institute Schweiz AG, included on 1 June 2022
– Permanence Holding AG, included on 1 August 2022
– Mediteam Gampelen AG, included on 1 August 2022

Various legal entities were also merged together in both the Migros-Industry and Travel segments.

As far as the acquisition of further shares in Smood SA are concerned, the information relating to financial statements was unavailable at the time of the Migros Group financial statements being released. Consequently, the recognition of the business combination was not possible. Consolidation in Migros Group can only be shown from 2023.

Disposals
The 2022 financial year saw the sale of ACISO Fitness & Health GmbH with retroactive effect from 1 January 2022. The shareholdings in Golf Limpachtal Betriebs- und Verwaltungs-AG and Public Golf Bucheggberg AG were also sold.

Newly established companies
The Cultured Hub AG was established by ELSA on 23 September 2022 as a joint venture. On 5 December 2022, WePractice AG was established in Zurich. Migros Golf AG was also established in the 2022 financial year by pooling the Migros golf parks to create a national golf competence centre.

Please see Note 39 for further details.

The following companies were acquired or sold during the **2021 financial year**:

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 (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 could 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 was 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.

D. Income statement of Migros Group

CHF million	2022	2021
Net revenue from goods and services sold	28'787	27'717
Other operating income	525	456
Income before financial services business	**29'313**	**28'173**
Income from financial services business	825	759
Total income	**30'138**	**28'932**
Cost of goods and services sold	18'123	17'163
Expenses of financial services business	135	167
Personnel expenses	6'094	5'906
Depreciation	1'256	1'294
Other operating expenses	3'903	3'602
Earnings before interest and taxes	**628**	**800**

Migros Group generated total sales of CHF 30.138 billion in 2022 (+ 4.2 %). The main driver of this increase in sales was the recovery in those units hit particularly hard by the Covid-19 pandemic. Online sales grew by 14.9 % to CHF 3.726 billion. Retail sales remained stable compared with the previous year, at CHF 24.678 billion (– 0.3 %).

Gross profit rose by CHF 177 million in the reporting year, to CHF 11.490 billion (+ 1.6 %). **Other operating income** increased by CHF 69 million to CHF 525 million (+ 15.2 %). The increase in **personnel expenses** by CHF 188 million to CHF 6.094 billion (+ 3.2 %) is due in part to the change in the scope of consolidation. Salary increases up to 1.0 % were also granted. **Depreciation and amortisation** decreased by CHF 39 million to CHF 1.256 billion (– 3.0 %). The increase in other operating expenses by CHF 302 million to CHF 3.903 billion (+ 8.4 %) is due, among other things, to the rise in rental expenditure, higher energy costs and higher spending on advertising.

The operating result (EBIT) of Migros Group was CHF 628 million, CHF 172 million (– 21.5 %) less than the previous year's figure.

D.1. Development of the Retail and Industry sector

CHF million	Cooperative Retailing	Commerce	Migros - Industry	Travel	Others	Eliminations	Total
2022							
Net revenue from goods and services sold	16'774	8'583	5'779	1'435	739	–4'525	28'784
Income	**17'248**	**8'690**	**5'861**	**1'442**	**765**	**–4'688**	**29'318**
Earnings before interest and taxes (EBIT)	**245**	**126**	**9**	**26**	**–66**	**–0**	**339**
2021							
Net revenue from goods and services sold	17'099	8'182	5'748	645	628	–4'588	27'713
Income	**17'531**	**8'277**	**5'809**	**654**	**640**	**–4'733**	**28'178**
Earnings before interest and taxes (EBIT)	**430**	**162**	**133**	**–41**	**–126**	**14**	**571**

In the Retail and Industry sector, income increased by CHF 1.140 billion to CHF 29.318 billion (+ 4.0 %). The earnings before interest and taxes in the Retail and Industry sector decreased by CHF 231 million to CHF 339 million (– 40.6 %).

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 16.774 billion (– 1.9 %) were generated in Cooperative Retailing. Due to the digital strategy, this also includes Migros Online SA with sales of CHF 328 million (– 0.7 %). The ten regional Cooperatives, including subsidiaries, recorded sales of CHF 15.904 billion (– 2.0 %). Sales abroad fell to CHF 1.384 billion (– 6.3 %), primarily due to currency effects. Tegut maintained its sales in local currency at EUR 1.252 billion (+ 0.0 %). The main reason behind the fall in the operating result (EBIT) compared to the previous year was the expected return to normal after the pandemic.

The **strategic business unit Commerce** generated consolidated sales of CHF 8.583 billion in the reporting year (+ 4.9 %). Following the strong growth already generated in the previous year, several retailers recorded a further sharp increase in sales in 2022. The sales of the online retailer Digitec Galaxus rose to CHF 2.207 billion (+ 7.4 %). The driving factors here were continued pleasing growth in Switzerland and high growth rates in Germany (+ 78.6 %). The discounter Denner managed to increase its market share despite the declining market. However, at CHF 3.685 billion, its sales remained below the level of the previous year (– 3.2 %). Migrol increased its sales to CHF 1.795 billion (+ 23.8 %) on the back of the sharp rise in the price of oil. The convenience store migrolino continued its good performance from the previous year by increasing its sales to CHF 784 million. (+ 5.1 %). In a declining online book market, Ex Libris saw its sales fall to CHF 119 million (– 11.3 %). Nevertheless, this figure remains + 19.8 % above the pre-pandemic year of 2019.

The **strategic business unit Migros-Industry** generated consolidated sales of CHF 5.779 billion (+ 0.5 %) in 2022. 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. A new innovation, Coffee B, was launched successfully in 2022. The past financial year saw a noticeable drop in Migros' retail activities following the end of the pandemic. However, this was accompanied by a recovery in the catering sector. Growth in sales to customers abroad also increased considerably despite the strong franc. Increases in raw materials prices and rising costs could only be partially passed on to customers and therefore had an impact on the result.

The **strategic business unit Travel** had a successful financial year. There was strong pent-up demand for travel following the coronavirus pandemic. All Hotelplan Group business units performed better than in the previous year, with 2022 marking a return of volume business. Net sales of CHF 1'435 million represented very pleasing growth of + 122.5 % on the year before. A sharp increase in the operating result was also recorded.

The activities now grouped together under the **Others segment** increased sales by + 27.3 % to CHF 739 million. Organic growth and additional purchases contributed to this trend. The Medbase Group continued on the growth trajectory of the previous year in all three of its business units – medicines, pharmacies and dentistry – and achieved sales of CHF 525 million (+ 7.2 %). Migros' fitness formats were combined at the start of 2022 to create the company movemi (formerly Activ Fitness). On a comparable basis, movemi generated growth von + 45.9 % CHF 159 Mio. Investments were also made in future growth formats as well as new business units such as MiSENSO, WePractice and Best Smile.

D.2. Income trend of Financial Services

Total income in the Financial Services sector amounted to CHF 849 million in the reporting year (+ 9.1 %), with interest revenue of CHF 618 million or 72.8 % constituting the main share of this figure. Income from financial services business totalled CHF 825 million (+ 8.2 %), with costs of CHF 135 million (– 19.6 %). Net income from financial services increased from CHF 591 million to CHF 691 million (+ 16.8 %), due in particular to growth in all business divisions. The operating result rose by CHF 55 million to CHF 288 million.

E. Balance sheet of Migros Group

The Financial Services sector has had a considerable impact on the balance sheet of Migros Group. Compared with the previous year, the balance sheet total rose by CHF 2.764 billion to CHF 80.746 billion, much of which can be attributed to the increase in mortgages and other customer receivables, as well as customer deposits and liabilities. Customer deposits and liabilities as at 31 December 2022 amounted to 54.8 % (previous year: 53.7 %).

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

At CHF 24.393 billion, the balance sheet total for the Retail and Industry sector as at 31 December 2022 remained virtually unchanged from the previous year (– 0.1 % / CHF – 23.1 million).

Cash and cash equivalents decreased by CHF 511 million to CHF 3.635 billion.

The carrying amount of fixed assets increased by CHF 136 million on the previous year to CHF 12.008 billion. During the past financial year, companies in the Retail and Industry sector invested a total of CHF 1.542 billion (previous year: CHF 1.442 billion).

Intangible assets amounted to CHF 955 million as at 31 December 2022 (previous year: CHF 778 million).

The balance sheet structure of the Retail and Industry sector remains very healthy. Net financial assets stood at CHF 2.134 billion on 31 December 2022 (previous year: CHF 2.511 billion). EBITDA was CHF 1.569 billion (previous year: CHF 1.841 billion). Equity (including minority interests) increased by CHF 141 million to CHF 17.686 billion and corresponds to 72.5% (previous year: 71.9 %) of the balance sheet total.

E.2. Balance sheet of the Financial Services sector

During the reporting year, cash and cash equivalents and receivables due from banks fell by CHF 1.334 billion in total to CHF 7.425 billion. Mortgages and other customer receivables increased by CHF 3.765 billion on the previous year to CHF 48.839 billion (+ 8.4 %).

On the liabilities and equity side, liabilities due to banks decreased by CHF 344 million to CHF 830 million. Customer deposits and liabilities rose by CHF 2.246 billion to CHF 44.341 billion (+ 5.3 %).

Due to the positive result for the year, the bank once again managed to strengthen its equity base. As at 31 December 2022, the bank's equity amounted to CHF 4.577 billion.

F. Cash flow statement of Migros Group

The cash and cash equivalents of Migros Group stood at CHF 10.925 billion as at 31 December 2022 and decreased by CHF 1.779 billion (31 December 2021: CHF 12.704 billion).

The cash outflow from operating activities amounted to CHF 70 million (previous year: cash inflow of CHF 3.353 billion). In 2022, investments in fixed and intangible assets totalled CHF 1.575 billion compared with CHF 1.481 billion in 2021. A total of CHF 208 million (previous year: CHF 29 million) was spent on the acquisition of subsidiaries / business operations and other associated companies. A cash outflow of CHF 8 million resulted from the sale of subsidiaries (no subsidiaries were sold in the previous year).

The cash inflow from the issuance / repayment of long-term and medium-term bonds / mortgage-backed loans amounted to CHF 551 million (previous year: cash outflow of CHF 154 million). A cash outflow of CHF 85 million (previous year: CHF 4 million) resulted from the acquisition of minority interests. The cash outflow from financing activity totalled CHF 15 million (previous year: CHF 36 million).

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

At the end of 2022, cash and cash equivalents of the Retail and Industry sector came in at CHF 3.635 billion, representing a decrease of CHF 511 million (previous year: CHF 4.146 billion).

In current year, cash inflows from activity stood at CHF 1.505 billion (previous year: CHF 1.322 billion). Among other factors, the increase in operating cash flow was due to an increase in other liabilities compared with the previous year, as well as lower tax payments.

The cash outflow from investment activities came to CHF 1.450 billion in the reporting year (previous year: CHF 1.402 billion). The highest investment volumes were in the Cooperative Retailing (CHF 1.103 billion), Migros-Industry (CHF 237 million) and Commerce (CHF 143 million) segments.

Financing activities resulted in a cash outflow of CHF 555 million in the reporting year (previous year: cash inflow of CHF 155 million).

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

At the end of 2022, cash and cash equivalents of the Financial Services sector amounted to CHF 7.401 billion, which represents a decrease of CHF 1.358 billion on the previous year (CHF 8.759 billion).

