

M

Annual Report 2007

*Migros
Annual
Report
2007*

Table of Contents

Picture Section	9
-----------------	---

Annual Report

1	Review of consolidated group results	112
2	Table of key figures and ratios	113
3	Review by the Chairman of the Board of Directors and the Chief Executive Officer	114
4	The Migros Organisation	
	The Migros Community	118
	Corporate Governance	119
	Assembly of Delegates	123
	FMC Board of Directors	124
	FMC Executive Board	125
	FMC Board of Control	125
	Group auditors	125
5	Sales	126
6	Investments	127
7	Migros Distribution Network 2007	129
8	Retail Migros	
	Cooperatives' retail business	
	Retail Migros business highlights	131
	Market share	134
	The ten regional Cooperatives	135
	Ethical labels	140
	Food/near-food assortment	141
	Non-food assortment	143
	Specialist markets	145
	Catering services	148
	Others	149
	M-Cumulus	149
	M-Infoline	149
	Quality assurance	150
	Sponsoring	150

Financial Report

Migros Industry	
Migros Industry highlights	152
Bischofszell Food	157
Chocolat Frey	157
Delica	157
Estavayer Lait	158
Jowa	158
Mibelle	159
Mérat	159
Micarna	159
Midor	160
Mifa	160
Mifroma	161
Mifroma France	161
Riseria Taverne	161
Seba Aproz	161
Scana Lebensmittel	162
Logistics and IT Services	163
Migros Distribution Centre Suhr (MVS)	163
Migros Distribution Centre Neuendorf (MVN)	164
Logistics and Transport	165
IT Services	165
9 Retail other	167
Denner	167
Ex Libris	168
Interio	169
LeShop.ch	169
Magazine zum Globus	170
Office World	170
10 Travel	
Hotelplan	172
11 Oil and fuel	
Migrol	174
12 Financial services	
Migros Bank	176
13 Others	
Limmatdruck	178
14 Corporate Responsibility	180
15 Human Resources	184
16 Leisure facilities	
Golfparks	189
Fitnessparks	189
17 Culture Percentage	190
18 Gottlieb Duttweiler Institute (GDI)	193
19 Migros Media	195

Report on the financial situation

A. Overview	196
B. Introduction	198
C. Acquisitions and disposals	198
D. Income trend (sales trend) of Migros Group	199
E. Operating result of Migros Group	200
F. Balance sheet of Migros Group	202
G. Cash flow statement of Migros Group	203
H. Value/orientated management as basis for creating value added	204
I. Risk management and Internal Control System (ICS) in the Migros Group	204
J. Statement of value added	210

Migros Group Financial statements

Income statement	212
Balance sheet	213
Statement of changes in equity	214
Cash flow statement	216

Glossary of technical terms used in the group accounts

Addresses	219
-----------	-----

GRI index	222
-----------	-----

Biographies	229
-------------	-----

Many thanks to	230
----------------	-----

Imprint	231
---------	-----

TREASURE



HUNT

“Sélection”, the Treasure Island

Was it only a freak of nature? Why else would Khewra, the legendary cave labyrinth in the Himalayas, exist, with its 220 million tons of salt deposits?

An example from the other side of the world: the wild salmon in the River Tweed. Every year in September they leave the sea and swim upstream, against the current, sometimes up to 100 kilometres. At the confluence of the Tweed and the Teviot fishermen await. Nowhere else do these fresh fish taste as delectable as here.

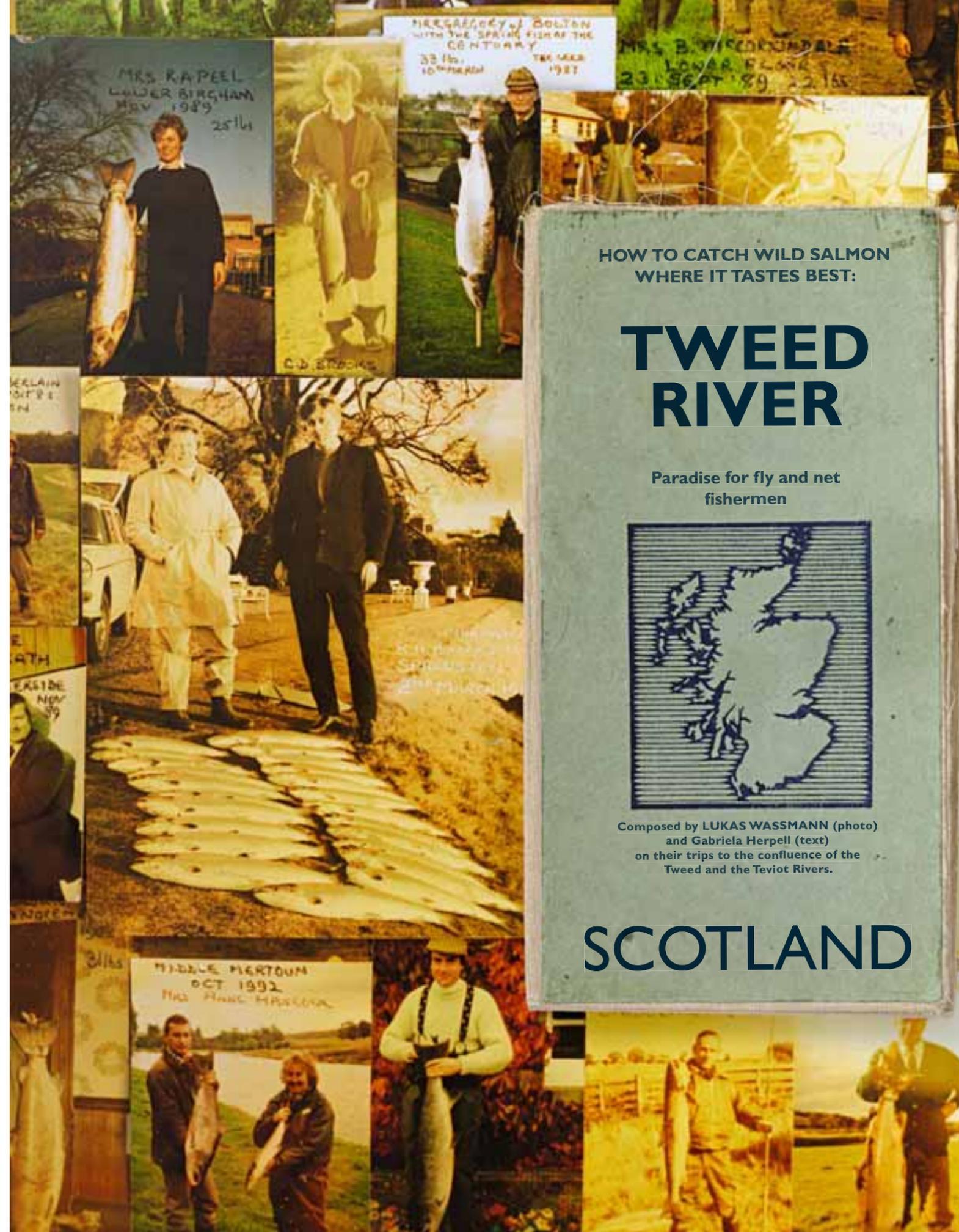
These world wonders are what this annual report is about. Migros offers the legendary Himalayan salt as well as the inimitable Scottish wild salmon – and many other such treasures.

What do these products have in common? Tradition. They are produced and processed mainly by small family firms that have been practicing their handiwork for generations. These firms put their accumulated know-how, and in particular their passion, into the product. That sustainability is a crucial part of their thinking goes without saying.

Migros makes partners of these dedicated people, who cultivate their traditions in remote corners of the globe, and brings their products to us in Switzerland. Those who place value on top quality know: These treasures make up the premium “Sélection” line. “Sélection” is the treasure island of the offerings from Migros.

The stories surrounding these extraordinary traditional products almost have, in our fast-moving times, the quality of fairy tales. But they are all true.

The 2007 annual report tells six of the most compelling stories. Let yourself be whisked away to our treasure island!



HOW TO CATCH WILD SALMON
WHERE IT TASTES BEST:

TWEED RIVER

Paradise for fly and net
fishermen



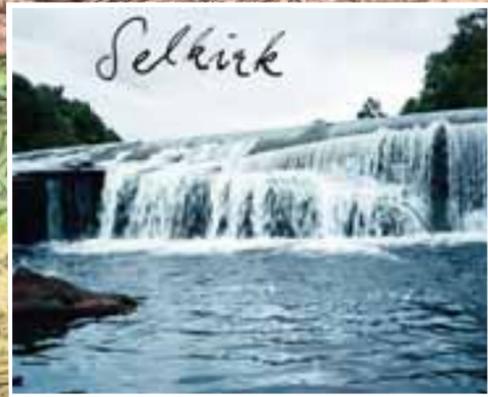
Composed by LUKAS WASSMANN (photo)
and Gabriela Herpell (text)
on their trips to the confluence of the
Tweed and the Teviot Rivers.

SCOTLAND

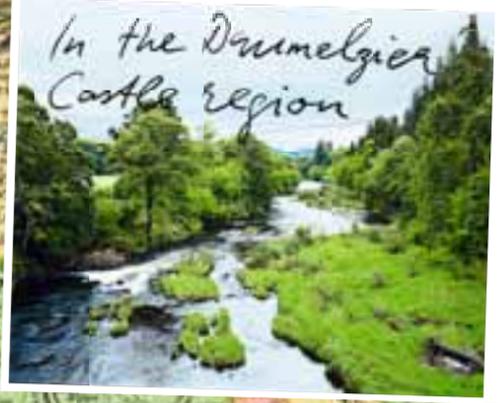
Neidpath Castle



Selkirk



In the Drumelzier Castle region



Tweed River

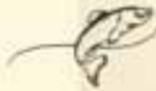
Bridge over the river mouth near Berwick-upon-Tweed



OVER 100 KILOMETRES AGAINST THE CURRENT

THE SALMON RETURN

Every year in September wild salmon undertake a long journey – they migrate from the North Sea up their natal streams to spawn.



"Top Hole", wrote James T. Groy 1928 in the guest book. In the Junction Pool in front of the Ednam House Hotel, the Tweed and the Teviot flow together. Nowhere else are as many salmon caught.



On every plate and table, and in every picture, within Ednam House, you'll see at least one salmon, though not always a genuine or self-caught one.

Earlier, when the River Tweed was still dark with salmon, the fishermen laid out their trophies on the foyer floor of the Ednam House Hotel at the end of the day. There were so many that one could no longer cross it. The anglers would celebrate with their coxswains at the bar, which swarmed with men in tweed. One would recognise a Lord, his ghillie and the relatives of his estate by the tweed they wore in common. Today the men wear pullovers; many come from England and many others from further afar to fish the Tweed River once in their life, because it's still considered the best salmon stream in Great Britain.



*Trevor of the angling shop
Forrest & Sons*

"The most successful of all salmon flies, 'Jock Scott', was named in 1845 after its creator, Lord John Scott, who fished in Kirkbank on Tweed."



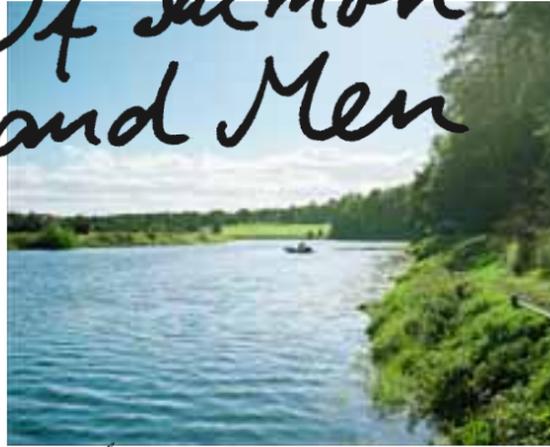
*A wonder of nature is part of
the enjoyment of fishing*



The grass flourishes in the fertile soil, and the sheep flourish on the grass. The border country was once the area where prime wool came from: Pringle of Scotland. And: tweed. Today, salmon fishing is the main source of income along the River Tweed.

"If fishing was just about catching fish it would have been called catching."
Ernest Hemingway

Of Salmon and Men



The high water comes

When the surface of the water ripples, the water rushes in. And with the high water come the fish, the men say.



Every second counts

The technique of the net fisherman is age-old: a man rows the boat quickly and quietly in a wide arc to the other side of the river and back.



...and the part that's true

The salmon actually don't like moving in the bright sunshine. However, they do like to swim against the turbulent stream.



The net is full

Despite the high noon sun, the fishermen are lucky; around 100 salmon flounder in the net. "No fish," the men say as they reject a sea trout.



Encircled

While doing so he pulls a net behind him that falls from the water surface to the bottom.



Deceptive quiet

Another man holds the net tightly from the river bank. The season is short, to preserve the salmon population. That's why everyone works with total concentration.



Basic Instinct

Wild salmon live arduous lives predicated on an archaic ritual. That's why they're so rare: after roughly two years in the river where they hatched, they migrate out to the sea.



Long journey

They remain there another two to three years and feed mainly on shrimp (ergo their colour). They often swim a great distance north. Yet one day they turn around and head back to their birthplace – to spawn.



A well-rehearsed team

When the rower returns, the four men pull in the net with steady, controlled urgency to avoid losing fish.



Weather theories...

A fisherman, say the men, is like a farmer: the weather is never good for him. It's either too sunny or too wet, too warm or too stormy.



Fading strength

In fresh water the salmon stop feeding – their colour changes from silvery to reddish and their jaw deforms, subtracting from their beauty.



Last of the Mohicans

In the fall, the salmon gather at the mouths of their natal streams and swim up them in schools. To protect them, the net fishing season ends 14 September. For this reason, only three of the original 30 net stations remain.



Scott's View

The Scottish novelist Sir Walter Scott ("Rob Roy", "Ivanhoe") is supposed to have halted often here on the mountain near Melrose and looked out over his beloved River Tweed and the Eildons, where King Arthur is claimed to be buried. His horses, so the legend goes, continued to stop here after his death.

Lovers Leap

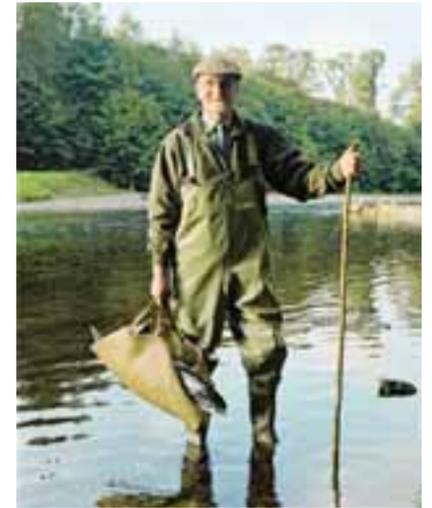
This idyllic bend in the river at Rutherford was so named after a dramatic love story: A wrathful father threw a young man into the river because he caught him with his daughter. The young woman was so distraught that she leaped to her death. The salmon aren't impressed by this event: carefree, they cavort in the water.

The Pot, Tillmouth

In 1972, Lady Burnett caught a 43-pound salmon at this spot where the Tweed and the Till converge. To the annoyance of many ambitious men, she long held the record on the Tweed with her catch.

Mertoun Bridge

One of the largest salmon ever seen was lifelessly scavenged here: it weighed 60 pounds, was eight years old and had spawned twice – a rare feat that requires prodigious strength and endurance. Most salmon die after returning to their birthplace and spawning there once.



The bed of the Tweed cuts deep into the landscape – a real border river





EDNAM HOUSE HOTEL

PROPRIETOR: R.A. & R.W. BROOKS



The fish of one's life
"Should I explain to you exactly how I caught it?" Nigel from Leeds asked Michael from Worcestershire. "But that would take a good half hour." It's a joke that makes fly fishermen nearly laugh themselves to death. For them fishing is not about killing a salmon but having the honour of battling it. There's presumed to be one minute of fight per pound of fish. One day – and in the meantime they will return many fish to the water – they will catch the fish of their life and keep it. Alistair Brooks, owner of Ednam House, began fishing at nine years old – and landed his largest salmon 50 years later. Now this beauty hangs in the hotel.



The men are still busy outside. The bartender ensures that there are enough brands of malt whisky for the evening.



Alistair Brooks' masterpiece. The goal has been reached but a real fly fisherman, naturally, never gives up angling.



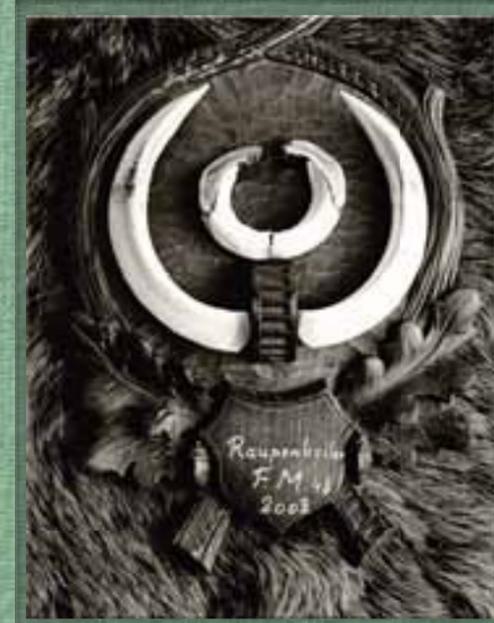
Even without a salmon on the plate there is a salmon on the plate.



Topic of the evening: The catch of the day is discussed over smoked salmon.

When the fishermen enjoy a good
catch in the net,
they say: "Silver bar."





GOOD
HUNTING!

By KURT MARKUS (photo)
and CHRISTIAN SEILER (text)

A splendid example!!

On a wild boar hunt
in the Weinviertel



Hunting scenes from LOWER AUSTRIA



No hunting fever. All the horn blower fears is playing a wrong note.



Wild boar love the shade.



The raised blind balances on the edge of the fields of the Weinviertel (famous wine-growing region in Austria). From the lodge the view opens out to the edges of the forest, into the twilight. Because the farmers no longer cultivate all the land they own, the wild boars return here.



Leather and loden complement the metal of the horn. The brogues glisten, polished until the "water shine" arises.



From left: Michael Grausenburger, Manfred Durstmüller, Reinhard Grausenburger. While the horn was used in earlier days to issue specific hunting calls, today it's more of a mood setter for the hunt. Urgent matters are discussed on mobile phones.



The leathers and the horn are lifetime purchases. Only the Janker – the loden coat – needs to be replaced, when the elbows wear through.



Reinhard Grausenburger, ready to head out.



Johann Pfersching with hunting dog. Hounds are not incidental companions; they are required by law to accompany the hunters. Austrian hunting regulations dictate that every hunter must take along a "suitable" dog into boar territory, one taught what it has to do.



Hunting is done everywhere. Here the stag springs out of wrought iron.



Departure with measured step.



When the oaks and beeches bear well, the wild boars celebrate a "mast year". They love acorns and beech nuts above all else, and when they find enough of them in the deciduous forests of Lower Austria, they spare the farmers' fields – mostly.



Potato fields offer a banquet to wild boars. And why shouldn't the pigs be gourmards? In the Périgord they scent out truffles; here they forage for their favourite fruit of the soil: early potatoes. Only plant bulbs appeal to them more.



Behind the whitewashed facades of the wine and vegetable houses is hidden a small cool room. From here long underground shelters, in which the temperature remains a constant 12 degrees Celsius year round, were driven into the loess or the clay. Wine, vegetables and what's left over from the hunt can be stored there.

An injured BOAR is a TEMPEST

A hunter who hasn't reloaded is best advised to remain in the high blind until the danger has passed, even if it lasts three days and nights. Everyone knows the story of someone who didn't wait, and those who listened closely know why the tusks of the boar are a highly prized trophy.

When razorbacks were hunted with the *Saufeder*, a short, compact spear, the hunters needed to be heroes. When the men won, they were honoured as the subjects of legend, and the men whose feats were extraordinary are still known today: Charlemagne, exalted in the St. Gallen manuscript "Carolus Magnus et Papa Leo" of 799. Hercules, who in one of his Twelve Labours captured the Erymanthian boar.

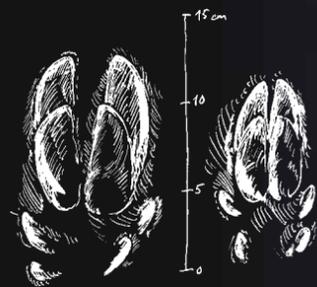
Hermann Tiefenbach (picture right) has looked into the eyes of male and female wild boars for years. He knows what the hunt demands: a steady hand and clear eyes. Then nothing bad – knock wood – will happen.

All the farmers in the region stand behind the hunter. The hunters do them good. If it were up to the farmers, the hunters would have driven the boars back to Siberia long ago.

The mixed forest of the area under the Manhartsberg offers the wild boars what they want. Acorns and beech nuts grow, feed for the whole herd. Enough water flows. The mud permits wallowing. There are no wolves and only a few lynxes who prey on the young. In emergencies sows can switch to the potato fields, which the farmers complain to the high heavens about.

The boars continue to increase in numbers, and are round and healthy. They sleep, when undisturbed, during the day and forage at night, on the best the forest has to offer.

The hunters are alerted. In autumn, when the sows litter, they are dangerous. They are prepared to kill for their offspring. But they leave behind clear tracks, which the experienced hunter knows how to read. He knows which habits the herd has. He knows where to wait.



Left: Tracks of a two-year-old male boar, in flight.
Right: Two-year-old sow at an unhurried pace.

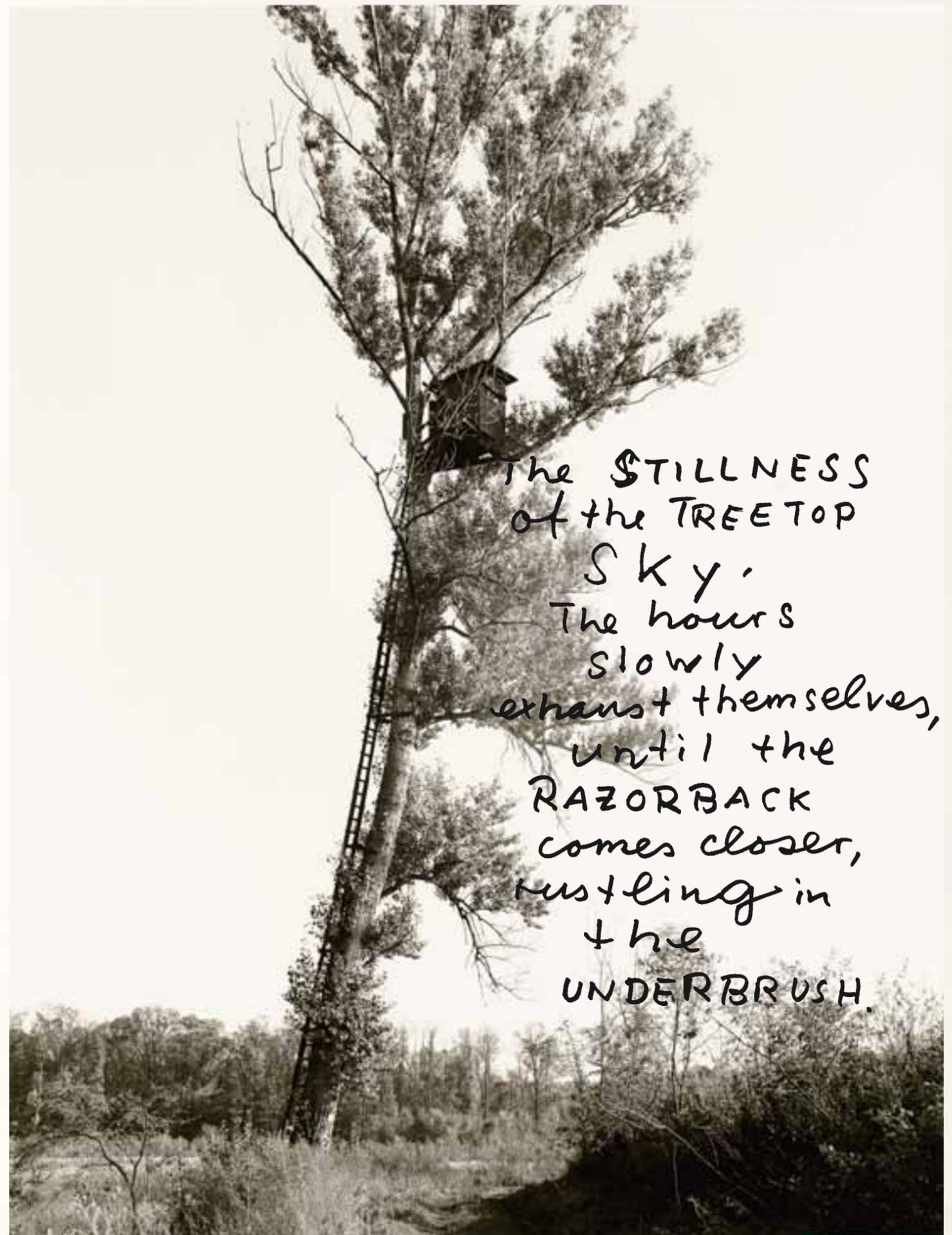


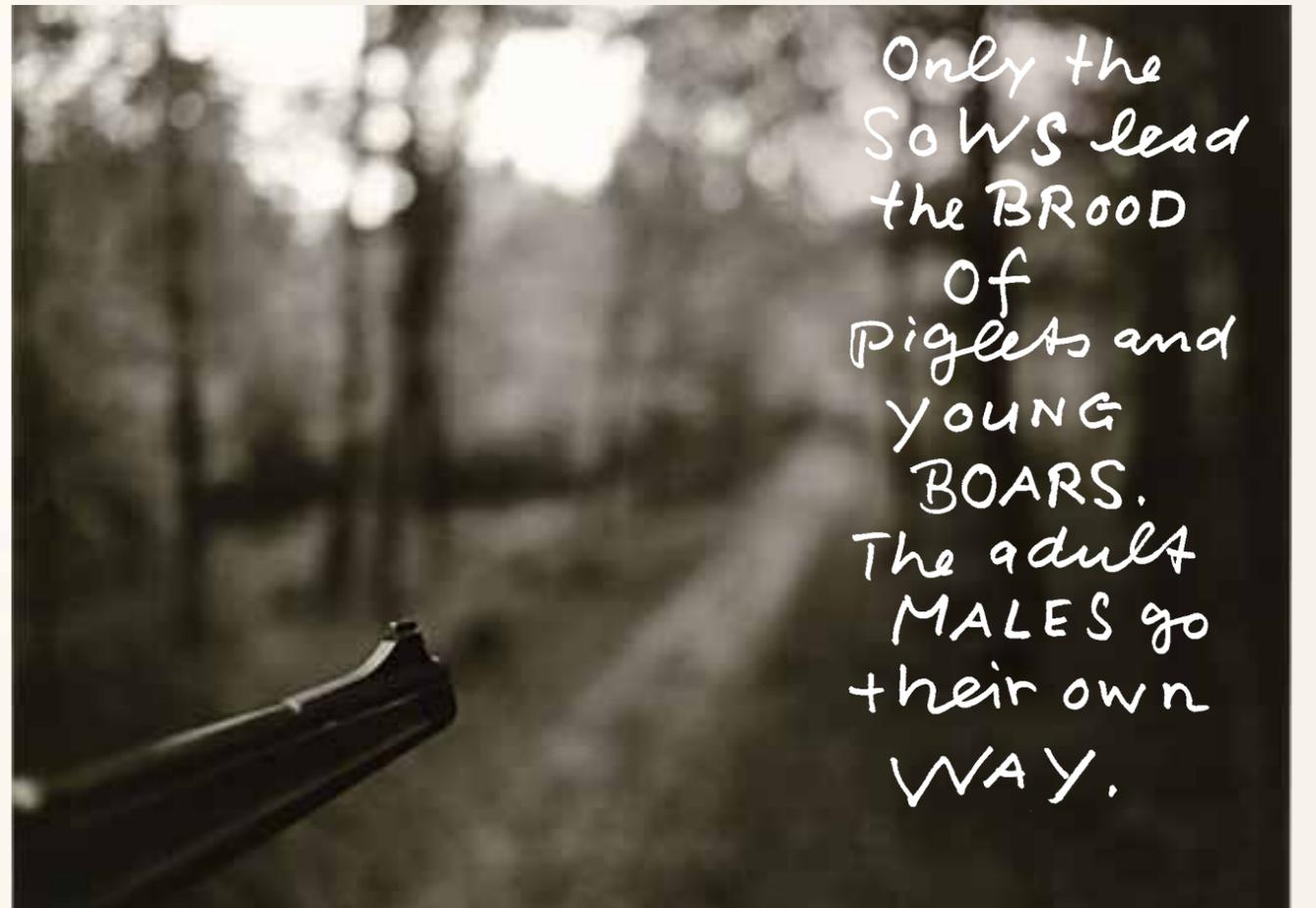
The restaurant of Alois Sisser (Dross)



Tiefenbach Hermann



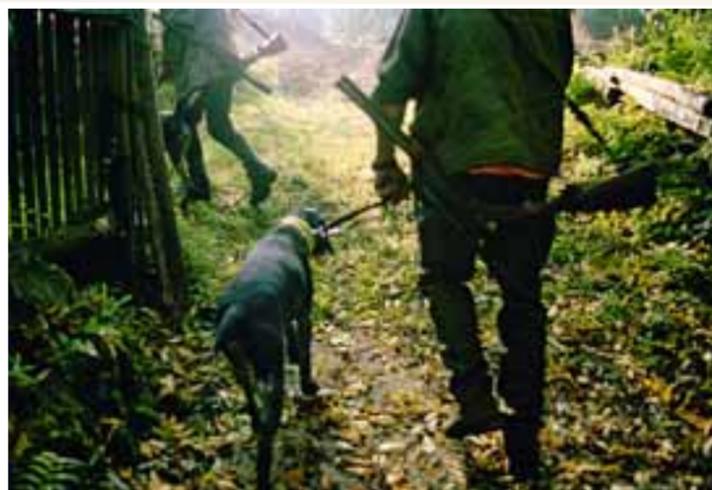




Only the
SOWS lead
the BROOD
of
Piglets and
YOUNG
BOARS.
The adult
MALES go
their own
WAY.



Then it happens quickly. The startled boar flees at a gallop. A shot, and then a second one.



The quarry is hit. The men and dogs follow.



The splendid specimen.

Leaving the FOREST



The 60. kilo kill on the shoulder and a smile on the face.



Johann Pferschinger (front) carries the heavy sow with ease. He is a blacksmith and forges knives. With his self-made knife, the one with the sweaty horn handle, he guts the sow in front of the hunting lodge.



The sow bleeds out, the men congratulate one another and drink. The schnapps is distilled from pears.



The sow is strong and wild enough for a proverb.



Now she is dead.





The Veltliner must be ice cold, the meat must be sliced so thin one can see through it.

There is
no BETTER
Scene
than
MEN
with their
QUARRY
after the
HUNT!



Trilogy of the HUNT



If a piece of meat is cut too thick, it goes to Gransenburger's dog. The dog is happy. He knows that at least one piece will always be cut too thick.



The boar meat on the block of wood. No mustard, no horseradish. The meat has a strong yet refined odour: of the forest, the wind, the alertness of the hunt. It's only right to consume it here, where the acorns, those nuts the sows love so much, grow.



The old-timers know whether the young men know what they need to know. That's why there's always room at the table for an old hunter. The only thing is that he prefers to cut his own meat.



Peter Paul Rubens once painted a famous boar hunt. He would have loved this still life: see – shoot – enjoy. The trilogy of the hunt.

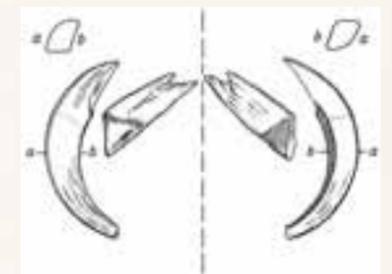
good HUNTING!



No dog is created to climb a ladder, and if Helmut Teufel's dog can do it, then it's a circus trick that entitles it to wait with its master for the moment of truth. The biggest reward is sniffing the felled boar.



The stag is a fleeting visitor at this longitude. It roams between the Alps and the Carpathians.



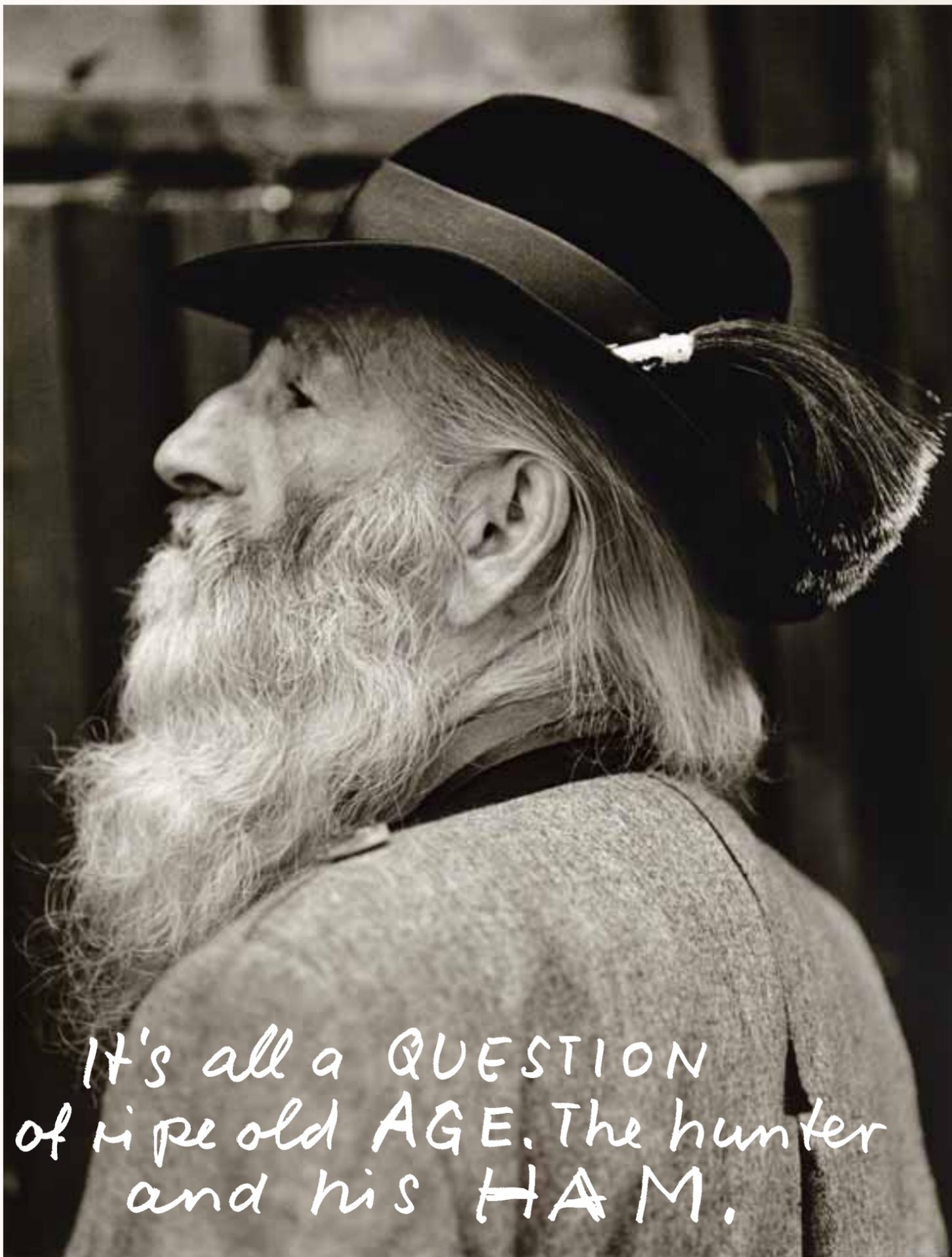
On the outside the powerful "rippers" from the lower jaw, on the inside the "honours" of the upper jaw. Good hunting!



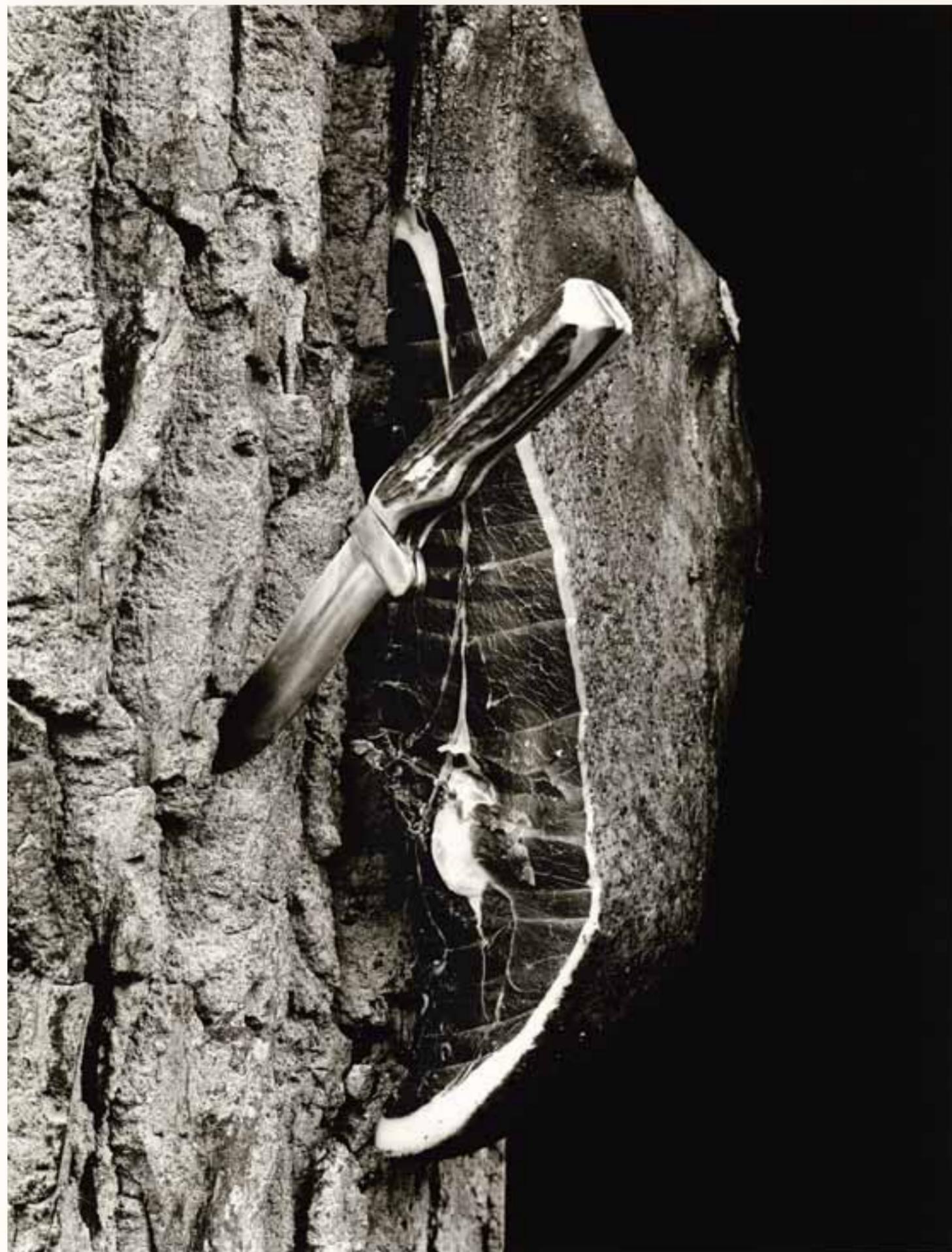
The tusks of the boar, its formidable weapons, are draped into a double muscular U for this trophy.



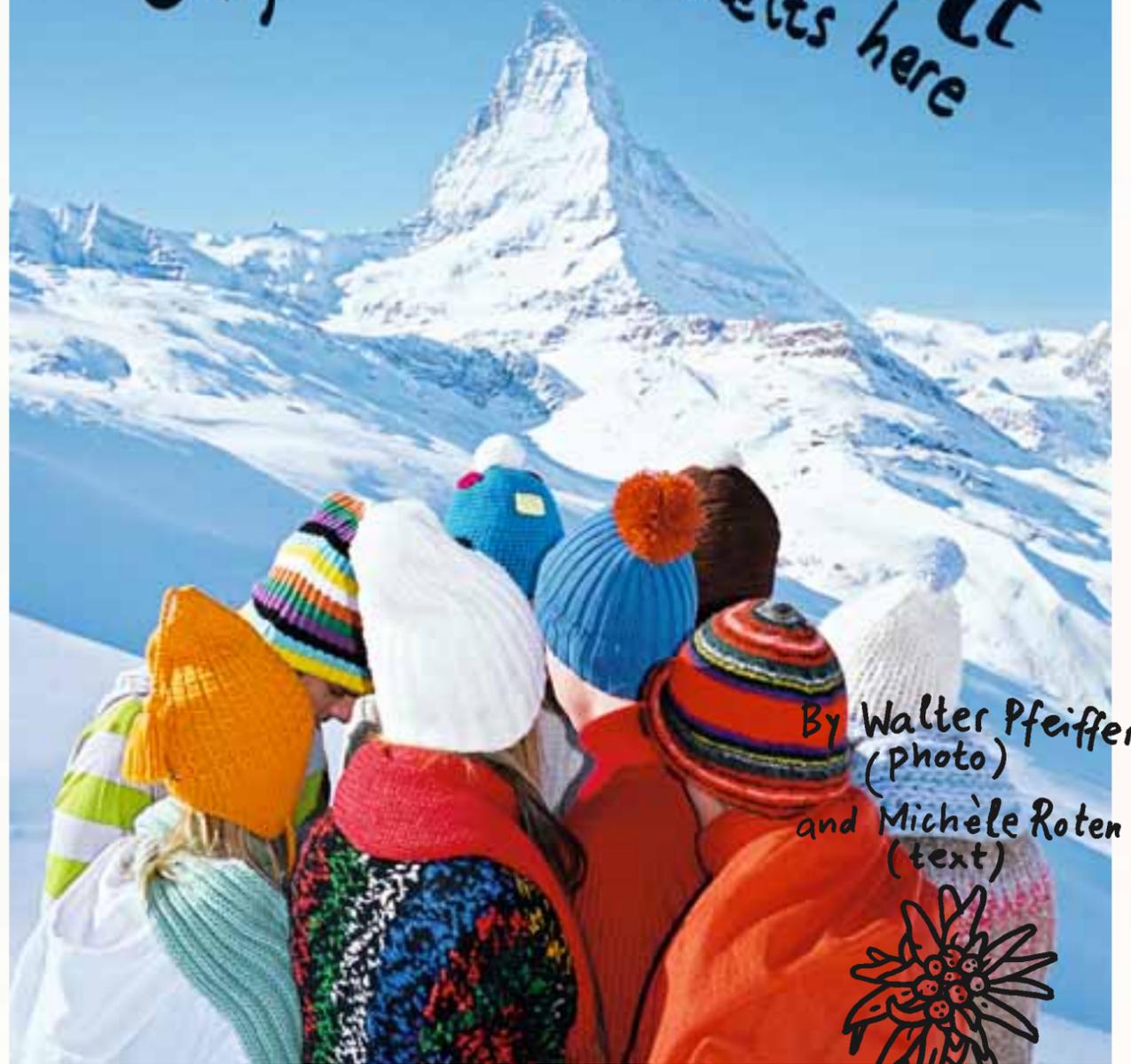
The lower tusk of a young sow. (right)
The mature tusk of the four- to five-year-old sow. (middle)
The tusks of old sows become shorter again through use. (left)



It's all a QUESTION
of ripe old AGE. The hunter
and his HAM.



-10°C in Zermatt
Only the cheese melts here



By Walter Pfeiffer
(photo)
and Michèle Roten
(text)



We were in Zermatt, doing lots of things that start with s:
snowboarding, sledding, sunbathing, smooching. And searching.
For what — we didn't know. But it was clear to us.
Along with incredible weather, great skiing and
breathtaking views. We only had to find it.

Suddenly,
Barry was there.
From out of nowhere,
popping up as if
in a picture book.
A sign? A clue?
Hmm... dog... lifesaver...
Small cash... with kirsch inside...
and wath else has
kirsch inside it?



Of course! Fondue! We didn't know it, but we were
looking for that last ingredient of a perfect day
in the snow! (Notice, by the way, the similarity
between Stephan's cap and the Matterhorn!)



Alexis

Pascal

Stephan

Stephanie

Annika

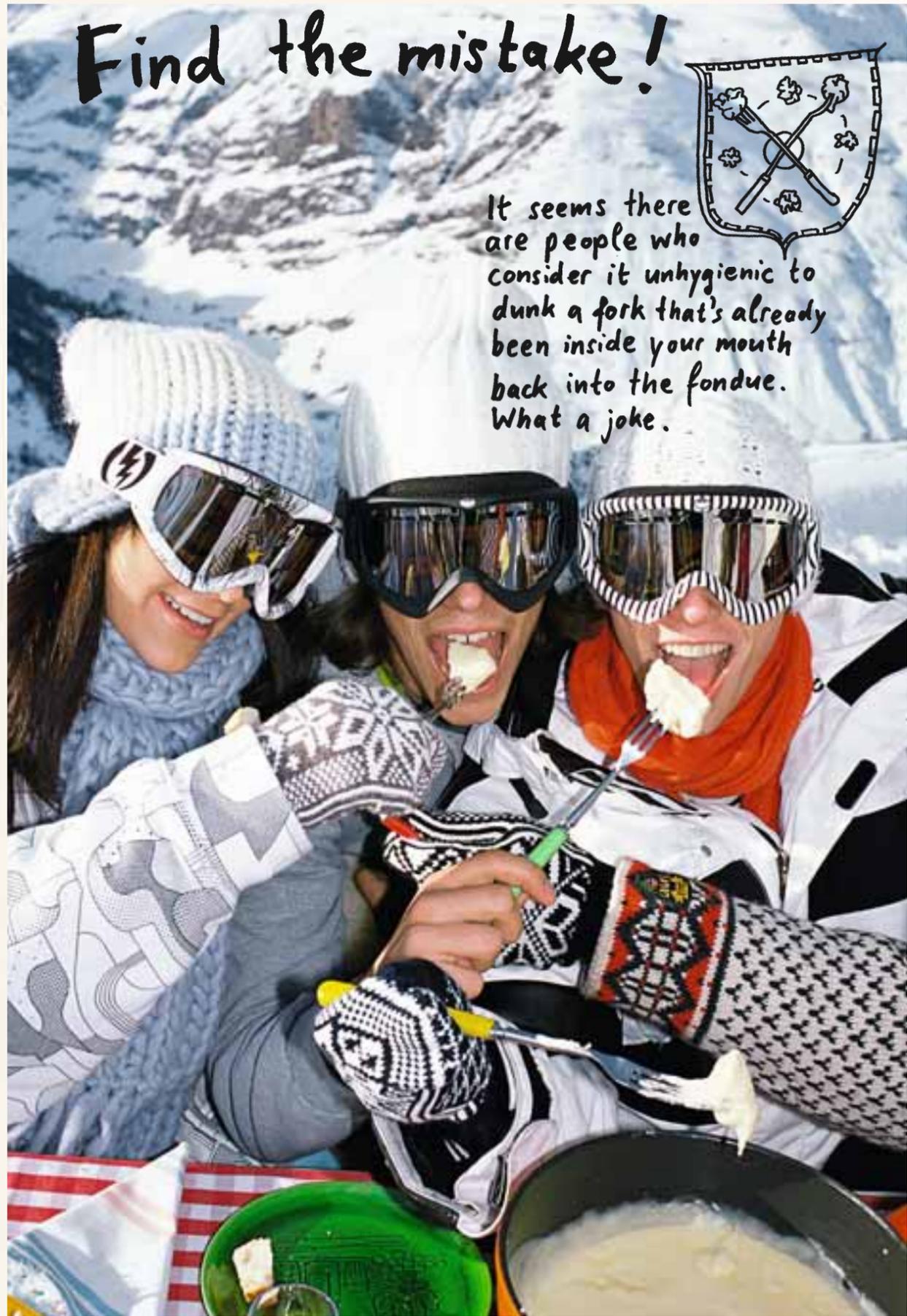
Aline

Simon

Joel



Come again? Fondue is good and puts you in a good mood! We say: Fondue is good and puts you in a good mood and gives you healthy teeth! As you can see. Must be due to the calcium.



Find the mistake!



It seems there are people who consider it unhygienic to dunk a fork that's already been inside your mouth back into the fondue. What a joke.



Aline's still laughing here. A second after this photo was taken she was screaming bloody murder because Simon

had eaten her piece too.

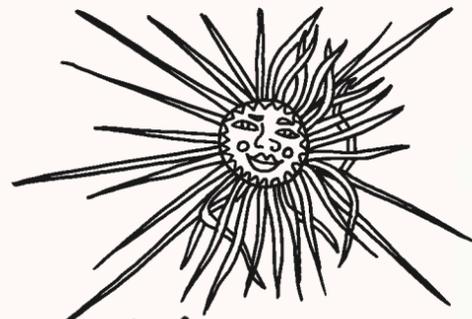


That's why she instantly got her mouth stuffed full then!



There was not enough colour in the felt pen for the deep blue sky.

Fondue is good and puts you in a good mood and makes you extremely creative!



We practised the disciplines of snowball fighting, synchronised snowboarding, synchronised snow sitting and synchronised wow-that's-gorgeous saying. But it really is gorgeous here!



- True fondue pros insist, by the way, that you stir in the shape of a figure 8.
- Well, it didn't work out with figure 4s.
- Ha ha ha.



Eat too much?



- How about the crust at the bottom of the pan?
- Yeah!
- No, I mean: What do you call it?
- Well, um... crust!
- Does everyone simply say crust? (Affirmative helpless murmuring)
- Man, doesn't anyone know that it's called the "grandmother" in German?
- What? Grandmother? You're crazy.
- Eww! Eat the grandmother?
- Why grandmother?
- No clue.
- Maybe because it's the oldest stuff in the pot.
- Maybe because it's so crusty.
- Eww!

Has anyone seen Joel?



HUNGER

HUNGER

HUNGER

HUNGER



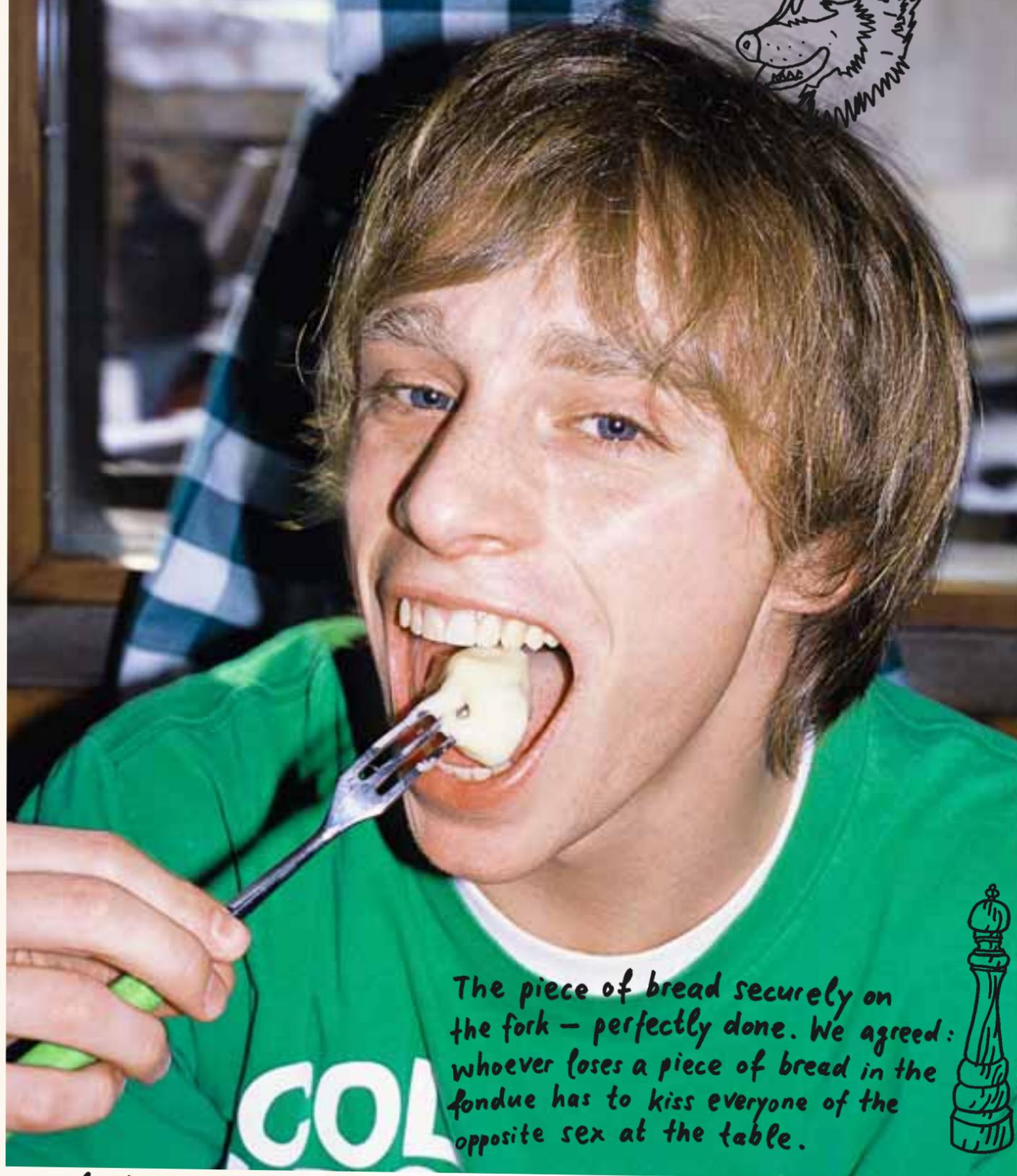
No, for real this time: has anyone seen Joel?

There is plenty of argument about who invented fondue - the French or the Swiss. And whether it was Alpine shepherds cut off from the rest of the world who only had bread and cheese to hand, or sneaky monks who were not allowed to have any solid food during times of fasting. It doesn't matter one bit.

THE THING IS, FONDUE EXISTS!



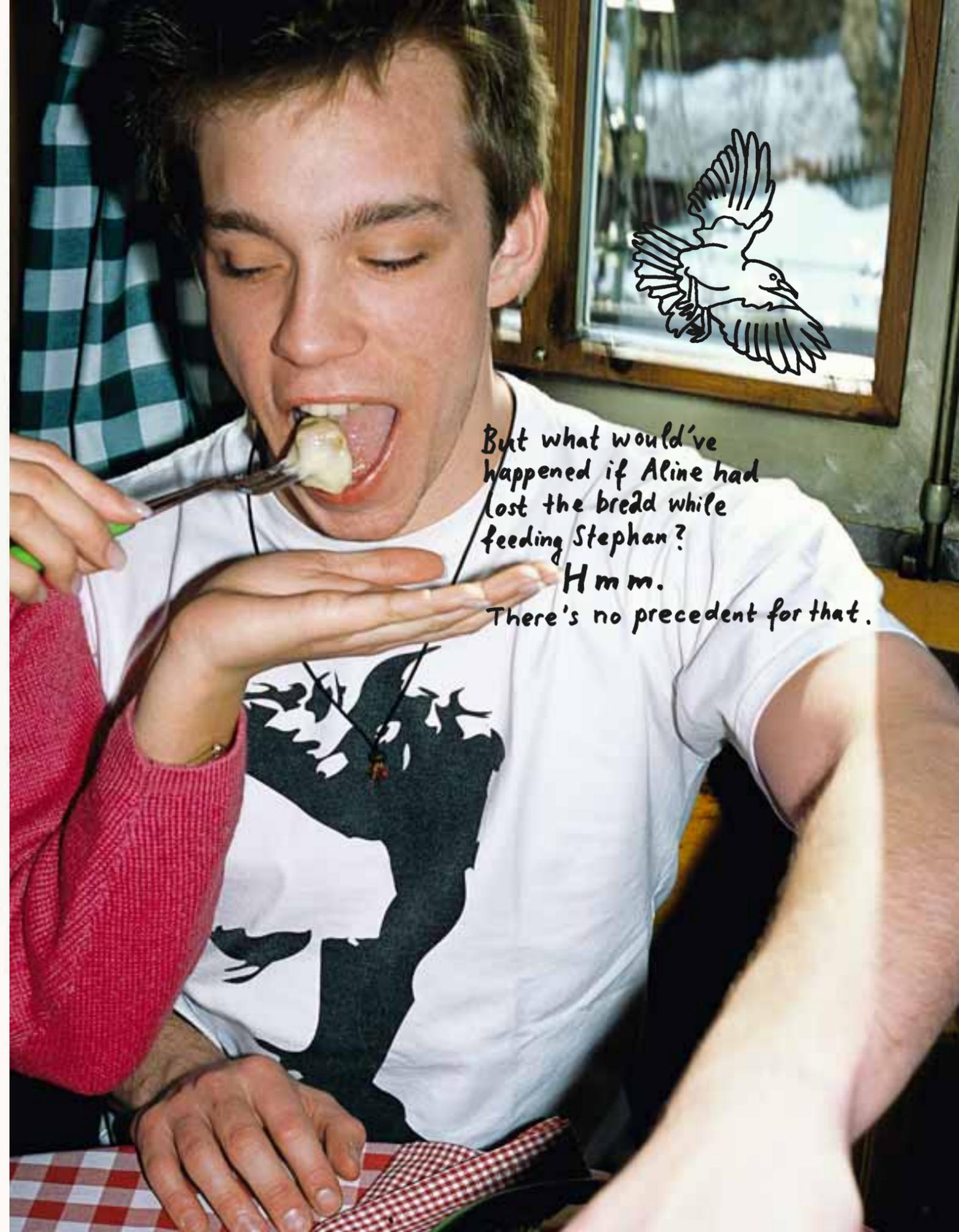
*Cheese rush! A real-life thriller!
Adrenalin while eating fondue!*



*The piece of bread securely on
the fork – perfectly done. We agreed:
whoever loses a piece of bread in the
fondue has to kiss everyone of the
opposite sex at the table.*



we also had another idea; next time we'll do a strip fondue.



*But what would've
happened if Aline had
lost the bread while
feeding Stephan?*

*Hmm.
There's no precedent for that.*



Steffi, the three-armed fondue monster!

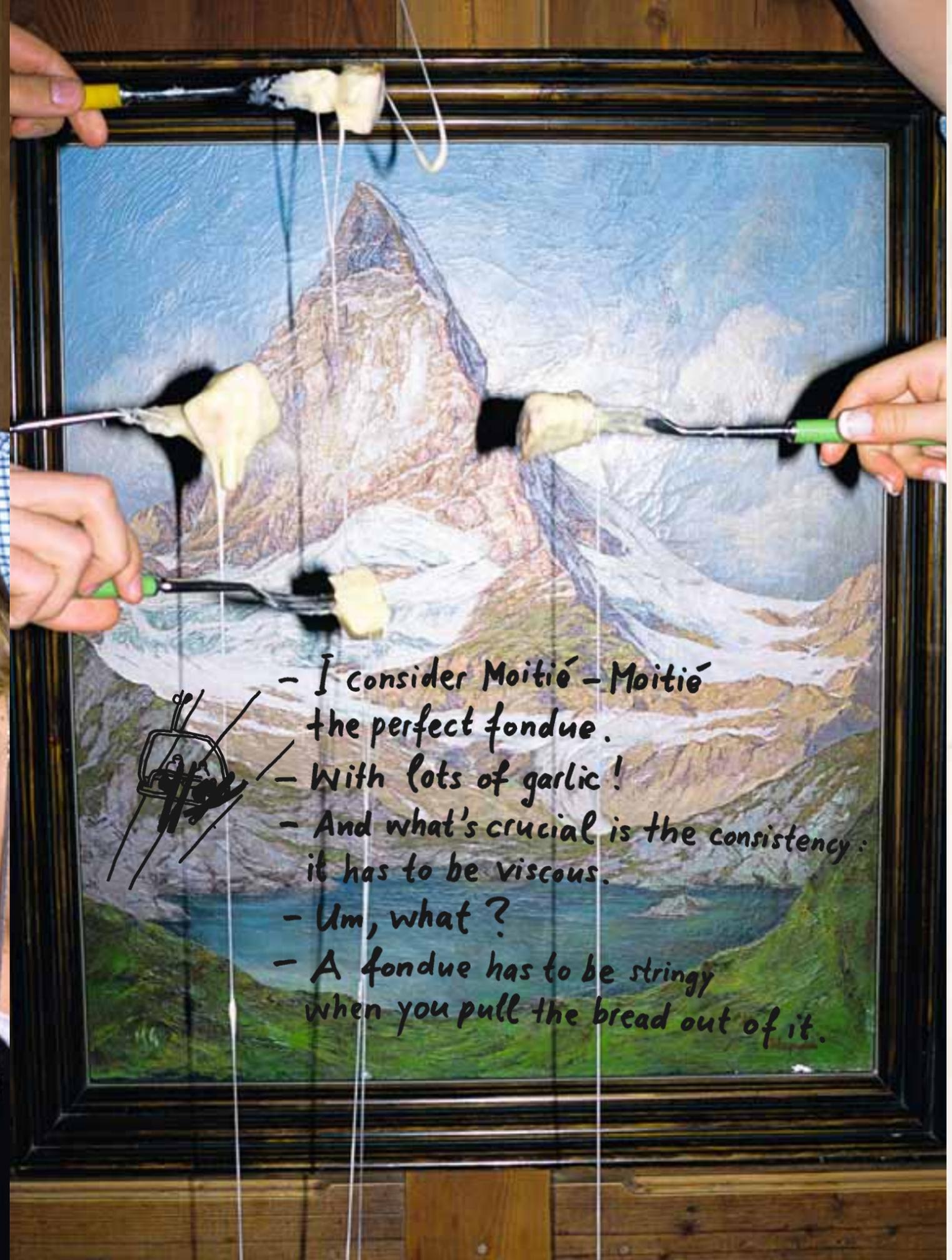


The deer had no appetite.





Hmm...
viscous!



- I consider Moitió - Moitió the perfect fondue.
- With lots of garlic!
- And what's crucial is the consistency: it has to be viscous.
- Um, what?
- A fondue has to be stringy when you pull the bread out of it.

GOLD FROM THE BLOSSOM

by JESSICA BACKHAUS (photo) and EUGEN SORG (text)

Between the *Paraná* and *Uruguay* rivers in north-east Argentina lies the province of *Entre Rios*, a seemingly endless flat landscape.

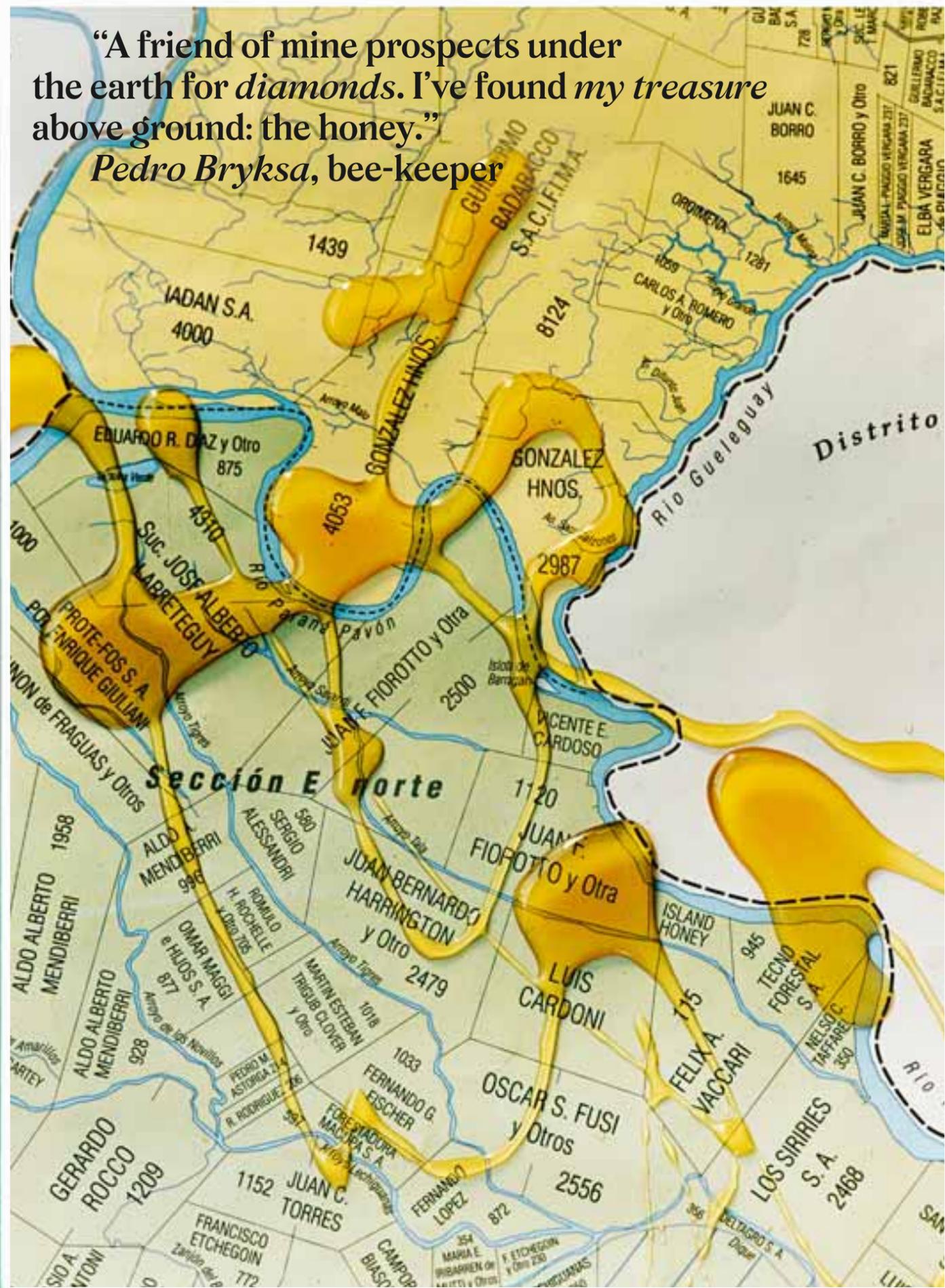
A labyrinth of tributaries runs through it and once a year, when the rainy season comes to the Brazilian delta area of the *Rio Paraná*, it floods.

The plain is practically *uninhabited*: an occasional horseback rider searching for cattle can be seen, or a car toiling in the distance over the bumpy roads.

The people have settled along the two big rivers – the land between them is known as “the island”, and life has taken stronger root on it.

The flooding has nourished the soil here with valuable nutrients, which in turn has spawned a *multifaceted fauna and hundreds of plant species*, including one with the name *CAA-TAY*. From its nectar the bees produce an extraordinary *honey*.

“A friend of mine prospects under the earth for *diamonds*. I’ve found *my treasure* above ground: the honey.”
Pedro Bryksa, bee-keeper



THE FLOWER: The name CAA-TAY has an ancient Indian origin and means “aromatic plant”.

The CAA-TAY blossoms only on the marshy banks and in the lagoons of the *Entre Rios* pampas, for two weeks during the fall.

Then the unspectacular, brittle, elegant plant transforms the landscape into a white sea and lures millions of honey bees out of their hives with its fragrance.



Because the CAA-TAY grows near water, *apiarists* position their bee skeps on the banks and access them by boat. River bee-keepers are found only in *Entre Rios*.



Rio Paraná

THE HONEY: Produced primarily from the nectar of the CAA-TAY, the honey carries the unmistakable aroma of the *Indian flower*. It is spicy yet mild, with a light wood flavour. It retains its fragrance long term, and its colour is a reddish gold. Rich in protein, it retains its liquid consistency and doesn't crystallise thanks to an extraordinarily high fructose vis-à-vis glucose content, and qualifies as the *Grand Cru* of honeys. "It whets the appetite, which others don't," *Pedro Bryksa*, bee-keeper, prizewinning honey taster and the so-called Pope of Honey, concludes simply and precisely.

THE BEE POPULATION: Up to just a few decades ago, only the so-called German bee – small, black and proverbially busy, with a nervous and aggressive nature – existed in *Entre Rios*, on "the island". It was introduced in the 19th century by



Socorro Fiorotto, bee-keeper

German immigrants. *Pedro Bryksa* brought in the expensive bees of the *Piana family* from the Italian Liguria 46 years ago, so that they would cross-breed with the German variety, but they were attacked and exterminated by the German bees. Later, other Italian bees were able to hold their own, and this new attempt at a German-Italian cross-breed succeeded. The result were the *Criollas*, the "natives", also known as "siesta bees". The Italian bees are beloved by the bee-keepers because of their long proboscis that allows them to penetrate deep into the blossom; the *Criollas* are favoured because of their quiet way.

THE BEEHIVE: Every one of the white wooden boxes that stand on stilts in the water or on the river bank houses a colony with a queen and, in summer, around 80,000 worker bees. In the bottom half is the incubator; in the top half are ten frames with thousands of honeycombs. After the incessantly buzzing bees fill one of the combs, they wait until the water in the nectar evaporates before they seal the comb with wax. It takes ten days before a box is full. Bees not only have five eyes but a seismographic sense of touch and a body language employed to "dance" information to their fellow bees about where they have found nectar and pollen. They also possess an acute sense of smell via their antennae. They abhor any odour of decay, which is why they keep their abode meticulously clean, and they recognise danger to the colony and their hive by specific smells.

THE BEE COLONY: The pharaohs ennobled the bee as symbol of their sovereignty, and many thinkers over the ages have concluded that the harmony of a bee colony represents the perfect state. Every bee is born with the biological equipment to contribute to specific activities in the colony. The purpose of a bee's existence is to ensure the preservation of the whole.



The bee colony

THE QUEEN: The hub and sole fertile female of the community is the queen. While still pupating, she is nourished exclusively with a special jelly, the *Gelée royale*. She hatches earlier than the others, is larger and makes her first nuptial flight after only a few days, followed by a buzzing swarm of worker bees. After mating with multiple drones, she flies back to the hive to take up her existence with enough male reproductive material in her spermatheca to produce over 2,000 eggs per day for the next four years.

THE WORKER BEES: Female worker bees develop from fertilised eggs. A pheromone, generated by the queen, that is carried throughout the colony in a relay-like way and makes the females sterile. In the five weeks of their short lives the worker bees



In summer a colony accommodates...

...up to 80,000 worker bees

carry out specific tasks: cleaning up, feeding the larvae, producing wax, collecting resin to fortify the boxes or embalm mice that have penetrated

into the beehive, standing guard and, most of all, collecting nectar during the blooming season. They bring back 50 milligrams of nectar on every flight, more than half their body weight. To produce 150 grams of honey it's estimated that they must undertake 3,000 outbound and inbound flights.

THE ZANGANOS: A minimum of around 1,000 of the hive inhabitants are drones, male bees endearingly called *Zanganos*, or slackers, by bee-keepers. Emerging from unfertilised eggs, they have neither a stinger to drive away enemies nor a scopa to carry



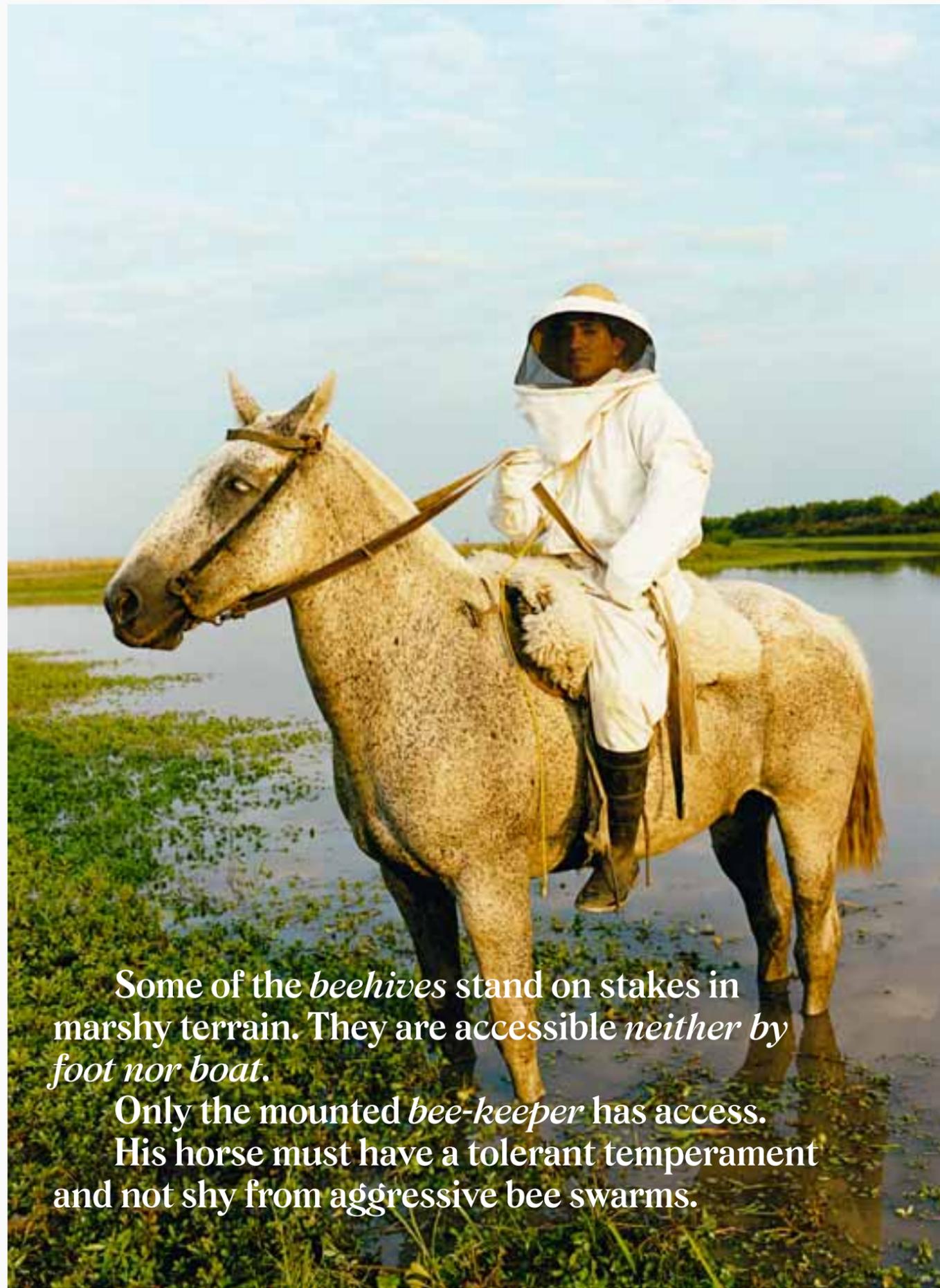
During the harvest, the apiarists live on the river

pollen, and are cared for by the females. The one asset of the *Zanganos* is a male sexual organ, and only once in their existence, when the new queen makes her nuptial flight, do they rouse themselves from their idleness. The fastest of the *Zanganos* die the death of love. As they free themselves from their successful union, their sexual apparatus is ripped off and they fall to their death. The rest are driven out of the hive by the females at the start of winter and starve to death. The colony survives on the store of honey, and no superfluous mouths are needed.