The cash outflow from operating activities stood at CHF 1.680 billion (previous year: cash inflow of CHF 1.459 billion). Thanks to the sustained high level of customer confidence in Migros Bank, there was a further inflow in customer deposits of CHF 2.246 billion (previous year: CHF 4.075 billion) and there was a concurrent increase in the granting of mortgages and other customer receivables of CHF 3.765 billion (previous year: CHF 2.825 billion). The resulting inflow was used, among other things, to repay liabilities due to banks of CHF 350 million (previous year: CHF 180 million).

CHF 47 million was invested in extending the bank's infrastructure (previous year: CHF 39 million). Fixed asset securities of CHF 187 million were acquired during the reporting year (previous year: sale of CHF 58 million). Overall, a cash outflow of CHF 234 million resulted from the investment activities in the reporting year (previous year: cash inflow of CHF 17 million).

Financing activities resulted in a cash inflow of CHF 556 million (previous year: cash outflow of CHF 225 million). This increase on the previous year's figure is due to the issuance of medium-term bonds and mortgage-backed loans.

G. 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.

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

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

H.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-Industry 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 auditors also provide 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 into the annual strategy and financial planning process. The results of the risk assessment are appropriately considered during the annual analysis of the corporate strategy.

H.1.2. Financial risk management

As a result of its operating activities, 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. The 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-Industry 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 and energy 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”.

H.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.

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.

The insurance department carries out its own risk engineering activities in order to determine maximum loss scenarios. At the same time, the businesses are given support in implementing risk improvements, especially in the area of fire safety. Thermographic testing is conducted on a regular basis, in addition to loss prevention measures.

H.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.

H.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.

H.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, and 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.

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

H.2.1. General risk management

Because of their special operating 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 independent control bodies 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 independent control bodies 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 and second 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.

H.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 ten-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 operating activities 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 ensured in particular. 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.

H.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.

H.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 themselves in their 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.

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.

I. Statement of value added

CHF million	Retail and Industry sector[1] 2022		2021	
ALLOCATION				
to employees		5'858		5'691
to culture / social (culture percentage)		139		142
to lenders		36		33
to public sector		1'032		1'033
↳ taxes	59		104	
↳ value-added taxes	205		196	
↳ customs duties / fees / fiscal charges	767		732	
to the company (self-financing)		219		554
Net value added		**7'284**		**7'452**

[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 80.4 %, personnel costs account for the lion's share of value added. They increased by 2.9 % in comparison with the previous year, due to the wage increase of up to 1 % 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 95'904 employees (previous year: 95'818).

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

Lenders received 0.5 % (previous year: 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 14.2 % (previous year: 13.9 %) 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.

Finance Department

Migros Group financial statements 2022

Income statement of Migros Group

CHF million	Notes	2022	2021
Net revenue from goods and services sold		28’787	27’717
Other operating income	8	525	456
Income before financial services business		**29’313**	**28’173**
Income from financial services business	7	825	759
Total income	6	**30’138**	**28’932**
Cost of goods and services sold	9	18’123	17’163
Expenses of financial services business	7	135	167
Personnel expenses	10	6’094	5’906
Depreciation and amortisation	11	1’256	1’294
Other operating expenses	12	3’903	3’602
Earnings before interests and taxes		**628**	**800**
Finance income	13	–23	57
Finance cost	13	–36	–33
Share of (loss) / profit from associates and joint ventures		–3	–3
Profit before income tax		**566**	**821**
Income tax expense	14	107	153
Profit Migros Group		**459**	**668**

Attribution of profit of Migros Group		
Profit attributable to members of the Cooperatives	469	669
Profit / (loss) attributable to minority interests	–10	–1
Profit Migros Group	**459**	**668**

Balance sheet of Migros Group

CHF million	Notes	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	17	10’925	12’704
Receivables due from banks		37	12
Mortgages and other customer receivables	18	48’782	45’032
Trade receivables	19	981	923
Other receivables	19	313	428
Inventories	20	2’613	2’425
Other financial assets	21 – 24	1’546	1’339
Investments in associates and joint ventures		107	98
Investment property	25	334	341
Fixed assets	26	12’126	11’988
Intangible assets	27	992	795
Assets from employee benefits	33	1’243	1’198
Current income tax receivables		229	267
Deferred income tax assets	14	64	74
Other assets	28	454	357
TOTAL ASSETS		**80’746**	**77’982**
LIABILITIES AND EQUITY			
Payables due to banks		943	1’255
Customer deposits and liabilities		44’230	41’893
Other financial liabilities	29	1’664	2’077
Trade payables	30	1’923	1’663
Other liabilities	30	1’245	1’130
Provisions	31	218	266
Issued debt instruments	32	6’997	6’445
Liabilities from employee benefits	33	728	755
Current income tax payables		130	153
Deferred income tax liabilities	14	1’147	1’202
Total liabilities		**59’225**	**56’840**
Cooperative capital	34	23	23
Retained earnings		21’588	21’169
Currency translation differences		–51	–45
Equity attributable to members of Cooperatives		**21’560**	**21’146**
Minority interests		–38	–4
Total equity		**21’522**	**21’142**
TOTAL LIABILITIES AND EQUITY		**80’746**	**77’982**

Statement of changes in equity of Migros Group

CHF million	Notes	Cooperative capital	Retained earnings[1]	Currency translation difference	Equity of the Cooperative members	Minority interests	Total
		Attributable to members of the Cooperatives					
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 around CHF 10 million reserved for the Culture Percentage. Also see note 15.
[2] Changes due to modifications in shareholding interest, especially in Medbase Romandie SA (+36 %), Sushi Mania AG (+25 %) and CSL Immobilien AG (+10 %).

CHF million	Notes	Cooperative capital	Retained earnings[1]	Currency translation difference	Equity of the Cooperative members	Minority interests	Total
		Attributable to members of the Cooperatives					
Equity as per 1 January 2022		**23**	**21’169**	**–45**	**21’146**	**–4**	**21’142**
Profit Migros Group		–	469	–	469	–10	459
Change in Cooperative capital	*34*	0	–	–	0	–	0
Currency translation difference		–	–	–6	–6	4	–2
Dividends paid to minorities		–	–	–	–	–2	–2
Changes in scope of consolidation / equity interest[2]		–	–49	–	–49	–26	–75
Equity as per 31 December 2022		**23**	**21’588**	**–51**	**21’560**	**–38**	**21’522**

[1] In retained earnings there is an amount of around CHF 9 million reserved for the Culture Percentage. Also see note 15.
[2] Changes due to modifications in shareholding interest, especially in Gowoonsesang Cosmetics Co., Ltd. (+25 %), Hug Bäckerei AG (+15 %) and CSL Immobilien AG (+10 %).

Cash flow statement of Migros Group

CHF million	Notes	2022	2021
Profit before income tax		**566**	**821**
Depreciation, amortisation and impairment (net)	11	1’256	1’294
Impairment of other financial assets (net)		1	–18
(Profit) / loss from sale of non current assets		–52	–60
(Profit) / loss from sale of fixed asset securities		–11	0
Profit from associates and joint ventures		3	3
Increase / (decrease) provisions		–40	40
Change to operating assets and liabilities			
↳ (Increase) / decrease receivables due from banks		–25	9
↳ (Increase) / decrease mortgages and other customer receivables		–3’750	–2’789
↳ (Increase) / decrease inventories		–180	–77
↳ (Increase) / decrease other financial assets		28	63
↳ (Increase) / decrease other assets		–63	–148
↳ Increase / (decrease) payables due to banks		–350	–180
↳ Increase / (decrease) customer deposits and liabilities		2’337	4’682
↳ Increase / (decrease) other liabilities		357	–1
Paid income tax expense		–145	–287
Cash flows from operating activity		**–70**	**3’353**
Acquisition of fixed assets and investment property		–1’428	–1’400
Proceeds from sale of fixed assets and investment property		270	146
Acquisition of intangible assets		–147	–81
Proceeds from sale of intangible assets		0	–5
Acquisition of fixed asset securities and loans		–582	–292
Proceeds from sale of fixed asset securities and loans		419	272
Acquisition of subsidiaries and business activities, net of cash acquired		–197	–7
Proceeds from sale of subsidiaries and business activities, net of cash disposed		–8	–
Acquisition of associates and joint ventures		–11	–22
Proceeds from sale of associates and joint ventures		0	4
Cash flows from investing activity		**–1’684**	**–1’385**

CHF million	Notes	2022	2021
Proceeds from issuance of medium-term bonds and mortgage-backed loans		551	297
Repayment of medium-term bonds and mortgage-backed loans		–	–451
Increase (decrease) of short-term payables due to banks		4	–11
Increase (decrease) of long-term payables due to banks		28	57
Proceeds (repayment) from issuance of other short-term financial liabilities		–418	200
Proceeds (repayment) from issuance of other long-term financial liabilities		–93	–122
Dividends paid to minorities		–2	–2
Increase in Cooperative capital		1	1
Reduction in Cooperative capital		–1	–1
Change in equity interests of controlling interests		–85	–4
Cash flows from financing activity		**–15**	**–36**
Changes in cash and cash equivalents		**–1’768**	**1’933**
Cash and cash equivalents, at beginning of year		12’704	10’774
Foreign exchange impact		–11	–3
Cash and cash equivalents, at end of year		**10’925**	**12’704**

Cash and cash equivalents include:			
Petty cash / postal accounts / bank accounts		10’490	12’700
Fixed-term deposits with an original maximum maturity of 90 days		435	4
Total cash and cash equivalents	*17*	**10’925**	**12’704**

Cash flows from operating activities include:			
Interest received		631	587
Interest paid		–108	–107
Dividends received		8	8

Cash flows from investing activities include:			
Government grants for assets		1	0

Notes to Migros Group annual 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, Digitec Galaxus), Group companies are active in various other business segments. For example, in the sector Migros-Industry (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 companies.

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 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 annual financial statements were approved by the Board of Directors on 16 March 2023. 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 annual 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 1 January 2022, 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 1 January 2022 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 revised recommendation Swiss GAAP FER 30 “Consolidated financial statements” was adopted on 24 May 2022 and will enter into force on 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, with Migros Group applying it early to the 2022 annual financial statements. Early application does not have any impact on the Group results.

The project for the review procedure of Swiss GAAP FER 16 “Pension benefit obligations”, which will be initiated in the course of 2023, also started in September 2022. The recommendation has been in force since 2006 and was last revised in 2010. The reasons for the review are the lack of regulation for foreign pension plans and the revision of disclosure requirements.

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 annual 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 annual 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 acquisition 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 to or greater than the investment in the associate, no further losses are recognised unless further obligations exist in respect of these. 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 annual 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 acquisition 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 acquisition 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 acquisition 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.

A default risk is inherent in every credit transaction. The value adjustments for inherent default risks are value adjustments for losses that have not yet been incurred on non-impaired receivables.

Value adjustments for inherent default risks are created on the following balance sheet items:

– Receivables due from customers (including personal loan portfolio)
– Mortgages

No value adjustments for inherent default risks are created for the balance sheet items of receivables due from banks and other financial assets (debt instruments intended to be held to maturity) due to the low and insignificant holdings of the counterparty and the stringent requirements regarding the latter's credit rating (rating classes, etc.). Specific value adjustments are made for value impairments.

The value adjustments for inherent default risks are assessed on the basis of the bank's ten-step rating system. Every credit claim is assigned to a rating class based on an assessment of creditworthiness. The rating class exhibits different probabilities of default. The necessary value adjustments for each rating class are calculated on the basis of the current default probability rates, taking into account the available collateral as well as forecasts of future economic conditions. In the case of personal loans, a simplified credit rating of the Swiss Central Office for Credit Information (ZEK) is used for rating classification and calculation purposes.