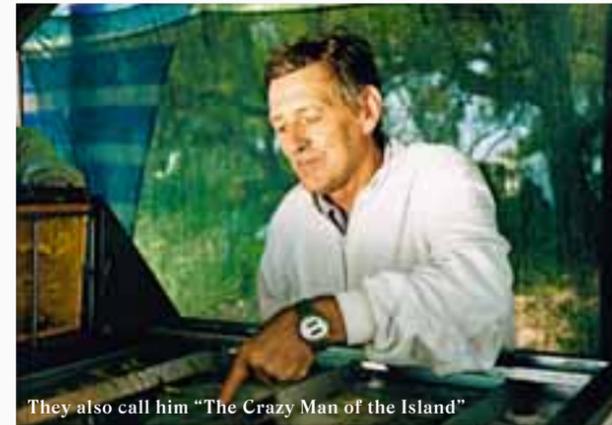
Pedro Bryksa

THE POPE OF HONEY: When *Pedro Bryksa* speaks about bees, his voice becomes soft and affectionate. For more than half a century, since he was introduced by a German at age 12 to the art of



Some of the *beehives* stand on stakes in marshy terrain. They are accessible *neither by foot nor boat*. Only the mounted *bee-keeper* has access. His horse must have a tolerant temperament and not shy from aggressive bee swarms.

bee-keeping, it has been his passion. For his honeymoon he travelled with his wife on a boat to the beehives, where they were allowed to take part in the harvest. On his wedding night he gave her a honey drink. Legend has it that this increases fertility. For decades *Pedro* was one of only a very few on "the island" who bred bees, and only recently has he begun to earn real money from it.



They also call him "The Crazy Man of the Island"

THE BEE WHISPERER: Twelve years ago *Juan Fiorotto*, 57, bought a plot of land as large as the *Canton of Zug* for 100,000 dollars and began to install beehives, one after another, 1,000 in all. Only the Pope of Honey, *Pedro*, had more than 20 up to then, and the people named *Juan*, El loco de la isla,

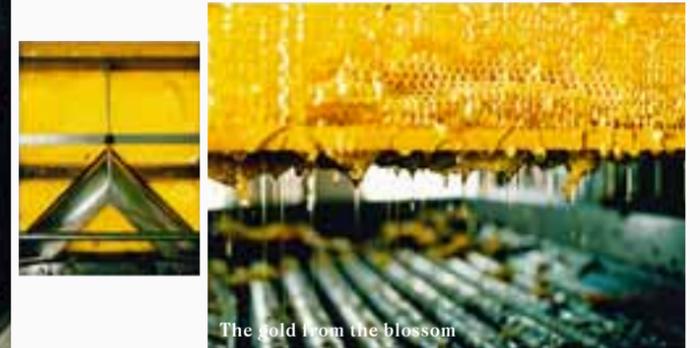


Virgen de Fátima

the "Crazy Man of the Island." After he had finished collecting and selling his first harvest, he gave a commission to the local wood carver to create a magnificent Madonna figure, the *Virgen de Fátima*. He had promised God to do this in thanks for his success. He praises the bees as "my salvation", "my glory", when the honey tastes wonderful, and curses "the whore that bore you" when one stings

him. Were he to sell his company he'd be rich. But, he says, his purpose on this earth is to build something where there was nothing, and to pass it on to his family. One of his three daughters, *Socorro*, 26, specialises in the breeding of queens. "The aroma of honey," says *Juan*, "is the aroma of joy."

THE HARVEST: Bee-keepers like *Juan* live for many weeks on the river during the harvest. They anchor their boat near the hives, anaesthetise the bees with eucalyptus fumes, carry the boxes onto



The gold from the blossom

the boat, scrape the wax from the comb and tighten the frames into the honey extractor. The amber liquid that drips out is tested by the bee-keeper, poured into drums, let to sit for a week so that the remaining wax can rise to the surface, be sealed up and later decanted into jars. CAA-TAY honey is neither heated nor processed with additives. What comes to the kitchens of Europe or Canada is pure nature from one of the most pristine regions of our planet.



The nectar has become honey



The *bee-keepers* carry the boxes onto the boat, where the *honey* is extracted from the comb in a centrifuge and, ready to be enjoyed, poured into jars.



For river bee-keepers like JUAN FIOROTTO (*front*) or PEDRO BRYKSA (*right*), the boat serves as a combination factory, kitchen and bedroom during the harvest. They can imagine no other kind of work.

They operate in a barely disturbed natural environment, they sell a wonderful product and the mysteriously perfect world of their bee colonies never fails to amaze them.



To produce *one kilogramme* of honey, roughly seven litres of nectar must be transported from the blossoms to the combs by the *80-milligram-heavy* hymenopterans.

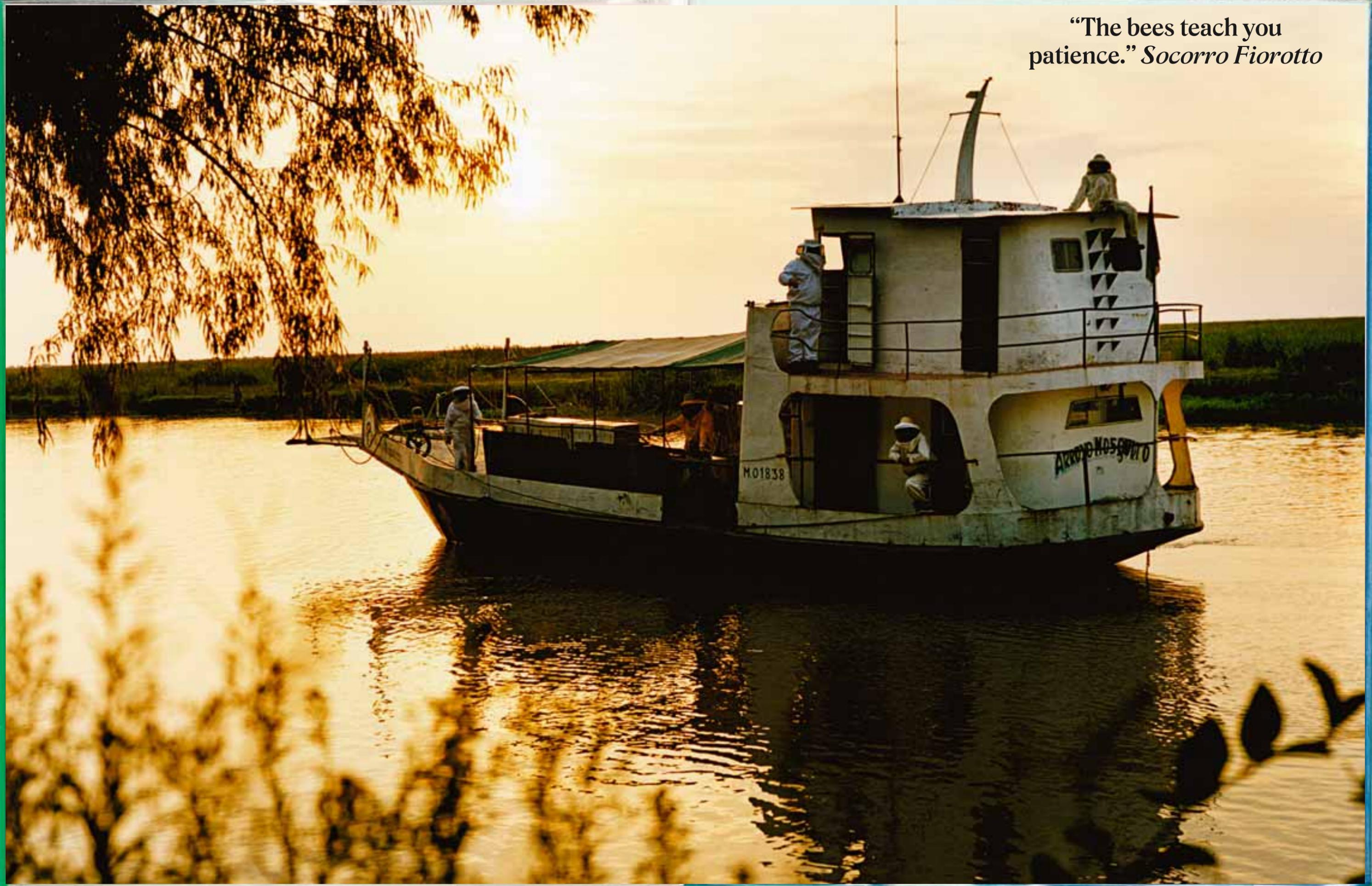
That is the life work of *6,000* tirelessly working bees.

The honey production is the food supply for the blossomless winter.

The bee-keepers replace it with *sugar water*.

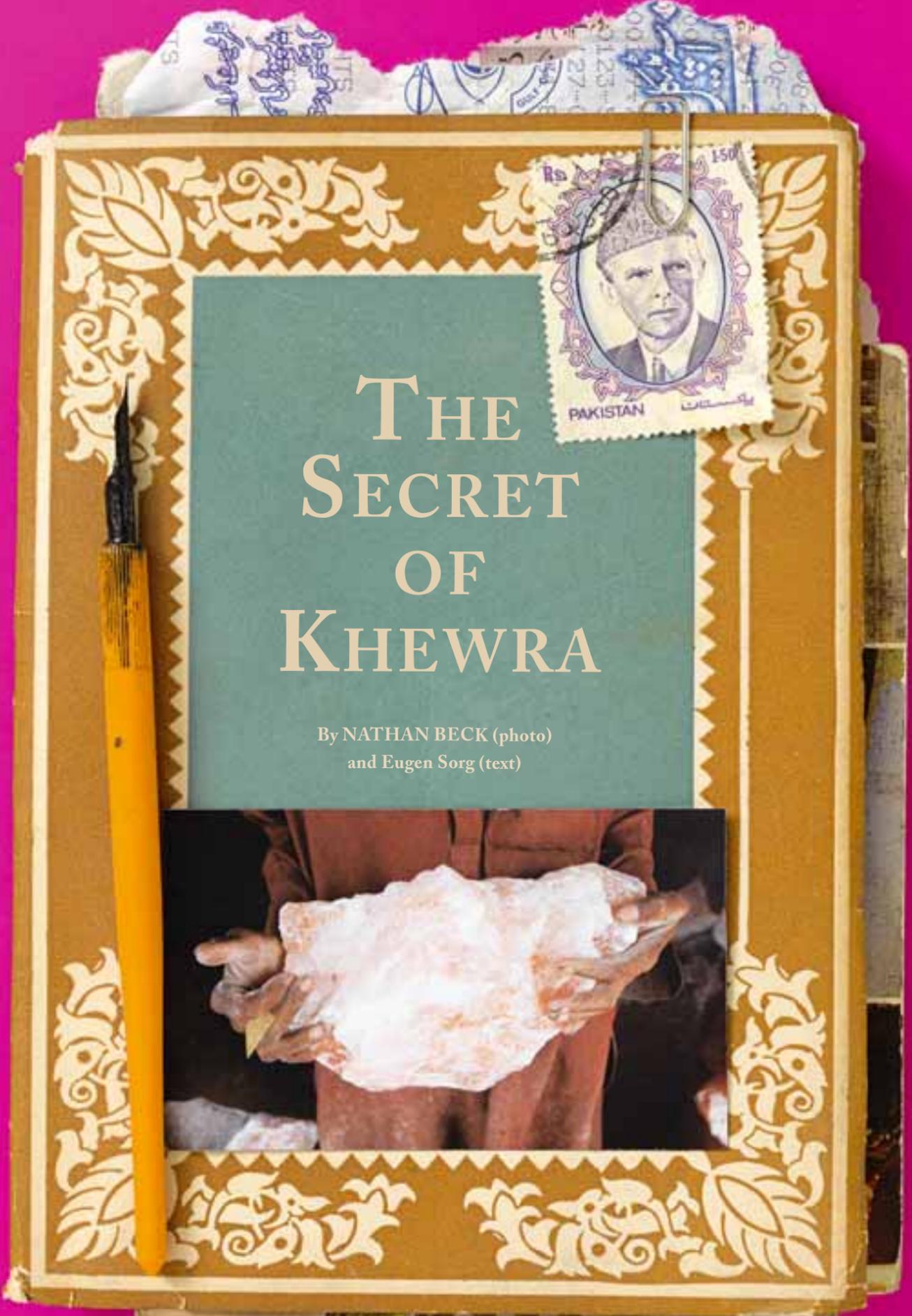


“The bees teach you
patience.” *Socorro Fiorotto*



THE SECRET OF KHEWRA

By NATHAN BECK (photo)
and Eugen Sorg (text)



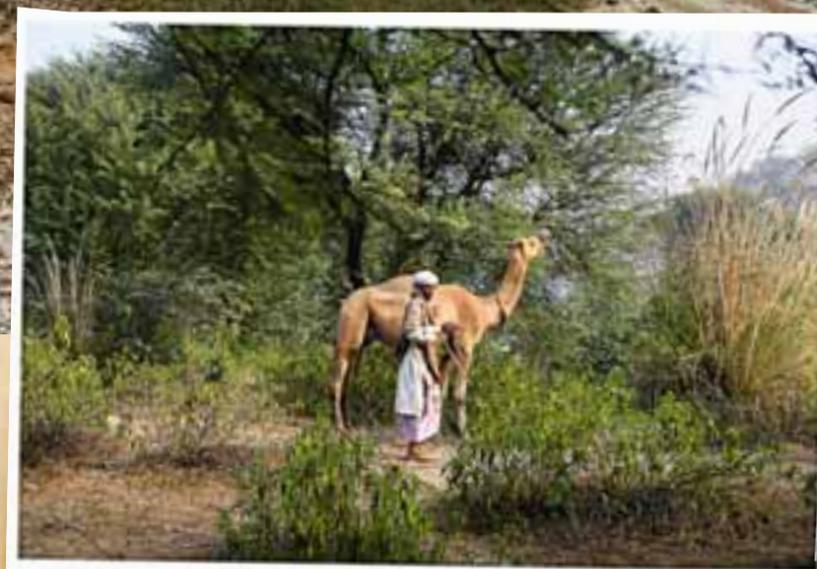
"Above the salty mountain streams, thousands of yellow butterflies dance."

In the immense floodplain of Pakistan's Punjab, the Salt Range, a mountain range of rugged beauty, abruptly rises. Its interior, its heart – a caprice of nature – consists of salt, of millions of tons of pure, compact salt.

People have known the valuable secret of the mountain for ages. When the explorer and world traveller Robert Schlagintweit stopped over with his camel caravan in Khewra, where the oldest and largest mine is located, he noted with wonder: "As soon as the salt is extracted from the earth, it's immediately sold to the merchants, without having to be refined in the least."



Curative powers have long been attributed to the oriental rock salt. A horse of Alexander the Great, so goes the legend, lay down after a battle near Khewra – wounded, bloodied – and licked a chunk of salt lying close by. The following day the steed was back on its feet, recovered and as energetic as before.





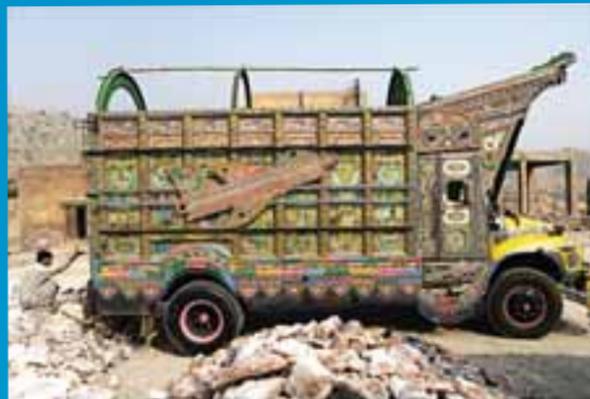
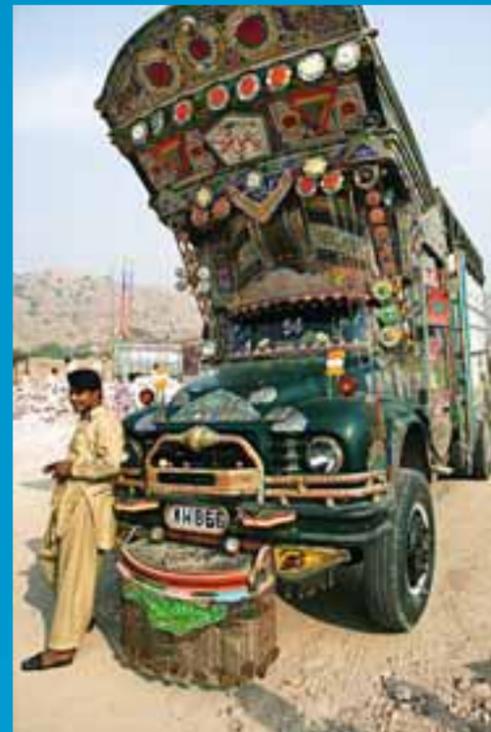
"One needn't be brave to work in the mountain. I do it for my children." Mohammed Akbar, shot-firer.



"Down here in the mines there are no genies, no ghosts," says Zia Akbar. "They only live in the jungle or in the mountains where there are no people and no laws." Zia, 39 years old, works on the second lowest floor, Tunnel 23; he hammers the rock salt into manageable lumps that he balances on his head and carries to the trolley. He's done so for 20 years without complaint, like his father, grandfather and great-grandfather before him, and like his son will in the future. Or like Mohammed Akbar, 45 years

old, a shot-firer and fourth-generation master of the fuse. Or like most of the 300 other tunnel workers, the miners, supervisors, drivers. Handed down to them like their names, their jobs have the dignity of tradition and the inevitability of fate. Humbly and at the same time with pride, the men take their place in the realm of shadows and mine the salt, ton after ton, year after year, with a silent prayer to Allah, the creator of all things as well as all human laws.



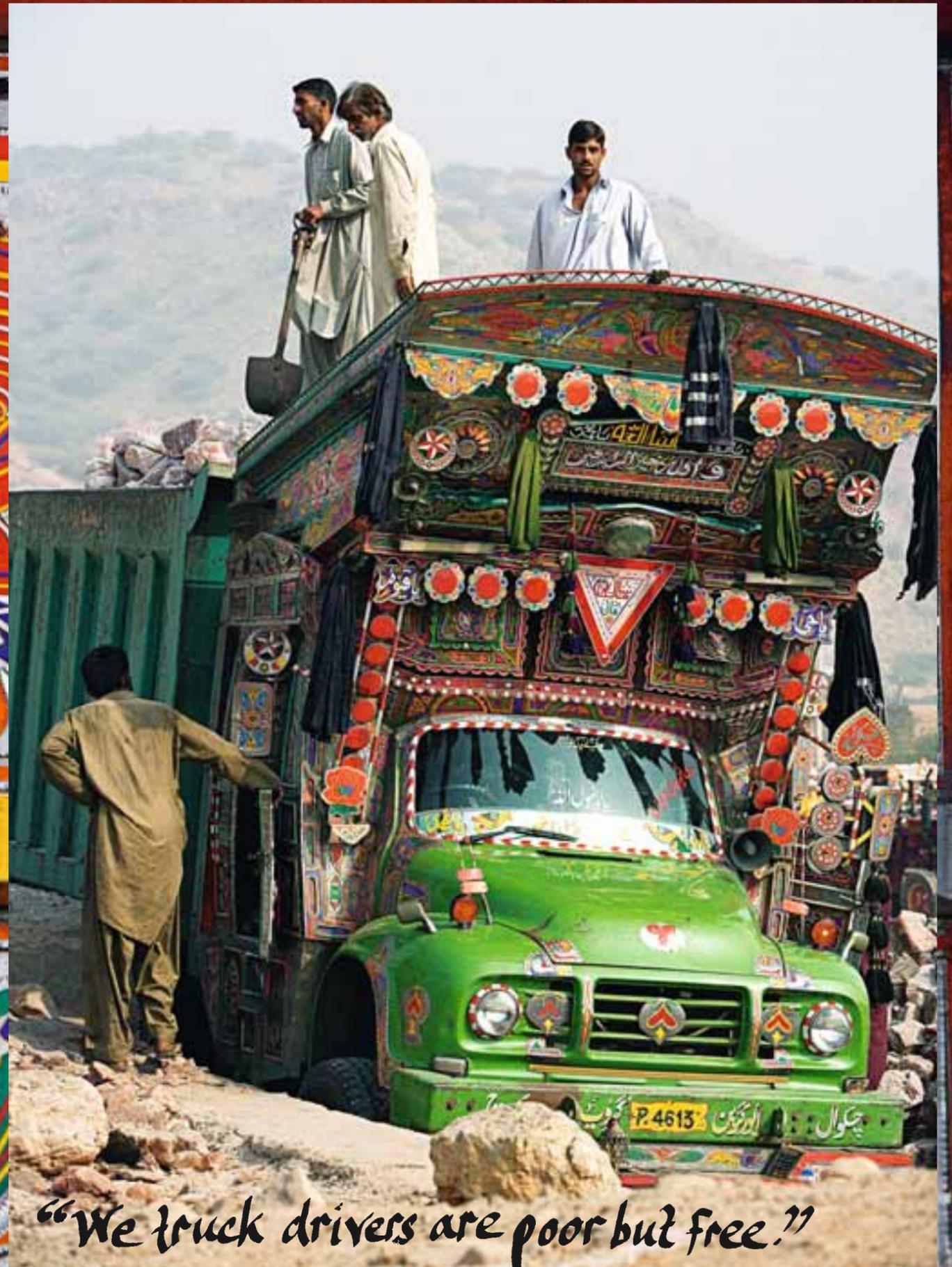


“My bride is the most beautiful.”

During the sorting and loading under the open sky, one takes time to chat or smoke or joke around. There's not the same hushed atmosphere as in the tunnels. The truck drivers in particular ensure an animated mood. They call out greetings across the square, laugh and banter with colleagues. As if their colourful trucks, individual and festive artworks for whose painting, decoration and interior design they paid half a fortune, were reflections of themselves.

Once the lumps of salt leave the mine they are transported four kilometres to the loading point, a small freight depot built by the British. Before they are loaded into the salt-corroded railroad cars and the colourful trucks of the merchants, they are sorted according to quality.

The red chunks, with traces of iron, are put into one pile; the pink, containing magnesium, into another; the white, pure sodium chloride clumps are placed in a third pile, where the choicest pieces are granulated in a mill on site and poured into sacks as ready-to-use table salt.

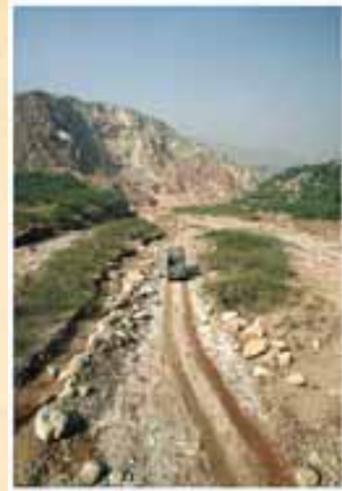


“We truck drivers are poor but free.”



“The director of the mine announces, beaming, that lying inside is a supply that will last another 1,000 years.”

The centuries-old mining method doesn't drastically deplete the salt deposits of the region – it's as if a bird were chipping away with its beak on a mountain. Today, Khewra supplies 70 per cent of the world market for rock salt. A small portion is consumed, some as “Himalaya salt”, in quality Western kitchens and as salt licks in horse stalls; a larger portion makes its way into lamps and vases for living rooms. The largest portion finds use in industry, where it's employed for tanning leather, among other things. Scientists estimate the deposits in the Salt Range at 220 million tons. At an average annual extraction rate of 500,000 tons, it will last for a long time. Though not forever.



The technology introduced by the British is still intact. Such as this diesel generator from the year 1919, used to provide electricity to the mine. Replacement parts are available, and Hadji Nurrudin, the 65-year-old head mechanic, has ensured that his successor, his son, can repair the machine as capably as he can.

The salt, on its way from inside the mountain over cities, continents and seas into a bowl of soup on the other side of the world, passes through dozens of diligent hands and nourishes many families. Responsible companies ensure that among those many hands are none that belong to children.



“Salt is life.”

THE TREASURE OF ADELE DUTTWEILER

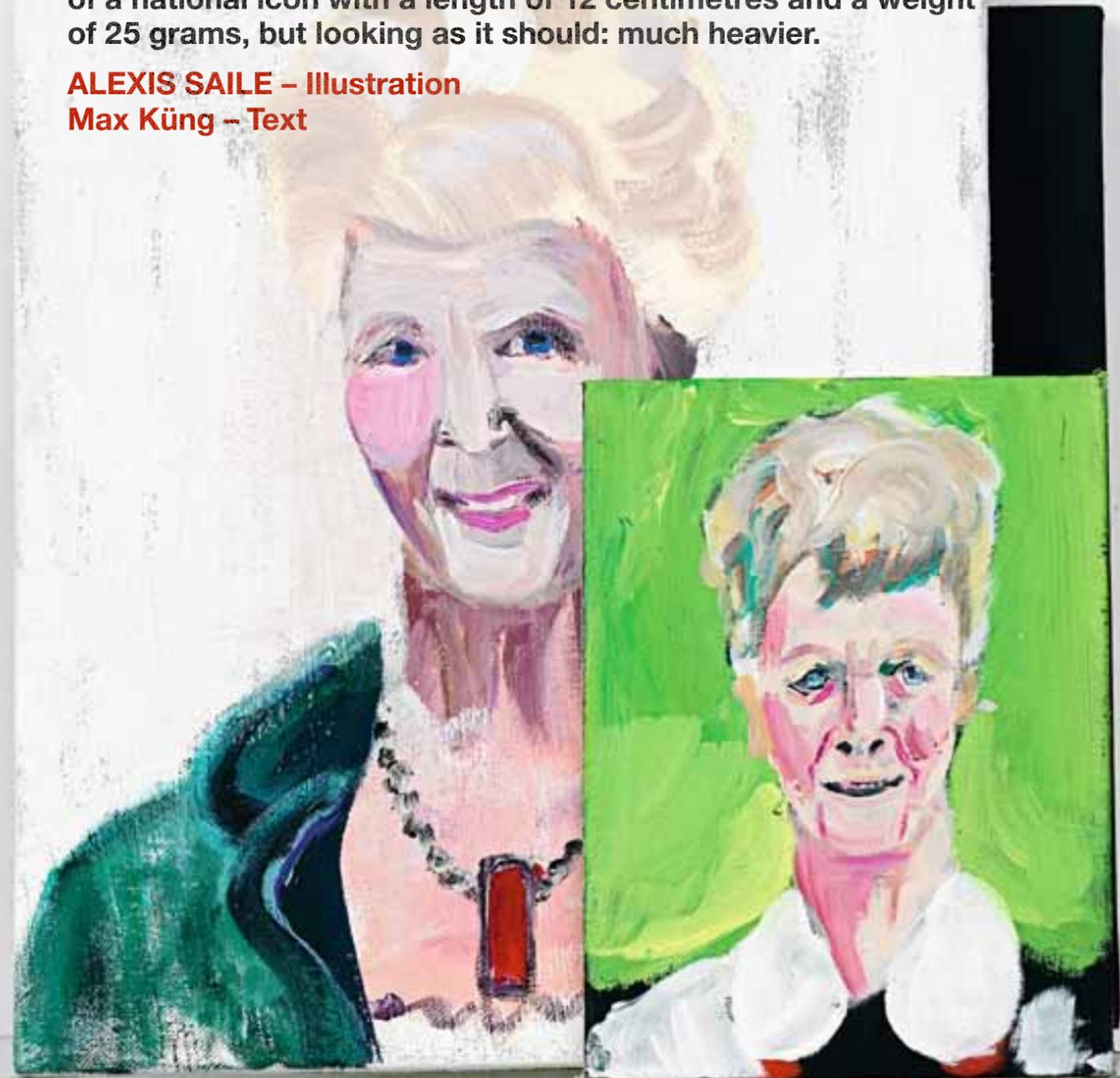
While on the search for new products, Adele remembered a recipe that she had written down as a young woman:

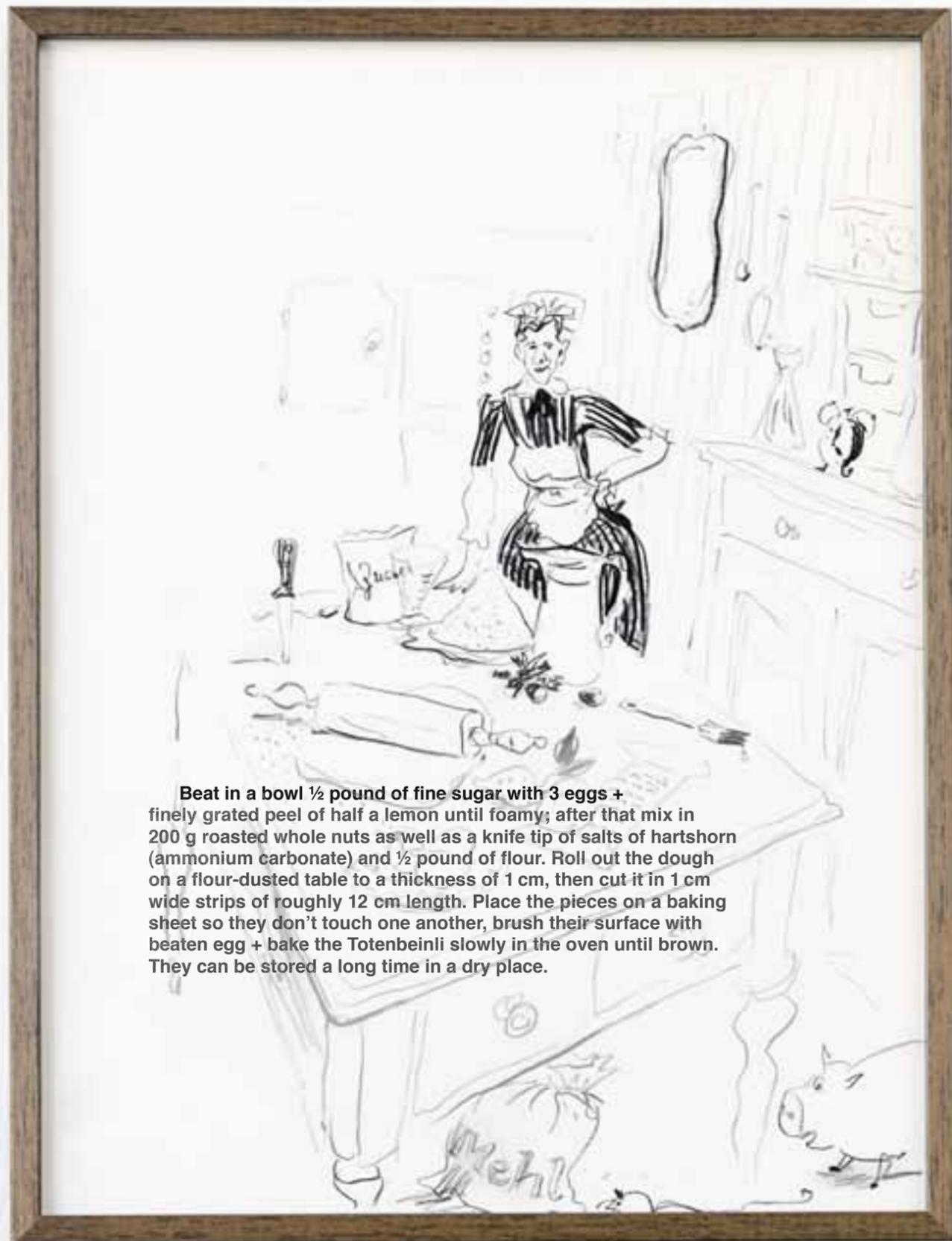
the Totenbeinli (Dead Men's Bones) that taste so good.

She suggested to her husband that she make the Totenbeinli and include them in the Migros product range. It was the birth of a national icon with a length of 12 centimetres and a weight of 25 grams, but looking as it should: much heavier.

ALEXIS SAILE – Illustration

Max Küng – Text





Beat in a bowl $\frac{1}{2}$ pound of fine sugar with 3 eggs + finely grated peel of half a lemon until foamy; after that mix in 200 g roasted whole nuts as well as a knife tip of salts of hartshorn (ammonium carbonate) and $\frac{1}{2}$ pound of flour. Roll out the dough on a flour-dusted table to a thickness of 1 cm, then cut it in 1 cm wide strips of roughly 12 cm length. Place the pieces on a baking sheet so they don't touch one another, brush their surface with beaten egg + bake the Totenbeinli slowly in the oven until brown. They can be stored a long time in a dry place.

Totenbeinli- Rezept aus dem Jahre 1912.

Schlage in einer Schüssel $\frac{1}{2}$ Pfund feinen Zucker mit 3 Eiern + einer halben fein gehackten Zitronenschale schaumig, mische hierzu auf 200 g geröstete, ganze Haselnüsse darunter sowie eine Messerspitze Hartshornsalz (Treibsalz) und $\frac{1}{2}$ Pfund Mehl. Rolle diesen Teig auf dem mit Mehl bestreuten Tisch aus zu einem Stück von 1 cm Dicke schneide dasselbe in 1 cm breite Streifen von ca. 12 cm Länge. Gebe diese Stücke, so auf ein Backblech, dass sie einander nicht berühren, bestreue die Oberfläche mit aufgeschlagenem Ei + backe die Totenbeinli im Ofen langsam braun, sie lassen sich an einem trockenen Ort lange aufbewahren.

Rieschlikon, im September 1985

Adele Duttweiler

Later notes on Adele Duttweiler's original recipe, which she wrote down in 1912 as a 20-year-old at cooking school and which was used beginning in the 1930s as the basis for the production of the famous Totenbeinli.

AND SOON A CRY WENT OUT ACROSS
THE ENTIRE LAND, A THOUSAND-
FOLD – WHAT ENJOYMENT! Thanks to
Adele Duttweiler-Bertschi!
THANK YOU!



ADELE AND GOTTLIEB

meet in 1911 on a train ride from Rüschlikon to Zurich.
Adele is then 20 years old, Gottlieb four years older.
They get married on 29 March, 1913. It's the beginning
of a great collaboration.



The German name of the Totenbeinli is old and stems from the earlier tradition of offering this pastry to mourners after a wake.
So it's said.

**Wheat flour, hazel nuts 27%, sugar, butter, eggs
(from deep litter production), milk protein, cooking salt,
natural aroma, baking agent E 502, lemon peel,
fructose syrup, lemon juice.**

When combined:

A SMALL MASTERPIECE.



Undertake the treasure hunt at Migros

Delicacies and delectables originate from the most far-flung regions of the world: the stories in this Annual Report illustrate that. If you want to launch a treasure hunt, then simply head to Migros. You will find the treasures on the shelf there, collected in the premium line Sélection.

THE WILD SALMON FROM THE RIVER TWEED



It's available as classic SMOKED SALMON; and in the form of salmon rolls, consisting of a delicious mousse made of cooked and smoked salmon wrapped in the finest Scottish smoked salmon; and as a smoked salmon appetizer / snack, hand-made.

GOLD FROM THE BLOSSOM



The splendour that the Caa-tay blossom unfolds during the rainy season in the Paraná and Uruguay river delta region is indescribable. Here the apiarists, with their bee skeps sitting on wooden stakes in water, harvest the most valuable nectar of nature: CAA-TAY HONEY.

ON THE HUNT FOR THE RAZORBACK



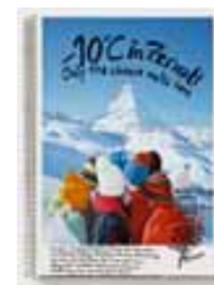
Austrian wild boar are prized because of their lean and aromatic meat. This excellent RAW HAM is marinated before it's cold-smoked and then air-dried for weeks. It's finely seasoned with juniper, rosemary, pepper and coriander. The wild boar ham also is available with dried venison in a game plate.

THE SECRET OF KHEWRA



HIMALAYAN SALT – the legendary delicacy of spices. This pure crystalline salt is mined from rock in the Pakistani mountains and sorted by hand. Its reddish color stems from high iron content. Gourmets swear by it.

LIKE THE MATTERHORN, ONLY EDIBLE



CHEESE FONDUE, the Swiss icon, is a classic. There's a continual attempt to improvise on the original recipe. The Moitié-Moitié combination of half-Gruyère and half-Vacherin augmented by porcini mushrooms makes for an artfully delicious variation.

THE TREASURE OF ADELE DUTTWEILER



The wife of the Migros founder wrote down this recipe when she was 20 years old. And still today, the TOTENBEINLI with sugar, eggs, lemon peel, hazel nuts and flour are made and loved. One of the centerpieces of Migros.

Find more product information at <http://selection.migros.ch>

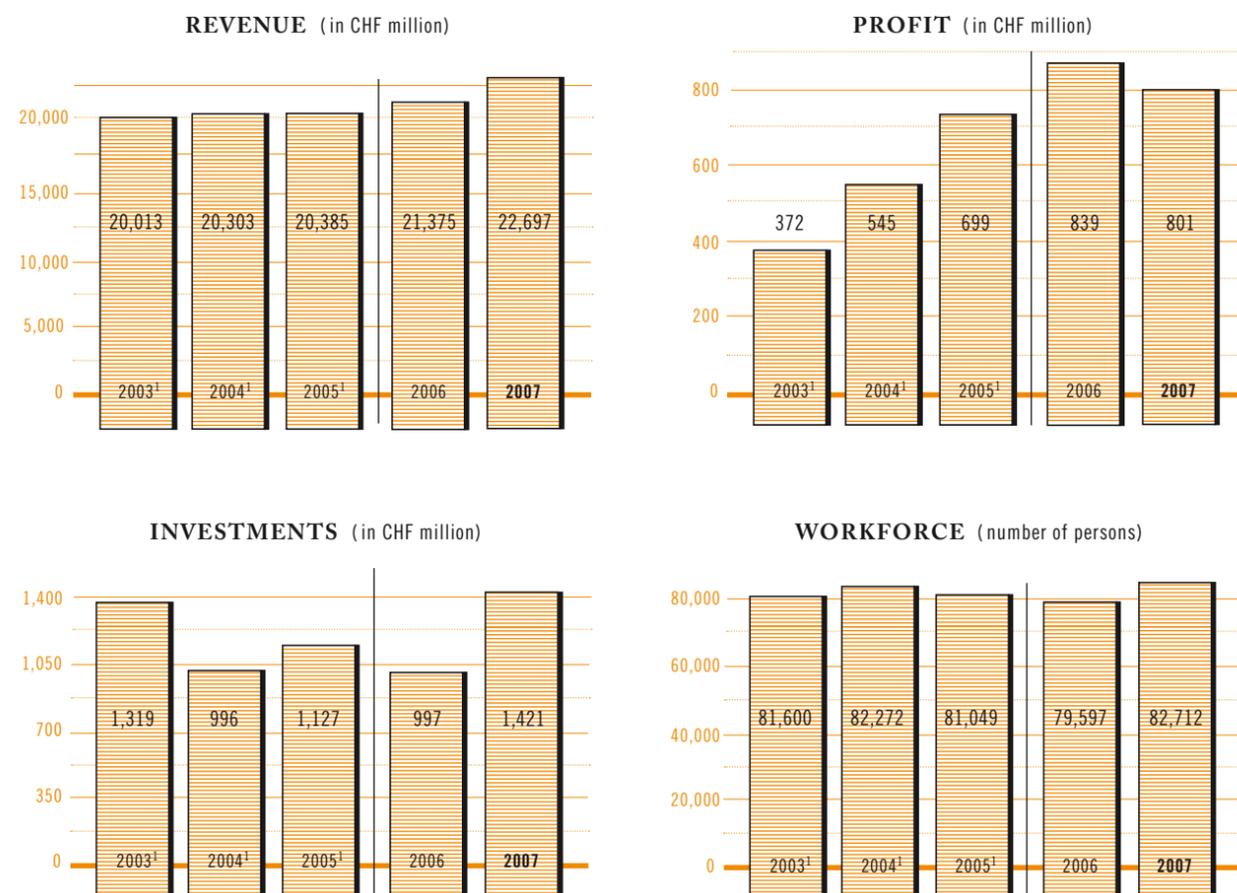




THE END

*Migros
Annual
Report
Review
Section
2007*

Review of consolidated group results



¹ Figures for 2007 and 2006 are based on IFRS. Up to 2005, figures are based on Swiss GAAP ARR, and exclude full consolidation of Migros Bank; they are therefore only to a limited extent comparable with figures for 2006 and 2007.

Migros is different from other companies:

It is more diverse and differently organised, and its commitment traditionally extends well beyond purely economic parameters to include social and cultural issues as well. It makes sure that all of its customers live better, every day.

Migros – over 82,000 employees in more than 90 companies, 10 Cooperatives, 2 million Cooperative Members, CHF 801 million profit from sales of CHF 22,697 million. This is all made possible by the 99% of Swiss households who shop at Migros, go on holiday with Hotelplan, think about Migros Bank, go to the Club Schools to continue their education ...

Key figures and ratios

IN CHF MILLION	2003 ¹	2004 ¹	2005 ¹	2006	2007	CHANGE IN % FROM PRE- VIOUS YEAR
REVENUE	20,013	20,303	20,385	21,375	22,697	6.2%
› of which income before financial services business	–	–	–	20,462	21,705	6.1%
› of which revenue (income) of Cooperatives	14,298	14,651	14,621	14,480	14,658	1.2%
Total Migros distribution sites			590	590	589	
Total sales area m ²			1,202,013	1,227,728	1,225,382	-0.2%
Revenue (income) per m ² in CHF			12,164	11,794	11,962	1.4%
EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION)	1,290	1,397	1,460	1,855	2,018	8.8%
in % of income	6.5	6.9	7.2	8.7	8.9	
› of which EBITDA from retail and industry business	1,290	1,397	1,460	1,568	1,739	10.9%
EBIT (EARNINGS BEFORE FINANCE INCOME AND INCOME TAX)	484	543	607	948	1,043	10.1%
in % of income	2.4	2.7	3.0	4.4	4.6	
GROUP PROFIT	372	545	699	839	801	-4.5%
in % of income	1.9	2.7	3.4	3.9	3.5	
CASH FLOW (CASH FLOW FROM OPERATING ACTIVITY)	1,005	1,187	1,378	311	1,268	307.2%
in % of income	5.0	5.8	6.8	1.5	5.6	
› of which cash flow from retail and industry sector	1,005	1,187	1,378	1,235	1,946	57.6%
INVESTMENTS	1,319	996	1,127	997	1,421	42.8%
SHAREHOLDERS' EQUITY	8,394	8,928	9,634	10,857	11,639	7.2%
in % of balance sheet total	50.6	53.0	57.4	24.8	24.9	
› of which balance sheet total from retail and industry sector				9,420	10,139	7.6%
› as % of balance sheet total				57.5	53.8	
BALANCE SHEET TOTAL	16,588	16,839	16,782	43,717	46,732	6.9%
› of which balance sheet total from retail and industry business				16,385	18,833	14.9%
EXPENDITURE FOR CULTURAL, SOCIAL AND ECONOMIC POLICY PURPOSES	114	114	112	116	127	10.0%
WORKFORCE (Average number of employees throughout year)	81,600	82,272	81,049	79,597	82,712	3.9%
MIGROS COOPERATIVES (Members)	1,913,531	1,957,804	1,982,033	1,993,543	2,024,395	1.5%

¹ The key figures for 2007 and 2006 are based on IFRS. Up to 2005, the key figures are based on Swiss GAAP Accounting and Reporting Recommendations (ARR) and without full consolidation of Migros Bank; they can therefore only partially be compared with 2006 and 2007.



*From left to right:
Gisèle Girgis, Urs Riedener, Joerg Zulauf, Herbert Bolliger, Claude Hauser, Jakob Knüsel, Andreas Münch*

Review by the Chairman of the Board of Directors and the Chief Executive Officer

Cooperative Members, Ladies and Gentlemen

Never before in its entire history has Migros belonged to as many people as it is today: last year the register of Cooperative Members passed the two million mark for the first time – men and women, young and not-so-young, people from every walk of life, with passports from a multitude of different nations. This impressive figure shows that the “Migros” idea is more alive than ever before.

Our two million owners have another reason to celebrate; group sales rose last year by 6.2 per cent to a record CHF 22.7 billion. The operating result (Ebit) was up by 10.1 per cent to CHF 1,043 million, producing another satisfactory profit of CHF 801 million for 2007.

The retail business at the ten Cooperatives successfully maintained its market position, despite the pressure on prices that grew following the arrival of a hard discounter onto the market. Once again we have therefore invested over CHF 100 million in lower prices and extended the M-Budget line. Sales in this assortment also rose by 7 per cent to a total of CHF 705.4 million. Nevertheless, we firmly believe that this alone will not be enough for us to challenge the powerful foreign low-cost competitors in the long term. That is why we have substantially strengthened our position in the discount business as a result of our acquisition of Denner.

In the upper price bracket, the Globus department stores benefited from the favourable economic situation, celebrating their 100th anniversary with a 6.3 per cent increase in gross sales to over CHF 810.5 million on an unchanged sales area.

Through our online channels LeShop.ch, ExLibris.ch, Office-World.ch and the various Hotelplan Group sites, we sold food, media products, office materials and holidays totalling over CHF 296 million. That corresponds to growth of 40 per cent within one year. The tremendous growth shows just how important this customer-friendly sales channel is becoming. We will therefore be stepping up this expansion even more in the future.

Our industrial companies also managed to further expand their market positioning at home and abroad – for example by their successes with external customers abroad. The fact that sales are up by 0.8 per cent at CHF 4.7 billion, below the average for the group, is due to changes in their internal settlement system, especially in the case of fresh produce. But because this is a one-off effect, for the future we expect to see the same level of growth as in the rest of the group.

We achieved some major advances in the travel business by our consistent implementation of the new strategy: sales by the Hotelplan Group rose by 13.2 per cent to CHF 1.978 billion, revenue by 14.2 per cent to CHF 2.029 billion. The restructuring of the Swiss business announced last year will enable us to improve both sales and earnings in this fairly weak sector.

Celebrating 50 years in business, Migros Bank again increased its market share, with a substantial rise in earnings. Gross profit climbed by 9.0 per cent to CHF 297 million, net profit by 6.9 per cent to CHF 101 million. In overall terms, the bank gained almost 30,000 new customers – 4 per cent up.

In such complex organisations as Migros, success is largely due to the efforts of their employees. At this point we would like to express our sincere thanks to our staff for their hard work and commitment. Last year their exceptional performance as a team once again ensured that our customers, suppliers and producers were able to renew their confidence in us every day.

To ensure that Migros will remain successful even in this more intense market environment, the Executive Board, on the instructions of the Board of Directors of the Federation of Migros Cooperatives (FMC), has drawn up a strategy for the whole group. Now, for the first time, the company has a common strategic direction that applies to all business units united under the Migros banner. The strategy defines what we want to achieve as a group with the individual divisions, and how we want to put our goals into effect. The strategy is based on existing, proven policies; it builds on the Mission Statement, whose central message is: *Migros is the company that is passionately committed to the concerns of all of its customers.* From that, we have taken *“Migros – täglich besser leben”* (live better every day), as our core message for the group strategy.

If we succeed in taking this firm commitment into account as a central element for all our decisions and actions, our customers will continue to regard us in the future as the leading company for quality of life. For us, quality of life implies that we offer the best value for money with our products. In keeping with this, the “intrinsic quality” must also be right; this means that in production, social and ecological conditions are just as important as taste or appearance. We also want to promote informed consumption, by making it possible for consumers to shop and to make use of our services with a clear conscience – without having to sacrifice enjoyment or any of their individual needs, but always being aware of their social responsibility.

With our broad range of business activities and our own industrial enterprises, we are ideally placed to do that. We will be making even more intensive use of potential synergies between the different business units, so that we will be able to offer individual ways to improve the quality of life for our customers as a combinable global package. Internally, too, we want to improve our networking, so that we can make even better use of know-how and resources. We will be promoting the development of managerial staff across the whole group, and setting up centres of excellence in key areas that everyone can make use of.

Strategic initiatives are another key element that we will be introducing. These are thematic focal points that will then apply either to the whole group or to a number of our business units. Last year we launched the “Growth” initiative, which will enable us to identify the opportunities for profitable growth even better across all the companies, and to put them into effect even more aggressively. In addition, the Cooperatives, the FMC and Migros Industry companies have committed themselves to the “Product Leadership” initiative. The objective is to offer our customers even better products and services even more quickly. With such product leadership, we will set ourselves even further apart from our competitors and consolidate our leadership of the Swiss retail market.

To ensure that we are able to implement the group strategy on schedule, and can react to any social, political or ecological changes, we have also defined a new process to that end. This will enable us to apply strategic control for the first time at group level. In this way, we will ensure that we, the Migros Group, are following a policy of comprehensive Corporate Responsibility. In concrete terms, this means that in all our business activities we are striving to achieve an optimal balance between economic, social and ecological impacts. That is the only way for us to remain true to our corporate culture, the culture that Gottlieb Duttweiler made an integral part of our Statutes. That can also mean that we are prepared to sacrifice profits in the short term, if we are convinced of a positive effect on the company in the long term.

Sustainable development has always been an important element of how we think and what we do. So it was no surprise last year that we were chosen as having achieved the “best company performance” in sustainable shopping in Switzerland by the independent rating agency Oekom Research. For us to continue to be so in the future, and for us to achieve even more with our activities, over the past year we have reduced Corporate Responsibility to its thematic component parts and defined a logical strategy for the whole group.

In doing so, Migros will naturally, and with absolute determination, be facing up to social, economic and ecological challenges, such as climate change or the impact of demographic change, and trying to find practicable solutions, both for ourselves and for our stakeholders. But in the future we will be working on these issues with even greater emphasis for the whole Migros Group, because that is the only way that we as a group can pursue the same goals, and that Corporate Responsibility can become an integral component of normal business activity for all of us. As a result, the previously innumerable and varied activities in the field of sustainable development will be linked together and resources used more strategically, creating discernible added value for all stakeholders.



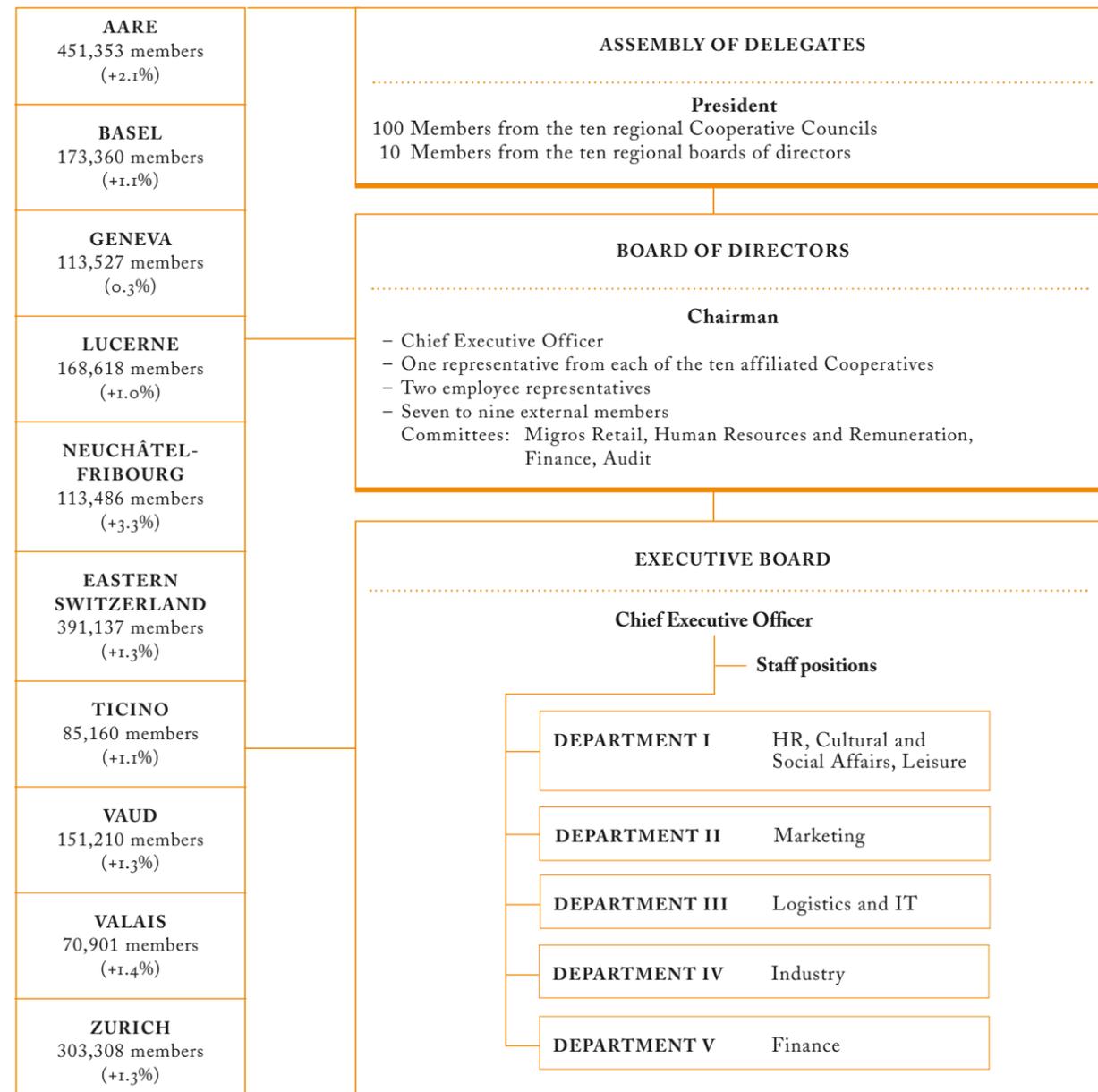
Claude Hauser
Chairman
of the FMC Board of Directors



Herbert Bolliger
FMC Chief Executive Officer

The Migros Community

10 REGIONAL COOPERATIVES
 2007: 2,024,395 members (+1.5%)



Corporate Governance

Committed to transparency

Open communication and the greatest possible transparency are important cornerstones of everything that the Migros Community does.

“Migros is the Swiss company that is passionately committed to improving the quality of life of all of its customers.” To live up to this high ideal, as the number one in the Swiss retail sector, Migros focuses on the need for open communication and the greatest possible transparency among its customers, employees, business partners and the general public.

The modernising structural changes made in 2002 represented another step towards transparency within the company, and ultimately led to the creation of a balanced relationship between management and control. As a result, a clear division has been achieved between operational management and the Board of Directors as the strategic organ.

Legal form

The Federation of Migros Cooperatives (FMC) is the business name of a cooperative association. The FMC, the regional Migros Cooperatives affiliated to it, the businesses owned by it and the Migros Foundations together make up the **Migros Community**.

Structures

All customers who live within the economic area of a Cooperative can become Cooperative Members, which means that they become owners of Migros. Today, there are ten regional Cooperatives, which own the cooperative capital of the Federation of Migros Cooperatives. The annual financial statements of the regional Cooperatives are approved by the Cooperative Member concerned.

The **Federation of Migros Cooperatives (FMC)** coordinates the activities of the Migros Community and determines the strategy that Migros will follow. The responsibilities of the FMC include covering the needs of the affiliated Cooperatives by a combined purchasing and production system, as well as establishing, taking over and taking a participatory interest in businesses of all kinds.

The organs of the FMC are the Assembly of Delegates, the Board of Directors, Executive Board and the Board of Control.

Assembly of Delegates

The Assembly of Delegates, which is equivalent to a shareholders' meeting, is the most senior organ of the FMC. It comprises 110 representatives of the ten Cooperatives, and is led by an independent President. Its main powers include defining and amending the Statutes, electing and dismissing members of the Board of Directors, winding up the FMC or merging with other associations, approving the annual report and financial statements, and electing and dismissing the Board of Control.

The Assembly of Delegates again met twice in 2007, each time to carry out its statutory duties. At the request of the Statutes Commission, the autumn meeting also approved the new FMC Statutes, simultaneously making them legally effective. With these new Statutes in place, the FMC now has Statutes that have been formulated and adapted in a contemporary style. In addition, the Delegates, who follow Migros' business activities with great interest, were given a special briefing about the Swiss agricultural policy and its implications for Migros.

The Office of the Assembly of Delegates always prepares the agenda for the Assembly of Delegates carefully, and acts as a central interface between the Board of Directors and the Assembly of Delegates.

The "Aid Fund" working group held 4 meetings to discuss payments from the Targeted Aid Fund to organisations in Switzerland and other countries, to assess relevant applications and to recommend which organisations or projects should be supported. The "Board of Directors Annual Report" working group met on 2 occasions. It held preliminary discussions on the annual report and annual financial statements for the Assembly of Delegates, formulating its views on them and making appropriate suggestions. The "Special Duties" working group has taken up the task allocated to it by the Assembly of Delegates, of defining what is meant by the expression "changing the basic corporate policy", an authority allocated to the Assembly of Delegates by the Statutes. The working group has already met 4 times.

Board of Directors

The Board of Directors is responsible for the overall management of the Migros Community. It formulates the corporate and ethical objectives of the FMC and the Migros Community. It also conducts the election of the Executive Board and approves the organisation of the FMC. These matters were dealt with by the Board of Directors at its 7 meetings in 2007. Every effort is made to create a balanced ratio between internal and external members in the composition of the Board, and to ensure that there is no accumulation of administrative offices within the Migros Community: Migros is represented by the Chairman, Chief Executive Officer, one representative from each of the ten regional Cooperatives (normally the managing director) and two staff representatives, plus nine members from the business sector who act independently of Migros.

The Board of Directors works in liaison with a number of permanent committees. The external members of the Board are appointed to these expert bodies according to their particular skills, to provide additional knowledge and experience. The committees are:

The **Human Resources (now "Nomination and Remuneration") Committee**, following the proposals of the Chairman of the Board of Directors, is responsible for ensuring that the persons appointed to the Executive Board are the best candidates available. It does so by assessing the selection of applicants and making recommendations to the Board of Directors on which their decision can be based. It is also respons-

ible for setting the salaries of the Executive Board, within set parameters. The committee also supports the Board of Directors in selecting the board members of FMC subsidiaries and members of the Foundation Councils of the Migros Community, and in fixing the appropriate remuneration of these organs. The committee convened 5 times in 2007.

The **Audit Committee**, four external members of the Board of Directors, supports the Board of Directors in supervising the work of the auditors by liaising directly with both external and internal auditors. In performing its duties, the audit committee has unrestricted access to the management of all group companies and their business records and papers. The audit committee works in accordance with the "Best Practice" rules that are followed by large Swiss enterprises. It reports regularly to the Board of Directors about the results of its inspections, and proposes appropriate measures when necessary. The audit committee met 6 times in 2007, and dealt with 53 items of business.

The **Finance Committee** examines large investment projects and proposals for purchases and sales of businesses or business units from the FMC and its subsidiaries. It bases its deliberations on strategic conformity, financial planning and other parameters, and ensures that the corresponding financial resources are properly deployed. In 2007 the finance committee was convened 6 times.

The **Retail Committee** deals with all matters that are relevant to Migros, especially its merchandising and retailing strategies, and makes the relevant applications to the Board of Directors. It formulates binding procedural plans, priorities and actions for implementation of the budget. It is also responsible for supervising and controlling budgets, and introduces appropriate measures when variations occur. In 2007 the 16 members of the committee (six members from the FMC Executive Board and the ten heads of the regional Cooperatives) convened on 7 occasions.

Executive Board

The operational business of the Federation of Migros Cooperatives and its subsidiaries is conducted by the six-strong Executive Board. The CEO has the power to issue instructions, and has overall responsibility for operational conduct of business. The other members are each responsible for their own departments: HR, Cultural and Social Affairs, Leisure; Marketing; Logistics and IT; Industry; Finance.

Gottlieb and Adele Duttweiler Foundation

The Foundation set up by Gottlieb and Adele Duttweiler in 1950 is an autonomous legal entity within the Migros Community. The role of the Foundation is to ensure that the Statutes, covenants and philosophy of Migros' founder are adhered to. Budgets for payments to the members of the Executive Board, for instance, have to be approved by the Gottlieb and Adele Duttweiler Foundation Council.

With the acquisition of a majority stake in Denner, the Foundation had to deal with questions about the sale of alcohol and tobacco goods within the Migros Community. The Foundation concluded that the acquisition of Denner was compatible with the Statutes and policies of the Migros Community.

At its six meetings, the Foundation was mainly concerned with the revision of the Statutes of the FMC. The Foundation's requests for certain adjustments and changes were taken into consideration.

Remuneration

Executive Board salaries

The six members of the FMC Executive Board (including the Chief Executive Officer) received a total of CHF 3.9 million in 2007 (2006: CHF 3.8 million). They did not receive any bonuses or other remuneration.

Fees paid to members of the Board of Directors

The members of the FMC Board of Directors received a total of CHF 0.98 million in 2007 (2006: CHF 0.98 million), including committee attendance fees. Of this total, the Chairman was paid CHF 0.36 million (2006: CHF 0.36 million) and the nine external members CHF 0.62 million (2006: CHF 0.62 million).

The Chief Executive Officer and the managing directors of the affiliated Cooperatives did not receive any remuneration in their position as members of the FMC Board of Directors.

Auditors' fees and additional fees

For services related to the auditing of the annual financial statements and for other services in the areas of company evaluations, tax consultancy, accounting, internal audits and due diligence audits PwC and Mitreva invoiced for:

CHF THOUSANDS	AUDIT SERVICES		OTHER SERVICES		TOTAL
	2007	2006	2007	2006	
PWC					
Federation of Migros Cooperatives, Magazine zum Globus, Migros Beteiligungen AG, Liegenschaften Betriebe AG, LeShop, Hotelplan Group, Migros Bank, Migros Pension Fund, Migros Community Investment Foundation and Group Accounts	2,585	2,877	1,107	668	3,692
MITREVA					
Other group companies	3,573	3,384	232	801	4,185

Assembly of Delegates

Term of office 1 July 2004 to 30 June 2008 (as at 1 January 2007)

Office of the Assembly of Delegates

President: Kurt Pfister – **Vice President:** Conchita Büchi, Migros Aare

Other members: Nicolas Bürgisser, Migros Neuchâtel-Fribourg – Charlotte Grant, Migros Zurich – Johanna Widmer, Migros Geneva

The Assembly of Delegates was convened twice in 2007.

Delegates

MIGROS AARE

Aeby Walter, Worben
Agner-Heller Katharina, Liebefeld
Bhend Adrian, Grossaffoltern
Brogli Werner, Möhlin
Brönnimann Martin¹, Thun
Büchi-Jucker Conchita, Schüpfen
Hausmann Ernesto, Widen
Lehmann Jean-Luc, Konolfingen
Meier-Bruhlin Ruth, Ittigen
Nold-Meier Ursula, Köniz
Rothenbühler-Käsermann Corinne, Muri
Santini Roland, Eggliswil
Studer-Bussmann Lydia, Schönenwerd
Studer-Rohrer Beatrice, Bettlach
Sutter Hans Peter², Krauchthal
Thomi-Keller Eva³, Biel

MIGROS BASEL

Böhi Dieter, Liestal
Buser Monica, Tenniken
Jeker Monika, Reinach
Limbeck Lothar, Pratteln
Linder Karl¹, Basel
Mutschler Ernst, Basel
Sarbach Suzanne, F-Hagenthal-le-Bas
Vergeat Dagmar, Basel
Zuber Christian², Soyhières

MIGROS GENEVA

Anthonioz Bernard^{2,3}, Geneva
Buchser-Theler Agnès, Geneva
Gal Martine, Genève
Graisier-Stoekli Monique, Genthod
Guy Chantal, Geneva
Lawrence Graham, Vandœuvres
(up to 7.6.07)
Roth Daniel, Grand-Lancy (from 7.6.07)
Seematter Violeta, Prangins
Tinguely-Oderbolz Monique, Vésenaz
Widmer-Wirth Johanna, Thônex

MIGROS LUCERNE

Amstutz Gotthard³, Rothenburg
(up to 30.6.07)
Arcon Christine¹, Oberägeri
Betschart Marianne², Emmenbrücke
Bühlmann Monica, Baar
Christen-Schuler Marie, Zug
Duss Roland, Buchrain
Gerhard-Frieden Ruth, Zug
Pfammatter Matthias, Meggen
Püntener Esther, Bürglen
Renggli Pius, Rothenburg (from 1.7.07)

MIGROS NEUCHÂTEL-FRIBOURG

Berset-Oberson Monique, Vaulruz
Bürgisser Nicolas, Giffers
Caperos-Heer Agnès², Neuchâtel
Dell'Acqua Dominique,
Chézard-St-Martin
Fellrath Nathalie, Marin
Guignard Eric, Neuchâtel
Hofner Jean-Patrice, Couvet
Virdis Yerly Dominique³, Marly

MIGROS EASTERN SWITZERLAND

Bont Hans-Ruedi³, Arbon
Cajochen-Forst Josef, Appenzell
Eberle-Signer Maria, Goldach
Grüniger Roland, Widnau
Hindermann Martin, Frauenfeld
Merlo Bertram, Pfäffikon ZH
Mörtl-Luff Cindy, Hettlingen
Rickenmann Heinz¹, Wattwil
Trüssel-Ackermann Barbara, Laax
Vögeli-Baldamus Claudia, Langwiesen
Wegmüller Hanspeter², Winterthur
Wohlgenannt Norbert, A-Wolfurt
Wyss-Schlichtherle Birgit, Buchs

MIGROS TICINO

Bernaschina Tiziano, Ascona
Cassina Giuseppe², Cureggia
Ceschi Aldo, Minusio
Klaus Roberto, Tesserete
Pedrazzini Benedetto, Losone
(from 27.10.07)

Sasselli Gian Paolo, Ponte Capriasca
(from 27.10.07)

Schmid Simone, Giubiasco
Vitta Christian, S. Antonino (up to 17.4.07)

MIGROS VAUD

Angéloz-Niedermann Doris, Echandens
Chappuis-Briaux Valérie, Lussey-Villars
Duvoisin-Miéville Rose-Marie,
Bonvillars
Marendaz Bernard, Method
Pittet Bernard, Pampigny
Reymond-Candaux Paulette, Le Brassus
Rochat Manuela², Pully
Stern Werner, Pully
von Ritter Franca¹, Lausanne

MIGROS VALAIS

Ceccarelli-Pitteloud Marie-Andrée³,
Martigny
Kalbermatter Germaine, Baltschieder
Marcoz Sabine, Aproz
Mooser Trudy², Baltschieder
Morand Christophe, Martigny
Morand Pascal, Monthey
Ruffiner André¹, Leuk Stadt

MIGROS ZURICH

Büchel Tony¹, Pfäffikon SZ
Donau-Elsener Loredana, Zurich
Dudler Gertraud², Greifensee
Grant Charlotte, Bülach
Hediger Esther, Greifensee
Koch Rolf³, Herrliberg
Meyer Marianne, Mellingen
Mohler Johanna, Schleinikon
Schönbächler-Baruffo Elisabeth, Einsiedeln
Schweizer Helmer, Bassersdorf
Sieber Lüscher Martina, Horgen
Sigg Marcel, Uster
Zürcher Sergej, Zurich

¹ Working group "Board of Directors' Report"

² Working group "Special Operations"

³ Working group "Aid Fund"

FMC Board of Directors

Term of office 1 July 2004 to 30 June 2008

Personal details of the members of the Board of Directors

Chairman

CLAUDE HAUSER (1942 CH), Chairman of the Board of Directors since 2000, lic. oec. Uni GE, MBA IMD; Seat on the boards of Clinique G-Beaulieu SA (Chair); Migros Beteiligungen AG (Chair) CIÉS - The Food Business Forum Committees: Human Resources and Remuneration (Chair); Finance; Migros Retail

FMC Representative

HERBERT BOLLIGER (1953 CH), Member since 1997; lic. oec. Uni ZH, FMC Chief Executive Officer Seat on the boards of: Migrosbank AG; Hotelplan AG; Magazine zum Globus (Chair); Limmatdruck AG; Migros Beteiligungen AG; Denner AG (Vice Chair from 1.10.07); Committees: Human Resources and Remuneration; Migros Retail (Chair)

Representatives of the Cooperatives

MAX ALTER (1961 CH), Member since 2005; Swiss Federal Diploma Marketing Management; Managing Director Migros Valais Committee: Migros Retail

CHRISTIAN BILAND (1956 CH), Member since 2001; lic. oec. HSG, Managing Director Migros Eastern Switzerland; Seat on the board of: MVN Neuendorf; Committee: Migros Retail

PHILIPPE BÜRKI *up to 31.8.07* (1958 CH), Member since 2003; lic. lettres; Managing Director Migros Vaud; Seat on the boards of: Micarna SA; Ilem SA; Committee: Migros Retail

LORENZO EMMA (1957 CH), Member since 2004; Dipl. Ing. ETH, MBA IMD; Managing Director Migros Ticino; Seat on the board of: Obiettivo lavoro Suisse SA (Vice Chair) Committee: Migros Retail; Finance

OSWALD KESSLER (1947 CH), Member since 2004; Managing Director Migros Zurich; seat on the boards of: Migros Pension Fund; Gottlieb Duttweiler Institute GDI; Aktiv Fitness AG (Chair) Committee: Migros Retail

WERNER KRÄTTLI (1951 CH), Member since 1996; Managing Director Migros Basel; Seat on the board of: Magazine zum Globus; Committee: Migros Retail

MARC SCHAEFER *from 1.10.07* (1961), Member since 1.10.07, Managing Director Migros Vaud, Degree in accounting (Eidg. dipl. Experte in Rechnungslegung u. Controlling); Seat on the boards of: Micarna AG; Ilem SA; Parking Pré la Tour; Committee: Migros Retail

GUY VIBOUREL (1951 F), Member since 2000; lic. oec.; Managing Director Migros Geneva Seat on the boards of: Centre Balxert SA; Ilem SA; Simga SA; Migros France SA (Chairman); Migros Distribution Centre Suhr MVS; Committee: Migros Retail

ERNST WEBER (1949 CH), Member since 1997 (Vice Chair); business economist HWV; Managing Director Migros Lucerne Seat on the board of: Radio Pilatus AG, Lucerne; Committee: Human Resources and Remuneration; Migros Retail

BEAT ZAHND (1958 CH), Member since 2005; phil I; Uni Bern, Managing Director Migros Aare; Seat on the boards of: Gäu Park AG; Neue Brünnen AG; Shopping Center Brünnen AG; LFS Life Food System AG (Chair). Gurten Green Meadow Park Foundation; Committee: Migros Retail

FABRICE ZUMBRUNNEN (1969 CH), Member since 2005; lic. oec. Uni Neuchâtel, Managing Director Migros Neuchâtel-Fribourg Committee: Migros Retail

External members

DORIS AEBI (1965 CH), Member since 2003 (Vice Chair); Dr. phil. Uni ZH, Executive Search; Co-proprietor of aebi + kuehni ag, Zurich; Committee: Human Resources and Remuneration

ANDREA BROGGINI (1956 CH), Member since 2004; Dr. iur. LL.M. Uni Urbino, lawyer Seat on the boards of: Generali (Schweiz) Holding; Fondiaria-SAI S.p.A. Florence; March Limited, Hamilton; Knorr-Bremse Sfs GmbH Munich Committee: Audit

JOSEF LEU (1950 CH), Member since 1996; Ing. agr. HTL; former National Councillor; Head of Department DDPS Injuries Centre Seat on the board of: Hochdorf Group Committee: Audit

SALOMÉ PARAVICINI (1943 CH), Member since 1984; lic. iur. Uni Basel, lawyer, Geneva Seat on the board of: Swiss National Science Foundation, Bern (member of council); Committee: Audit

EMIL REBMANN (1938, CH), Member since 1996; lic. oec., MBA; formerly CFO SIKA; Seat on the boards of: Just Gruppe; Leuthard Gruppe; Nussbaum Gruppe; Nauer AG; AWi Anlagefonds Winterthur; Migros Beteiligungen AG; Committee: Audit (chair)

THOMAS RUDOLPH (1962 D), Member since 2003; Prof. Dr. oec Uni Mannheim; Director of the Institute of Marketing and Retailing, University of St. Gallen; Seat on the boards of: Otto's AG; Jeko AG; Committee: Finance

URSULA SCHOEPFER (1956 CH), Member since 2004; lic. rer. pol., MBA, Managing Director Dispopharm Services GmbH; Seat on the boards of: Medial D&P Ltd.; Pharmatrans Sanaq AG (chair); Committee: Finance

GABRIELA WINKLER (1953 CH), Member since 2004; Dipl. sc. nat. ETH ZH; Master Practitioner DVNLP; Communications consultant; asc webfactory GmbH; Member of the Zurich Cantonal Council; Seat on the boards of: SSW Management GmbH (chair); Convivenza - Int. Centre for Minority Issues (member of foundation council); Committee: Human Resources and Remuneration

HEINZ WINZELER (1951 CH), Member since 2003; lic. oec. HSG; Seat on the boards of: Partner Von Graffenried AG, Zurich; Shockfish SA; Sigma Holding AG; Trivon AG; Von Hoff AG; Migros Beteiligungen AG Committee: Finance (chair)

Staff representatives

HAROLD SACHER (1946 CH), Member since 1996; electrical mechanic; Migros Aare Seats: Personnel Committee Migros Aare; National Conference (chair)

DANIELA SUTER (1956 CH), Member since 2004; sales manager; Head of FMC Category Management; Seats: FMC Personnel Committee

FMC Executive Board

As at: 1 January 2007

Chief Executive Officer

Herbert Bolliger (1953 CH) Member since 2005, lic. oec. ZH

Vice President

Joerg Zulauf (1958 CH) Member since 2000, RA lic. jur. ZH, MBA Head of Finance Department

Gisèle Girgis (1949 CH) Member since 1998, lic. oec. publ Uni Lausanne; Head of Department of Human Resources, Cultural and Social Affairs, Leisure Delegate for National Economic Supply

Jakob Knüsel (1945 CH) Member since 2001, dipl. Chem. Ing. ETH Head of Industry Department

Andreas Münch (1957 CH) Member since 2005, dipl. el. Ing. ETH Head of Logistics and IT Department

Urs Riedener (1965 CH) Member since 2003, lic. oec. HSG Head of Marketing Department

FMC Management Divisions

As at: 1 January 2007

Jörg Brun *Head of Marketing Food*
Hans-Rudolf Castell *Head of Human Resources Management*
Jean-Claude d'Hondt *General Secretary*
Peter Diethelm *Head of Fresh Produce*
Daniel Furrer *Head of Non-Food*
Monica Glisenti *Head of Corporate Communications*
Hedy Graber *Head of Cultural and Social Affairs*
Jann Hatz *Head of Corporate Development*

Marlène Honegger *Head of FMC Personnel*
André Knubel *Auditor, M-Community*
Beda Ledergerber *Head of Group Finance*
Ernst Marti *Head of Marketing Services*
Bernd Messerer *Head of Controlling*
Bernhard Metzger *Head of Logistics, Transport*
René Meyer *Head of Logistics Technical Department*
Andreas Niess *Head of Accounts M-Community*
Adrian Ryser *Head of Treasury/Finance*

Martin Schläpfer *Head of Economic Policy*
Thomas Schmutz *Head of Club Schools Coordination*
Peggy Schuhmann *Director SQTs*
Rudolf Schwarz *Head of IT Services*
Alex Sieber *Head of Near Food*
Michael Spiess *Head of Specialist Markets*
Reto Waidacher *Head of Legal Services*
Roger Weber *Head of FMC Accounting and Controlling*

FMC Board of Control

Based on the proposal of the Board of Directors the Assembly of Delegates has elected an independent trust and auditing firm as Board of Control. The Board of Control has been elected for a period of 2 years and may be re-elected.

PricewaterhouseCoopers AG was confirmed as FMC Board of Control and Group Auditors until 30 June 2008. The firm has been conducting audits of the FMC annual accounts and Migros group statement since 1 July 2000 (previously Schweizerische Treuhand Gesellschaft – Coopers Lybrand AG). The firm's Head Auditor, Daniel Anliker, took up his position on 1 July 2006.