The criteria and approaches established to calculate the value adjustments for inherent default risks are reviewed annually by internal specialists on the basis of the current risk assessment and are updated where necessary.

Trade receivables and other receivables

Trade and other receivables are initially measured at acquisition 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 another 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 acquisition cost, or
– a decrease in the fair value below acquisition 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 acquisition 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 the acquisition cost.

Derivative financial instruments and hedge accounting

Migros Group uses derivative financial instruments to hedge foreign exchange, interest rate, commodity and energy 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 acquisition cost or manufacturing cost. It is depreciated using the straight line method on the basis of its estimated useful life as follows and 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. Acquisition 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-Industry, 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 acquisition cost 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 amortised 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-Industry at business unit or company level and for the segment Travel at the organisational unit or company level.

(b) Software and software development

Purchased software licences are recognised at acquisition 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, up to 15 years in special cases).

(c) Trademarks, licences, patents, publishing rights

Trademarks, licences, patents and publishing rights are recognised at acquisition cost. The acquisition 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 the net proceeds (estimated proceeds from the sale minus all costs incurred in direct connection with the sale) and the value in use (carrying amount of the estimated future cash inflows and outflows from use). In order to test the impairment of goodwill and fixed assets, a respective allocation to the CGU is made. The impairments on an asset in earlier periods (with the exception of impairment on goodwill) are tested annually to ascertain whether they should be reversed.

Discontinued operations

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

Payables due to banks

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

Customer deposits and liabilities

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

Other financial liabilities

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

(a) Finance leases

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

(b) Derivative financial instruments

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

(c) Other financial liabilities

Financial liabilities recognised in other financial liabilities are those that 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 a cash outflow, 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 acquisition cost, i.e. at the fair value of the consideration received less transaction costs. At Migros Bank, the difference between acquisition 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 ensuring 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-Industry, 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 companies 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 and sales 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. It is assumed that the holdings on the reporting date are representative for the whole year.

Balance sheet by currency

31.12.2022

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	3'379	85	23	53	95	3'635
Receivables due from banks	–	13	–	–	–	13
Trade receivables	721	213	25	13	18	989
Other receivables	246	47	7	7	3	309
Other financial assets	758	52	10	–	1	821
Total financial assets	**5'103**	**409**	**66**	**72**	**116**	**5'767**
Financial liabilities						
Payables due to banks	–115	–56	0	–0	–0	–171
Other financial liabilities	–1'657	–0	–	–2	–	–1'659
Trade payables	–1'460	–382	–52	–8	–18	–1'920
Other liabilities	–969	–53	–2	–62	–7	–1'092
Issued debt instruments	–	–	–	–	–	–
Total financial liabilities	**–4'200**	**–491**	**–53**	**–73**	**–25**	**–4'842**
Foreign currency net exposure before hedging	**903**	**–82**	**12**	**–1**	**92**	**925**
Foreign currency derivatives		–48	–	–	–	
Foreign currency net exposure after hedging		**–129**	**12**	**–1**	**92**	

31.12.2021

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	5'685	431	44	65	104	6'330
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**	

Results of the sensitivity analysis
If EUR had been 5 % stronger against CHF on 31 December 2022, the pre-tax earnings would have been CHF 6 million lower (31.12.2021: CHF 5 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 2022, the pre-tax earnings would have been CHF 1 million higher (31.12.2021: 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 staff investment accounts of both current and retired employees. 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

31.12.2022	Interest rate adjustment within					
CHF million	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	non-interest bearing	Total
Financial assets						
Cash and cash equivalents	1’428	–	–	–	2’207	3’635
Receivables due from banks	3	10	–	–	–	13
Trade receivables	60	–	–	–	929	989
Other receivables	15	0	0	0	294	309
Other financial assets	144	187	116	87	286	821
Total financial assets	**1’650**	**197**	**116**	**87**	**3’716**	**5’767**
Financial liabilities						
Payables due to banks	–72	–17	–78	–3	–	–171
Other financial liabilities	–1’461	–4	–10	–166	–18	–1’659
Trade payables	–86	–	–	–	–1’834	–1’920
Other liabilities	–65	–0	–4	–0	–1’024	–1’092
Issued debt instruments	–	–	–	–	–	–
Total financial liabilities	**–1’684**	**–21**	**–92**	**–169**	**–2’875**	**–4’842**
Interest rate repricing net exposure before hedging	**–34**	**176**	**23**	**–82**	**841**	**925**
Interest derivatives	–	–	–	–	–	–
Interest rate repricing net exposure after hedging	**–34**	**176**	**23**	**–82**	**841**	**925**

31.12.2021	Interest rate adjustment within					
CHF million	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	non-interest bearing	Total
Total financial assets	1’639	244	170	75	4’201	6’330
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**

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:

	2022		2021	
CHF million	Index change	Change in result	Index change	Change in result
MSCI World	2.81 %	6	2.62 %	6

If the equity markets had finished higher by the assumed change to the index on 31 December 2022, the pre-tax earnings would have been CHF 6 million higher (31.12.2021: CHF 6 million). If the index had been lower by the same amount, the effect on the pre-tax earnings would have been the reverse.

Despite higher index volatility, income sensitivity remained constant in 2022 as a result of changes in market values.

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, 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 Retail and Industry sector.

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

Liquidity risk by contractual maturity, undiscounted (gross)

31.12.2022

CHF million	Maturing within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	3’633	2	–	–	3’635
Receivables due from banks	2	10	–	0	13
Trade receivables	987	2	0	0	989
Other receivables	266	22	21	0	309
Other financial assets					
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	273	110	–	–	382
Forward exchange contract gross cash outflow	–271	–107	–	–	–378
Debt instruments	16	7	58	59	141
Others	353	185	95	87	721
Total other financial assets	**371**	**195**	**153**	**146**	**866**
Total financial assets and other financial assets	**5’260**	**231**	**174**	**147**	**5’812**
Financial liabilities					
Payables due to banks	–72	–17	–78	–3	–171
Other financial liabilities					
Gross liabilities from finance leasing	–4	–10	–47	–343	–404
Commitments for purchasing financial assets	–	–	–	–	–
Net cash flow from interest rate swaps	–	–	–	–	–
Forward exchange contract gross cash inflow	–437	–86	–	–	–523
Forward exchange contract gross cash outflow	439	87	–	–	526
Others	–1’460	–1	–12	–14	–1’487
Total other financial liabilities	**–1’462**	**–9**	**–59**	**–357**	**–1’887**
Trade payables	–1’895	–24	–1	–	–1’920
Other liabilities	–985	–104	–2	–0	–1’092
Issued debt instruments	–	–	–	–	–
Financial guarantees	–0	–	–0	–31	–31
Irrevocable loan commitments	–0	–	–	–	–0
Total financial liabilities	**–4’415**	**–155**	**–141**	**–392**	**–5’102**

31.12.2021

CHF million	Maturing within 0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Total financial assets and other financial assets	**5’771**	**273**	**206**	**116**	**6’366**
Total financial liabilities	**–4’490**	**–130**	**–109**	**–414**	**–5’143**

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	**31.12.2022**	31.12.2021
Liabilities due to banks	171	124
Other financial liabilities (interest bearing)	1’715	2’102
Issued debt instruments	–	–
Total financial liabilities	**1’886**	**2’226**
Cash and cash equivalents	3’635	4’146
Other financial assets	384	591
Total cash and cash equivalents and other financial assets	**4’019**	**4’737**
Net financial assets	**–2’134**	**–2’511**
Total equity (without non-controlling interests)	**17’726**	**17’551**
Ratio of net financial assets to equity	**–12.0 %**	**–14.3 %**
Balance sheet total	**24’393**	**24’416**
Ratio of equity to balance sheet total	**72.7 %**	**71.9 %**

In particular, the reduction in cash and other financial assets of CHF 718 million, and in financial liabilities of CHF 340 million, resulted in lower net financial assets of CHF 2.134 billion as at 31 December 2022 (previous year: CHF 2.511 billion). The ratio to equity has therefore decreased by 2.3 % and the equity ratio has improved by 0.8 %.

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. Compliance with these 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 directives.

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)

	Mortgage receivables (part in %)		Other customer receivables (part in %)		Total (cumulative)	
Internal rating level	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
1	1.9	2.0	3.4	4.0	2.0	2.1
2	15.4	16.3	14.2	9.0	15.3	15.9
3	43.3	44.8	36.2	32.8	42.8	44.2
4	13.3	13.8	14.6	18.5	13.4	14.1
5	24.0	21.6	23.6	22.9	24.0	21.7
6	1.0	0.9	4.5	7.1	1.2	1.2
7	0.6	0.2	1.0	2.2	0.6	0.3
8	0.5	0.4	1.5	3.0	0.6	0.5
9	–	–	0.9	0.4	0.1	0.0
10	–	–	0.1	0.1	0.0	0.0
Total in %	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total in CHF million	**45'718**	**42'646**	**3'121**	**2'428**	**48'839**	**45'074**

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 do 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.

(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 2022 had little impact on income, as was also the case in 2021.

(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 operating activities. 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

31.12.2022

million	CHF	EUR	USD	GBP	Other	Total
Financial assets						
Cash and cash equivalents	7’154	147	14	8	78	7’401
Receivables due from banks	–	25	–	–	–	25
Mortgages and other customer receivables	48’410	358	71	0	0	48’839
Trade receivables	2	–	–	–	–	2
Other receivables	4	–	–	–	–	4
Other financial assets	655	70	–	0	1	726
Total financial assets	**56’225**	**600**	**85**	**8**	**79**	**56’997**
Financial liabilities						
Payables due to banks	–807	–13	–10	–0	–0	–830
Customer deposits and liabilities	–42’595	–1’268	–336	–23	–117	–44’341
Other financial liabilities	–5	–	–	–	–	–5
Trade payables	–3	–	–	–	–	–3
Other liabilities	–164	–	–	–	–	–164
Issued debt instruments	–6’997	–	–	–	–	–6’997
Total financial liabilities	**–50’572**	**–1’281**	**–346**	**–24**	**–117**	**–52’339**
Foreign currency net exposure before hedging	**5’653**	**–681**	**–261**	**–16**	**–38**	**4’657**
Foreign currency derivatives		683	258	16	41	
Foreign currency net exposure after hedging		**2**	**–3**	**0**	**3**	

31.12.2021

million	CHF	EUR	USD	GBP	Other	Total
Total financial assets	53’723	476	75	8	79	54’360
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**	

Results of the sensitivity analysis
If EUR had been 5 % stronger against CHF on 31 December 2022, the pre-tax earnings would have been CHF 0.1 million higher (31.12.2021: CHF 0.3 million lower). 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 2022, the pre-tax earnings would have been CHF 0.1 million lower (31.12.2021: CHF 0.1 million). If it had weakened by the same amount against CHF, the effect on the pre-tax earnings would have been the reverse.

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 operating activities.