The Migros Group

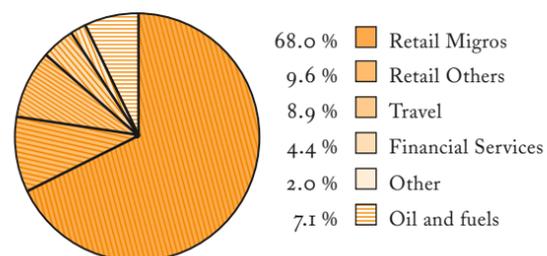
Sales

MIGROS GROUP SALES IN CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD BY BUSINESS UNITS			
<i>Retail Migros</i>			
Cooperatives' Retailing ¹	14,372.3	14,200.5	1.2%
Migros Industry	4,722.7	4,683.5	0.8%
FMC	5,399.2	5,492.1	-1.7%
Logistics	323.4	326.4	-0.9%
Other companies	49.8	58.0	-14.1%
TOTAL RETAIL MIGROS	24,867.4	24,760.5	0.4%
<i>Retail Others¹</i>			
Denner	687.7	n.a.	
Ex Libris	178.2	160.8	10.8%
Magazine zum Globus	781.3	n.a.	
Interio	287.4	n.a.	
Office World	106.1	n.a.	
= Globus companies	1,174.8	1,124.7	4.5%
LeShop	92.3	44.0	109.8%
Other companies	95.3	n.a.	
TOTAL RETAIL OTHERS	2,228.3	1,329.5	67.6%
Travel	1,978.0	1,746.7	13.2%
Oil and fuels ¹	1,649.0	1,701.4	-3.1%
Financial services	3.4	5.3	-35.8%
Other ¹	581.2	540.1	7.6%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	31,307.3	30,083.5	4.1%
Elimination of internal group sales of goods and services	-9,966.2	-9,951.5	0.1%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	21,341.1	20,132.0	6.0%
Income from financial services business	992.6	914.6	8.5%
Other operating income	364.1	329.5	10.5%
Elimination of internal group income	-1.3	-1.6	-18.8%
TOTAL INCOME (SALES)	22,696.5	21,374.5	6.2%

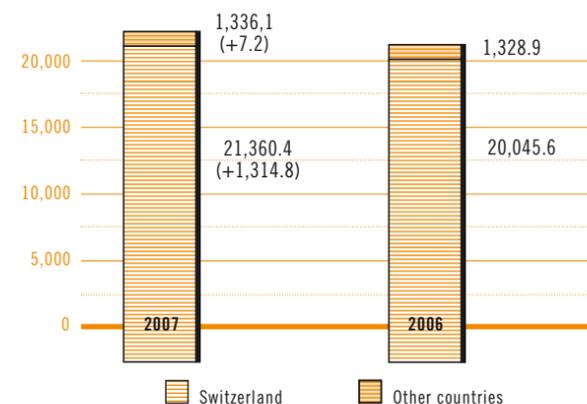
Distribution of net sales revenue (excluding VAT) by business units, as per segment information.

¹ Migros retail sales CHF 18,535.4 million (previous year CHF 17,510.2 million), of which foreign retail sales CHF 225.0 million (previous year CHF 224.5 million) by Migros France and Migros Germany.

NET REVENUE FROM GOODS AND SERVICES SOLD BY BUSINESS SEGMENT 2007



NET REVENUE FROM GOODS AND SERVICES SOLD BY REGION (in CHF million)



Investments

Attractive selling space for the future

Migros is looking to the future, and investing in all parts of the country.

In 2007, individual Migros companies carried out a number of projects in virtually all cantons. The total invested by Migros was CHF 1.4 billion, which makes it a powerful business partner nationally, and also secures countless jobs in every part of the country.

This high level of investment will continue over the next few years, because the Cooperatives and trading companies can only remain competitive in the dynamic retailing environment if they have attractive selling space. With healthy growth as their objective, they are selectively establishing, renovating and expanding their existing selling space.

Another key to success is a well organised logistics system with well developed trading channels. Investment is therefore also being directed especially at the development of the Internet channel.

In the long term, the industry companies will increasingly have to deal with international competition; by selectively expanding and modernising their production facilities, they are laying the foundation for safeguarding their sites for the long term. Despite constantly rising pressure on costs, exemplary consideration is given to the environmental aspects of investment projects. The interests of employees will also still be safeguarded at their workplaces.

SECTOR (CHF million)	2007	2006
<i>Retail Migros</i>		
Cooperatives	951	669
Industry	204	195
FMC and Logistics	63	44
Other	203	89
TOTAL	1,421	997

Cooperatives

The Cooperatives opened five new sales outlets, and completed four new replacement buildings and four larger-scale renovations with extensions in 2007. At many other locations, investment was targeted at the

qualitative upgrading of sales outlets. The most significant investments in the Leisure and Club Schools sector cover the newly opened Golfpark in Oberkirch LU, the renovation and enlargement of the Club Schools in Lausanne, Geneva and Locarno.

The Cooperatives' investment activity in 2008 will continue at the same level as before. With the further renovation and development of the store network, allowance has to be made for the delays that occurred again last year as a result of objections raised by various organisations. Among the projects affected by this are: the Ladendorf shopping centre in Langendorf, Länderpark shopping centre in Stans, Rosenberg shopping centre in Winterthur and the Säntispark shopping centre in Abtwil SG. Special mention must be made of the major Westside project in Berne, whose construction was based on the Minergie Standard. It will open its doors in autumn 2008, and proves that Migros is also doing some pioneering work in the environmental sector. The most important investments in the Leisure and Club Schools sector cover the expansion of the Golfpark in Waldkirch SG and the renovation of the Club School in Zug.

Migros Industry

Once again in 2007 Migros Industry invested heavily in Switzerland as a place of production, with total investments exceeding CHF 200 million (2006: CHF 195 million).

To keep up with developments on the market, the cheese conditioning and packing firm Mifroma has initiated a project in Ursy to create new production space, and the commissioning of an automated order-picking store went ahead on schedule.

The biscuit and ice cream products manufacturer Midor has had ultramodern packing lines installed in Meilen to follow the dynamic national and international expansion.

To ensure that it is equipped for the highly promising future of the dairy market, over the next five years Estavayer Lait in Estavayer-le-Lac is investing in a major project. Measures are planned to meet the more stringent hygiene regulations and an increased need for space, thus making it one of the most modern dairies in Europe.

With some fairly large-scale investments over the next few years, **Bischofszell Food** in Bischofszell is set to develop into the Migros platform for the promising convenience business. The planned new building will at the same time also create free space for logistics operations and optimised production.

The meat, fish and poultry processor **Micarna** is modernising and expanding. An old building is to be refurbished at its Courtepin site and new deep-freeze structures built.

FMC and Logistics

A system landscape that functions smoothly and is fault resistant is key to the survival of Migros. Over the past year, the FMC therefore ploughed much of its investment into replacing and expanding hardware and software.

The construction of a new hall at the **Migros Distribution Centre Neuendorf** means that it can give up several smaller external storage facilities. Logistical processing of orders is done centrally and efficiently at the site in Neuendorf SO. The **Migros Distribution Centre Suhr** is adding another silo to the existing high-bay racking store. The current building projects should be completed by 2008, and will give the two logistics companies the necessary flexibility to handle season-

ally based additional volume; it will also enable them to process additional contracts efficiently in the future.

Trading and other companies

In addition to the development and renovation of the store network, the various trading companies also expanded in 2007.

As well as investing in the new fresh produce image, at the end of the year **Denner** purchased a new distribution centre in Mägenwil.

The bulk of the investments by **Hotelplan** were allocated to its subsidiary Interhome, which is expanding its area of operation and also developing a new booking system.

Migrol has been investing in the expansion of its filling station network: as well as opening a number of new sites, a large proportion of the filling station shops have been converted to the avec. format.

The largest investments by **Magazine zum Globus** were directed at the renovation and expansion of the stores in Berne, Lucerne and Geneva.

Limmatdruck made a number of replacement and new purchases to modernise and automate its plant and machinery.

Migros distribution network 2007

RETAIL MIGROS		NO. OF SITES 2007	NO. OF SITES 2006	SALES AREA (m ²) 2007	SALES AREA (m ²) 2006
MIGROS DISTRIBUTION SITES SWITZERLAND					
Migros sites	M	285	289	191,001	190,044
	MM	206	203	476,818	464,712
	MMM	38	38	320,727	327,074
	TOTAL	529	530	988,546	981,830
	MParcs/specialist market centres/Obi	42	43	230,498	239,805
	Single-line stores ("bargain basements", etc.)	13	12	5,006	4,761
	TOTAL	55	55	235,504	244,566
	Standalone restaurants	5	5	1,332	1,332
	TOTAL SITES	589	590	1,225,382	1,227,728
MIGROS DISTRIBUTION LINES SWITZERLAND					
Supermarkets	M, MM and MMM	529	530	791,865	777,559
	Other supermarkets ¹	10	11	10,216	11,105
	TOTAL SUPERMARKETS	539	541	802,081	788,664
Specialist markets	Do it + Garden	56	58	113,887	119,032
	Micasa	31	37	65,540	77,668
	sportXX	43	42	52,488	50,225
	m-electronics	59	60	29,951	31,171
	Obi DIY superstore/garden	9	9	73,179	73,091
	TOTAL SPECIALIST MARKETS	198	206	335,045	351,187
Migros catering services	Migros restaurants, standalone	5	5	1,332	1,332
	Migros restaurants, in-store	193	198	86,924	86,545
	TOTAL RESTAURANTS	198	203	88,256	87,877
MIGROS DISTRIBUTION SITES OTHER COUNTRIES					
France (Migros France)	MMM	2	2	11,361	11,361
Germany (Migros Basel)	MM	3	3	7,023	7,023
	TOTAL OTHER COUNTRIES	5	5	18,384	18,384
WHOLESALE – COOPERATIVES AND OTHERS					
Retailers carrying Migros products		88	88		
avec. (run by Cevanova AG)		34	31		
Mobile shops		–	2		

¹ Integral with MParcs or specialist market centres

RETAIL – OTHERS	NO. OF SITES 2007	NO. OF SITES 2006	SALES AREA (m ²) 2007	SALES AREA (m ²) 2006
Denner	729	–	–	–
Denner stores	432	–	161,498	–
Denner Satellite stores	297	–	–	–
Globus (Magazine zum Globus AG)	34	35	90,350	90,719
Globus department stores	13	13	80,150	80,348
Herren Globus	21	22	10,200	10,371
Interio	20	20	40,325	40,325
Office World	18	18	14,150	14,316
Ex Libris	119	118	11,148	10,949
OIL AND FUELS: MIGROL				
Filling stations, total	312	314		
Migrol Auto Service/Migrol Service	182	178		
Filling stations (automat)	130	136		
avec. (run by Migrol)	43	–		
Migrol shops ¹	99	136		
OTHERS: LEISURE FACILITIES AND FOUNDATIONS				
Fitnessparks, fitness centres and Sportparks ²	30	20		
Bathing parks	1	1		
Golfparks	6	6		
Green Meadow Parks Foundation	4	4		

¹ The existing Migrol Shops are currently being renamed avec. shops
² Including subsidiaries

Retail Migros business highlights

RETAIL MIGROS CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD			
Retailing – Cooperatives	14,372.3	14,200.5	1.2%
M-Industry	4,722.7	4,683.5	0.8%
Logistics (Migros Distribution Centre Suhr/ Distribution Centre Neuendorf)	323.4	326.4	-0.9%
FMC	5,399.2	5,492.1	-1.7%
Other	49.8	58.0	-14.1%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	24,867.4	24,760.5	0.4%
Other operating income	656.9	572.6	14.7%
Elimination (internal group income)	-10,018.8	-10,042.7	-0.2%
TOTAL INCOME (SALES)	15,505.5	15,290.4	1.4%
PROFIT BEFORE FINANCIAL INCOME AND INCOME TAX	583.7	571.3	2.2%
<i>Other information</i>			
Segment assets	13,910.3	12,862.0	
Investments	1,181.9	857.9	
Number of employees	68,698	70,234	

Migros maintains its undisputed position as market leader

Migros defends its position at the top by offering the best value for money.

Private consumer spending in 2007 made a substantial contribution to the healthy economic development. Rising wages in particular, together with the good prospects on the labour market, boosted consumer confidence. The forecast for the current year is that there will be only a very slight downturn in spending growth. The index of consumer sentiment is likely to stabilise at a high level.

The retail sector accounts for 16 per cent of total Swiss GDP. Compared to its four neighbouring countries, consumers in Switzerland pay 15 per cent more on average for identical products. The excessive prices are mainly the result of framework economic policy conditions that are unfavourable for the retail sector; they are not, as is often assumed, due to the high cost of labour in Switzerland.

At Migros, a weekly average of 8.7 million customer contacts were registered in 2007. The average total sale on each till receipt was CHF 30.80 – 1.4 per cent more than the previous year. This success was driven mainly by product innovations and product diversity, the strong regional focus in the fresh produce range, and the large assortment of ethical products (such as Bio, FSC, Eco, etc.). Products with ecological

and social value added make up 11.7 per cent of total sales: CHF 1.7 billion, 1.8 per cent more than the year before. Prices across the whole Migros product assortment fell by 1.2 per cent in 2007. Promotional sales (products offered at reduced prices) rose by 6.9 per cent, and totalled CHF 2.4 billion.

All of Migros' online shops recorded satisfactory growth in 2007; online sales at Ex Libris, Hotelplan, Le Shop, Office World, Migrol and the Club Schools amounted to CHF 296 million in 2007.

Best value for money

According to a survey of about 6,700 passers-by carried out by the Berne-based opinion research institute Jeko AG, Migros offers the best value for money. High profile own brands such as Anna's Best, Léger, Aproz, Frey, Heidi, Candida, Total, etc. helped to achieve this positive result.

A number of independent price comparisons in 2007 also confirmed that Migros is cheapest: comparison of the prices of 50 toiletry products revealed that prices at Migros are on average 9 per cent cheaper than at its main competitor. In a comparison of 50 fresh products Migros' prices were on average 10 per cent cheaper. Both surveys were conducted by the magazine "K-Tipp".

At the end of May, Migros began a whole series of price cuts on fresh meat, without at the same time cutting back on quality; savings have been made in the processing operation, in packaging and in logistics. In February, butter prices were cut, too, but bread prices had to rise in December, because of the sharp increases in the price of grain and flour. In 2007 Migros also launched two own-brand butters: "Kochbutter" and "Valflora". To be able to sell butter even more cheaply, Migros applied to the Directorate General of Customs for permission to have 1,500 tonnes of butter made from Swiss dairy cream refined abroad. Although permission was granted, a prohibitively high customs duty of CHF 97 per 100 kilograms was imposed for its re-importation. This would have effectively cancelled out any savings.

To be able to source products more cheaply, Migros has joined the international buying alliance AMS. This pools purchases for eight major European retailers, and the larger purchasing volumes result in cheaper cost prices for globalised products such as batteries, paper serviettes, nappies and much more. The savings are passed on in full to the customers.

From TerraSuisse to the Rolling Stones

Once again in 2007, Migros' activities were dominated by many innovations in products and services.

With the launch of the TerraSuisse label, Migros and the Swiss association of integrally producing farmers (IP-Suisse) set a milestone for Swiss agriculture and for regional and biological diversity. Under the Migros umbrella label "Engagement", TerraSuisse combines the 7-Point Meat Guarantee (M-7) and IP-Suisse labels, which will both be phased out during 2008. Consumers will benefit from goods produced naturally and with consideration for animal welfare, and from a label that is easier to understand.

Actilife, the Migros brand for products with a healthy added value, is to be developed into a programme brand. The programme is based on the three mainstays of nutrition, exercise and relaxation, and will continue Migros' traditional commitment to public health. A growing number of products and services will be available under the Actilife label.

There is no let-up in interest in the M-Budget mobile telephone. Over 400,000 SIM cards were already in use by September 2007.

With the M-Budget MasterCard, Swiss men and women can for the first time design their own personal credit card, including a photograph of themselves, and it's really easy to do on the Internet.

The engaging advertising campaigns for clothing from Migros caused quite a stir among the public and in the media. In the spring, singles presented underwear, in the summer tourists who were visiting Switzerland modelled Migros fashions, and in the autumn, seven female and male candidates for the Swiss National Council actually appeared in public wearing Migros underwear.

The new Migros-Assistance brand has been launched, offering breakdown assistance and travel protection at unbeatable prices. The services are provided by the insurance partner Elvia.

In April and May Migros was exclusively selling family day tickets for the entire public transport rail network in Switzerland. At the one-off special price of CHF 99, up to a maximum of two adults and four children were able to travel anywhere in Switzerland for a whole day.

Migros has agreed on a long-term alliance with the Europa-Park in Rust, near Freiburg im Breisgau. To mark the start of the partnership, Migros raffled 5,000 entry tickets off among its customers.

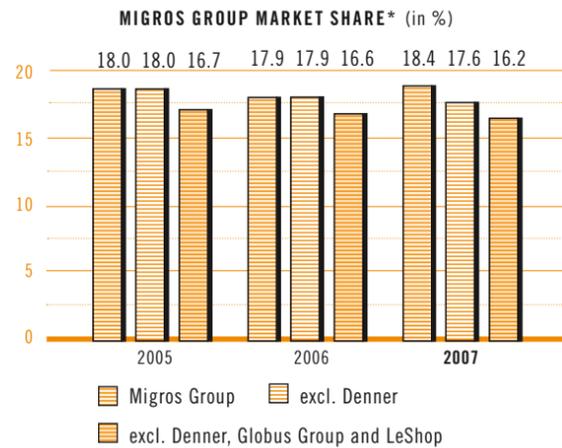
Migros donated 30,000 tickets for an exclusive concert by the most famous rock band in the world to mark the 10th anniversary of M-Cumulus - on 11 August 2007 the Rolling Stones rocked exclusively for Migros customers at the Stade de la Pontaise in Lausanne.

Market share

Overall market share has risen to 18.4 per cent

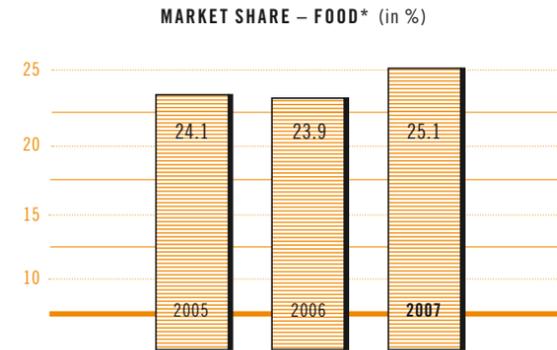
A quarter of the food in Switzerland is purchased at businesses of the Migros Group.

With sales growing by 6.5 per cent (net sales, inclusive of VAT), the Migros Group's market share has increased from 17.9 per cent to 18.4 per cent. In 2007, the market share of the orange M fell by 0.5 points to 16.2 per cent.



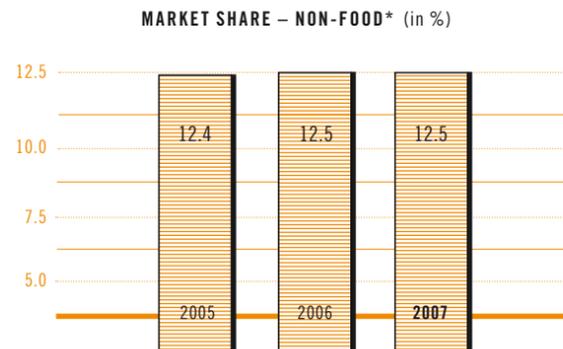
Market share – food

Prepacked food (such as oil, vinegar, pasta, frozen products, etc.) were up by 1.5 per cent. Innovations in the Sélection premium range (launch of new products and expansion of lines with the household/kitchen category), and the repositioning of programme brands such as Actilife, all played a part in this. Demand for M-Budget products is constantly growing: sales were 7.0 per cent up on the year before.



Market share – non-food

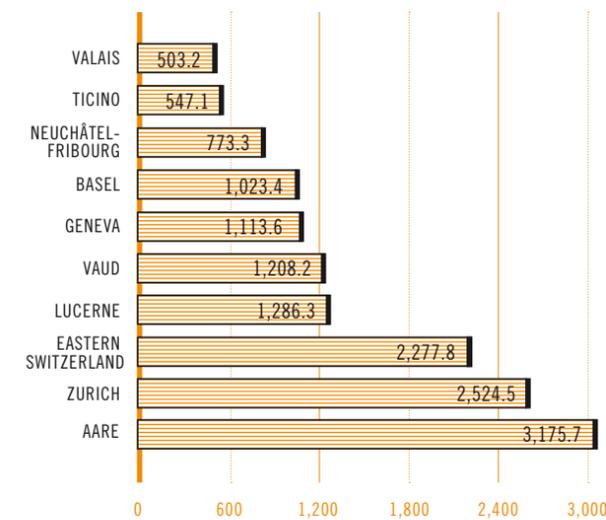
In the non-food sector, the Migros Group's share of the market levelled out at 12.5 per cent in 2007. The Globus Group advanced by 7.2 per cent, Ex Libris by 10.6 per cent. Sales by the Migros specialist markets fell by 1.4 per cent in 2007 to CHF 1.9 billion. The specialist markets have been most affected by reductions in sales area and closures in line with the streamlining of the sales outlet network; Micasa has lost 12,128 m², Do It+Garden 5,145 m² and m-electronics 1,220 m².



* Super-/hypermarkets and Specialist Markets, catering services, Denner Discount and Denner Satellite outlets for the period October to December 2007, Globus Group and LeShop (fully integrated from May 2006).

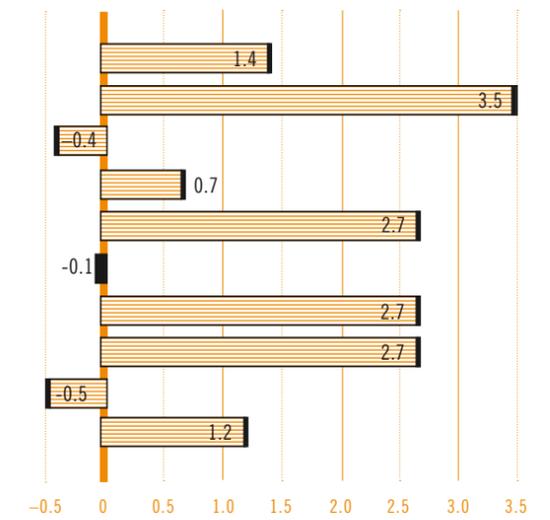
The ten regional Cooperatives

NET REVENUE FROM GOODS AND SERVICES SOLD 2007, SWITZERLAND¹
Total net revenue – Cooperatives' retailing:
2007: CHF 14,433.10 million (2006: CHF 14,254.80 million)

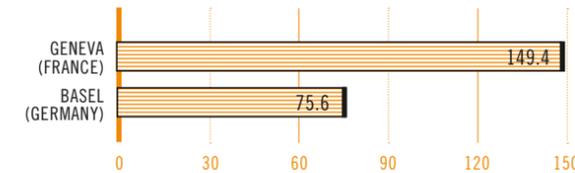


¹ Net revenue from sales of goods and services by the Cooperatives include CHF 286 million net revenue that is attributable to the "other" segment.

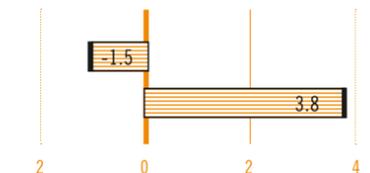
CHANGE IN TOTAL SALES 2007
(as % of previous year, total +1.3%)



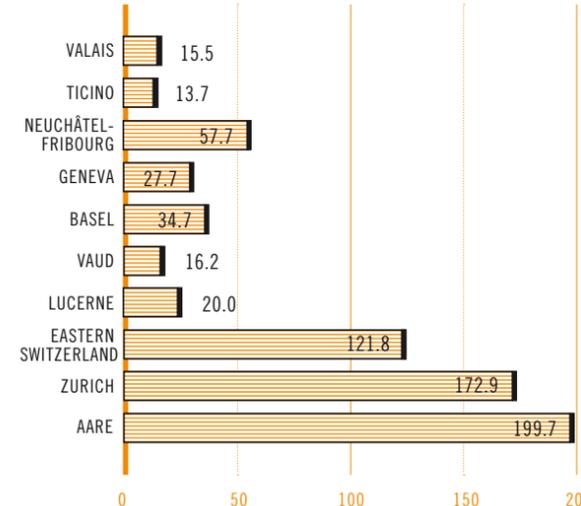
NET REVENUE FROM GOODS AND SERVICES SOLD 2007, OTHER COUNTRIES
Total net revenue – Cooperatives' retailing:
2007: CHF 225.0 million (2006: CHF 224.5 million)



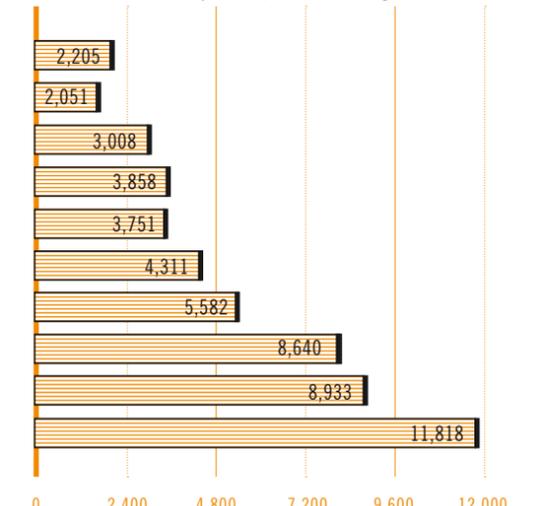
CHANGE IN TOTAL SALES 2007, OTHER COUNTRIES (as % of previous year, total +0.2%)



INVESTMENTS 2007
(in CHF million, total CHF 679.9 million)



WORKFORCE 2007
(number of persons, annual average)





Migros Aare

Major renovation work under way

Even though large sales outlets – the Shoppyländ shopping centre, for example, but also the Brügg Centre, the Oberland Centre, Migros Langenthal, the Westside leisure and shopping centre – are being renovated or are not due to open until 2008, the Migros Cooperative Aare still managed to increase sales by 1.2 per cent from the previous year.

New on the scene are the two VOI stores, the first of which opened in November 2007 in Wangen an der Aare, and the second in December in Liebefeld. The two small former Migros stores have been converted and are now being run as a new kind of neighbourhood shop, with many familiar Migros and branded products, under a franchise system with an unaffiliated, independent general manager.

Migros Basel

Online shop for the German market

Despite the steady stream of shopping tourism in the core region of North-Western Switzerland, sales by the Migros Cooperative Basel grew by 0.7 per cent in 2007.

August saw the opening of the Migros Markt in Bubendorf, with 2,500 m² of selling space. The store in MuttENZ has also been renovated.

The year 2007 was also a successful one for the three German Migros stores in Lörrach, Bad Säckingen and Freiburg im Breisgau. The fresh produce market in Freiburg celebrated its fifth year in business. The fourth Migros store in Southern Germany is taking shape, in Reutlingen, and is due to open in autumn 2008.

In the summer, an online shop was launched for the whole German market, under the name of www.migros.de. The product assortment will initially be limited to 100 products.

Migros Geneva

Energy to be recovered from refrigerated shelving

Sales by the Migros Cooperative Geneva rose by 2.7 per cent in 2007.

The Geneva airport, Le Lignon, Rieu and Cirque sales outlets have been refitted. The assortments have been expanded and include new convenience ranges and fresh bread baked on site. The fresh produce is displayed on refrigerated shelving. This has been fitted with energy recovery equipment, which feeds the store heating and hot water supply systems.

The catering facilities have been expanded at the supermarket in Meyrin, and there are now three sections available: the free-flow section with open cooking areas for midday meals, a takeaway to cater for people who want something to eat or drink between meals, and a lounge section for cocooning in the afternoon.

Migros Lucerne

Planning application for the Länderpark centre in Stans is a milestone

Despite more intense competition, the Migros Cooperative Lucerne exceeded its targets in 2007, and sales were up by 2.7 per cent.

In October 2007 the Do it + Garden, sportXX and Micasa specialist markets were opened with a new look at the Mythen-Center in Schwyz.

The MM Metalli store in Zug is to undergo extensive renovation, starting in January 2008; the work will include a new take-away concept for a sophisticated, nutrition-conscious public. A new M store is taking shape in Zell, and improvements are planned in Unterägeri, Baar, Herigswil and Hochdorf.

Migros Lucerne reached a milestone in December 2007 with the building application for the Länderpark centre in Stans. Canton Nidwalden will be starting on the road construction early in 2008, and the renovation of the premises should begin in autumn 2008; opening is scheduled for autumn 2010.

Migros Neuchâtel-Fribourg

Further renovation and expansion of the sales network

Despite fierce competition and falling prices, sales by the Migros Cooperative Neuchâtel-Fribourg in 2007 were down slightly by 0.4 per cent, but remained essentially stable.

The M Kerzers, MM Centre La Tour and M Avenches opened as new sales outlets in 2007, and a number of stores have been partially or completely refurbished.

The continuation of the programme of expanding and refurbishing the sales network should start to generate growth again from 2008. Three new sales outlets are to be opened: the M Saignelégier in March,

the MM Châtel-St-Denis in August and the MM Düringen in September. Construction also began in 2007 on the new Marin Centre, with opening scheduled for autumn 2011.

Migros Eastern Switzerland

Stores close to the border benefit from the high euro exchange rate

In 2007, the Migros Cooperative Eastern Switzerland once again recorded a 2.7 per cent growth in sales. Stores close to the border benefited from the strong euro; increasing numbers of German and Austrian customers are shopping at Migros.

Conversion work on the stores in Buchs and Wil, and the Migros restaurant in Rheinpark St. Margrethen was completed in 2007. The Rheinpark has been completely refurbished. But there will also be a great deal of building activity in 2008. Migros Eastern Switzerland's second Obi building supplies and DIY market is taking shape in Abtwil, near St. Gallen. The Säntispark leisure centre is to have a new restaurant and attractive extra facilities for swimmers, including a "wild water canyon" and a Turkish bath. The Hubzelg shopping centre in Romanshorn is also undergoing renovation.

Migros Ticino

Shopping tourism has a positive impact

The Migros Cooperative Ticino recorded above average growth in 2007, with sales up by 3.5 per cent.

Profile brands such as Sélection and "I Nostrani del Ticino" contributed to the positive result, as did the refurbishment of a number of sales outlets. Foremost among these was the Centro S. Antonino, where the extensive refurbishment work was completed early in the year. The strong euro also had an impact on business; fewer people from Ticino are travelling to Italy to do their shopping, and at the same time there was a rise in the number of shopping tourists from across the border in Italy.

The number of students at the Migros Club School in Ticino increased by 4 per cent to 305,000 participant hours. The weekly magazine "Azione" managed to maintain its coverage at almost the same level as the year before, with 114,000 readers.

Migros Vaud

Major investments in the sales network

Figures from the Migros Cooperative Vaud were down by 0.1 per cent in 2007, almost at the previous year's level.

The sales network has grown with the opening of the Sévelin store and the renovation of the Bellevaux store in Lausanne. Since April 2007 the Club School, Culture Department and Eurocentres have all been united under one roof at the new Club School building in Lausanne.

In 2008 Migros Vaud will be investing nearly CHF 30 million on the refurbishment and expansion of the sales network. Projects include the complete renovation of the MMM Les Terreaux and the open-

ing of the new Flon Mercier shops in Lausanne and Blonay. Then in 2009 there will be another new sales outlet in Etoy.

September 2007 saw a change at the top of the Cooperative, with Marc Schaefer replacing Philippe Bürki.

Migros Valais

New sales outlets replace the "mobile shops"

Sales at the Migros Cooperative Valais increased by 1.4 per cent in 2007.

There were also further developments of the sales network in 2007, with the renovation of three supermarkets, a start being made on building a new sales outlet, and the opening of a new Migros partner store. The concept of the mobile shop has now become outdated, and has been dropped.

The modernisation of the administration system also made good progress in 2007.

Migros Zurich

The "Märt" concept means even more fresh produce

In 2007, the Migros Cooperative Zurich forged even further ahead with the refurbishment of the sales network, concentrating on the complete overhaul of larger stores. This led to a slight fall in sales, by 0.5 per cent.

The area vacated by Micasa in the Migros Brunaupark in Zurich has been used to extend the supermarket and to expand the Do it & Garden and sportXX sections. Stores have been created in Egg and Thalwil following the "Märt" (market) concept, with greater emphasis on fresh produce and service products.

The sales outlets in Oerlikon, Sonnenhof Bülach, Uznach, Kloten, Toblerplatz Zurich and Affoltern am Albis have been renovated. A new location has been created in Grünau, Zurich, in the form of a district store featuring bargain offers. Migros Adliswil has reopened after two years' building work. The Buchegg store in Zurich and the M-Parc in Regensdorf have been closed.

Migros Zurich took over Activ Fitness AG, retroactively to the beginning of 2007, and now runs nine Activ Fitness Studios in addition to the five Fitnessparks. Colombo Dance Factory AG in Zurich also belongs to Migros as of the beginning of 2008.

Ethical labels

 <p>BIO CHF 305.5 million (+3.8%)</p> <p>Products from organic farming. Independent controls.</p>	 <p>ECO CHF 349.0 million (+3.9%)</p> <p>Environmentally friendly production at every processing stage. Safe working conditions. Independent controls.</p>
 <p>7-POINT MEAT GUARANTEE (M-7) CHF 600.8 million (-2.2%)</p> <p>Swiss meat. Raised and fed in a controlled way that is appropriate to the particular species.</p>	 <p>BIO COTTON CHF 13.7 million (+20.2%)</p> <p>Organically grown cotton. Processing always follows eco guidelines. Independent controls.</p>
 <p>MAX HAVELAAR CHF 79.7 million (+13.9%)</p> <p>Fairtrade products. Production based on social criteria. Independent controls.</p>	 <p>FOREST STEWARDSHIP COUNCIL (FSC) CHF 129.6 million (+10.3%)</p> <p>Timber from forests that are managed in an environmentally friendly and socially acceptable way. Independent controls.</p>
 <p>IP-SUISSE CHF 217.3 million (-9.3%)</p> <p>Natural products from Swiss farms. Grown in accordance with IP-Suisse guidelines. Independent controls.</p>	<p>TOTAL CHF 1,713.1 Mio. (+2.6%)</p>
 <p>MARINE STEWARDSHIP COUNCIL (MSC) CHF 17.5 million (-1.7%)</p> <p>Products from fisheries that conserve fish stocks. Independent controls.</p>	

Detailed information on ecological and social issues can be found in the Migros Group's 2007 Sustainable Development Report.

Fresh produce/food/near-food assortment

Fresh produce

TerraSuisse sets new benchmarks for sustainable products

Not only does the new label programme set higher standards for production, it also promotes biodiversity.

In 2007 the fresh produce assortments, bread and convenience, dairy products and eggs, meat, poultry and fish, fruit and vegetables, flowers and plants had reached the implementation stage for the changes defined in the NEMIFRI (Neue Migros Frische) fresh produce project. A thorough review of the assortments was carried out, and in some cases procurement and logistics systems have been substantially modified. All of the changes already made to individual assortments have been successfully implemented, and are already at the continuous optimisation phase. The final changeovers under this project will take place in autumn 2008. This very important move has markedly increased the productive capacity of the Migros Community in the key fresh produce assortments. Migros has been able to go along with the pressure on the price of fresh products without any problems, offer cheaper and higher quality products, and once again to extend its lead in terms of value for money compared to its competitors.

As well as these improvements to the existing assortments, many new products and concepts have also been created, and some of which have already been successfully placed on the market. Some unique Sélection specialities were prepared for launch in all fresh produce assortments, and are already being very well received by customers. Many more fresh products have also been added to the successful Actilife, Léger, Anna's Best, Heidi and other brands. After a 2006 dominated by the price debate, sales of sustainable Engagement products increased once again. In the fresh produce assortments, these include mainly Bio, IP-Suisse, M7, MSC and Max-Havelaar products. A number of concepts were created in the label segment, and these will be implemented in 2008, extending Migros' leading role

in offering sustainable products. Some changes to label packaging will make the products more attractive.

The biggest and most progressive innovation will be the amalgamation of the IP-Suisse and M7 labels to create the new Migros label TerraSuisse. A unique label programme has been set up in close cooperation with IP-Suisse and other partners; not only will it meet higher standards in the production of agricultural produce, it will also encourage biodiversity in cultivation and care through the whole operation, and thus create new living space for flora and fauna. The appeal of TerraSuisse lies in its integrated approach; it is setting new benchmarks in sustainable retailing in Switzerland.

Marketing Food

Strong brands on the menu

The creation and expansion of strong own brands in the food sector are to the customers' taste.

Sélection

Sélection, the premium line from Migros, offers a small but refined assortment, featuring exquisite treats from around the world that convey something of the character of their geographical origins and the people who produce them. The premium product assortment was successfully expanded in 2007, and is being continuously updated. As well as all kinds of new culinary pleasures, the assortment now also includes non-food items, such as classic kitchen utensils that perfectly complement the gourmet world.

Subito

Subito, the new umbrella brand for all non-chilled long-life ready-meals, guarantees that they can be prepared in less than 15 minutes and apart from convenience also promises a varied assortment for long-term stocking up and time saving in the kitchen.

Actilife

The programme brand Actilife – “Das gesunde Plus” (“the healthy plus”) was successfully launched in September 2007. Projected annual sales for 2007 reached over CHF 50 million from a total of 150 products.

Certified coffee

As the premier Swiss retailer, Migros has launched the Utz Certified label for coffee in the mainstream market. Utz Certified represents transparency and sustainable production.

Sarasay

The premium umbrella brand Sarasay, newly launched in the fruit juice segment, responds to the latest requirements of the market and consumers. The brand also includes two new sub-brand lines: Smoothie (the first non-chilled, long-life smoothies available from Migros) and Cosmo (an extraordinary taste experience: fruit juices with spices).

Marketing near-food

Personal Care

The mix of strong own brands and successful branded products goes down well with customers.

Migros successfully defended its leading position in the personal care sector in 2007, and once again managed to increase its market share. Because of constant innovative strength, and the ability to adapt to customers' changing needs, strong own brands are a success in every category. Competent solutions can be offered to cater for all needs, including the new Zoe Révital line for very mature skin (“für sehr reife Haut”), ph-neutral body care with ph-Balance, professional hair care with the revamped Golden Hair Professional line and dental care from Candida.