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

	Short-term liquidity		Medium-term liquidity	
CHF million	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Creditable liquidity	8’110	8’281	7’079	8’165
Required liquidity	624	569	5’304	5’322
Excess liquidity	7’486	7’712	1’775	2’843
Degree of compliance	1’299.7 %	1’455.4 %	133.5 %	153.4 %

4.2.4 Capital risk management in the Financial Services sector

In the Financial Services sector, capital risk management is oriented primarily to the equity rules under 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	**31.12.2022**	31.12.2021
Capital resources required and creditable as per the banking legislation		
Credit risks	1’726	1’537
Market risks	13	11
Risks not related to counterparties	9	12
Operating risks	101	98
Total capital resources required	**1’850**	**1’659**
Equity as per Swiss GAAP FER	4’577	4’336
Corrections due to banking legislation[1]	–5	–7
Creditable capital resources as per the banking legislation	**4’572**	**4’329**
Excess creditable capital resources	**2’722**	**2’670**
Excess in % of required resources	**147.2**	**161.0**

[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. On May 31, 2022, the ordinary general assembly of Migros Bank AG decided not to distribute a dividend for the 2021 financial year. A dividend of CHF 70 million was originally requested, which was taken into account in the annual report as of December 31, 2021. The previous year’s figures have been adjusted accordingly.

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 which, as far as possible, 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 that support the Group as a whole are generally independent operating segments. As such activities are not large enough to be shown as an individual segment, they are grouped together under the Others segment. This results in the following six business segments differing by the products and services they produce or offer:

- **Cooperative Retailing:**
  All activities of the Migros Cooperatives and their subsidiaries in Switzerland and abroad (supermarkets and hypermarkets including the Tegut Group, wholesale, catering, specialist markets, leisure, 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), Digitec Galaxus, Ex Libris (entertainment media), Migrol (heating and fuel oils) and migrolino (convenience stores).

- **Migros-Industry:**
  Production and sale of goods by Migros-Industry companies within and outside of the Group.

- **Financial Services:**
  Services provided by Migros Bank in the Financial Services sector 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.

- **Others:**
  Supporting activities in the areas of medicine and fitness are grouped together under the Others segment.

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 operating 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 five 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

2022 CHF million	Cooperative Retailing	Commerce	Migros - Industry	Financial Services	Travel	Others	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	16'667	8'664	1'756	847	1'442	763	30'138	–	30'138
↳ from other segments	581	27	4'106	2	0	2	4'718	–4'718	–
Total income	**17'248**	**8'690**	**5'861**	**849**	**1'442**	**765**	**34'856**	**–4'718**	**30'138**
Operating profit	**245**	**126**	**9**	**288**	**26**	**–66**	**627**	**1**	**628**
Segment assets	10'655	1'376	2'339	57'270	–1	695	72'333	8'414	80'746
Segment liabilities[2]	–2'200	356	749	52'697	118	443	52'163	7'061	59'225
Other information									
Investments	1'103	143	237	47	6	52	1'589	–	1'589
Depreciation, amortisation	799	127	212	26	12	93	1'268	–	1'268
Impairment[3]	1	1	23	32	–	–	56	–	56
Reversal of impairment[3]	–20	–0	–3	–13	–	–	–36	–	–36
Other expenditure (income) not affecting liquidity	38	6	14	0	3	1	62	–	62

2021 CHF million	Cooperative Retailing[4]	Commerce	Migros - Industry	Financial Services	Travel	Others[4]	Total segments	Reconciliation[1]	Total Migros Group
Income									
↳ from third parties	16'995	8'261	1'615	772	649	640	28'932	–	28'932
↳ from other segments	537	16	4'193	5	5	0	4'757	–4'757	–
Total income	**17'531**	**8'277**	**5'809**	**778**	**654**	**640**	**33'689**	**–4'757**	**28'932**
Operating profit	**430**	**162**	**133**	**233**	**–41**	**–126**	**790**	**10**	**800**
Segment assets	10'597	1'366	2'182	54'556	23	595	69'319	8'663	77'982
Segment liabilities[2]	–2'410	345	472	50'221	146	387	49'161	7'678	56'840
Other information									
Investments	1'059	134	206	39	3	40	1'481	–	1'481
Depreciation, amortisation	834	123	194	23	13	69	1'257	–	1'257
Impairment[3]	3	0	27	22	–	28	80	–	80
Reversal of impairment[3]	–0	–0	–4	–9	–	–	–14	–	–14
Other expenditure (income) not affecting liquidity	30	6	17	60	2	–1	115	–	115

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.
4 Previous year adjusted

Reconciliation from segment to group statement

Reconciliation of profit

CHF million	2022	2021
Operating profit Total segments	627	790
Eliminations	1	10
Operating profit Migros Group	**628**	**800**
Financial profit	–62	21
Profit before income tax Migros Group	**566**	**821**

Reconciliation of assets

CHF million	2022	2021
Total segment assets [1]	72’333	69’319
Trade payables	1’923	1’663
Non-operative assets [1]	11’971	12’204
Eliminations [1]	–5’480	–5’204
Total assets Migros Group	**80’746**	**77’982**

Reconciliation of liabilities

CHF million	2022	2021
Total segment liabilities [1]	52’163	49’161
Other financial assets realisable at short notice	5’262	5’809
Non-interest-bearing liabilities	4’861	4’685
Eliminations [1]	–3’062	–2’816
Total liabilities Migros Group	**59’225**	**56’840**

[1] Previous year adjusted

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

			2022			2021
CHF million	Switzerland	Other countries	Total	Switzerland	Other countries	Total
Total income from third parties	27’061	3’077	30’138	26’389	2’543	28’932
Long-term assets	12’807	645	13’452	12’661	464	13’125

Explanations to the income statement

7. Net income from the financial services business

CHF million	2022	2021
Interest income		
Cash and cash equivalents	13	–2
Receivables due from banks	0	0
Mortgages and other customer receivables	603	578
Fixed asset securities	2	2
Total interest income	**618**	**578**
Interest expense		
Payables due to banks	–14	–15
Customer deposits and liabilities	–20	–9
Issued debt instruments	–54	–64
Total interest expense	**–87**	**–88**
Impairments on credit business[1]		
Receivables due from banks	–	–
Mortgage receivables	–6	–4
Other customer receivables	–26	–17
Total Impairments on credit business	**–32**	**–22**
Reversals of impairments on credit business[1]		
Receivables due from banks	–	–
Mortgage receivables	3	2
Other customer receivables	10	7
Total reversal of impairments on credit business	**13**	**9**
Net interest income	**511**	**477**
Commission income		
Mortgages and other customer receivables	11	8
Securities and investment business	90	87
Income from other services	53	36
Total commission income	**154**	**130**
Commission expense	–28	–67
Net commission income	**126**	**63**
Income from other financial assets		
Profit (loss) on current asset securities	–4	–0
Profit (loss) on fixed asset securities	–	1
Impairment on fixed asset securities	–	–
Reversal of impairments on fixed asset securities	–	–
Dividend income on fixed asset securities	4	4
Currency translation differences, net	53	46
Income from other financial assets	**54**	**51**
Total profit from the financial services business	**691**	**591**
Disclosed in the financial statements of Migros Group under:		
Income of financial services business	825	759
Expenses of financial services business	–135	–167
Total profit from financial services business	**691**	**591**

Rising interest rates and the growth in credit volume led to higher interest income. Interest expense also increased as a result of changes in the interest paid on customer deposits. Net commission income rose to CHF 126 million, partly due to the growth in asset management and investment funds, as well as the card business. The latter benefited from increased travel after the coronavirus years of 2020 and 2021 and use of cards abroad.

8. Other operating income

CHF million	**2022**	2021
Income from advertising services	71	70
Internally generated assets (fixed and intangible)	32	26
Revenue from the disposal of		
↳ Investment property	11	29
↳ Fixed assets	51	35
↳ Intangible assets	–	–
↳ Investments and business operations	–	–
Other operating income	360	296
Total other operating income	**525**	**456**

Other operating income includes income from regular sidelines. This income includes government grants amounting to CHF 2 million (2021: CHF 3 million). Other forms of government grants directly benefiting Migros Group amount to CHF 13 million (2021: 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	**2022**	2021
Cost of goods and services sold	18’116	17’151
Inventory change	7	12
Total cost of goods and services sold	**18’123**	**17’163**

Cost of goods and services sold include government grants in favour of Migros-Industry in particular (mainly in the form of customs duty refunds, export subsidies, milk refunds, other subsidies) totalling CHF 6 million (2021: CHF 11 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	2022	2021
Wages and salaries		4’660	4’515
Pension costs	33	506	497
Social insurance and other social security benefits		571	547
Other personnel expenses		357	347
Total personnel expenses		**6’094**	**5’906**

In agreement with the social partners, Migros companies granted salary increases – individually and performance-related – of up to 1 % in 2022.

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

Personnel expenses include government grants totalling CHF 0.1 million (2021: CHF 0.5 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 and amortisation

CHF million	Notes	2022	2021
Investment property	25		
↳ Ongoing depreciation & amortisation		4	7
↳ Impairments		–	–
↳ Reversal of impairments		–	–
Total depreciation & amortisation investment property		4	7
Fixed assets	26		
↳ Ongoing depreciation & amortisation		1’082	1’092
↳ Impairments		7	35
↳ Reversal of impairments		–20	–0
Total depreciation & amortisation fixed assets		1’068	1’127
Intangible assets	27		
↳ Ongoing depreciation & amortisation		181	158
↳ Impairments		0	–
↳ Reversal of impairments		–	–
Total depreciation & amortisation intangible assets		181	158
Other assets			
↳ Ongoing depreciation & amortisation		–	–
↳ Impairments		1	3
↳ Reversal of impairments		–	–
Total depreciation & amortisation other assets		1	3
Total depreciation & amortisation			
↳ Ongoing depreciation & amortisation		1’268	1’257
↳ Impairments		8	38
↳ Reversal of impairments		–20	–0
Total depreciation & amortisation		**1’256**	**1’294**

12. Other operating expenses

CHF million	2022	2021
Rental and building-lease cost	789	745
Losses from the disposal of		
↳ Investment property	0	0
↳ Fixed assets	4	2
↳ Intangible assets	–	2
↳ Investments and business operations	5	–
Maintenance	483	460
Energy and consumables	583	491
Advertising	604	537
Administration	392	356
Other operating expenses	1’041	1’010
Total other operating expenses	**3’903**	**3’602**

Other operating expenses include costs of services relating to IT, logistics and transportation, as well as levies, fees, property and capital taxes. The rise in energy prices and higher advertising spend are leading to an increase in expenses.