As in previous years, most branded products recorded double-digit growth. The Head & Shoulders and Always brands were added in autumn 2007. L'Oréal Paris beauty cosmetics have replaced the Boots No. 7 line, which will no longer be available at Migros, nor in supermarkets generally, because of a reorientation of the distribution strategy.

The Selfcare segment maintained its dominant market position in 2007. The Kneipp brand, which has been available at Migros for ten years now, played an important role in this. The self-medication and wound

care segments, along with hand- and foot-care (pedicure), also reported considerable growth; these areas are always surprising customers with innovative products and seasonal specialities.

With the “baby world” in the doldrums, Migros reported positive growth well above market levels, largely due to double-digit growth rates in baby food.

Homecare

Highest quality standards and sustainability can be catered for.

As well as the unremittingly intense competition, 2007 was remarkable for the massive increases in raw material and energy prices; many homecare products are based essentially on mineral oil, and this had a major impact on procurement. Thanks to rationalisation measures along the entire value added chain, most of the extra costs could be absorbed, and did not have to be passed on to consumers.

The main focus in marketing was on the innovative redevelopment of the product assortment. This specifically involved the promotion of new products that are sustainable and which are easy on the environment. The launch of Sunlux Energy-Saving halogen light bulbs, which enable energy savings of 30 per cent with greater comfort, and Total Cool-Activ, the first detergent that enables energy savings of up to 70 per cent, are examples of the serious efforts that Migros is making to deal with the topical issues of our times proactively.

Migros has taken a pioneering role in its exclusive promotion of FSC certified products in the toilet tissue segment. In 2007 its leading position was expanded by two globally unique innovations in the high-value product segment. At the same time it was proved that the highest quality standards and sustainability are by no means incompatible opposites.

Household

New products for kitchen and household are boosting business, also outside the Christmas period.

The launch of the Sélection line “Extension” was most successful, thanks to high-profile assortments. As well as high-quality kitchen knives made of Japanese Damascus steel, there are an exquisite dinner service made from high-quality bone china porcelain and a range of crystal glass created exclusively for Migros by internationally experienced sommeliers that bring an air of luxury to the household. Select designer kitchen gadgets and serving aids made from real olive wood create a suitable framework for the delights of the premium line.

Migros has brought a world exclusive to the market in the shape of Thermolon, the new type of non-stick pan coating: the frying pans, which cannot now be overheated, are a milestone in technological progress in the kitchen.

The seasonal assortments for carnivals, Easter, summer parties, starting school and work and New Year have proved to be more popular than ever with customers, because they are up-to-date, attractive and innovat-

ive, and sales are correspondingly good. An excellent year was crowned by outstanding Christmas trading. Christmas tree and room decorations in all their many shapes and colours also sold very well, as did the angel-wing cutters in the bakery assortment.

Thanks to optimisations in procurement, we have managed to keep selling prices largely stable, in spite of increases in raw material, energy and transport costs.

Non-Food

Fashion ads featuring singles boost the image

Unusual advertising campaigns attract attention and arouse interest from the media.

The healthy economic situation and the ebullient mood among consumers had a positive impact on the non-food markets. The high-price segment in particular reported appreciable rates of growth, although Migros' ability to profit from this good starting point was below average because of its positioning. Market volumes grew by around 2 per cent in 2007. In the sub-markets, Migros managed to defend its market position with varying degrees of success.

The area given over to non-food assortments was reduced by 1 to 2 per cent in 2007. Underwear/hosiery, and also toys/leisure accessories remained the same, but the area given over to the outerwear and footwear sector was reduced in view of the repositioning of those assortments.

Underwear/hosiery

Higher raw material prices, rising production costs and a highly volatile situation on the currency markets all have a major impact on procurement. Corresponding price increases became necessary in the underwear/hosiery assortment from autumn 2007, and further rises will be unavoidable from early 2008.

Men's and children's underwear/baby linen assortments recorded positive growth, and managed to win market share. The fashionable, modern look and highly fashionable appeal of the ladies' wear and hosiery assortments makes them popular. The ladies' underwear and children's/baby socks segments failed to do very well because of weaknesses in the ranges, especially the fashionable Dessous range and the children's/baby socks segment, as a result of huge quality and supply problems.

The advertising campaigns featuring singles early in the year, and then with National Council candidates in the autumn of 2007 attracted considerable attention and

also aroused some media interest. The important thing now is to turn this positive image-level effect into even stronger sales.

Outerwear/accessories

The intensely competitive outerwear business, with its high seasonal risks, is a critical element in the supermarket/hypermarket sector. Early 2007 saw a wave of liquidations as a result of the very unseasonable weather conditions over the 2006 winter season. With summer temperatures as early as April, sales of summer fashions had an early boost. Unfortunately, this trend had petered out by mid-year, which meant that the results for the first half-year were generally subdued. Then in the second half, all sectors managed to pick up and productivity rose, especially in adult outerwear.

The whole ladies' and men's outerwear market grew in terms of value, with the higher-positioned providers in particular seeing above average growth. In the children's clothing segment, however, where Migros is one of the leading providers, the market as a whole has continued to decline in value terms, with average prices falling.

Footwear

As early as the 2006/2007 autumn/winter season, 2007 got off to a bad start with unsatisfactory sales across the whole branch, and then up to mid-year the unstable summer business had a further seriously negative impact. Sales did, however, pick up after September, and modest market growth is forecast for 2008.

Migros also managed to increase its sales slightly compared to 2006. This growth is due largely to the strength of the core product mix. In addition, the Birkenstock range, introduced as a premium brand in autumn 2006, has achieved a good position in the comfort footwear assortment.

The purchasing cooperation started in mid-2006 with the Leder & Schuh company in Austria was intensified in 2007. One result of this cooperation was the launch of the Air Cool brand (shoes with built-in venting "gills" that keep feet constantly dry and fresh). The Air Cool brand will be further expanded in the future.

Toys

In spite of the mainly unfavourable weather, 2007 was a good year for the summer toys business, and the key Christmas trading went extremely well. This helped to compensate for the World Cup effect experienced in 2006.

Poker products in the games sector, and remote-controlled helicopters and aeroplanes have become established as the absolute "must-have" products. The trendy "flying" theme was taken up in the Christmas trading using the motto "Alles was fliegt" ("everything that flies").

Leisure accessories

The luggage market also profited from the upturn in the travel industry, with sales well above the previous year's levels. Intensive marketing by the market leaders was another feature of the year.

In the fiercely contested "starting school" business, too, Migros saw continued growth, closing the year with results once again above the previous year's level.

Purchasing

International procurement costs have risen sharply in recent months. Not only raw material prices, such as for cotton and mineral oil, but also wages and incidental wage costs are rising in the source countries in Asia (especially China). This calls for a flexible sourcing system, with a balanced relationship between long-standing, trusted supplier contacts on the one hand and the regular auditing of new procurement sources on the other. A wide-ranging wave of price rises is unavoidable in 2008.

Specialist markets

More sales on less space

The Migros specialist markets all want to be at least number three in their respective markets.

The Migros specialist markets continued to hold their own in 2007 in a fiercely competitive market, with turnover slightly up in spite of reductions in sales space. The focus was very much on yield, rather than volume and area growth. As a result of this strategy, last year saw a significant improvement in results.

In the future, too, the specialist markets would like to see themselves occupying at least the number three spot in their defined markets, and further improvement in results with profitable sales growth. To achieve these goals, the specialist markets have adopted a number of strategic thrusts. More active use will be made of the super- and hypermarket channel, for instance. It will also include increased cross-delivery of specialist market product assortments into the super- and hypermarkets. The process of revitalising existing sales space, which has already begun, and the expansion onto new sales space, will continue. Profiling relative to competitors should also be reinforced, thanks to a more attractive product mix which offers the best value for money.

Do it + Garden

Strong market positions consolidated

Competition over prices has further intensified in the DIY and gardening market.

The Swiss DIY and gardening market is still in a state of major upheaval. The forced expansion models of the (German) large-scale DIY markets are putting constant pressure on the market. The generally more receptive mood among consumers left much less of a mark on the relevant DIY market segment in Switzerland, where there was an inflation-led fall in growth of over 0.5 per cent, than on other retail branches. That is in stark contrast to the still unchecked areal expansion of the market as a whole by more than 8 per cent a year in Switzerland. The consequences for the branch are serious and sustained.

This year, as part of the implementation of the dual strategy with Obi, the Do it + Garden (D+G) channel will be faced with the loss of another 3.5 per cent or more of its sales space.

The budget price ranges in the product mix have continued to gain in importance – but the upper price ranges also recorded satisfactory growth.

In this challenging environment, after areal adjustment D+G still managed to hold its own. Its strong market positions in the profile sectors such as auto spares, creative hobbies, painting, garden accessories and plant care were consolidated and further expanded.

In terms of sales, the year 2007 got off to a very early start in camping equipment and garden furniture as a result of spring-like temperatures in February, although this evened out again as the season progressed. The winter product mix was again affected by a shortage of snow at lower levels. Taking all seasonal influences into consideration, as well as the areal adjustments, business in 2007 was satisfactory.

One highlight of 2007 was the continued reasonable growth in the higher price garden furniture assortments. The trading-up in the assortment, which was realised with a great deal of stylistic consistency, has continued to pay off.

The focus for 2008 will be on the consolidation of D+G's position as number three in the market. One of the factors that may help to achieve this is a fine tuning of sales and marketing type structures.

m-electronics

"PLUSPLUS" guarantees to make people happy

The new service package is going down well with customers.

Lower prices, internationalism and the rapid pace of innovation have all left their mark on the electronics market. In a number of categories, prices have now reached peak European levels. On top of that, there is a creeping

fragmentation of shopping habits and an online market that continues to grow.

The m-electronics specialist market has established itself among the leading group in this competitive environment, continuing the positive trend of the previous two years.

Sales in 2007 were up by another 5 per cent on the year before. Although two unprofitable specialist market sites have been closed, and distribution density has been reduced in the larger supermarket stores, the CHF 700 million mark was exceeded for the first time. The biggest increases in market share came mainly from the PC hardware and telecommunication categories and from large household appliances.

The "PLUSPLUS" service package launched in autumn 2006 has aroused considerable interest; free home delivery, satisfaction guarantee and the "Tiefpreis-Schwur" (low-price promise) are proving to be an effective way of standing out from rival companies and what they offer. "PLUSPLUS" is therefore making people happy on both sides of the store counter.

The resumption of the expansion programme in 2008 signals another PLUS; three new m-electronics specialist markets will strengthen the distribution network.

Micasa

Marked improvement in earnings

One-third of our furniture is already made of wood from sustainable forestry.

The furnishings market benefited from the upbeat mood among consumers in 2007, and grew substantially. The healthy economic environment raised consumer confidence, and more money was spent on durable goods and investment products.

Expansion by the most important competitors has further seriously increased the intense competitive pressure. Sales space has expanded by a total of 45,000 m², an increase of about 8 per cent.

The unprofitable Micasa sites in Regensdorf, Crisier and Olten have been closed as part of the repositioning strategy. The closure of the Rheinpark will be replaced in 2008 by the newly built Sankt Gallen West. Overall, Micasa's sales area has fallen by 12,128 m². The stores given up contributed about 10 per cent of sales, and Micasa has lost market share as a result. After areal

adjustment, however, Micasa has done very well, and earnings have been significantly improved. Growth was particularly good in the sleep, home textiles and kids segments.

Micasa supports and promotes ecological and socio-ethical sustainable development. In 2007 the most important supplier of children's furniture switched over to FSC-controlled wood. This means that approximately one-third of Micasa furniture is made of wood from sustainable forestry. In the bed linen and towelling segment, the proportion of eco-certified articles is now over 75 per cent, and 20 per cent of the product assortment is now manufactured from organically grown cotton.

In autumn 2008 a new 3,600 m² Micasa store will open in Abtwil; further projects are at the approval stage. The process of repositioning on existing sites will also be actively pursued. The product assortments and visual merchandising are to be overhauled and redesigned, primarily with regard to consistency of style.

Obi

Tenth DIY market under construction

Nine sites will consolidate Obi's leading position in the increasingly competitive large-area DIY market environment.

For Obi, 2007 was a year of consolidation, with no new store openings, after the major expansion projects of the past two years. Although the market generally was slightly down, Obi nevertheless managed to maintain its market position. The poor weather conditions affected the DIY market's year, especially during the gardening season, but as one of the profile areas the garden centres still recorded growth in 2007, after areal adjustment. It was also pleasing to see the continued growth at the Obi DIY markets opened in the past two years.

The upheaval in the Swiss DIY and gardening market is still ongoing, and the trend away from the typical Do-it-yourself specialist market towards the genuine large-area DIY market or the low-volume local outlet site is clearly apparent. The battle for sites and price leadership is intensifying, and is having a lasting impact on the market. In this environment the emphasis in the product assortment has been placed much more on traditional DIY market ranges, in addition to the gardening segment, and this has paid off, as evidenced

by corresponding rates of growth. Another 300 or so items have been added to the successful permanently low-price line.

DIY markets long ago discarded their "men only" image. Today more and more women are making use of their creative DIY skills to brighten up their own four walls. In 2007, Obi DIY markets held about 20 ladies-only workshops for DIY-ers as a good introduction to the world of do-it-yourself. These were a resounding success – more than 4,000 women attended such an evening event. The workshops will be held again in 2008, and more advanced courses will be added.

In 2007 work began on the construction of the tenth Obi DIY market in St. Gallen. Despite the still difficult framework conditions for creating large scale specialist markets, planning for further sites began in 2007. For 2008 efforts will remain focused on ensuring that the programme of expansion continues.

sportXX

Scoring points, thanks to the football euphoria

The European Championships should generate extra sales, as should the new trekking shops.

sportXX continues to record satisfactory growth. Two sites, the Biel and Shoppyländ specialist markets have been renovated, converted to the sportXX concept and their area enlarged.

The sports business is, as usual, increasingly at the mercy of the changeable weather. Summer trading was rather a washout, but with low temperatures and snow down to low levels, winter trading got off to a good start.

Sponsorship activities were focused on a number of running events, and on the "slowUp" events. Almost 100,000 people took part in the running events, and almost half a million people (families and children) joined in the slowUp events.

In 2008 the European Football Championships in Switzerland and Austria will be the focus for a wide-ranging campaign. Various marketing activities are planned for this major occasion, which should generate substantial extra sales.

For sportXX, 2008 will be a year of further expansion. New sportXX sites are planned in Schöntal, Brünnen, Dietikon and Lachen. In autumn 2008, sportXX

will also inaugurate a new store format, which will focus exclusively on the trekking and outdoor sub-market. Three shops are planned for autumn 2008 in city locations, of between 300 m² and 500 m². With this new format, sportXX will be further extending its competence in the trekking segment, and tapping into the rapidly growing outdoor market. In the medium term, sportXX is aiming for 15 to 20 trekking/outdoor outlets.

Catering Services

New concepts for new needs

Migros Catering Services is maintaining its market leadership of this fiercely contested industry with innovative new products.

The number of catering businesses in Switzerland increased once again in 2007. Migros Catering Services has managed to hold its own in this fiercely contested market, and is still the market leader. Sales were 0.4 per cent up on the year before, at CHF 660 million.

Migros Restaurants

The Migros Restaurants managed to recover from the drop in customer numbers brought about by the very warm weather in the first half of the year, with a strong second half that resulted in sales and earnings exceeding those of the year before. The year was dominated by major investments in business regeneration and a new orientation to light, healthy cooking.

Migros Take-aways/Gourmessa

The Take-away outlets recorded strong growth again in 2007. Migros holds a very powerful position in the market with this concept. On the Gourmessa side, unprofitable sites have been cut back or converted to the takeaway concept, particularly in smaller stores.

Sessibon

The Sessibon small restaurant concept was developed in 2007, and is to be implemented at three locations in 2008 (Berne Winkelried, Lachen and Romanshorn). In any dynamic society, eating habits are also subject to change; expectations relating to the quality and speed of any catering services product are increasing, and today it is important to harmoniously combine enjoyment with well-being, lightness with repletion.

The friendly, stylistically clearly positioned small restaurant, which also serves as a takeaway for guests who are in a particular hurry, offers a varied and light selection all day long to cater for modern people on the move. Simple snacks, fresh juices, coffee and light meals satisfy the needs of a public that is both demanding and uncomplicated.

Cha chà

“Quick casual” is a new type of catering that is growing very strongly in Europe. Migros Catering Services sees great market opportunities for it in Switzerland, too, and has concluded an exclusive licensing agreement for the Cha chà concept with the German company LFS Life Food Systems AG. Cha chà is a restaurant with waiter service, based on Thai cuisine. Cha chà means, in effect, “it’ll be OK”, “no worries” or “take it easy”.

“Positive eating” is the philosophy of the Cha-chà restaurants. The concept appeals to a guest’s every desire, giving them an opportunity to escape from the outside world for a while. But at the same time, the Thai-inspired Cha-chà concept also responds to the needs of the modern Western lifestyle. All dishes are prepared exclusively from fresh produce.

The combination of Asian and Western influences is also reflected in the interior furnishings. The restaurants’ special features include long tables and benches made of bamboo, which breaks up the usual seating arrangements and appeals to a modern, international target group.

Party-Service

The Party-Service was engaged for a great many major events in 2007. The most important of these were the VIP catering at the Eidgenössisches Schwing- und Älplerfest in Aarau, the VIP catering at the Golden League Meeting in Zurich, catering for the more than 4,000 participants at the Swisscom Games in Magglingen, the VIP catering at the Rolling Stones concert in Lausanne, the VIP catering at Salto Natale, the VIP catering at the “Moon and Stars” Festival in Locarno and the VIP catering at the “Heidi” musical in Walenstadt. For the “Das Zelt” event, the catering services were further expanded as a result of the enlargement of the VIP zones.

Others

M-Cumulus

Ten years of the loyalty scheme

The Cumulus card is used with more than three-quarters of purchases at Migros.

M-Cumulus, the Migros bonus scheme for loyal customers, celebrated its tenth anniversary in 2007. To mark the occasion, in August Migros invited its customers to an exclusive concert by the Rolling Stones in Lausanne. In fabulous weather and with the best “vibes”, 42,000 of Migros’ guests enjoyed a great concert.

By the end of November 2007, the number of active Cumulus account holders had risen to 2.235 million (2006: 2.11 million).

Since April 2007 it has also been possible to collect Cumulus points at Migros catering services (Restaurants, Gourmessa and Party-Service). And, since November 2007, collectors have also been able to redeem Cumulus vouchers (payout for collected Cumulus points) at LeShop.ch.

The proportion of retail sales recorded on Cumulus cards at the end of November 2007 was on average 76.1 per cent (1.6 per cent up on the year before). This continued slight but steady rise shows how well the scheme is accepted among Migros’ customers.

On the data protection side, there was little of note to report. The data protection seal “GoodPriv@cy” was renewed in July 2007 following an audit by the neutral certification agency SQS.

Also in 2007, the Cumulus Infoline dealt with some 300,000 customer inquiries relating to M-Cumulus, most of them changes of address and orders for additional or replacement cards.

M-Infoline

New record on the hotline

The most diverse inquiries are answered quickly, competently and in a friendly way.

Almost 150,000 customers turned to the M-Infoline for help in 2007 – a new record. This lively interest in all matters Migros shows how strongly customers identify with Migros. Customers make extensive use of all of the contact channels available to them, such as the free phone line 0848 84 0848, the Internet portal www.migros.ch or the e-mail address M-Infoline@migros.ch, as well as post and fax. Every day, several hundred people turn to Migros’ main access point for customer issues, which is networked across the whole of Switzerland.

The M-Infoline is in constant touch with all Migros Group companies, departments and organisations, the best platform for voicing customers’ concerns and wishes. Most of these cover questions about the availability of goods, the quality or origin of products, or whether they are working properly. Health and nutrition trends are increasingly popular. Sales outlets and staff are a regular topic, as are questions relating to social or economic policy. Migros also motivates young people; it is a subject that appeals to schoolchildren and students, who contact the M-Infoline, for example in connection with their studies. The most popular topic of all is the M-Budget programme.

In all of these areas, the major challenge for the M-Infoline staff is to respond in a friendly way to questions and inquiries as quickly and competently as possible. This means that the M-Infoline is often heavily reliant on internal experts, and cooperation and information flow play a key role.

Quality Assurance

Safety for consumers

Customers and the media appreciate the policy of open communication on product recalls.

Consumer safety is one of the central concerns for Migros when it comes to quality assurance, and the appropriate quality concept is consistently applied. There were a number of product recalls and withdrawals again in 2007. Among the products concerned were toys, scooters, fairy lights and jams. Even the media took a positive view in their comments about Migros' open communication policy. Cumulus data are very helpful for product recalls, because they enable the consumers concerned to be contacted directly.

The test specifications for monitoring product assortments have proved a success, and additional inspections were only necessary in a few individual cases. In one instance, further analyses were ordered when dioxin was suspected in cream powder.

Once again, pesticide residues in fruit and vegetables were a central issue. A national pesticide monitoring system has been developed in cooperation with SwissGAP, and replaces the internal system that Migros has been using for several years.

A code of conduct has been drawn up for the field of nanotechnology. This code defines how products must be tested and documented, so that they can be incorporated into the product assortment. This technology of the future has many advantages; as yet there have been no negative side effects. Nanotechnology is an area that the Quality Assurance Department is permanently focusing on.

Declarations on products are an important topic, with considerable emphasis placed on the details shown being easily legible.

Suppliers can obtain all the necessary documents, requirements and other important data directly from the supplier portal. This means that they always have the latest information at their fingertips.

Sponsorship

Sport, spectacle, fun and games

With its sponsorship activities, Migros supports many different events throughout Switzerland.

Migros is a committed sponsor of many different events and institutions in all regions of Switzerland. This is its way of contributing to a varied events landscape in popular and youth sport, and also in popular culture.

Migros' customers and members of staff alike benefit from sponsorship in a variety of ways, such as concessionary ticket prices or attractive services and a varied supporting programme at the events themselves.

Migros concentrates its sponsorship activities on events in the fields of running, inline skating, skiing, "slowUp", cinema, open air rock/pop festivals, culture for children and families, "Show and Spectacle" and "Tradition und Brauchtum" (tradition and customs). In 2007 Migros was involved as a sponsor at the following events:

Running

- Main sponsor of twelve of the biggest running events, with a total of about 150,000 people taking part.
- Leading partner of Swiss Athletics as the umbrella organisation for running, with about 300,000 active participants.
- Titular sponsor of the "Migros Sprint", which attracts about 40,000 participants between the ages of 10 and 16.

Ski sports

- Titular sponsor of the "Migros Grand Prix", with around 6,800 youngsters between 8 and 15 years old taking part, and many more people coming to cheer them on at 14 events.
- Main sponsor of the youth ski camp in Lenk for 600 children from all over Switzerland.

Inline skating

- Main sponsor of the "Swiss Inline Cup", with some 20,000 people taking part at eight events.
- Main sponsor of the "Monday Night Skate", which attracts over 60,000 people in ten Swiss towns and cities.

slowUp

- Main sponsor of 14 slowUp events (car-free adventure days) held all over Switzerland, with some 450,000 people taking part.

Open-air festivals

– Main sponsor of seven of the biggest and best known open-air festivals, attended by a total of more than 500,000 visitors and held throughout Switzerland: Openair St.Gallen, Moon and Stars Locarno, Gurtenfestival, Paléo Festival Nyon, Summerdays Festival, Heitere Openair Zofingen, Openair Gampel.

Cinema

– Sponsor of five of the largest open-air cinemas which attract a total of about 220,000 visitors all over Switzerland (Basel, Berne, Geneva, Lausanne, Zurich).

Culture for children and families

- Main sponsor of the "Kinderkonzerte" touring children's concerts attended by over 30,000 people in 16 locations.
- Main sponsor of the "Zauberlaterne", the "magic lantern" film club for kids from 7 to 12 years of age, with 66 local clubs and 26,000 or so members all over Switzerland.

Show and Spectacle

Main sponsor of extraordinary show productions such as the dialect musical "Ewigi Liebi", "Heidi – Das Musical", "Salto Natale", "Silo8" by Karl's kühne Gassenschau, "Circo Massimo" by Massimo Rocchi, "Acapickels go to Las Vegas", Mummenschanz (masquerade) with "3x11" or "Alte Freunde" (old friends) by Stefan Gubser. The shows were watched by more than 500,000 people in various Swiss towns and cities.

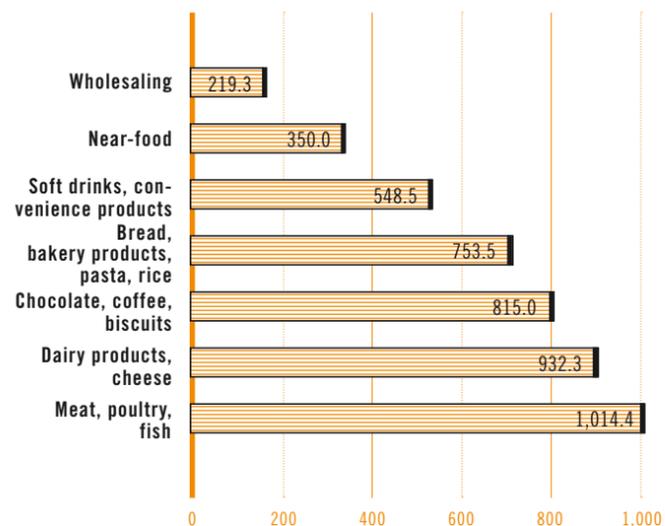
Tradition und Brauchtum – tradition and customs

- "King's partner" for the Eidgenössisches Schwing- und Älplerfest in Aarau, a celebration of traditional Swiss customs and sporting events, including "Schwingen", or Swiss wrestling, which attracts more than 200,000 visitors.
- Main sponsor of the Eidgenössisches Ländlermusikfest in Stans, a festival of Swiss country music which was attended by over 40,000 people.

Migros Industry

MIGROS INDUSTRY, SWITZERLAND: NET REVENUE FROM GOODS AND SERVICES SOLD 2007 BY BUSINESS UNITS (CHF million)

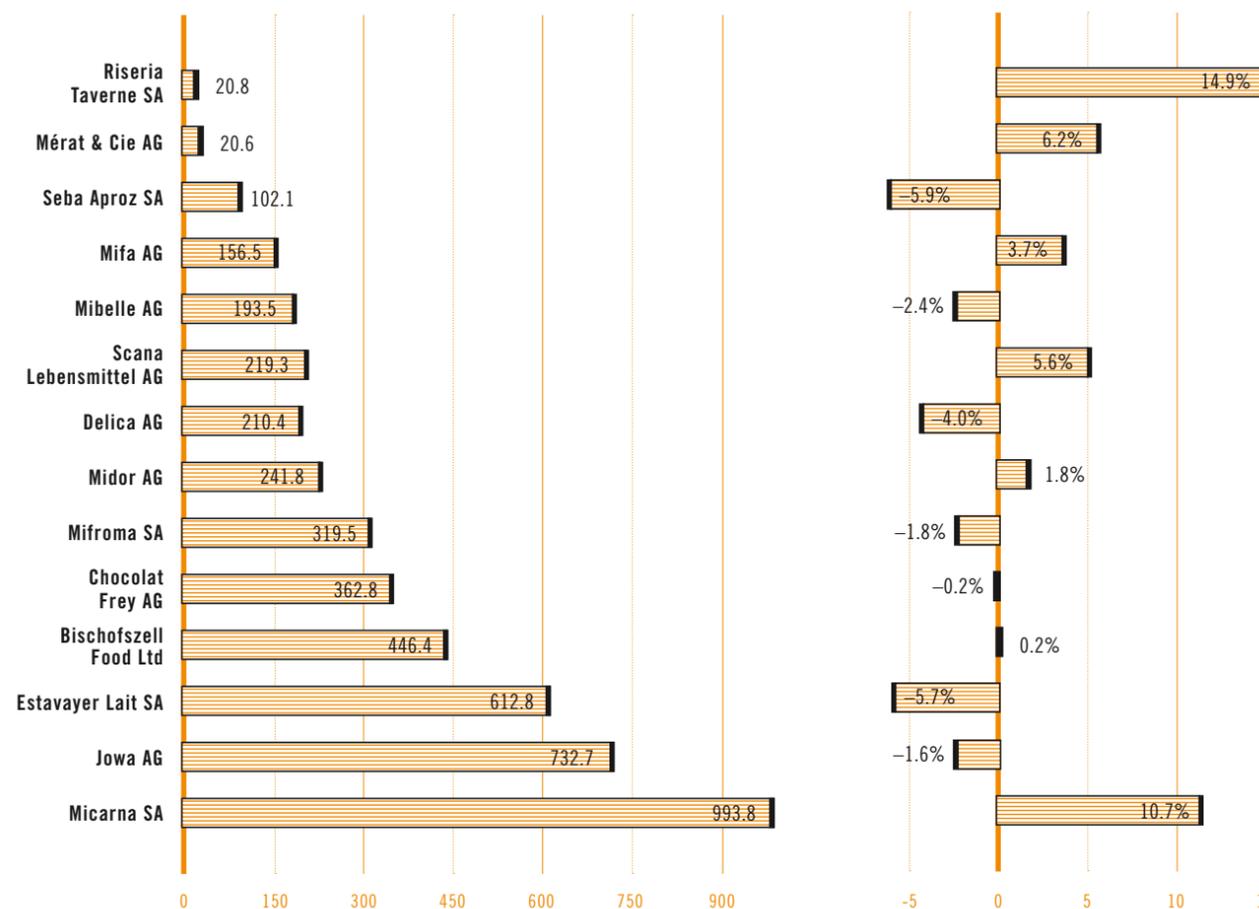
EXPORTS AS A PERCENTAGE OF SALES (Total 7.4%)



Wholesaling	0.0
Near-food	31.3
Soft drinks, convenience products	4.4
Bread, bakery products, pasta, rice	1.9
Chocolate, coffee, biscuits	21.7
Dairy products, cheese	1.9
Meat, poultry, fish	0.1

MIGROS INDUSTRY: NET REVENUE FROM GOODS AND SERVICES SOLD 2007, SWITZERLAND 2007: CHF 4,633 million (2006: CHF 4,586 million)

PERCENTAGE CHANGE 2007 in % from previous year



BUSINESS UNIT	COMPANIES	EMPLOYEES 2007	INVESTMENTS 2007 CHF MILLION
Wholesaling	Scana Lebensmittel	217	3.9
Near-food	Mibelle, Mifa	768	22.8
Soft drinks, convenience products	Bischofszell Food Ltd, Seba Aproz	1,038	26.5
Bread, bakery products, pasta, rice	Jowa, Riseria Taverne	3,253	28.7
Chocolate, coffee, biscuits	Chocolat Frey, Midor, Delica	1,678	47.2
Dairy products, cheese	Estavayer Lait, Mifroma	829	44.4
Meat, poultry, fish	Micarna, Mérat	2,006	29.9
TOTAL		9,789	203.4

NET REVENUE FROM GOODS AND SERVICES SOLD 2007, OTHER COUNTRIES (2006: CHF 97 million)

PERCENTAGE CHANGE, 2007 in % from previous year



Sustained growth and good prospects

Migros Industry companies have achieved above average growth in their business with external customers in Switzerland, and in exports.

After adjustment for certain special factors, Migros Industry sales advanced by a reasonable 2.9 per cent in 2007, thereby continuing along the path of growth. In Switzerland itself, the market was characterised by the pressure on prices, the complete deregulation of the cheese market and by the launch of more branded products in the Migros channel. In addition, the unprecedented rises in the prices of key raw materials such as milk, flour or cocoa butter, and the sharp increase in the oil price had a massive impact on raw material, packaging and logistics costs. On the other hand, however, growth of M-Budget items has slowed.

Fortunately, all customer segments continued to grow, with the Migros channel up by 1.9 per cent, external customers in Switzerland by 12.0 per cent and exports by 2.9 per cent. The proportion of sales outside the Migros channel in 2007 was about 18 per cent (2006: 17 per cent).

The strongest growth, 8.7 per cent, was achieved in the **meat, fish and poultry** business unit. The expansion of the catering services business, focused activities in the fish and poultry sector, as well as new products, all contributed to growth.

In the **dairy products and cheese** business unit, sales were maintained at the previous year's level, in spite of the complete deregulation of the cheese business and price reductions on mass market products, thanks to the launch of new products and the development of the export business.

Sales in the **chocolate, coffee and biscuits** business unit (up by 1.4 per cent) rose mainly as a result of the development of the export business (up by 9.0 per cent). On the domestic front, the growth in sales of the Delizio coffee capsule system has been most encouraging. Price positions on volume products have been adjusted to meet the intensified competition.

In the **bread, bakery and pasta products and rice** business unit, sales rose by 2.7 per cent. In this case, growth was due to the expansion of the range of oven-fresh bread available from Migros, the consistent development of the catering services business and the continuous launching of new products.

In the **near-food** sector (cosmetics, detergents and cleaning materials) new products enabled business within Switzerland to grow by 3.1 per cent, despite the further expansion of the range of branded products in Migros.

Sales in the **soft drinks and convenience products** business unit were slightly up (by 0.7 per cent) on the previous year, although there were considerable differences in the level of growth between the product assortments. The soft drinks sector was characterised by the launch of new products, the further expansion in the volume of M-Budget articles and the introduction of further branded products in the Migros channel. Sales of convenience products recorded very positive growth, thanks to the many new products and the development of the catering services business.

In the **wholesaling** business unit, Scana managed to win a substantial share of the market as a result of its consistently customer-focused approach, the development of its Internet services and its product assortment capability. And with its participation in Cash & Carry Angehrn CCA, Scana has further expanded its competence in the bulk consumer market.

Exports

Export growth in 2007 (up by 2.9 per cent) was due largely to the growth in the chocolate, coffee and biscuits business unit, up by CHF 15 million (9.0 per cent) to CHF 177 million, which is around 52 per cent of total export sales. The near-food business accounted for another 32 per cent or so. In this sector, activities have been adjusted downwards to allow for non-sustainable items, which in the case of the near-food sector would lead to a 4.9 per cent fall in sales. Geographically, the main emphasis was on the major European markets – Germany, the UK and France. In addition, promising customer contacts have been built up in North America.

Innovations

Migros Industry actively supports Migros' efforts to achieve product leadership by pursuing a policy of targeted innovation management. In 2007, the proportion of new products, taken together, was over 10 per cent. Listed below are a few of the successful new products from 2007:

- Total Cool Active: a detergent with full washing power at 20 °C (energy saving of 70 per cent);
- Tropic Yoghurts: with an amazingly high 30 per cent fruit content;
- Pane Passione: hand-moulded baguettes;
- Aproz Plus: mineral water with 100 per cent natural fruit concentrates;
- Smoothies: 100 per cent pure fruit juice;
- L'italianità: praline cups on the Italian desserts theme;
- Delizio Compact: a new generation of the coffee capsule machine;
- Zoé Revital Collagen: wrinkle smoother with a unique active ingredient.

Investments in “Switzerland plc”

Once again in 2007, Migros Industry invested a substantial total of over CHF 200 million in Switzerland as a place of production. At Mifroma, new production areas will be completed by mid-2008, and an automated order-picking store is under construction. At Midor, ultra-modern packing lines have been installed, to cope with the dynamic expansion. At Micarna in Courtepin the old building is being redeveloped and new deep-freeze infrastructures created.

Approval was given in 2007 for carrying out a number of key strategic projects, with investment to be spread over the next few years. The Bischofszell site, for instance, is to be developed into the convenience platform for the Migros Group, and the ELSAvenir project should make Estavayer Lait one of the most modern dairies in Europe.

General situation in the regulatory environment

The most important reform in the regulatory environment over the past year was the complete deregulation of the cheese market with the EU. The initial consequences of this are evident in the above average growth in imports (+11 per cent). Exports only rose by 6 per cent over the same period.

The 2008–2011 agricultural policy will only minimally improve the situation of Migros Industry. Key demands by the food industry have unfortunately been rejected by federal councillors, including in particular advances in the animal feed sector. Meat and poultry prices are therefore still at singularly high levels relative to the EU.

Migros Industry would in principle welcome an agricultural free trade agreement with the EU, because it firmly believes that the opportunities for sustainable development along the whole value added chain outweigh the risks.

There is support in essence for the planned unilateral adoption of the Cassis-de-Dijon principle, provided the government bill does not lead to discrimination against the Swiss food industry.

Personnel

At the end of 2007 the 14 Migros Industry companies had a total of 9,789 employees in Switzerland (2006: 9,882). Migros Industry is currently training 310 apprentices (previous year: 317) in 16 trades.

Energy policy

Electricity consumption by Migros Industry rose by 1.7 per cent in 2007, which was more than volume growth, while heating consumption remained at the previous year's level despite higher production volumes. The energy targets for 2007 were therefore exceeded.

Migros Industry is also on course with regard to the CO₂ agreement; CO₂ emissions were down by 1.6 per cent on the year before (previous year –4.7 per cent). If it continues with the measures already adopted, the energy efficiency and CO₂ reduction targets for 2010 agreed with EnAW (Energy Agency for Industry) will be achieved.

Outlook

Migros Industry will continue to pursue a growth strategy in the future, based on Switzerland as a strong industrial location. In Switzerland itself, strategic growth will be based around the development of bulk consumer operations and the launch of new concepts. There are also opportunities in the Denner channel. International business will continue its dynamic development, with the aim of doubling sales within five years. The focus will be on consolidating marketing power in the principal markets and on the targeted expansion of the product assortments.

Migros Industry companies

Bischofszell Food Ltd

The catering industry has a taste for Culinarium

Good growth, especially with external customers and the catering industry.

The sales figures for 2007 from Bischofszell Food Ltd (Bina) were generally in line with those of the year before. Bischofszell Culinarium, the competence centre for the catering industry, achieved a healthy level of growth. There was especially strong growth for Bina among external customers. Price cutting and the rise of the budget price assortments caused a minor downturn in sales to the retail sector. There was a slight decline on the export side, too, where the emphasis is on the processing trade. Even increasing volumes were unable to completely offset these downturns. Despite the sharply rising raw material prices, and thanks to further internal progress and active management of the product assortments, the earnings target was achieved.

Bina consolidated its strategic positioning as an innovative own-brand manufacturer in its three business areas – exports, Bischofszell Culinarium and the retail sector, with the ready-meals, soft drinks, potato products and fruit business units, and will continue to develop these in 2008 with major investments.

market. Once again, this was assured by extraordinary successful seasonal trading at Easter and Christmas.

The massive increase in prices on the international commodity markets had a major impact. As a result of the foresighted arrangements made for the principal raw materials, Frey managed to minimise the negative impact in 2007. Nevertheless, some adjustment of selling prices will be unavoidable in the future.

The Frey brand was successfully launched abroad in 2007. The initial successes in the USA and Asia mean that the main emphasis for 2008 will be on exports.

Right on time for Christmas 2007, the proportion of trans-fatty acids in all products was reduced to under 2 per cent. By 2009 it should be possible to completely abandon the use of hydrogenated fats. A project has also been started to introduce an environmental management system, which should be concluded with certification in 2008. Also over the next few years, substantial funds are to be released to promote and implement innovations.

In December 2007 the family house funded by Chocolat Frey AG in the SOS children's village in Asiakwa/Ghana was finished. Most of Frey's cocoa beans are sourced from this region.

Delica AG

Capsule system still booming

The first coffee with the "Utz Certified" label has been launched for the Swiss market.

The first year under its new name of Delica was a successful one for the former Migros Enterprises Birsfelden (MBB). The firm's strategic realignment, concentrating on the food business – with the sale of the packaging division and a gradual withdrawal from logistic operations – has naturally impacted on sales, but does give Delica greater manoeuvrability in its corporate development programme.

The Delizio capsule system is still booming, and exceeded expectations again in 2007. Following the launch of the new Compact line, consumers now have a more attractive range of machines to choose from. Delica will

Chocolat Frey AG

Sweet things don't just happen at Christmas

The 120-year-old company is still number one on the Swiss chocolate market.

After years of strong growth in the export business, the focus for 2007 was on the consolidation of markets. Products from Chocolat Frey AG are now available in over 40 countries on all five continents. Total sales and sales volume were at similar levels to those of the year before. In spite of a slight fall in sales in Switzerland, Chocolat Frey AG, which celebrated its 120th anniversary, is still by far the number one on the Swiss chocolate

be constantly working on the continued development of the capsule machine.

Delica was the first company in Switzerland to introduce coffee carrying the "Utz Certified" label onto the market. This label stands for transparency regarding the origin of the coffee, and is based on sustainable, socially acceptable production.

The steep rise in purchasing prices, particularly for coffee, on the commodity markets is keeping Delica busy. The expectation is that prices will continue to rise on global markets over the next year.

Most of the investment capital went into rationalisation projects and replacement of equipment. One of the positive effects of the outsourcing of the packaging division was an optimised flow of goods.

Estavayer Lait SA

Swissness for Switzerland and its neighbours

Fresh products are being exported to neighbouring countries under the Swiss Délice brand.

Estavayer Lait SA (ELSA), whose assortment consists of dairy products (cream cheese, quark, desserts, yogurts, soft drinks, milk, cream), food products (vinegar, mayonnaise, sauces) and commercial goods, recorded sales for 2007 that were somewhat down on the year before.

In the final months of 2007, the milk market was seriously stirred by a massive hike in producer prices; this has led to higher market prices at the beginning of 2008.

The concept of "Swissness" was taken into account with the introduction of the Valflora range of products (cream and milk). In the yogurt segment, ELSA has launched a new range under the name of Tropic, featuring exotic flavours, full of fresh goodness.

The export of fresh products to France, Germany and Italy under the Swiss Délice brand was developed in 2007.

ELSA is expecting some major portfolios in 2008. The expansion of deliveries to outside companies, and of exports to Germany and Italy will present some major potential for the future.

In autumn 2007 the ELSAvenir project got under way; the goal is to restructure and optimise material flows. The work involved will extend over five years.

Jowa AG

Bread tastes best when it's fresh

Now customers will always find at least one variety of warm bread in every Migros store.

The year 2007 was another successful one. The factors that make Jowa AG Switzerland's leading manufacturer of bread and bakery products are healthy sales growth, thanks to positive developments at Migros, new customers and new product assortments in Switzerland and abroad; and a solid earnings position as a result of further rationalisation and optimisation measures in all processes.

As a result of the integration of the former Walter Leuenberger AG at the beginning of 2007, Jowa is now the largest and most productive pasta manufacturer in Switzerland. Major new foreign customers have been gained thanks to the genuine rolled pasta products.

Spring saw the successful commissioning of the first stage of the new frozen bread production system. Business in bake-off products has continued its undiminished growth. Jowa has established itself in the business of supplying filling stations and convenience stores, and apart from creative products also offers a convenient logistics solution and extensive specialist advice and training. Since September there has been a complete catering assortment available on the market, which is distributed by Scana all over Switzerland. Parallel to this, 2007 also saw the launch of unchilled bake-off breads in Migros. Jowa is continuing to forge ahead with the consistent orientation to in-store baking in its bread business. The proportion of such breads is steadily rising. Customers will always find at least one variety of warm bread in every Migros store.

The market has been enlivened by a large number of other new products. Léger products are especially popular, and correspond to a clear trend in nutrition. Snacks and tasty treats are very much in demand. New convenience products have been developed for the demanding home baking market.

Substantial investments and rationalisation measures will enable Jowa to maintain its competitiveness in the future.

Mibelle AG

More than just cosmetics

There is great demand for cosmetic and hygiene products, despite the more intense competition.

Domestic sales by Mibelle AG were slightly up on the previous year, even though further expansion of the brand portfolio at Migros meant greater competition for own brand products.

On the export side, Mibelle has pulled out of a number of less profitable operations, which has reduced sales. However, some of the lost sales were offset by new business. The market is tending towards polarisation, with extremely aggressive pricing policies on the one side and profiling with value added concepts on the other.

Various different projects have improved productivity, and the move into new countries and market segments was another success.

Mibelle AG invested CHF 12.9 million in 2007, with the aim of reducing costs, managing processes more quickly and securely, and expanding capacities. And Mibelle AG is ready for the licensing of products by Swissmedic, the central Swiss supervisory body for medicinal products.

Mérat & Cie AG

The finest meat products

With top products, our sights are set on a top spot in the gastronomy and outside catering services sectors.

The gastronomy and catering services market is a fiercely competitive one, but the Berne-based traditional meat products specialist Mérat & Cie AG can once again announce improved figures for 2007. The sustained growth in this highly price-sensitive market is due to the strong regional base and the high, individualised service level, as well as the high quality of the company's products.

Major factors for success are consistent market alignment, an attractive product portfolio and intensified marketing. As a result, Mérat gained some new key strategic customers in the catering systems sector in 2007. In addition, it has expanded its cooperation with a number of catering distributors and Migros Catering Services. One key project in 2007 was the development of the sub-market in Western Switzerland, which is supplied from the platform in Berne; the sales team

has been increased in size, and the logistics and communication operations expanded.

With a new managing director, a new course has been set for the Micarna SA subsidiary, and an ambitious expansion strategy defined; Mérat & Cie AG is investing heavily in developing the national market, with the medium-term aim of becoming the market leader for meat in the Swiss gastronomy and outside catering services sector.

Micarna SA

The trend is for poultry and fish products

The competence centre for meat now handles fresh fish for Migros as well.

Micarna SA is rapidly developing into the Swiss competence centre for meat. As a result of the consistent alignment to customers' needs, the company can once again report reasonable growth figures for 2007. Total sales climbed by over 9 per cent, from an already high level. The Micarna 200X project, which was initiated following the merger in 2006 between Micarna SA and Optigal SA, was completed by the end of 2007. The project involved a review of numerous working procedures, structural changes, and has led to a rise in productivity.

In the fresh meat business unit, a supply shortage put pressure on margins, because this shortfall could only to some extent be passed onto the selling price. Purchase prices for veal hit a new ten-year high. Pig prices have also increased. To continue to guarantee quality leadership, quality standards were defined with pig fattening units in October 2007, and clear guidelines established.

There is a definite trend towards poultry products among nutrition-conscious consumers. Demand has risen sharply, having completely recovered from the collapse in 2006. But the many new products in the barbecue and M-Budget segment, plus the innovative oven-ready poultry products, also contributed to the most satisfactory result. In mid-2007 the fish division was transferred from the Federation of Migros Cooperatives to Micarna.

Export operations were also expanded in 2007. The small but select export assortment, featuring high-quality charcuterie products with a "Swissness" character, are proving increasingly popular.

Important stage targets have also been achieved in investments. In Courtepin, for instance, the charcuterie

redevelopment is under way. The shell of the new building for the production of frozen goods is already in place, and could be commissioned in autumn 2008. Following a fairly long interval because of the merger, planning work resumed in 2007 on the Optifutura project; this will be implemented over the next few years.

“Spitzenleistungen im Sport, Spitzenleistungen in der Micarna” (“Top performances in sport, top performances in Micarna”) – 15 top sports personalities from a wide variety of disciplines are being recruited under this banner as Micarna ambassadors and role models, for the company’s own workers and also for its business partners.

Midor AG

Hot and cold at the top

Bakery goods and ice cream products are very much to customers’ tastes, and have helped to make this a successful year.

After a highly successful Christmas trading season, Midor AG ended the year 2007 with a good result. The vagaries of the weather affected the carnival cookies, biscuits and ice cream business; a summery April helped to produce the best ice cream sales figures for the last ten years, while sales of bakery products benefited from the cool temperatures in June and July. Domestic and export business with third-party customers has done extremely well, and sales are up by over 30 per cent, passing the CHF 50 million mark for the first time.

Midor’s strengths are quality and innovation. It is maintaining its competitiveness, even under tighter conditions – more intensive price competition and massive increases in raw material and packaging prices. In the Swiss retail sector, Midor is setting the pace for the market, both in bakery goods and also in ice cream products. This is also borne out by the fact that its share of the market has been above average for decades.

Midor was already complying with the new specifications imposed by Migros for trans-fatty acids by mid-2007.

The environment is important to Midor AG. By voluntarily enrolling in the programme of the Energy Agency for Industry (EnAW), Midor is affirming its support for actively reducing CO₂ emissions and for optimising energy efficiency. Over CHF 1 million have already been invested in relevant projects. So, for example, waste heat from refrigerated production in the ice cream

factory is now being recovered for to preheat chocolate tanks, radiators and so on.

With automation and the major repacking project, Midor AG is creating additional production capacity for its planned growth in the export/wholesale sector.

Mifa AG

Making washing more environmentally friendly

A great deal of energy can be saved, even at 20 °C, with full washing power.

Sales growth at Mifa AG in 2007 was reasonable, both in the domestic and export markets. Its share of the universal detergent market in Switzerland has once again substantially increased. On the export side, some completely new customers have been gained, for whom product leadership is a distinguishing feature.

The development pipeline at Mifa AG is pretty well full. For example, autumn 2007 saw the successful launch of the Total Cool Active product. This detergent stands out from the rest because it gives complete washing performance, even at ambient temperature, which means a potential energy saving of up to 70 per cent.

On the export side, Mifa has managed to gain some new overseas customers. Added value concepts will follow the trend for differentiation through product performance, rather than simply through price.

To some extent, rising raw material costs were offset by higher productivity over the past year. A total of CHF 10.8 million was invested in 2007. Manufacturing processes have been further improved by the commissioning of new production facilities, both in the food and near-food sectors.

Mifroma SA

Quick, easy and good

Even with cheese, consumers appreciate the growing number of convenience products.

Sales growth at Mifroma SA was satisfactory in 2007. The increase in the price of milk in Switzerland led to a general price rise for cheese products, which Mifroma SA will be passing on from early in 2008.

Innovation is one of the driving forces in development. Consumers are increasingly demanding products that are high in quality and big on convenience. A number of new products have been created with this very much in mind, such as the variety of cheese platters, or the highly innovative fresh fondues. Traditional cheeses have been given a new presentation. The new packaging is really elegant, and provides clearer information.

The implementation of the Fromipac project in the spring of 2008 will enable Mifroma to continue the process of automation and to improve performance in the production and logistics areas.

Mifroma France SA

Ultra fresh is the motto

High milk prices make Swiss cheese too expensive for the French market.

The French market went through a number of upheavals during 2007. In fact, the shortage of milk on the world market, and particularly on the European market, caused an extraordinary price hike. Because of the price rises, sales of Swiss Emmental fell sharply, and sales of Gruyère and fondue cheeses were also increasingly affected.

A new fondue cheese has been added to the range of Swiss Délice products. The range of ultra-fresh products has been expanded, and the Swiss Délice assortment now includes a new variety of yogurts, marketed under the name “maxi-fruits”.

Investment will be focused particularly on enlarging the fresh produce logistics department, with storage capacity for an additional 900 pallets. This extra 1,500 m² of space will be available at the end of 2008.

Riseria Taverne SA

Rice cuts a fine figure

Migros’ share of the rice market has once again topped the previous peak.

The rice market in the retail sector has picked up again from the previous year. Today, 70 per cent of partially hulled rice is sourced from Asia, and 30 per cent from Italy; since the USA was dropped as a supplier of rice, the price of partially hulled rice has risen by up to 25 per

cent. The USA will no longer be supplying rice by 2009, because it cannot guarantee that its rice is GMO free.

Riseria Taverne had a satisfactory year in 2007. A new production line for portioned rice was commissioned on schedule. New varieties of rice in 250-gram portions have been launched on the market. A new line has been developed for bulk consumers under the name “la riseria”.

Seba Aproz SA

Wonderful outlook, despite the miserable summer

Only twice before has more mineral water been sold than in the last financial year.

The reasonable business growth over the first half of 2007 was washed out by a thoroughly miserable summer. Despite these unfavourable meteorological conditions, sales volume increased, once again topping the 200 million litre mark at 210 million litres. This is the third highest total after the extraordinary years 2005 and 2003.

The disproportionately high growth of M-Budget items is putting pressure on sales. The hike in mineral oil prices, and the rising euro exchange rate are having a negative impact on raw material costs, especially for PET.

The new “Aproz plus” line has been added to the strategic Aproz brand. Slightly carbonated, with no added sugar, colourings or preservatives, this new mineral water contains 100 per cent natural flavouring and makes an ideal, flavoursome addition to Switzerland’s best known range of mineral water.

Scana Lebensmittel AG

The catering sector takes the bait

Innovative solutions in the catering services industry are doing nicely.

After many years of decline, the Swiss catering sector is beginning to recover slightly. Scana Lebensmittel AG has also benefited from this development. Scana recorded much stronger levels of growth than the market generally in 2007, building on its position as the market leader. The reorganisation measures that have been tak-

ing place over recent years have paid off, and are now beginning to have a positive impact on business. All of the company's divisions increased their sales, but the new customers acquired in the institutional catering services sector were a source of particular satisfaction.

The Swiss catering services industry has come to regard Scana much more as the competence centre and solutions provider. Restauranters are increasingly demanding solutions in the form of concepts. Scana has been able to cater for this need with innovations in both products and services. The frozen products and ice cream sub-assortment (exclusive concept "igelati") that has been developed over each of the last two years has now become as much an established part of the full range on offer as the new coffee concept "inflagranti". New in 2007 were the Internet-based wine concept "Winehouse" and a frozen bakery products concept launched in cooperation with Jowa AG.

As the centrepiece for future development, in the spring the former ordering system was replaced by the new customer, information, communication and order platform "Integrale". This Internet-based system was developed in close cooperation with customers, who accepted it very quickly. Many of the customer's administrative functions have been simplified and some have even been done away with altogether. At the same time, on the customer's side, it has provided an optimal starting point to prepare for the connection to SAP (early 2008).

Further solutions for the catering services industry, some of them in cooperation with other Migros companies, are in preparation, and will play a part in future growth.

Logistics and IT Services

RETAIL MIGROS CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD			
MVS (Distribution Centre Suhr)	108.1	109.7	-1.5%
MVN (Distribution Centre Neuendorf)	215.3	216.7	-0.6%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	323.4	326.4	-0.9%

Strategies for the future

Logistics and IT Services satisfy the needs of the trading sector efficiently, and are continuing to develop at the highest level.

The Logistics and IT Department is responsible for national and international processes in the field of logistics and IT, and also for the Federation of Migros Cooperatives' property and IT portfolio. The Department's company portfolio is rounded off by Limmadruk AG, Liegenschaften Betrieb AG (LIB-AG) and Einkaufszentrum Glatt AG. The managerial divisions are competence centres covering the areas of logistics, IT, transport, ecology, planning and expansion, quality testing and technology. In addition to their operational activities they are also responsible for the strategic orientation of these areas.

The emphasis for 2007 was on formulating and implementing strategies for IT, transport and FMC real estate.

The "IT-Strategie 2011ff" is a strategy oriented to the next decade, and focuses on reorientation. The future mission is to switch "Von der prozessorientierten zur konsumentenorientierten IT" (from process-oriented to consumer-oriented IT).

With its NATRO project (National Transport Optimisation), Migros has set itself the goal of saving 10 per cent of national transport costs. Implementation is on target.

Another key focus area is the rigorous preparation for the upcoming deregulation of the electricity market.

Migros was chiefly responsible for the establishment of the "Gruppe Grosser Stromkunden (GGS)", a group of large electricity customers, with the aim of presenting a common front on the consumer side.

The ambitious agreement with the Energy Agency for Industry (EnAW) has given energy management new incentives, and now covers all sectors within Migros. Intensive energy management is an essential component of the contribution to the concept of climate protection, by which Migros groups its concrete measures for reducing its greenhouse gas emissions.

All properties owned by the FMC and the Globus Group have been transferred to LIB-AG.

Migros Distribution Centre Suhr AG

Space for 68,500 pallets

The fourth silo for the high-bay racking store is helping to keep the massive goods flows turning over efficiently.

The turnover volume of 75.8 million trading units (TU) handled in 2007 by the Migros Distribution Centre Suhr, based on allocated and delivered volumes in the food assortment, was similar to the previous year's total. The fiercely competitive market environment in the

food assortment, and the trend to increase the number of consumer units per trading unit are having a stabilising effect on the volumes handled. After substantial improvements in productivity and quality in previous years, attention is now focused on improving customer orientation within the company, encouraging procedural thinking and expanding the range of services.

A start was made on a number of projects in 2007, to strengthen customer and process orientation. The customers, that is, the Migros stores, were asked how satisfied they were with the distribution centre, and two-thirds of them took part in the survey. A number of measures have been set up in cooperation with partners in the food supply chain, which will give the stores time-saving and efficient working procedures in the future.

Continued development means becoming more open, more flexible and more customer-oriented. An extra new training field was started in 2007 with the setting up of a value-added logistics system. The huge flow of goods from 150 or so principal and several hundred small suppliers constantly calls for fast, strong solutions that will be available as a product to suppliers.

Because efficiency is based on the workforce, it is important for the distribution centre to be able to offer a health-promoting environment. A project group has been given the task of formulating and implementing a wide range of measures that will promote occupational health and safety.

The construction of the fourth silo for the high-bay racking store in 2007 was the largest building project to be completed since the distribution centre was commissioned. This will increase the storage capacity by 16,500 pallet spaces, to a new total of 68,500. The extra hold volume of over 100,000 cubic metres is equivalent to about 100 detached homes. The commissioning of silo D is scheduled for early 2008.

From the 2008 Christmas season, all seasonal articles for the ten Cooperatives will be supplied out of Suhr. The infrastructural changes are already under way, which will enable MVS to handle the doubled delivery volumes.

Migros Distribution Centre Neuendorf AG

Using rail for long journeys

Deliveries to the Cooperatives have been optimised both for frequency and use of transport facilities.

In its constant efforts for raise productivity and save on costs, the Migros Distribution Centre Neuendorf wants to optimise distribution to the 700 or so Migros stores in a sustainable way. Working closely with the Cooperatives, the order and delivery frequencies have been optimised. The aim was to reduce the number of weekly deliveries without having a negative impact on the level of readiness for sale in the stores. By reducing deliveries, the distance travelled is less, vehicles are better loaded, the cost of compacting is less, and productivity is increased in order picking.

Use of transport facilities (rail or road) and choice of route (direct or transit) were surveyed as part of an overall review. The objective here was to make optimal use of the available railway infrastructure and to make transport more cost effective. It became clear from this survey that for long distances, rail has decisive advantages over road. From the first half of 2008, the operations centres of the Geneva and Vaud Cooperatives will be supplied exclusively by rail. Further changeovers will take place in the second half of the year.

Additional optimisation has been realised in the storage sectors. An order-picking store for seasonal articles, and a 24,500 m² logistics services centre, which is equivalent to 13,000 pallet spaces, were commissioned in Neuendorf in December 2007. A fully automated high-bay racking store with 24,000 pallet spaces is also under construction, with commissioning planned for August 2008. The total investment amounts to CHF 45.5 million. As a result, a number of rented external warehouses can be closed, and logistics operations conducted more efficiently and concentrated on one site. The corresponding cost savings will take effect from 2008.

Thanks to optimisation measures, the commitment of the workforce and investments in IT technology over the last two years, MVN managed to substantially exceed its very ambitious targets for 2007. The Migros Distribution Centre Neuendorf can look back on its most successful financial year ever. Goods throughput at load prices amounted to CHF 3.1 billion.

Logistics and transport

Optimisation is taking effect

The savings achieved in national transport logistics have more than doubled compared to 2006.

National transport

Once again in 2007 the National Transport Division was able to guarantee top quality, just-in-time deliveries to over 600 Migros sales outlets 365 days a year with its accredited transport partners by rail and road.

Looking forward into 2008, measures have been introduced that will enable even more transport volume to be switched from road to rail. With its pioneering transport strategy, the Migros Group, as the biggest cargo sector user of rail transport in Switzerland, is making an active contribution to the country's sustainable transport policy, and in this area too is continuing to extend its lead over its retail sector competitors.

The definitive increase in the distance-related heavy vehicle fee (LSVA), approved by the Federal Council in the autumn and imposed by the authorities effective 1 January 2008, as well as other external influencing factors such as constantly rising energy and raw material prices will increase transport costs in 2008.

International transport

Despite the desperate shortage of space on sea and air routes from East Asia, merchandise sourced primarily in the Chinese and Indian markets was shipped to Switzerland on schedule. Apart from the constant challenge to secure sufficient space on ships for goods destined for the Migros Group, the main problems included the infrastructural bottlenecks in cargo handling at the North European ports and in on-transportation by rail, road and Rhine.

The huge demand led to the shipping companies increasing their freight rates by more than 20 per cent. Consistent volume groupage and long-term agreements negotiated with individual shipping companies meant that some of these increases could be offset.

The integration of the eleven members of the Delica AG customs team was successfully completed, which means that from 1 January 2008 customs clearance services can be included in the range of one-stop services offered by FMC Logistics Transport.

Migros Exchange Equipment Management (MTM)

The cost price of wooden pallets rose again by about 10 per cent in the first quarter of 2007, but have since stabilised at a high level.

The key event of 2007 was the decision by the transport operators belonging to the Swiss Road Transport Association, ASTAG, to no longer offer 1:1 EUR pallet exchange free of charge from 1 January 2008. Fortunately, with MTM the Migros Group has an established system that has already obviated the necessity of instant pallet exchange. MTM is open to all suppliers and service providers of the Migros Group, and many new customers have been gained since the ASTAG announcement. By the end of 2007 more than 1,100 MTM partners were exchanging EUR pallets through the MTM system.

IT Services

Available 365 days a year, 24 hours a day

In the IT sector, the focus is increasingly on consumer-oriented, rather than process-oriented, solutions.

The IT strategy for 2011 and beyond ("IT-Strategie 2011ff") targets the orientation for the next decade, placing the focus on IT systems for customers of the Migros companies. The emphasis is on store-oriented solutions and on e-commerce, that is on projects that should facilitate wide-scale shopping or communication by electronic means. This new "third generation" IT strategy has been developed by a team including those responsible for IT from the most diverse range of Migros organisations and companies. At the end of August 2007, the most senior bodies within Migros gave the green light for implementing the strategy. Eight initiatives have been started to ensure that the new Migros IT strategy will make itself truly felt. These include new bodies, such as an IT Committee, whose members are senior managers and directors; and also an IT Office, which controls all IT operations in the Migros Group. Among the themes for the different initiatives are the permanent coordination of IT operations with the merchandising strategy; actively following IT innovations in the spirit of intellectual leadership, a master plan for an attractive store and e-commerce.

Among the principles for the new strategy is the IT standardisation and consolidation strategy, most of which was completed in 2007. Under it, the core ap-

plications for retailing and industry, and support processes such as accounting, personnel administration and warehouse systems have been reconstructed, and are run centrally in IT competence centres. The projected cost savings from this have actually been exceeded, and at the same time enabling the new IT system environments to quickly implement new requirements from the most diverse business units or companies.

Key milestones for 2007 were the start of the integration of the Denner systems. For IT, this means being geared to potential synergies. The Globus companies are now using the facilities provided by the Migros IT solutions, and have authorised the most varied range of projects to replace the existing inventory management, accounting and personnel systems. At Migros the new system resulted in additional sales or cost savings from the loading of telephone cards, "eLoading", the electronic gift card, the system for electronic handling of supplier contracts and the replacement of conventional telephonic equipment at the Federation of Migros Cooperatives by IP-telephony. The new Migros portal www.migros has been designed with the very latest Microsoft technology.

Part of the Migros IT policy is orientation to new, or the latest software versions. In this respect, the powerful centralised inventory management systems for food/near food and non-food assortments have been upgraded to the latest SAP software versions. To make sure that these costly and time-consuming changes could be

implemented in time for the start of a week, they were done over the Easter weekend, following several months of preparation. A team of about 30 staff was used, and their first task was to block all access by the 600 or so stores and the 5,000 or so users at the Federation of Migros Cooperatives, in the distribution centres, at the Migros Industry companies and suppliers, and then importing the latest versions over a 25-hour period. Then, on schedule, at 4 p.m. on Easter Monday, the new system was connected. Successfully: all system users were able to work on the new system without any problems, and up to 580,000 items could be managed as usual.

Migros uses IT technology very widely, and in all areas of the Migros world. It can therefore be useful for one office to act as the hub for all IT matters and problems. Migros IT Services have issued an internal customer leaflet entitled "Wir sind die Migros der IT-Services" ("We are Migros for IT Services"); they are also available for electronic access (in German and French only) at www.mits.ch.

New projects and new services for the very diverse companies of the Migros Group are only possible if the broad range of IT services function smoothly in day-to-day operations. One of the most important benchmarks is therefore system availability. The target figure is 99.95 per cent system availability for all supply-relevant IT systems in 24/7 operation over 365 days. This target was achieved once again in 2007 – for the third consecutive time.

Retail Others

RETAIL OTHERS CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD			
Denner	687.7	n.a.	
Ex Libris	178.2	160.8	10.8%
Magazine zum Globus	781.3	n.a.	
Interio	287.4	n.a.	
Office World	106.1	n.a.	
= Globus companies	1,174.8	1,124.7	4.5%
LeShop	92.3	44.0	109.8%
Other companies	95.4	n.a.	
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	2,228.3	1,329.5	67.6%
Other operating income	37.5	27.6	35.9%
Elimination (internal group income)	-53.2	-0.3	100.0%
TOTAL INCOME (SALES)	2,212.6	1,356.8	63.1%
PROFIT BEFORE INTEREST AND TAX	94.5	29.7	218.2%
<i>Other information</i>			
Segment assets	2,580.3	962.1	
Investments	127.4	36.8	
Number of employees	8,312	5,218	

Denner AG

More fresh produce discounted

In the first year following its link-up with Migros, the discounter has again outperformed the market.

On 3 September 2007 the Competition Commission approved the takeover of Denner, subject to a number of conditions. As a first step, Migros has taken a 70 per cent stake. Denner performed well in 2007, and once again recorded stronger growth than the market. Consolidated sales by all Denner stores and Denner Satellite stores rose by 4.4 per cent, or CHF 105.0 million, to CHF 2,490.5 million (including CHF 687.7 million from the date of incorporation as sales within the Migros Group). The Denner stores contributed 3.7 per

cent, or CHF 1,924.5 million, and the Denner Satellite stores CHF 566.0 million, corresponding to a rise of 7.0 per cent. Over the past five years, Denner has virtually doubled its business volume, with sales rising from CHF 1,349.6 million in 2002 to a total of CHF 2,490.5 million in 2007. This was a remarkable performance in view of the over-saturated predatory market where competition is extremely intense. Despite the growth in its sales area, the discounter managed to increase turnover per square metre of store area from CHF 8,807 to CHF 11,877 in the five-year period referred to. In 2007 alone, turnover per square metre rose by about 2 per cent after areal adjustment. Viewed on an identical basis, sales by the stores rose by 4.2 per cent.

Customer numbers increased by 3.3 per cent to 79.4 million. At the end of 2007, there were 432 Denner own

stores and 297 Denner Satellite stores, a total of 729 sites covering the whole of Switzerland. Also at the end of 2007 Denner employed a total of 3,260 people.

Switzerland's only discounter considerably expanded its range of fresh produce in 2007. One hundred stores have been converted to the new concept. By the end of 2008 about two-thirds of all stores, that is around 300, should have a distinctly more competent range of fresh produce on display. Denner is investing about CHF 40 million in the new concept.

In December 2007 Denner successfully launched its own premium line, Primess. This segment, featuring 23 products, will be further expanded in 2008. In doing so, Denner expects to tap into additional customer groups.

Switzerland's most modern high-bay racking store was commissioned in Mägenwil AG in mid-October 2007. A total of 27,000 m² have been newly covered over, more than doubling the previous storage space. The workforce will be increased from 70 to about 130 people by the end of 2008. A total of CHF 56 million have been invested.

In mid-November a second D-Vino wine bar was opened right next to the main railway station in Zurich; the first site was in the Seefeld district of Zurich. The wine bar concept is backed by Denner's expertise in the wine sector, and is proving very popular. During 2008, Denner is aiming to add another two or three sites.

Following a phase of consolidation for the store network, and the completion of the link-up with Migros, over the next few years Denner is looking to resume its targeted expansion. There are plans for up to 50 new sites over the next three to five years.

Ex Libris AG

Leading position consolidated

The fast-growing e-commerce sector is the main focus for further development under the multi-channel strategy.

Ex Libris, Switzerland's largest media provider, has managed to consolidate and substantially extend its leading position in an extremely competitive market. In an environment dominated by aggressive pricing, the company has managed to achieve a record result, with net sales of CHF 178.2 million. This represents growth of 10.8 per

cent compared to the year before. With customer numbers rising and customers spending more, both the store business and the online shop www.exlibris.ch played a part in this success. Investments undertaken by the company totalled around CHF 3 million, and 20 new jobs were also created in 2007.

Ex Libris has an extensive network of 119 sales outlets, which can be found in large towns and shopping centres, as well as in other not so large and smaller locations. In the 2007 financial year, Ex Libris continued the modernisation and technical upgrading of its infrastructure. All stores now have a comprehensive order service to meet every conceivable customer need. The full range of over three million products is therefore available from every Ex Libris store.

Special priority was given to the e-commerce sector in 2007 as a result of the massive growth in that area. With its range of multimedia products now numbering several millions, www.exlibris.ch is now one of the biggest and most important e-commerce portals in Switzerland. Every month, the Ex Libris Internet portal had an average of more than 2.2 million visitors. During the Christmas shopping period, well over three million visitors were registered.

The Ex Libris music download shop is another success story, after three years in business, with a product range that will sound good in every music lover's ears. Ex Libris is therefore a leader in the Swiss music download market. According to an independent study, apart from its extensive range of foreign songs, Ex Libris also offers the biggest selection of Swiss artists. This survey also rated the online shop, www.exlibris.ch, as the most consumer friendly download shop in Switzerland. The modern distribution channel with digital products was further expanded in 2007, with a download shop for audio books being added.

Since the collapse of fixed book pricing, sales of books at Ex Libris have been growing very well. The permanent reduction in prices across the whole range of books has produced a very positive response from customers. Consumer-friendly pricing has already resulted in some of the sales that had been lost to Germany because of the high book prices returning to Switzerland. Students and libraries also use the Ex Libris e-shop now as a good value shopping partner. A comparative study carried out at the end of 2007 by a major independent consumer magazine clearly showed that Ex Libris offers by far the cheapest prices.

In 2008, Ex Libris will be consistently pursuing its successful multi-channel strategy based on a market- and customer-oriented, sustainable product mix, pricing and promotions policy.

Interio AG

Customers clearly love shopping

The good economic situation had a disproportionately major impact on consumer sentiment.

Interio can look back over another very successful financial year, having achieved its highest ever net sales, CHF 287 million, on the same sales area. Sales rose by 5.6 per cent compared to the year before. With such a performance, Interio has won further market share over the past year in the very expansive and competitive furnishings branch. All business areas contributed in equal measure to the excellent result: the furniture stores were 8 per cent up, home galleries 11 per cent and the boutiques 9 per cent ahead.

On the furniture side, there was an above-average rise in sales in the dining (tables, chairs), cupboards/wardrobes and beds (bedsteads, mattresses, bed frames) areas. In the accessories area, Interio recorded very high growth rates for Christmas decorations, bed linen and summer accessories.

In 2007 the furniture stores in Abtwil and Schönbühl were renovated; these two stores achieved above average growth rates, which had a major impact on Interio's profits. As well as this, Interio naturally benefited from the good economic situation, which had an unusually marked effect on consumer sentiment. Customers' eagerness to buy was particularly evident in the fact that there was also an increased demand for items in the upper price bracket.

In March 2008 building work will begin in Etoy on the new "Flagship West". In autumn 2009 Interio will leave the store in Morges and move into the new building in Etoy. Renovation of the store in Vernier is also planned for 2009.

Apart from the new building and conversion projects, mention should be made of two key projects in the systems area: as early as 2008 Interio will be introducing a new logistics system in the distribution centre, and in May 2009 Interio is to replace the existing stock management system with SAP-Retail.

LeShop SA

En route to the interactive community

Migros' innovative online shop has once again grown by more than 40 per cent.

Over the last year, sales at Switzerland's biggest online supermarket once again rose by 41 per cent, achieving a record figure of CHF 92.3 million. This means that sales have almost trebled since 2004. LeShop.ch was able to cope with the constantly rising demand thanks to the smooth running of the second logistics centre, opened in 2006 in Ecublens VD; 40,000 regular customers now shop at LeShop.ch. On the back of this success, the unaided degree of awareness has also risen, the LeShop.ch brand is now known to 52 per cent of people in Switzerland.

The product assortment has been further enlarged; the sportXX, Globus ***delicatessa and M'08 fans' shop have all been successfully launched online, and the Boots boutique now offers many more cosmetics products.

On the innovations side, LeShop.ch has certainly made its mark with a Europe-wide first: a direct product review facility for customers on the website is responding to the needs of an increasingly networked society. This pioneering innovation places LeShop.ch right on top of the trend to an interactive, participative Internet and customer community.

The innovativeness of LeShop.ch also gained international confirmation in an ecological respect; on 27 March LeShop.ch and Estia were awarded the prize for the best innovative partnership for sustainable development at the International Week of Transport and Logistics (SITL) in Paris. Estia AG, a spin-off of the Swiss Federal Institute of Technology (EPFL) in Lausanne, is the originator of the environmental study which provided evidence of a substantial reduction in environmental pollution as a result of LeShop delivering by post compared to personal shopping.

Magazine zum Globus AG

Still going strong after 100 years

Profits at Globus and Herren Globus were well up in their Jubilee year.

Strong growth in sales is proof that even 100 years after it was founded, Magazine zum Globus is still youthful, fashionably up-to-date and full of dynamism. This success is due to the continual restructuring of its business and the regular updating of its product assortments, but also to the unwaveringly positive consumer sentiment, which provided welcome momentum, especially in the higher level of demand.

Globus

Sales by the twelve department stores rose by 6.3 per cent to CHF 810.5 million (net sales CHF 702.5 million), on an unchanged sales area. The two largest businesses, the Globus store on Bahnhofstrasse in Zurich and the Globus store on the Rue du Rhône in Geneva, both increased their sales by 9 per cent, well ahead of expectations; the flagship store on Zurich's Bahnhofstrasse, with sales per square metre of CHF 24,000, is once again one of the most productive department stores in the world. All merchandise groups benefited from the trend to up-market, exclusive items. Fashion accessories, perfumery and men's fashions were the front runners, with sales in each category rising by around 10 per cent. Demand for vintage champagnes, famous wines and exclusive delicacies was well up on the previous year.

Projects for the 2008 financial year will provide additional stimulus for growth. Globus is investing a total of CHF 50 million in its 13th department store in the Westside shopping centre in Berne-Brünnen (opening early October) and in the renovation of the Globus store in Berne city centre – clear acknowledgement of the development potential of the Berne conurbation, whose catchment area extends into French-speaking Switzerland.

The "Fest des Jahrhunderts", or "party of the century" in Zurich, the motivational prelude to the celebration of 100 years of Globus in June, was an unforgettable experience for 3,200 members of staff from all Globus companies. The pension fund and employer credited pensioners and active employees with a total of CHF 15 million to mark the Jubilee in the form of special vouch-

ers, annuities and bonuses. Finally, in September Globus thanked its customers with a colourful bouquet of special offers: artists, designers and eight top chefs with over 140 Gault-Millau points between them created some exclusive products; fashion designer Dorothée Vogel created a special collection. At the end of September about 20,000 regular customers were invited to attend glittering store celebrations.

Herren Globus

The 21 specialist businesses for men's ready-to-wear clothing also achieved some excellent results. Despite having one less store, sales at Herren Globus rose by 7.8 per cent to CHF 80.8 million (net sales CHF 71.6 million), gaining substantially more market share. The three largest Herren Globus businesses in particular, in Zurich, Berne and Basel, recorded above average growth, with sales increasing by over 10 per cent.

One highlight of the year was the launch of the book "Der Dresscode", the topics and expertise for which came from the successful Herren Globus style seminars, attended by 2,000 men. About 7,500 copies have been sold so far in specialist stores and bookshops; the bestseller reflects the fact that men have faith in the expertise of Herren Globus in matters of fashion.

Office World AG

Offline and online growing together

Self-service terminals are being installed in the specialist markets, and the e-commerce segment is being developed.