13. Finance income and cost

CHF million	2022	2021
Finance income		
Interest income		
Cash and cash equivalents	4	2
Receivables due from banks	0	0
Fixed asset securities	3	3
Loans	7	6
Other interest income	1	1
Total interest income	**15**	**13**
Profit from other financial assets		
Profit / (loss) on current asset securities	–21	25
Profit / (loss) on fixed asset securities	1	2
Dividend income on fixed asset securities	2	4
Currency translation differences, net	–17	–4
Total profit from other financial assets	**–35**	**27**
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	**0**	**19**
Impairments on fixed asset securities and receivables due from banks		
Fixed asset securities	–1	–0
Loans	–1	–2
Receivables due from banks	–	–
Debt waiver of receivables	–1	0
Total impairments on fixed asset securities and receivables due from banks	**–2**	**–2**
Total finance income	**–23**	**57**
Finance costs		
Interest expense		
Payables due to banks	–4	–1
Issued debt instruments	–	–
Other financial liabilities	–0	–
Finance leasing	–9	–9
Provisions: present value adjustments	–0	–0
Other interest expense	–16	–15
Total interest expense	**–29**	**–26**
Other finance costs	–7	–7
Total finance costs	**–36**	**–33**

14. Income tax expense

CHF million	2022	2021
Current income tax expense	151	165
Current income tax expense of previous years	9	–1
Total current income taxes	**160**	**164**
Deferred income tax expense / (income)	–33	–5
Changes to income tax rates	–20	–7
Total deferred income taxes	**–53**	**–11**
Total income tax expense	**107**	**153**

Reconciliation of expected and effective income tax expense

CHF million	2022	2021
Profit before income tax	566	821
Weighted average tax rate in	18.1 %	18.0 %
Expected income tax expense	**103**	**148**
Reasons for increase / decrease		
↳ Non-tax-deductible expenses	5	2
↳ Tax-exempted income (incl. income from investments)	–32	–46
↳ Use of non-capitalised tax loss carry forwards	–12	–5
↳ Non-capitalisation of deferred income tax assets on period losses	30	26
↳ Non-deductible depreciation / impairments of goodwill	13	10
↳ Tax on gains from disposal of properties (Zurich model)	–1	2
↳ Changes to tax rates	–20	–7
↳ Income tax expense of previous years	9	–1
↳ Other effects	12	23
Total effective income tax expense	**107**	**153**
Effective income tax rate	18.9 %	18.6 %

In 2022, the expected income tax expense deviated by CHF –4 million (previous year: CHF –5 million) from the actual tax expense. The weighted tax rate of 18.1 % (previous year: 18.0 %) is at the level of the previous year. The increase in income of CHF 20 million, which is the result of a change in tax rates, can be attributed to the weighting of profit before income tax as the tax base in the different tax jurisdictions.

Development of the deferred tax liabilities (net)

CHF million	2022	2021
As per 1 January	**1’128**	**1’138**
Changes to the scope of consolidation	7	1
Recorded through profit and loss	–53	–11
Currency translation differences	2	–0
As per 31 December (net)	**1’083**	**1’128**

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

	Deferred income tax assets		Deferred income tax liabilities	
CHF million	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Reasons for deferred income tax				
Cash and cash equivalents	–	–	–	–
Receivables	0	0	5	8
Inventories	0	1	101	114
Fixed assets	3	12	517	552
Intangible assets	2	2	47	53
Other financial assets	0	0	71	73
Tax losses carry forwards	195	226	–	–
Other assets	1	0	1	0
Liabilities from employee benefits	0	0	196	195
Financial liabilities	32	32	0	0
Other liabilities	10	4	311	303
Total	**243**	**278**	**1’248**	**1’298**
Valuation allowance	–78	–108		
Netting	–101	–96	–101	–96
Total deferred income tax in balance sheet	**64**	**74**	**1’147**	**1’202**

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	**31.12.2022**	31.12.2021
Maturity in 1 year	8	24
Maturity in 2 years	16	8
Maturity in 3 years	18	16
Maturity in 4 years	17	18
Maturity in 5 years	56	16
Maturity after 6 years	71	77
No maturity	143	208
Total of unused tax loss carry forwards	**330**	**368**

Income tax effects on tax losses carried forward can only be taken into consideration if adequate taxable results can be produced in future against which the tax loss carry forwards can be offset. The evaluation of whether tax effects can be capitalised depends on the expected development of the business and the existence of tax savings options. The decrease in unused tax loss carry forwards on which no deferred income tax assets were applied was due to the reassessment of recognised tax loss carry forwards and changes to the scope of consolidation. 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	2022	2021
Culture	26	24
Education / training	85	87
Social	7	8
Leisure and sport	13	14
Economic policy	3	4
Administration	4	5
Total expenditure for cultural, social and economic policy purposes	**139**	**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 Minimum expenditure required

CHF million	2022	2021
Minimum expenditure required	116	119
Incurred expenditure	139	142
Excess / (shortfall) in expenditure for the financial year	**23**	**23**
Excess / (shortfall) in expenditure for 4-year period	75	59
Culture Percentage reserve as per 31 December	**9**	**10**

In the 2022 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 was reduced by CHF 1 million to CHF 9 million in 2022.

The Culture Percentage reserve is part of retained earnings.

16. Discontinued operations

No operations were discontinued as at 31 December 2022.

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	31.12.2022	31.12.2021
Petty cash / postal accounts / bank accounts	10’490	12’700
Fixed-term deposits with an original maximum maturity of 90 days	435	4
Total cash and cash equivalents	**10’925**	**12’704**

18. Mortgages and other customer receivables

CHF million	31.12.2022	31.12.2021
By type of engagement		
Mortgages		
↳ Residential property	43’832	41’102
↳ Office and commercial property	1’046	778
↳ Manufacturing and industry property	525	550
↳ Other mortgages	382	267
Other customer receivables	3’122	2’445
Total mortgages and other customer receivables (gross)	**48’907**	**45’142**
Provision for impairment	–125	–110
Total mortgages and other customer receivables	**48’782**	**45’032**
By type of collateral		
Mortgages	45’928	42’768
Securities	–	–
Sureties or other collateral	207	235
Unsecured	2’772	2’140
Total mortgages and other customer receivables (gross)	**48’907**	**45’142**
Provision for impairment	–125	–110
Total mortgages and other customer receivables	**48’782**	**45’032**

The sustained demand for real estate loans resulted in an increase in mortgages and customer receivables by CHF 3.8 billion. Through a combination of digital channels and personal consultations, Migros Bank was able to increase its mortgage volume by 7.2 %. The growth in customer lending in both the corporate clients and private clients business occurred whilst maintaining a prudent risk policy.

Changes to the provision for impairment

	2022			2021		
CHF million	Mortgages	Customer receivables	Total	Mortgages	Customer receivables	Total
As per 1 January	**51**	**59**	**110**	**41**	**64**	**105**
Changes to the scope of consolidation	–	–	–	–	–	–
Impairments	6	26	32	4	17	22
Reversals of impairments	–3	–10	–13	–2	–7	–9
Disposals / Reclassifications	12	–16	–4	7	–14	–7
Currency translation differences	–	–	–	–	–	–
As per 31 December	**67**	**59**	**125**	**51**	**59**	**110**

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

Impairments and reversals of impairments in the 2022 financial year fall within a long-term variation range.

CHF million	31.12.2022	31.12.2021
Mortgages pledged to mortgage bond bank	8’758	8’341
Loans from mortgage bond bank	6’662	6’122

19. Trade receivables and other receivables

CHF million	31.12.2022	31.12.2021
Receivables of goods and services sold	1’035	969
Other receivables	314	429
Total receivables of goods and services sold and other receivables (gross)	**1’350**	**1’398**
Provision for impairment	–56	–48
Total receivables of goods and services sold and other receivables	**1’294**	**1’351**

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

Changes to the provision for impairment

CHF million	2022	2021
As per 1 January	**–48**	**–45**
Changes to the scope of consolidation	2	4
Impairments	–12	–13
Reversals of impairments	3	5
Disposals	–1	2
Currency translation differences	0	0
As per 31 December	**–56**	**–48**
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	31.12.2022	31.12.2021
Raw materials and consumables	577	536
Work in process	87	84
Finished products	334	309
Goods for resale	1'914	1'757
Compulsory stocks	19	22
Total inventories (gross)	**2'930**	**2'707**
Provision for impairment	–317	–283
Total inventories	**2'613**	**2'425**
Pledged inventories	–	–

The level of inventories has increased as a result of higher volumes of raw materials and, in particular, goods for resale. Impairments are subject to annual fluctuations and 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 2022	**32**	**196**	**721**	**402**	**1'351**
Changes to the scope of consolidation	–	0	0	91	91
Additions	53	0	254	328	635
Fair value gains / (losses) through profit and loss	−2	−29	13	−2	−20
Reclassifications	–	–	–	–	–
Disposals	−70	−3	−52	−375	−500
Currency translation differences	–	−0	−0	−0	−0
As per 31 December 2022	**12**	**165**	**936**	**443**	**1'557**
Accumulated provision for impairment					
As per 1 January 2022			**−7**	**−4**	**−12**
Changes to the scope of consolidation			–	−0	−0
Impairments			−1	−1	−2
Reversals of impairments			0	0	0
Reclassifications			–	–	–
Disposals			2	1	3
Currency translation differences			–	0	0
As per 31 December 2022			**−6**	**−4**	**−10**
Balance sheet value					
1 January 2022	**32**	**196**	**714**	**397**	**1'339**
31 December 2022	**12**	**165**	**930**	**439**	**1'546**
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 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	–	–	–	–	–

22. Current asset securities

CHF million	31.12.2022	31.12.2021
Debt instruments		
Listed on stock exchanges	–	–
Not listed	1	3
Total debt instruments	**1**	**3**
Equity instruments		
Listed on stock exchanges	162	191
Not listed	2	2
Total equity instruments	**164**	**193**
Total current asset securities	**165**	**196**

The decrease in listed equity instruments is consistent with the value losses recorded due to the negative performance of the equity markets and is also linked to the operating needs of asset management and liquidity management at Migros Bank.

23. Fixed asset securities

CHF million	31.12.2022	31.12.2021
Debt instruments		
Listed on stock exchanges	673	513
Not listed	31	4
Total debt instruments	**704**	**516**
Equity instruments		
Listed on stock exchanges	29	25
Not listed	204	179
Total equity instruments	**232**	**205**
Total fixed asset securities (gross)	**936**	**721**
Provision for impairment	–6	–7
Total fixed asset securities	**930**	**714**

As part of liquidity management and due to the change in interest rates, debt instruments falling into the fixed asset securities category were increased once again in the 2022 financial year.

24. Derivative financial instruments

CHF million	31.12.2022 Replacement values positive	31.12.2022 Replacement values negative	31.12.2022 Contract volume	31.12.2021 Replacement values positive	31.12.2021 Replacement values negative	31.12.2021 Contract volume
Derivative financial instruments recognised						
Trading portfolio						
Interest instruments	–	–	–	–	–	–
Foreign currency instruments	12	7	1’938	32	31	1’680
Commodity hedging	–	–	–	–	–	–
Equity instruments	–	–	–	–	–	–
Total derivative financial instruments recognised	**12**	**7**	**1’938**	**32**	**31**	**1’680**
Derivative financial instruments not recognised						
Held for cash flow hedge						
Interest instruments	–	–	–	–	–	–
Foreign currency instruments	7	17	990	1	21	926
Commodity hedging	0	–	32	1	–	9
Held for fair value hedge						
Interest instruments	49	3	1’455	5	99	7’450
Derivative financial instruments concluded in connection with related parties						
Foreign currency instruments - related counterparty[1]	30	202	10’324	6	172	11’954
Foreign currency instruments - third-party counterparty[1]	202	30	10’324	172	6	11’954
Total derivative financial instruments not recognised	**289**	**252**	**23’124**	**185**	**298**	**32’292**
Total derivative financial instruments	**301**	**259**	**25’062**	**217**	**328**	**33’972**

[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.

25. Investment property

CHF million	2022	2021
Acquisition costs		
As per 1 January	**514**	**510**
Changes to the scope of consolidation	–	–
Additions from		
↳ acquisitions	13	8
↳ capitalised costs	–	–
Reclassifications from / to fixed assets	–4	52
Disposals	–28	–56
Currency translation differences	–0	–0
As per 31 December	**495**	**514**
Accumulated depreciation and impairment provision		
As per 1 January	**–172**	**–194**
Changes to the scope of consolidation	–	–
Depreciation	–4	–7
Impairments	–	–
Reversal of impairments	–	–
Reclassifications	1	–2
Disposals	15	31
Currency translation differences	0	–0
As per 31 December	**–161**	**–172**
Balance sheet value		
1 January	**341**	**316**
31 December	**334**	**341**
Additional information about investment property		
Undeveloped plots of land recognised as investment property		
↳ Acquisition costs	86	95
↳ Accumulated impairment provision	–6	–6
Investment property - finance lease	–	–
Rental income from investment property	16	20
Maintenance and operating costs for investment properties generating rental income during the period	8	8
Maintenance and operating costs for investment properties not generating rental income during the period	7	4
Existence and extent of restrictions with regard to sale	4	4
Contractual obligations to purchase, construct and maintain investment property	13	13

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 2022	**85**	**12'355**	**13'646**	**1'853**	**801**	**28'739**
Changes to the scope of consolidation	–	–11	–35	9	–3	–40
Additions from						
↳ acquisitions	3	318	464	104	521	1'409
↳ capitalised costs	–	–	0	–	7	8
Reclassifications						
↳ within fixed assets	–	76	190	15	–281	–
↳ from / to investment property	2	8	17	2	–25	4
Disposals	–14	–209	–484	–103	–57	–866
Currency translation differences	–0	–15	–18	–4	–5	–41
As per 31 December 2022	**76**	**12'522**	**13'780**	**1'876**	**959**	**29'213**
Accumulated depreciation and impairment provision						
As per 1 January 2022	**–5**	**–6'011**	**–9'338**	**–1'350**	**–47**	**–16'751**
Changes to the scope of consolidation	–	2	46	–1	–	46
Depreciation	–	–303	–665	–114	–0	–1'082
Impairments	–	–	–7	–0	–	–7
Reversal of impairments	–	19	0	1	–	20
Reclassifications						
↳ within fixed assets	–	–0	–1	1	–0	–
↳ from / to investment property	–1	–1	1	0	–	–1
Disposals	3	120	460	89	–6	666
Currency translation differences	–	7	12	2	–0	21
As per 31 December 2022	**–3**	**–6'168**	**–9'492**	**–1'372**	**–53**	**–17'087**
Balance sheet value						
1 January 2022	**79**	**6'343**	**4'308**	**503**	**754**	**11'988**
31 December 2022	**73**	**6'354**	**4'289**	**504**	**906**	**12'126**
Additional information about fixed assets						
Fixed assets – finance leasing	–	120	8	3	–	132
Pledged or restricted title of fixed assets	–	87	–	–	–	87
Contractual obligation to purchase, construct and maintain fixed assets	–	27	32	2	357	418
Reimbursements / compensation received from third parties	–	0	0	–	–	0

Impairments carried out in 2022 mainly affect the segment Migros-Industry (in the amount of CHF 6 million).

In 2022, Migros Group received government grants for fixed assets of CHF 1 million (2021: CHF 0 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 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.

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 2022	**918**	**312**	**792**	**455**	**26**	**2’503**
Changes to the scope of consolidation	147	–1	56	2	–0	203
Additions from						
↳ acquisitions	–	66	12	2	68	147
↳ capitalised costs	–	–	–	–	0	0
Reclassifications	–	1	4	13	–17	–
Disposals	–2	–15	–1	–2	–0	–20
Currency translation differences	–12	–2	–10	–0	–0	–24
As per 31 December 2022	**1’051**	**360**	**852**	**470**	**76**	**2’809**
Accumulated depreciation and impairment provision						
As per 1 January 2022	**–626**	**–201**	**–584**	**–296**	**–0**	**–1’707**
Changes to the scope of consolidation	30	1	3	–0	–	34
Depreciation	–69	–32	–52	–27	–	–181
Impairments	–	–	–	–0	–	–0
Reversal of impairments	–	–	–	–	–	–
Reclassifications	–2	–	2	–	–	–
Disposals	2	15	1	2	–	20
Currency translation differences	9	1	7	0	0	18
As per 31 December 2022	**–656**	**–215**	**–623**	**–322**	**–0**	**–1’817**
Balance sheet value						
1 January 2022	**291**	**111**	**209**	**158**	**26**	**795**
31 December 2022	**394**	**144**	**229**	**147**	**76**	**992**
Additional information about intangible assets						
Pledged or restricted title	–	–	–	–	–	–
Obligations to purchase intangible assets	–	0	–	–	1	1

Capitalised development costs mainly comprise the costs of IT applications 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, on the one hand, investments in goods management, logistics and telecommunications systems as well as in systems for online trading. On the other hand, they include investments for the “EIGER”, “ONE Smart Solution” and “HR25” programmes.

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

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

28. Other assets

CHF million	31.12.2022	31.12.2021
Prepayments	163	166
Real estate from collateral loans[1]	1	0
Accrued interest income	9	15
Other accrued income	279	175
Total other assets	**454**	**357**

[1] From Financial Services segment.

The increase in other accrued income can be attributed in particular to the change in the level of interest linked to the replacement values on interest rate hedge contracts.

29. Other financial liabilities

CHF million	Notes	31.12.2022	31.12.2021
Liabilities from finance leases		170	170
Derivative financial instruments	*24*	7	31
Staff investment accounts		1’278	1’312
Other financial liabilities		209	564
Total other financial liabilities		**1’664**	**2’077**

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

Liabilities from finance leases

			31.12.2022			31.12.2021
CHF million	Nominal	Discount[1]	Present value[2]	Nominal	Discount[1]	Present value[2]
Remaining contract terms						
Up to one year	14	9	5	11	9	2
More than one and up to five years	47	36	11	45	36	9
More than five years	343	189	154	356	197	158
Total liabilities from finance leases	**404**	**234**	**170**	**412**	**243**	**170**

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

Additional information about finance leases

CHF million	**31.12.2022**	31.12.2021
Contingent lease payments recorded in the income statement	6	7
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	**31.12.2022**	31.12.2021
Trade payables	1’923	1’663
Other liabilities	777	656
Accrued expenses		
↳ Course fees of Club Schools	25	38
↳ Rent	11	11
↳ Interest	19	26
↳ Other accrued expenses	413	400
Total trade payables and other liabilities	**3’168**	**2’793**

The reversal in interest rates led to payment periods being imposed more again, resulting in a sharp increase in liabilities. 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 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
As per 1 January 2022	**13**	**7**	**34**	**37**	**14**	**161**	**266**
Changes to scope of consolidation	–	–	0	–	–	1	1
Addition	14	6	20	4	8	20	71
Usage	–11	–11	–11	–2	–5	–70	–110
Release	–0	–1	–2	–0	–4	–3	–10
Unwinding of discounts	–	–	–0	–	–	0	0
Reclassification	–	–	–	–	–	–	–
Currency translation differences	–0	–0	–0	–0	–	–1	–1
As per 31 December 2022	**15**	**1**	**41**	**39**	**13**	**108**	**218**
Of which current	3	1	12	11	5	30	62

Overall, provisions as at 31 December 2022 are CHF 48 million lower than the previous year’s level.

Provisions for guarantees are slightly higher than the previous year.

Provisions from onerous contracts are CHF 7 million higher than the previous year, and mainly relate to rented property.

Insured claims include liabilities for which insurance exists (such as liability claims and transport claims). They are slightly below the previous year’s level.

Provisions for legal cases are CHF 2 million higher than the previous year’s level.

Other provisions decreased by CHF 53 million.

32. Issued debt instruments

CHF million	31.12.2022	31.12.2021
Long-term bonds issued[1]	200	200
Mortgage backed loans[1]	6'662	6'122
Medium-term bonds[1]	135	124
Private placements	–	–
Total issued debt instruments	**6'997**	**6'445**
Of which subordinated	–	–

[1] From Financial Services segment.

During both, the reporting year and the previous year, no payment defaults or contract infringement occurred in issued debt instruments. 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 year.

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 (the Denner Pension Fund was integrated into the VORSORGE in globo M foundation in the reporting year).

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 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	31.12.2022	31.12.2021
Short-term benefits	53	41
Post-employment benefits	0	0
Employer contribution reserves	1’190	1’157
Economic benefit from pension funds	–	–
Total assets from employee benefits	**1’243**	**1’198**

Employer contribution reserve

CHF million	Pension funds	Patronage funds / patronage pension institutions	Total
Nominal Value			
As per 1 January 2022	**1’157**	**–**	**1’157**
Accumulation of employer contribution reserves	101	–	101
Use of employer contribution reserves	–68	–	–68
Interest income	–	–	–
As per 31 December 2022	**1’190**	**–**	**1’190**
Granted renounced use			
As per 1 January 2022	**–**	**–**	**–**
Granted renounced use in the reporting period	–	–	–
Reversed renounced use in the reporting period	–	–	–
As per 31 December 2022	**–**	**–**	**–**
Total employer contribution reserves 31 December 2022	**1’190**	**–**	**1’190**
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**

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	31.12.2022	31.12.2021
Short-term benefits	259	244
Termination benefits	1	6
Post-employment benefits	114	127
Other long-term benefits	354	379
Economic obligation from pension funds	–	–
Total liabilities from employee benefits	**728**	**755**

Economic benefit / Economic obligations from pension funds

	Surplus / Deficit	Economical part of Migros Group		Change resulting in profit compared to previous period resp. recognised in the reporting period	Contributions concerning current period	Pension benefit expenses current period	
CHF million	31.12.2022	31.12.2022	31.12.2021	2022	2022	2022	2021
Patronage funds / patronage pension institutions	–	–	–	–	–	–	–
Pension institutions without surplus / deficit	–	–	–	–	–	–	–
Pension institutions with surplus	1’339	–	–	–	489	489	480
Pension institutions with deficit	–	–	–	–	–	–	–
Pension institutions without own assets	–	–	–	–	17	17	17
Total	**1’339**	**–**	**–**	**–**	**506**	**506**	**497**

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

			2022	2021
CHF million	Switzerland	Abroad	Total	Total
Employer contribution				
Contributions concerning current period	420	19	439	437
Employer contributions accumulated by the employer contribution reserve	68	–	68	60
Total employer contribution	**488**	**19**	**506**	**496**
Change in employer contribution reserve by asset development, provision for impairment, etc.	0	–	0	0
Employer contribution and change in employer contribution reserve	**488**	**19**	**507**	**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	**488**	**18**	**506**	**497**

34. Cooperative capital

Cooperative share certificates	Share certificate 10.--	Share certificate 20.--/30.--	Total share certificates
01.01.2021	**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 share certificates	21’868	–5	21’863
31.12.2022	**2’307’994**	**87**	**2’308’081**

Change in Cooperative capital CHF thousand			
01.01.2021	**22’683**	**2**	**22’685**
Change in Cooperative capital	179	–0	178
31.12.2021	**22’862**	**2**	**22’863**
Change in Cooperative capital	219	–0	219
31.12.2022	**23’080**	**2**	**23’082**

Cooperative capital – Statutory provisions

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

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

Further explanations

35. Balance sheet maturities

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

			31.12.2022			31.12.2021
CHF million	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
ASSETS						
Cash and cash equivalents	10’925	–	10’925	12’704	–	12’704
Receivables due from banks	36	1	37	12	–	12
Mortgages and other customer receivables	16’310	32’472	48’782	11’736	33’296	45’032
Trade receivables	981	–	981	923	–	923
Other receivables	313	0	313	428	0	428
Inventories	2’613	–	2’613	2’425	–	2’425
Other financial assets	648	899	1’546	552	787	1’339
Investment in associates and joint ventures	–	107	107	–	98	98
Investment property	–	334	334	–	341	341
Fixed assets	–	12’126	12’126	–	11’988	11’988
Intangible assets	–	992	992	–	795	795
Assets from employee benefits	54	1’190	1’243	41	1’157	1’198
Current income tax receivables	229	–	229	267	–	267
Deferred income tax assets	–	64	64	–	74	74
Other assets	454	–	454	357	–	357
TOTAL ASSETS	**32’562**	**48’184**	**80’746**	**29’445**	**48’537**	**77’982**

CHF million	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
LIABILITIES						
Payables due to banks	856	87	943	1’194	61	1’255
Customer deposits and liabilities	44’230	0	44’230	41’893	–	41’893
Other financial liabilities	1’474	190	1’664	1’897	180	2’077
Trade payables	1’923	–	1’923	1’663	–	1’663
Other liabilities	1’242	4	1’245	1’097	34	1’130
Provisions	62	156	218	117	149	266
Issued debt instruments	302	6’695	6’997	769	5’676	6’445
Lliabilities from employee benefits	265	463	728	249	506	755
Current income tax payables	130	–	130	153	–	153
Deferred income tax liabilities	–	1’147	1’147	–	1’202	1’202
TOTAL LIABILITIES	**50’483**	**8’742**	**59’225**	**49’032**	**7’808**	**56’840**

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	**31.12.2022**	31.12.2021
Remaining contract terms		
Up to one year	741	708
More than one and up to five years	2’275	2’253
More than five years	2’091	2’187
Total future liabilities from operating leases	**5’107**	**5’148**
Minimum lease payments	776	733
Contingent lease payments	13	12
Income from sub-lease relationships	–59	–56
Net payments from operating leases and sub-lease contracts affecting net income	**730**	**689**
Expected future payments from sub-lease contracts	180	186

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	**31.12.2022**	31.12.2021
Remaining contract terms		
Up to one year	189	187
More than one and up to five years	442	437
More than five years	126	163
Total future receivables from operating leases	**758**	**788**
Contingent lease payments received	13	3

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 operating activities. 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 2022 annual financial statements.

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

Contingent liabilities

CHF million	**31.12.2022**	31.12.2021
Contingent liabilities from the financial services business		
Guarantees for loans and similar instruments	0	0
Performance guarantees and similar instruments	56	56
Unutilised irrevocable loan commitments	2’240	1’150
Capital commitments	70	64
Total contingent liabilities from the financial services business	**2’366**	**1’270**
Other contingent liabilities		
Guarantees	1	2
Sureties	31	–
Others	33	32
Total other contingent liabilities	**65**	**34**

Contingent liabilities from the financial services business are part of the normal course of customer business and are CHF 1’096 million higher than in the previous year. Other contingent liabilities mainly include guarantees issued by various companies and have increased in comparison with the previous year.

Contingent assets

CHF million	**31.12.2022**	31.12.2021
Total contingent assets	**–**	**–**

There were no contingent assets as at 31 December 2022.

Fiduciary placements

CHF million	**31.12.2022**	31.12.2021
Fiduciary placements with third-party banks for account of the customers	**–**	**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

31.12.2022 CHF million	Associates	Joint ventures	Key management personnel[1]	Pension funds	Other related parties[2]	Total
Balance sheet						
Cash and cash equivalents	–	–	–	–	5	5
Mortgages and other customer receivables	67	–	4	–	–	71
Trade receivables	3	0	–	0	0	3
Other receivables	6	1	–	0	10	17
Other financial assets	3	2	–	–	44	49
Other assets	–	–	–	–	0	0
Customer deposits and liabilities	–7	–	–	–81	–1	–89
Other financial liabilities	–30	–	–	–176	–2	–208
Trade payables	–3	–	–0	–0	–0	–3
Other liabilities	–	–	–	–1	–16	–16
Provisions	–	–	–	–	–	–
Income statement						
Net revenue from goods and services sold	29	1	1	5	2	38
Other operating income	0	–	–	0	8	9
Result from financial services	1	–	0	–	–	1
Cost of goods and services sold	–0	–	–10	–0	–0	–10
Other operating expenses	–1	–	–	–14	–18	–34
Finance income	1	–	–	594	0	595
Finance cost	–0	–	–	–506	–0	–506
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	–	–	–	–204	–6	–210
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 parties include in particular foundations such as the "Im Grünen" foundation.
[3] Non-current assets include investment property, fixed assets and intangible assets.

The other receivables in the previous year 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 a short-term basis to the Federation of Migros Cooperatives.

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

31.12.2021 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 parties include in particular foundations such as the "Im Grünen" foundation.
[3] Non-current assets include investment property, fixed assets and intangible assets.

Personnel expenses of key management personnel

CHF million	**2022**	2021
Short-term benefits	13	14
Post-employment benefits	2	2
Other long-term benefits	0	0
Termination benefits	–	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 2022

Fair Value[1]

CHF million	*Note*	Segment Migros-Industry	Segment Others	Total
Cash and cash equivalents		8	6	14
Receivables		7	5	12
Inventories		16	3	19
Other financial assets		0	0	0
Fixed assets and investment property		2	19	21
Intangible assets (w / o goodwill)		41	18	58
Deferred income tax assets		1	3	4
Other assets		0	1	1
Financial liabilities		−26	−18	−44
Trade payables		−8	−4	−12
Provisions		−1	−0	−1
Deferred income tax liabilities		−8	−3	−11
Other liabilities		−5	−10	−15
Addition net assets		**28**	**20**	**47**
Minority interests				−5
Badwill				−0
Goodwill	*27*			174
Cost of acquisition				**217**
Of which attributable to capital investment				–
Of which interests held before acquisition date				−5
Acquired cash and cash equivalents[2]				−14
Future obligations				−2
Compensation for already existing financing operations				–
Net outflow of funds				**196**

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 Migros-Industry,** Marq Labs, Inc. was incorporated into Migros Group on 1 January 2022 following its acquisition (65 %) by the Mibelle Group on 23 December 2021. The Mibelle Group also acquired Lee Stafford Ltd., included on 16 December 2022. Estavayer Lait SA acquired Simmental Switzerland AG, which was included in the scope of consolidation of Migros Group on 1 July 2022. The contribution to the sales of Migros Group made by these companies since their acquisition amounted to CHF 43 million. This contribution to sales would have been greater by CHF 7 million if the acquired companies had already been incorporated into the scope of consolidation on 1 January 2022.

In the **segment Others,** Migros Group acquired Best Smile AG, which was included in the scope of consolidation on 1 January 2022. Further acquisitions in the financial year were made by the Medbase Group. Medbase AG acquired Radiologische Institute Schweiz AG, included on 1 June 2022, Permanence Holding AG, included on 1 August 2022, as well as Mediteam Gampelen AG, likewise included on 1 August 2022 and merged at the same time with Medbase AG. Medbase Apotheken AG acquired Münch Holding AG, included in the scope of consolidation on 1 July 2022; mergers with these companies took place on the integration date. The acquired companies have contributed sales of CHF 54 million since their inclusion in the scope of consolidation. If all of the companies had already been integrated into Migros Group on 1 January 2022, the contribution made to sales would have been greater by CHF 14 million in total.

As far as the acquisition of further shares in Smood SA are concerned, the information relating to financial statements was unavailable at the time of the Migros Group financial statements being released. Consequently, the recognition of the business combination was not possible. Consolidation in Migros Group will not be shown until 2023.

Acquisition of subsidiaries and business operations in 2021

Fair Value[1] 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 can only be shown from 2022:

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

Disposal of subsidiaries and business operations in 2022

CHF million	Segment Cooperative Retailing	Total
Cash and cash equivalents	4	4
Receivables	4	4
Inventories	1	1
Other financial assets	1	1
Fixed assets	15	15
Intangible assets	1	1
Deferred income tax assets	–	–
Other assets	1	1
Financial liabilities	–	–
Trade payables	–3	–3
Provisions	–0	–0
Deferred income tax liabilities	–1	–1
Other liabilities	–10	–10
Currency translation differences	–	–
Disposal of net assets	**12**	**12**
Retained part of net assets of associated companies / minority interests		–
Retained share of net assets from subsidiaries and associated companies		–8
Sales price		**4**
Of which claim waiver seller		–
Of which claim waiver buyer		–
Disposed of cash and cash equivalents		–4
Deferred sales price payments		–8
Compensation for already existing financing operations		–
Net inflow of funds / (Outflow of funds)		**–8**

In the **segment Cooperative Retailing,** the subsidiary ACISO Fitness & Health GmbH, which is based in and operates in Germany, was sold on 1 January 2022. The companies Golf Limpachtal Betriebs- und Verwaltungs-AG and Public Golf Bucheggberg AG were also sold on 30 November 2022.

The contribution made by these companies to sales amounted to CHF 4 million at the time of disposal.

Disposal of subsidiaries and business operations in 2021

No disposals were made during the previous year.

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	
	31.12.2022	31.12.2021	**2022**	2021
1 EUR	0.99	1.04	1.00	1.08
1 GBP	1.11	1.23	1.17	1.26
1 USD	0.93	0.91	0.95	0.91

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 partially suppress economic activity in 2022.

Short-time working continued for some employees in the segment Cooperative Retailing (catering, fitness and specialist markets). Personnel expenses include compensation payments for short-time working in the amount of CHF 3 million (31.12.2021: CHF 71 million). Employees in the segment Cooperative Retailing 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 2022 financial year.

42. Events after the balance sheet date

With the exception of the event described in the next paragraph, 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 2023, the Migros subsidiary Medbase announced the acquisition of the Swiss business of the Zur Rose Group, which is active in the integrated supply of medication. The merger still needs to be approved by the Competition Commission (COMCO). There are no effects in accounting terms on these annual financial statements.

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	5’439.3	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
Kilcher Transporte AG	Utzenstorf	F	Switzerland	CHF	150.0	100.0
LFS Ltd.	Moosseedorf	F	Switzerland	CHF	100.0	100.0
MA Ventures Ltd.	Moosseedorf	F	Switzerland	CHF	1’000.0	100.0
MIACAR Ltd. in liquidation	Zurich	F	Switzerland	CHF	3’500.0	100.0
Naturparkkäserei Diemtigtal AG	Diemtigen	E	Switzerland	CHF	400.0	59.3
Shopping-Center Brünnen AG	Berne	F	Switzerland	CHF	918.0	100.0
Shoppyland, Shoppy AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
Time-Out AG	Moosseedorf	F	Switzerland	CHF	100.0	100.0
VOI LTD	Moosseedorf	F	Switzerland	CHF	1’000.0	100.0
Genossenschaft Migros Basel	Basel	F	Switzerland	CHF	1’701.0	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	1’356.5	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	2’084.6	P
Migros Golf AG	Dierikon	F	Switzerland	CHF	100.0	100.0
Parkwirtin «Einfache Gesellschaft»	Lucerne	F	Switzerland	CHF	585.1	84.6
Migros Cooperative Neuchâtel-Fribourg	La Tène	F	Switzerland	CHF	1’277.4	P
Agy Est SA en liquidation	Granges-Paccot	F	Switzerland	CHF	100.0	100.0
Marin Centre SA	La Tène	F	Switzerland	CHF	17’300.0	100.0
Strega SA	La Tène	F	Switzerland	CHF	100.0	100.0
Au Léopold SA	La Tène	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Eastern Switzerland	Gossau SG	F	Switzerland	CHF	4’276.2	P
Parking Wattwil AG	Wattwil	F	Switzerland	CHF	3’550.0	65.5
Randenburg-Immobilien AG	Schaffhausen	F	Switzerland	CHF	400.0	99.9
Società Cooperativa fra produttori e consumatori Migros-Ticino	Sant’Antonino	F	Switzerland	CHF	1’049.0	P
Mitico Ticino SA	Sant’Antonino	F	Switzerland	CHF	100.0	100.0
Migros Cooperative Valais	Martigny	F	Switzerland	CHF	866.2	P

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
Migros Cooperative Vaud	Ecublens	F	Switzerland	CHF	1'627.9	P
Kornhof Sàrl	Ecublens	F	Switzerland	CHF	2'000.0	100.0
Migros Logistique Lémanique SA	Ecublens	F	Switzerland	CHF	1'600.0	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	3'403.4	P
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
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… Logistikimmobilien 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
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
Bike World Ltd	Zurich	F	Switzerland	CHF	60.0	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
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
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	Adliswil	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

Segment / Company	Domicile	Accounting method[1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
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	Olten	F	Switzerland	CHF	120.0	100.0
Estavayer Lait SA	Estavayer-le-Lac	F	Switzerland	CHF	3'500.0	100.0
aaremilch AG	Lyss	E	Switzerland	CHF	142.9	47.1
Financière du Solimont SAS	FR-Hochfelden	F	Other countries	EUR	600.8	100.0
Idhéa SAS	FR-Hochfelden	F	Other countries	EUR	6'500.0	100.0
Schwyzer Milchhuus AG	Ingenbohl	F	Switzerland	CHF	4'500.0	100.0
Schwyzer Milchhuus Deutschland GmbH	DE-Munich	F	Other countries	EUR	25.0	100.0
Simmental Switzerland AG	Diemtigen	F	Switzerland	CHF	100.0	100.0
SoGood Holding B.V.	NL-Limburg	F	Other countries	EUR	329.5	100.0
SoFine Foods B.V.	NL-Limburg	F	Other countries	EUR	18.0	100.0
Sperwer Vastgoed B.V.	NL-Limburg	F	Other countries	EUR	10.0	100.0
The Cultured Hub Ltd.	Lindau	E	Switzerland	CHF	600.0	33.3
Jowa AG incl. production plants	Volketswil	F	Switzerland	CHF	10'000.0	100.0
Fresh Food & Beverage Group AG	Zurich	F	Switzerland	CHF	100.0	100.0
Hug Bäckerei AG	Lucerne	F	Switzerland	CHF	1'000.0	85.0
Mibelle AG	Buchs AG	F	Switzerland	CHF	2'000.0	100.0
Gowoonsesang Cosmetics Co., Ltd.	KR-Seoul	F	Other countries	KRW	2'552'299.5	100.0
Gowoonsesang Shanghai Co., Ltd.	CN-Shanghai	F	Other countries	CNY	13'462.6	100.0
Mibelle Ltd.	UK-Bradford	F	Other countries	GBP	1'000.1	100.0
Mibelle USA LLC	US-Delaware	F	Other countries	USD	–	100.0
Marq Labs Inc.	US-Nashville	F	Other countries	USD	0.0	65.0
Marque of Brands Americas LLC	US-Alexandria	F	Other countries	USD	–	65.0
Marq of Brands B.V.	NL-Amsterdam	F	Other countries	EUR	0.5	65.0
Marq of Brands Ltd.	UK-Belfast	F	Other countries	GBP	0.1	65.0
Marq of Brands Pty. Ltd.	AU-Moorabbin VIC	F	Other countries	AUD	31.0	65.0
MarqLabs B.V.	NL-Amsterdam	F	Other countries	EUR	0.1	65.0
Marq Groups Holdings B.V.	NL-Amsterdam	F	Other countries	EUR	0.1	65.0
Lee Stafford Ltd.	UK-Bradford	F	Other countries	GBP	0.0	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, Bazenheid branch	Courtepin	F	Switzerland	CHF	10'000.0	100.0
Centravo Holding AG	Zurich	E	Switzerland	CHF	2'040.0	29.2
Favorit Geflügel AG	Lyss	F	Switzerland	CHF	500.0	100.0
KM Seafood GmbH	DE-Schirgiswald-Kirschau	F	Other countries	EUR	25.0	100.0
Mérat AG	Berne	F	Switzerland	CHF	50.0	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
Mifroma SA	Ursy	F	Switzerland	CHF	3'000.0	100.0
Dörig Käsehandel AG	Urnäsch	F	Switzerland	CHF	200.0	100.0

Segment / Company	Domicile	Accounting method [1]	Switzerland / Other countries	Currency	Registered capital in 1000	Equity interest in % [2]
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
Migros 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	90.0
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	450.3	27.9

Travel

MTCH Ltd	Opfikon	F	Switzerland	CHF	2'400.0	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
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
Inntravel Ltd.	GB-York	F	Other countries	GBP	224.6	100.0
Inter Chalet Ferienhaus AG	Opfikon	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]
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 & Ressorts Ltd.[3]	MV-Male	E	Other countries	MVR	87'380.0	50.0
Náttúra-Yurtel ehf.	ISL-Garöabaer	F	Other countries	ISK	500.0	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

Others

Ferrovia Monte Generoso SA	Mendrisio	NC	Switzerland	CHF	3'500.0	100.0
Mitreva Ltd	Zurich	NC	Switzerland	CHF	200.0	100.0
Migros Vita AG	Gossau SG	F	Switzerland	CHF	56'218.0	100.0
Medbase AG	Winterthur	F	Switzerland	CHF	6'380.0	100.0
Ambulantes Operationszentrum Berner Oberland AG	Thun	E	Switzerland	CHF	100.0	40.0
Bluespace Ventures AG	Winterthur	E	Switzerland	CHF	5'625.0	25.0
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
Permanence Holding AG	Basel	F	Switzerland	CHF	250.0	100.0
Radiologie Luzern AG	Luzern	F	Switzerland	CHF	240.0	100.0
Radiologie Win Ltd.	Winterthur	F	Switzerland	CHF	100.0	100.0
Radiologische Institute Schweiz AG	Köniz	F	Switzerland	CHF	2'270.0	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 Beteiligungs AG	Zurich	F	Switzerland	CHF	342.9	60.0
zahnarztzentrum.ch AG	St. Gallen	F	Switzerland	CHF	800.0	60.0
Best Smile Inc.	Winterthur	F	Switzerland	CHF	190.6	99.2
MiSENSO Ltd.	Zurich	F	Switzerland	CHF	1'000.0	100.0
WePractice Ltd.	Zurich	F	Switzerland	CHF	1'000.0	100.0
movemi Ltd.	Zurich	F	Switzerland	CHF	834.0	100.0
FlowerPower Fitness und Wellness LTD	Moosseedorf	F	Switzerland	CHF	100.0	100.0
ACTIV FITNESS TICINO SA	Sant'Antonino	F	Switzerland	CHF	100.0	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

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To the Board of Directors of the
Federation of Migros Cooperatives, Zurich

Zurich, 16 March 2023

Report of the statutory auditor

Report on the audit of the Migros Group financial statements

Opinion

We have audited the Migros Group financial statements, which comprise the income statement of Migros Group for the year ending on 31 December 2022, the balance sheet of the Migros Group as at 31 December 2022, statement of changes in equity and the cash flow statement of the Migros Group for the year then ended, and notes to the Migros Group financial statements, including a summary of significant accounting policies.

In our opinion, the Migros Group financial statements (pages 26 to 105) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the Migros Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Migros Group financial statements of the current period. These matters were addressed in the context of our audit of the Migros Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the Migros Group financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Migros Group financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the Migros Group financial statements.

Recoverable amount of fixed assets

Area of focus	Fixed assets are stated at cost less cumulative depreciation and impairment losses. Fixed assets are tested for impairment at the cash-generating unit level if events or changes in circumstances indicate that the carrying amount may not be recoverable. For shopping centres, specific impairment considerations are made if the value drivers on which the investment decision was based are not achievable in the long term. The identification and assessment of indications of impairment and the determination of the recoverable amount require the use of estimates and assumptions that involve significant judgement. As at 31 December 2022, fixed assets represent a significant part of Migros Group’s assets at CHF 12.1 billion or 15 %. Impairment losses of CHF 7 million were recognised on fixed assets in the reporting year. Due to the significant scope of judgement and the importance of the balance sheet item mentioned in the financial statements of Migros Group, we consider the identification and assessment of indications of impairment and the determination of the recoverable amount to be a key audit matter. Migros Group describes its accounting policies for fixed assets in note 3 to the consolidated financial statements of Migros Group. In addition, we refer to note 26 to the consolidated financial statements of Migros Group.
Our audit response	We audited the processes and key controls related to the identification and assessment of indicators of impairment of fixed assets and assessed the procedures for the preparation of financial plans. In addition, we performed sample tests of the determination of the recoverable amount and assessed the usability of the work results of external appraisers commissioned by the management for individual properties.

Our procedures did not lead to any reservations concerning the recoverable amount of fixed assets.

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Measurement of value adjustments and provisions for default risks from customer loans of Migros Bank AG

Area of focus

The valuation of customer loans, which consist of amounts due from customers and mortgage receivables, has been performed at nominal value less any necessary value adjustments for default risks. For impaired customer loans, individual value adjustments and provisions are made. For not impaired customer loans, the Bank makes value adjustments for inherent default risks.

The measurement of value adjustments and provisions for default risks from customer loans requires making estimates and assumptions which, by definition, involve significant judgment.

As of 31 December 2022, customer loans amount to CHF 48.8 billion (equivalent to 60 %) and are a material part of the total balance sheet of Migros Group. At the balance sheet date, value adjustments and provisions from impaired receivables amount to CHF 28 million. Value adjustments for inherent default risks amount to CHF 104 million. Due to significant judgmental matters and the significance of the mentioned balance sheet items in the consolidated financial statements of Migros Group, we consider the measurement of value adjustments and provisions for default risks as a key audit matter.

Migros Group describes the accounting and valuation principles applied to customer loans as well as value adjustments and provisions for default risks in note 3 and discloses its approach to risk management of default risks in note 4. Furthermore, we refer to note 18 to the consolidated financial statements.

Our audit response

We audited the processes and key controls in connection with granting and monitoring loans as well as the method for the identification and measurement of value adjustments and provisions for default risks from customers loans.

Moreover, we performed sample tests on the impairment of credit commitments and the measurement of value adjustments and provisions for default risks from customers loans. In addition, we evaluated the compliance of significant accounting principles as well as the appropriateness of the disclosures in the notes to the financial statements.

Our procedures did not lead to any reservations concerning the measurement of value adjustments and provisions for default risks from customer loans.

Other matter

The Migros Group financial statements for the year ended 31 December 2021 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 17 March 2022.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Migros Group financial statements and our auditor’s report thereon

Our opinion on the Migros Group financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the Migros Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Migros Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the Migros Group financial statements
The Board of Directors is responsible for the preparation of the Migros Group financial statements, which 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 Migros Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Migros Group 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 Migros Group financial statements
Our objectives are to obtain reasonable assurance about whether the Migros Group 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 SA-CH 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 Migros Group financial statements.

A further description of our responsibilities for the audit of the Migros Group financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the Migros Group financial statements according to the instructions of the Board of Directors.

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

Ernst & Young AG

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Ina Braun
Licensed audit expert

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