Office World, the multi-channel provider in the office supplies, office technology and office equipment segment, has further increased its share of this extremely competitive market. Despite the constant pressure on prices, net sales rose by 3.3 per cent to CHF 106.1 million. The expansion of the online business at www.office-world.ch played a disproportionately large part in the growth. This was due to a new marketing policy, the development of the online shop and new products and services. Great progress has been made in advancing and implementing the "Top-Prozesse" (top processes) project. This focused on the critical investigation and simplification of goods procurement and distribution along the entire value added chain.

On the sales front, staff development programmes have been further promoted. This training focused on customer orientation and service. Investment was also made in the store network and in-store communication. Office World is the first retailer among all the specialist markets to have launched, with great success, a customer online self-service terminal on which customers can order over 6,000 ink cartridges, toner cartridges, ink ribbons and paper. The system is simple and self-explanatory, and items that are not available in-store can be ordered at a terminal for delivery within 24 hours to home, office or to the specialist market. Also integrated

into this terminal is a paper guide, which recommends the best paper for all printing equipment. Office World is to develop this range of services further. The link-up between offline and online world will become even stronger in the future, and will be consistently followed by Office World as part of its multi-channel strategy.

Marketing will continue to emphasise the strong customer focus, sustainable policy on service, product assortment and promotions. The year 2008 starts with further development of the online shop www.office-world.ch, and the opening of the 19th office specialist market on 2 April 2008 in Dietikon ZH.

Travel

TRAVEL CHF MILLION	2007	2006	CHANGE IN %
HOTELPLAN			
Net revenue from sales of goods and services sold	1,978.0	1,746.7	13.2%
Other operating income	51.9	31.1	66.9%
TOTAL INCOME (SALES)	2,029.9	1,777.8	14.2%
PROFIT BEFORE INTEREST AND TAX	77.2	42.1	83.4%
<i>Other information</i>			
Segment assets	534.6	478.3	
Investments	13.4	10.9	
Number of employees	2,996	3,263	

Hotelplan Holding AG

Milestones reached

The Hotelplan Group achieved a record result in financial terms; business in Switzerland, however, was not so good.

In 2007, the Hotelplan Group reached a number of milestones in its strategy implementation. The vertical integration of the business model in Switzerland was further reduced with the sale of hotels in Spain (PEP) and Italy (Corte) and with Belair and Air Berlin entering into a strategic alliance. The strategic cooperation with Air Berlin guarantees the Swiss business continued privileged access to flight capacity, and means that Belair will continue as an organisation and will be further expanded within the Air Berlin structure. Taking a majority stake in the Ascent group of companies, which specialises in ski tours, provided an opening into the very fast-growing Russian market. The Hotelplan Group has been legally changed over to a holding structure in order to establish clear management structures. The new Hotelplan Holding AG holds all of the group's strategic business units (SBU) directly (Hotelplan Schweiz AG, Hotelplan Italia S.p.A., Hotelplan UK Group Ltd.,

Travelhouse Holding AG, Interhome AG and Travelwindow AG). The newly founded Hotelplan Management AG incorporates the most important group functions such as overall management and strategy, business development, finance, controlling, taxation and IT.

The Hotelplan Group's net sales rose by 13.2 per cent to CHF 1,978.0 million from the previous year. The key EBITDA figure also soared by 88 per cent to CHF 95.3 million. If the positive one-off effects of the hotel disposals and the sale of the 49 per cent stake in Belair to Air Berlin are excluded, this results in a 12.3 per cent increase in the Hotelplan Group's operating capacity at EBITDA level compared to the year before. The main contributors to this positive increase in operating earnings power were the SBU in the UK and Italy, while business in Switzerland produced some unsatisfactory results. The Interhome Group consistently applied its "Diamond" strategy, and achieved satisfactory sales growth over the last year. In terms of EBIT, CHF 77.2 million was a record result. The number of employees fell by 267 persons or 8.2 per cent to 2,996, primarily as a result of the disposal of the two hotels.

Further initiatives were started in 2007. In December, Hotelplan took over a majority stake in the Travelhouse Group, the number 4 in the Swiss travel market.

The launch of "Globus Reisen" took Hotelplan Schweiz AG into the premium segment. The Interhome Group's new Internet platform villango.com moved into the so-called "unorganised" holiday home agency market. The T-Club concept is being further developed by Hotelplan Italy. Travelwindow is expanding its positioning in the Swiss online market.

All of this meant that the first phase of the strategy fo-

cused on business portfolio adjustment and profitability was implemented as far as possible in 2007. The main focus for 2008 will be on achieving profitable growth. The sustained recovery of Hotelplan's activities on the Swiss market, and the development of its market position have top priority.

Oil and fuel

OIL AND FUEL CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD			
Migrol	1,627.4	1,675.2	-2.9%
Other companies	21.6	26.2	-17.5%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	1,649.0	1,701.4	-3.1%
Other operating income	13.4	12.0	11.6%
Elimination (internal group income)	-18.1	-24.0	-24.4%
TOTAL INCOME (SALES)	1,644.2	1,689.4	-2.7%
PROFIT BEFORE INTEREST AND TAX	13.4	11.8	13.6%
<i>Other information</i>			
Segment assets	401.5	369.8	
Investments	29.5	14.3	
Number of employees	288	281	

Migrol AG

Filling station shops still booming

The heating and fuel oils business is largely determined by external factors. The avec. shop format in particular is generating growth.

During 2007, the international procurement markets for heating oil and fuel oils were relatively calm, even with the price of crude oil and products derived from it constantly rising. It is becoming progressively clearer that internal growth in the BRIC states is imposing a new order on the world economy. The huge demand for various raw materials, including oil, comes from these states, and from the up-and-coming states of the Middle East and South-Western Asia.

So far, the constant price hikes have not caused any sustained weakening of sales in the Swiss fuel market. However, it is to be expected that there will be a growing shift towards lower consumption vehicles, something

that is evident from the fact that the ratio of diesels among new vehicle registrations has remained steady at 30 per cent. Nevertheless, in 2007 the Swiss fuels market continued to fluctuate at previous years' levels.

The collapse in heating oil sales on the Swiss market, however, was dramatic, something that had certainly not happened to this extent in recent years. The combination of falling heating oil prices towards the end of 2006, and the consequent increase in the numbers of consumers topping up their tanks; a much warmer than average winter followed by further sharp price increases, resulted in a collapse in sales of heating oil by one-third compared to the year before.

Migrol's sales reflect events on the Swiss heating and fuel oils market. The expansion of Migrol's own filling stations counteracted the trend to stagnation in the fuel business, and resulted in higher sales by the filling station network. The closure of some smaller unattractive sites did, however, rather check the stronger increase in filling station sales. Because most of the new open-

ings only occurred in the summer months, and some in September, the impact of the sales figures for these new stations was felt on overall fuel oil sales mainly in the second half of the year. The collapse in heating oil sales affected Migrol to a lesser extent than the Swiss market as a whole.

Once again, business in the filling station shops with long opening times turned out to be a key support for growth. Newly refurbished to the convenience format avec., the filling station shops reported above average growth. The avec. concept, with its choice range of Migros' own products and branded products is being well received by consumers. The convenience format avec. is to be installed at all Migrol filling stations where customer numbers are high and where there is adequate shopping and storage space. All new filling stations will be based around this successful concept.

In autumn 2007, a test run began with Shell Switzerland to accelerate the expansion of avec. stores in the Swiss filling station market.

Once again in 2007, most of the investments were focussed on the renewal and expansion of the filling station network. Eight new sites were opened, for the first time in a number of years. The seven Migrol filling stations, and the first Migrol convenience store with no petrol pumps, have all been fitted out in the avec. format. The unoccupied filling station premises have been built in a timber panel construction especially developed for Migrol, with an external envelope that complies with the Minergie Standard.

In 2008, Migrol intends to prioritise the advancement of the expansion of the filling station network and the development of new sites. Substantial investment funds are available for the erection of 10 to 15 new filling stations, provided the relevant building consents are granted. In this case, top priority is being given to the expansion of the convenience business.

Financial services

FINANCIAL SERVICES CHF MILLION	2007	2006	CHANGE IN %
INCOME FROM FINANCIAL SERVICES BUSINESS			
Net revenue from sales of goods and services sold	3.4	5.3	-35.8%
Income from Financial Services	992.6	914.6	8.5%
Other operating income	1.3	17.0	-92.4%
TOTAL INCOME FROM FINANCIAL SERVICES	997.3	936.9	6.4%
PROFIT BEFORE INTEREST AND TAX	263.6	269.0	-2.0%
<i>Other information</i>			
Segment assets	28,914.7	28,697.9	
Investments	19.9	15.0	
Number of employees	1,371	1,369	

Migros Bank AG

A record result to celebrate 50 years of business.

Migros Bank is in excellent shape 50 years after it was founded. Growth was once again above average.

Migros Bank won further market share in the 2007 financial year. The volume of mortgage lending rose by 6.2 per cent to CHF 22.9 billion, well ahead of growth levels on the market. Net income increased by 3.2 per cent to CHF 540 million. There were 29,000 new customers in 2007, taking the number of customers to 750,000.

One of the contributory factors for Migros Bank's positive result, in what was a turbulent year on the stock markets in 2007, is its conservative risk profile. There was an above average surge in Swiss GDP last year; inflation and interest rates rose only slightly, too, remaining under the long-term average. Nevertheless, the international credit and financial markets were unable to escape the serious crisis in the US real estate sector. As a result, the Swiss stock market ended the year down by 3.4 per cent, measured by the Swiss Market Index.

In spite of this, Migros Bank has once again markedly improved its earning capacity. There was growth in both the interest-earning business, which contributes about four-fifths of total earnings, and also the fee-earning business, which rose by almost one quarter to CHF 82 million. The only downturn was seen in the trading operations, which fell by CHF 15 million as a result of the market situation.

Migros Bank will continue to steadily build up its presence on the Swiss market in the next few years. There are plans to open 18 new branches by the end of 2009; this expansion will raise the number of branches from the current 45 to 63. Ten new openings are planned for 2008, including branches in Amriswil, Langenthal, Locarno, Nyon, Pfäffikon SZ, Schwyz and Thalwil.

In summer 2008 Migros Bank will be launching a new kind of technology under the name of M-Identity, to further improve Internet banking security. The system is based on a USB stick, which is available free of charge to all users of M-BancNet. This stick incorporates an integral web browser, and is able to launch M-BancNet without using the browser installed on the computer. Being thus separated from other Internet programs on the computer, the system is maximally protected against at-

tacks from the Internet. The M-Identity system, which has already been successfully tested elsewhere, is proving a winner both because of the security it provides and also because it is so user-friendly. Migros Bank is the first bank to supply all of its Internet banking customers with the new technology.

In August 2007, Migros Bank took the decision to switch to the total banking solution from Swiss software firm Finnova. The migration will be complete by the third quarter of 2009. Migros Bank is expecting substantial savings in IT costs, which annually run into double-digit millions, once the project is completed. Total investment costs for the migration are around CHF 100 million. Before the decision was made, a detailed evaluation was carried out on Swiss and foreign solutions. The main plus points of the Finnova platform are the open architecture, which enables a high level of flexibility, the innovative functionalities and the rapid implementation time.

The Optima programme for optimising processing methods came to a successful end in 2007. By streamlining and simplifying its procedures, Migros Bank has substantially improved its efficiency, quality and throughput times. As part of this reorganisation, processing has been concentrated on six regional centres in Basel, Berne, Lausanne, Lugano, St. Gallen and Zurich, and on a central logistics site in Wallisellen. The lower costs will enable Migros Bank to strengthen its position as a price leader.

Migros Bank – the friendly alternative in the Swiss financial market – is well positioned to continue along the growth path of recent years, and to win additional market share. Investments in the growth of Migros Bank will lead to a further slight rise in costs. It is also possible that the economy could weaken somewhat compared to 2007. Nevertheless, Migros Bank regards further prospects for the 2008 financial year as generally positive.

Others

OTHERS CHF MILLION	2007	2006	CHANGE IN %
NET REVENUE FROM GOODS AND SERVICES SOLD			
Cultural, leisure and fitness – Cooperatives and FMC	303.0	295.7	
Limmatdruck	260.6	242.5	7.5%
Other companies	17.6	1.9	826.3%
TOTAL NET REVENUE FROM GOODS AND SERVICES SOLD	581.2	540.1	7.6%
Other operating income	136.5	124.5	9.6%
Elimination (internal group income)	0.0	0.0	100.0%
TOTAL INCOME (SALES)	717.7	664.6	8.0%
PROFIT BEFORE INTEREST AND TAX	0.1	17.5	-99.4%
<i>Other information</i>			
Segment assets	587.8	545.4	
Investments	48.8	62.1	
Number of employees	1,047	602	

Limmatdruck AG

Packaging is a marketing tool

The variety of packaging continues to grow, and the increase in orders helped sales to grow by 20 per cent.

The packaging business unit was in an environment characterised by a sound economic situation. Nevertheless, there was still pressure on selling prices, and raw material purchasing prices, for paper and cardboard, have risen sharply and will continue to do so. With such pressure on margins, these price rises have to be passed on to the customers.

The strategic importance of packaging continues to grow; packaging is being deliberately used as a marketing tool. Packaging material, shape, colour and structure are becoming an increasingly significant element of the purchase decision. To stand out from the competition,

creativity and individuality in packaging design are a must for the provider. With more and more new products in highly refined packaging, manufacturers of consumer goods have been trying to adapt to these changes for some time. It is a trend that encourages packaging variety, something that is set to develop even further in the next few years.

The highlight of 2007 was the installation of the latest fully integrated SAP business software. The first module, Human Resources, was completed early in the year. In the spring the remaining central elements were implemented, including Finance/Controlling and the entire module for the packaging manufacture process. The project was completed at the end of September, and responsibility handed over to the line positions. Because of the system launch coinciding with a sharp increase in orders (20 per cent growth in sales), there were temporary supply shortages, with employees working a considerable amount of overtime. In 2008 the focus will

be on optimising the system and improving the cost-effectiveness of the automated processes.

The investments undertaken reflect the changes in the packaging market referred to above. Colour, for instance, has been improved by two new 6- and 8-colour printing machines with coating. The 8-colour press enables the front side to be printed in 6 colours and the back side printed in 2 colours, in one process. The new

Direct Drive technology used reduces the set-up times and improves productivity. The sharp rise in demand for gold finishing has been accommodated by the acquisition of two new hot foil stamping machines.

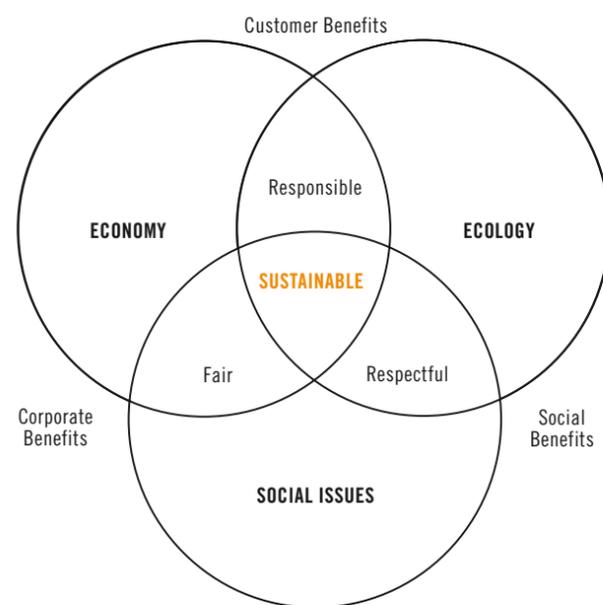
The satisfactory development of the editing/publishing business unit can be seen in the Migros Media section.

Corporate Responsibility

Actively helping to shape the future

Social and ecological aspects are just as important to Migros as economic success. It wants to exercise its corresponding responsibility even more effectively.

The history of Migros shows that it is not just economic success that is important to it, but that ecological and social aspects are also firmly established elements of its thinking and of its actions. To meet the expectations of Migros' stakeholders as far as possible, this integrated concept of Corporate Responsibility can be found today in its Mission Statement, in its environmental and social policy, and in its progressive HR policy. The Corporate Responsibility approach that Migros lives by is an important cornerstone for sustainable corporate success, which ultimately depends on competitiveness and reliability. The efforts that Migros is making towards sustainable development can be seen and felt primarily in its stores, with the ecological and ethical labels or projects funded by the Culture Percentage.



Migros defines its Corporate Responsibility in an integrated concept as a reflection of balanced economic, social and ecological corporate values and market-oriented management.

Something that shows just how seriously Migros takes the efforts it makes towards sustainable development is the fact that Corporate Responsibility (CR) will in future be an integral component and central element of the new group strategy. This integration will result in consistent and thematically coordinated action by Migros, across the whole group.

To this end, in 2007 Migros defined a new process that should guarantee better coordination and more efficient implementation of CR activities.

In the first instance, the FMC Board of Directors determines parameters and priorities based on input from the Executive Board, expert groups and a newly-created body, the Issue and Stakeholder Forum. This last is comprised of internal and external representatives, and in a true "radar function" gives Migros an outward view in respect of the stakeholder landscape, as well as the general outward impact that Migros has, and points to possible strategies for dealing proactively with the CR themes identified. The Executive Board then defines the activities and targets for implementation in the line as an integral part of normal business activity. In this respect, the newly created function of Issue Management will guarantee consistent procedures for cross-departmental and cross-company CR themes by means of cross-linking between the entities concerned, and will also organise and coordinate crisis management in case of need.

Mandatory and profiling issues in Corporate Responsibility

Within its CR issues, Migros differentiates between mandatory and profiling issues.

Profiling issues and domains build on Migros' strengths, attempting to make good use of the business opportunities available to it that can undoubtedly bring about sustainable trading. Over the next year, Migros will be tackling two such CR profiling issues.

Mandatory issues are generally covered by Migros as part of a successful risk management system, in order to deal fairly with the different stakeholder groups and its own requirements. These mandatory issues are part of good business practice or established internal and external standards.

One example that has been successfully tried is the Business Social Compliance Initiative (BSCI), which was launched to monitor social standards in all supplier countries and for all consumer goods in 2004. EurepGAP has proved to be a key standard for primary production in the agricultural industry, as has also the Global Food Safety Initiative (GFSI) in the food manufacturing sector.

By signing up to the Global Compact in 2006, Migros made a commitment to work actively in support of the fundamental values of human rights, labour legislation and environmental protection that are laid down in international agreements, and to ensure that these are complied with within its sphere of influence.

Implementation activities

For its customers, a company's efforts towards sustainable development are most clearly evident in the product assortment. Under the umbrella label Engagement, Migros carries products in all supermarket lines that have a clear ecological and social added value. Since early in 2008 Migros has been using the new TerraSuisse label in place of IP-Suisse and M-7. The label stands for natural farming on Swiss soil. In doing this, Migros is reacting to the demands of its customers, who regard animal welfare and nature conservation as important issues. TerraSuisse covers a broad range of customer requirements, and the label certainly offers added value at competitive prices.

In July 2007 Migros joined the WWF Climate Group. In doing so, Migros is reaffirming its stance on climate protection and communicating its positive benefits in a credible way to the general public. It has agreed targets with the WWF in respect of operational environmental protection and the product assortment. Migros has in fact already held a series of discount promotions for energy efficient electrical appliances. For example, there were special offers on automated coffee makers with automatic switch-off, power point connectors, electric kettles, washing machines and economy light bulbs. In this way, Migros is reacting to the greater sensitivity to these issues among a growing number of customers. Compared to the year before, for example, sales of economy light bulbs have doubled. Against this background of sound ecological and economic development, at the end of 2007 Migros also launched new types of halogen energy-saving light bulbs, which despite having the same uses as filament light bulbs consume 30 per cent less electricity.

The desire for long life and high quality of life is filtering through to more and more areas of society.

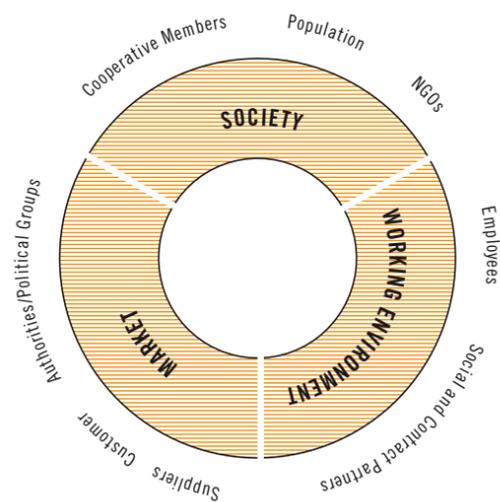
Migros has picked up on this trend, and has expanded its existing Actilife line into an all-round health and wellness programme. By the end of 2009 there should be a whole range of new products and services on offer, and the range of courses available from the Migros Club Schools has also been expanded accordingly. The Actilife and Léger product lines will also now carry more detailed nutritional labelling, the "Migros Food Facts". Parallel to this, in its own production facilities Migros has been working flat out on further reducing the level of unhealthy trans fatty acids, which occur in bakery products and chocolate, for example. Because of this huge commitment, Migros achieved its target of bringing the proportion of trans fatty acids in items produced by its own industry companies to under 2 per cent by the end of 2007.

Less visible to customers, but no less effective, is Migros' commitment to workplace environmental protection. This commitment by Migros to energy efficiency goes back 30 years. Migros has been cooperating with the Energy Agency for Industry (EnAW) since 2000, and has entered into binding agreements with it. As a result, all 590 Migros stores, the 10 operations centres, 14 Migros Industry companies, Migros Transport, the main premises of Hotelplan, Migros Bank and the FMC, and also – since last year – Globus, Interio and the leisure facilities all have binding climate protection and energy targets in place: carbon dioxide emissions should be reduced by 16 per cent by 2010. Not only are these efforts good for the climate, they are also financially worthwhile: nine Industry companies have now applied for exemption from the tax on CO₂ emissions imposed by the Federal Government from 1 January 2008. Also, businesses that have exceeded their targets can sell emission credits to the Climate Cent Foundation.

To achieve its climate protection targets, Migros is fully backing the Minergie standard. It has already played a leading role by extending this building standard to sales space, and now it is consistently forging ahead with implementing the standard in its stores. In autumn 2006 Migros opened the first supermarket to conform with this standard, and two more stores were added in 2007: Schwarzenburg BE and Buchs SG. Others are already under construction. The characteristic features of Minergie sales outlets are a well-insulated building shell and efficient refrigeration plants. This additional cost will pay off in the long term; with energy costs rising, savings at the workplace will more than compensate for the higher investment costs.

Stakeholder groups

According to its guiding principle, Migros wants to work with its customers, its suppliers and other interested groups within society to play an active part in shaping the future. Not only does Migros foster business and customer relations; it also has contacts with numerous stakeholders (see graph), ranging from simple exchange of information to cooperation. Its attitude to stakeholders is one of respect and openness. Migros is interested in hearing other views, and tries as far as possible to deal fairly with justified concerns. Time and again the dialogue with stakeholders has impacted on the company's economic, social and ecological performance. On the other hand, however, Migros also adopts an open attitude towards external groups, and lends an ear to their concerns.



Migros' stakeholders

Economic policy

As Switzerland's largest retailer and biggest food producer, Migros is committed to the economy at federal, cantonal and communal level. It plays an active part in the political debate, especially in respect of its core issues – agricultural policy and the campaign against excessively high prices. Migros' economic policy maintains the dialogue with representatives of the Federal Council, the Administration and Parliament.

Migros also takes part in working groups and communities to resolve political issues. Two years ago, Migros, together with some of its competitors, founded

the Swiss Retail Stakeholder Group (IG DHS). Its aim is monitor the concerns of the retail sector. In addition, Migros is also a member of the espace mobilité stakeholder group, to deal with problems relating to spatial planning, transport and environmental policy. Migros also supports relevant projects by organisations – but not, in principle, any political parties or individual candidates.

Commitment to consumers and the economy

Open markets mean lower prices and create greater prosperity. Migros' commitment to these also extends to the interests of consumers.

The battle for fair prices in Switzerland is still not won, even though the price differential with other countries has decreased, for various reasons. There are still trade restrictions and import barriers which enable mainly foreign producers to cream off more on identical products in Switzerland. An initial partial success was achieved in 2007 within the framework of the 2011 agricultural policy. Despite overwhelming opposition from the chemical and pharmaceutical industry, the Federal Chambers decided to allow parallel imports of agricultural production equipment. This has opened a breach, raising hopes that in regulatory policy terms a decent solution can also be found in other sectors. Migros has always stressed that it is prepared to compromise.

Opposition to the introduction of the "Cassis de Dijon" principle was less vehement; the move was strongly supported by Economics Minister Doris Leuthard. Products that are legally sold and distributed in EU countries should also, in principle, be allowed into Switzerland without extra controls. Because Switzerland is not a member of the EU, it can make independent decisions about justified exceptions that are in the national interest. Together with consumer organisations, Migros supports the view that the origin of sensitive products such as meat must still be indicated. Migros is especially reliable in this regard, because it still quotes prices on its products.

As the largest buyer of Swiss agricultural products, Migros is committed to a competitive farming industry. All the talk these days is about "Swissness" – and Migros lives by this ideal, because it processes what is produced by Swiss farmers itself in its own industry companies. But Migros has long campaigned for increased competition in the heavily regulated agricultural sector. After the Federal Council's competition committee called for the butter market to be opened up, Migros acted accord-

ingly, submitting an application to be allowed to refine Swiss cream in countries bordering Switzerland. This sparked movements in the market and in prices. The Federal Administration moved, too: the Directorate General of Customs finally approved the application, thus opening the way for more competition.

Migros is convinced that there are also opportunities on international markets for Swiss farmers, with their high quality products. With international grain and milk prices having risen sharply, Swiss farmers have become more competitive overnight, because the very high price differential with other countries has decreased. In the medium term, Migros sees a genuine opportunity for the entire value added chain in an agricultural free trade agreement with the EU, provided supporting measures are taken. The ground for this must be carefully prepared in advance. Such an agreement will ultimately stand a chance only if there is a wide-ranging common commitment to it. The Swiss Retail Stakeholder Group, of which Migros is a member, is prepared to assume responsibility.

Migros also feels obliged to actively support the concerns of the economy. For years now, it has been

campaigning for the electricity market to be opened up, something that Parliament has now approved at the second attempt. After Migros had secured unrestricted electricity supplies in the case of Freiburg at the Federal Supreme Court in 2002, pressure increased on politicians to create a better legal basis for an open electricity market. As a first step, large-scale consumers of electricity will benefit from free competition, and will be free to choose their suppliers. To actively support this process of opening up the market, and to prevent technical stipulations and bureaucratic obstacles from creating barriers to competition, Migros has joined other companies to form the large-scale electricity consumers group (GGS).

Migros scored another success in 2007, at communal level: the Zurich city council, under pressure from Parliament, followed the recommendation of price watchdog to cut the massive increases in sewage charges, by granting a bonus totalling CHF 60 million over two years. Migros, after consultation with major companies in the Zurich market, had appealed against the excessive increase in charges to the price watchdog.

Human resources

Progressive working conditions

All Migros employees enjoy working conditions that are truly groundbreaking. Now they also include paternity leave.

The collective agreement for Globus, Herren Globus, Interio and Office World, the only collective agreement (GAV) for the department store segment in the whole of Switzerland, was successfully renewed, effective 1 January 2008. Just like the Migros national collective agreement (L-GAV), it is representative of the corporate family policy. That is because family and work are two areas of life that must be sensibly linked together in a family-oriented corporate culture. Even though family policy is a duty for society as a whole, requiring the combined efforts of political groups, the economy and society, there is ultimately no escaping the fact that essential preconditions and specific possibilities for bringing career and family together can only be created within a company, a business or at the workplace. However, a family-oriented personnel policy cannot be limited to individual measures. Any positive effect can only be derived from a combination of many different measures.

That is why the new collective agreement for Globus, Herren Globus, Interio and Office World includes a bundle of additional measures to supplement existing benefits such as maternity leave (16-18 weeks on full pay). For female employees who no longer work during pregnancy, but who want to take maternity leave immediately after giving birth, pregnancy leave offers them the guarantee of an appropriate job for the entire term of the pregnancy. Fathers are now allowed a total of four weeks' paternity leave during the child's first year, and can claim two weeks' paid and two weeks' unpaid leave. Under the terms of the new parental leave, mothers or fathers have the right to devote themselves exclusively to childcare until the child is eighteen months old, and then to resume their career on the same terms. The period of interrupted employment for the family phase is taken fully into account when calculating the number of years a person is employed. By measures like these, parental leave raises another crucial point; that family work should be worthwhile, not become a career

blip. As well as paternity leave, the GAV also places key emphasis on the equal sharing of family duties between women and men. That is why the GAV gives equal status to traditional and new family structures and lifestyles (e.g. patchwork families).

With the collective agreement for the Globus, Herren Globus, Interio and Office World companies and the Migros national collective agreement (Migros L-GAV), Migros is maintaining two of only three consolidated collective agreements in the Swiss retail sector.

25 years of the Migros L-GAV

The Migros L-GAV, which has been regularly adjusted, expanded and revised for 25 years now, is today regarded as one of the best collective agreements in Switzerland. Originally conceived solely for sales, it now applies, uniformly and indiscriminately, to almost 50 companies that operate in 29 different industries. Uniting the Migros companies under the umbrella of the Migros L-GAV has an important integrative and identity-creating function. That is why Migros holds true to the principle "One Migros – one L-GAV". At the same time, however, the "one-for-all" rule in the Migros L-GAV is only a partial reflection of reality, because the individual companies and industries have to survive on different markets and stand up to competitors, many of whom have no collective agreements, or whose working conditions do not go anything like as far as those incorporated in the Migros L-GAV, for which Migros spends about CHF 600 million every year. Migros' labour costs are therefore several times higher than its competitors', giving those competitors a definite edge in terms of cost and competitiveness. The social and contracting partners have recognised this.

Because good working conditions, competitiveness and job security must go hand in hand, the partners have agreed industry solutions with Migros. These provide for working hours in the logistics, catering and leisure industries to be raised to 43 hours from 1 July 2008, with a 2 per cent wage differential. At the Club Schools and leisure facilities, from 1 July 2008 all new employees will be entitled to a standard five weeks' holiday leave. These

measures affect about 10 per cent of Migros' employees. For Migros, and for its social and contracting partners, it is therefore essential that these solutions contribute to competitiveness and to a positive employment trend, that all other benefits from the L-GAV also continue to apply in these industries without restriction, and that working conditions at Migros thus continue to be much better than those offered by its competitors. While collective agreements do not exist elsewhere, or parts of companies are outsourced, Migros and its social and contracting partners have been careful to ensure that all Migros companies, and all of their employees remain united under the umbrella of the Migros L-GAV, and that the "One Migros – one L-GAV" principle will still apply in the future.

Migros shows the way in adult education

The Migros Club Schools are today the biggest adult education institution in Switzerland. Their great strengths include quality, professionalism, a wide-ranging and innovative product and the huge commitment of all members of staff. Progressive working conditions are therefore an indispensable element of the Migros Club Schools' values. Their course leaders enjoy working conditions that are specially tailored to the situation of the teaching team and their needs. The standard terms of employment for course leaders at the Club Schools and leisure facilities of the Migros Community are setting benchmarks in the industry, and are very highly regarded by course leaders. Those terms were revised on 1 January 2007. The Migros L-GAV also applies to the Migros Club Schools. This makes them the only adult education institution in Switzerland with a collective agreement. Course leaders are also offered a tailor-made solution in the Migros Pension Fund (MPK). A special defined-contribution retirement pension plan has been open to them since 2007. With a benefit target of 74.1 per cent of insured income, the MPK continues to guarantee a high level of benefits. The Migros Club Schools absorb two-thirds of the cost of premiums (employer contribution: 17 per cent, employee contribution: 8.5 per cent).

Pioneering conditions of employment for management

The new conditions of employment for management (KAB) have set key points of focus in terms of personnel and corporate policy, and adopted new methods for age-appropriate personnel management. All of the new advances in the Migros L-GAV have been incorpora-

ted into the KAB. Extending family policy benefits to the KAB, especially with regard to pregnancy, paternity and parental leave, should increase the compatibility of career and family, so that there will be a more representative proportion of women in managerial positions. In terms of corporate policy, the new KAB assume the function of applying targeted measures and tools to prevent and combat any form of corruption. They therefore form an indispensable element of Compliance Risk Management. Migros is thereby concretising the broader obligations that it has voluntarily assumed under the terms of the BSCI Code of Conduct and the UN Global Compact on anti-corruption. It includes a provision whereby managerial staff and employees within Migros who report irregularities and/or corrupt practices (whistle blowing) are effectively protected against discrimination and acts of revenge.

Older employees will still be important to Migros in the future

The increasingly important role played by older members of staff in the economy and society, and the fact that it is important to make use of their experience and potential, is taken into account in the KAB by making retirement more flexible and individualised. There is already provision for it in the Migros L-GAV, and, taking new, age-appropriate career paths (gradual retirement, "career curve", delegation of project-related advisory, management and specialised services) into consideration, management staff should also be able to continue their employment beyond the previous statutory retirement age, structure their working life individually and continue to use their skills to contribute to the success of the company.

Setting standards in career development

Migros promotes talented people in a practical way, and has achieved a record for vocational exam passes.

In September 2007, Herbert Bolliger, FMC Chief Executive Officer, representing the 2,986 trainees from the Migros Group's 40 training centres, accepted the Jubilee Prize from the Hans Huber Foundation. This award was made in recognition of the commitment and belief that Migros has shown for many years in the dual education system in Switzerland.

Migros is also seriously committed to young school leavers, especially those with practical talent, and every year provides some 400 certified training places, which make it possible to achieve a Swiss federal certificate

after two years' training, with the option of obtaining a Swiss federal skills certificate after a further two years.

The experts of the Migros Group have been actively involved in planning the numerous vocational reforms, and have brought their experience and knowledge to a huge variety of bodies and commissions, and made an active contribution to modern, practical training.

In 2007, Migros' vocational training programme recorded a 97 per cent pass rate in final examinations. This result confirms the efforts that Migros has made to offer trainees a well-grounded, comprehensive and practical training, and at the same time to continuously promote training and additional development for vocational students.

Staff development

Migros is specifically preparing its managers to face the challenges of the future.

In 2007 the Migros management training programme focused even more seriously on the future needs of the market and of Migros internally. The professional development programmes have been structured and modified accordingly. The expansion of competence and career path models make it possible for talented Migros staff to optimally plan their careers within the Migros Group. For this purpose, Management Development Guidelines and development paths with corresponding development measures have been defined within the FMC as "on-the-job" and "off-the-job". New training programmes have been set up to integrate new managerial staff into the Migros Group, in which they are given an insight into its culture, values and methods by representatives of Migros' senior management. These measures constitute important steps for facing up to the demographic challenges to come over the coming years. At the FMC, employees can have structured discussions with their superiors, to give them feedback on their conduct as managers. This facility enables an even more open management culture, and promotes mutual trust in day-to-day teamwork.

The organisation and targeted development of its own managers at senior management level is very important to Migros, and is promoted intensively. Within the framework of the eMpower programme to promote the new generation of managers, "high potentials" have been prepared for the challenges of the future with current major issues at Migros in discussions with key decision makers and field visits. In addition, individually tailored development programmes are being defined and

implemented. To give its managers a future-oriented insight into international trends, Migros, together with five leading retailers from Switzerland and Germany and the Institute of Marketing and Retailing at the University of St. Gallen, has created a retail-focused executive training programme. This "Retail-Lab Certificate Programme" was run successfully in 2007.

Work safety and health protection

The efforts made by the Migros companies are having a positive impact.

To provide the Migros Group with a clear basis, framework conditions and practical tools for accident prevention and job-related illnesses, and for the implementation of the legal requirements, the "operational group solution" (BGL), which encompasses all industries, has been expanded to include Migros. Because of the efforts of the Migros companies, but also because of the improved conduct of employees, costs savings were once again achieved in 2007 in the Migros Group companies.

Workplace Health Management

Migros points the way: healthy staff in a healthy environment.

In cooperation with other major Swiss companies and institutions, Migros has formulated a set of quality criteria for workplace health management as a basis for a comprehensive concept for prevention and health promotion that takes both working conditions and individual health behaviour into account. These criteria exceed the legal provisions on work safety and health protection, and point the way to a model health-promoting organisation and modern workplace health management.

Wages and salaries policy

Once again there are marked increases in real wages; the reference wage is being raised to CHF 3,600.

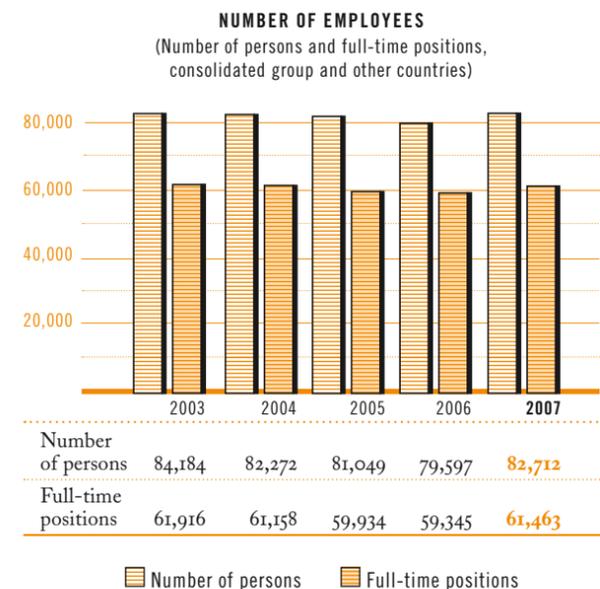
On 30 October 2007, Migros and its social partners agreed on wage increases averaging 2 per cent within the range of between 1.5 and 2.5 per cent of the total gross payroll. The total payroll amounts to around CHF 4.7 billion. This means that the many years' trend of constant growth in real wages has continued. With nominal wage adjustments of 17.5 per cent, the resultant real wage increase since 2001 amounts to 10.5 per cent. Individual wage adjustments are based on the principle of remuneration according to function and performance,

under the M-FEE system, focussing on leading, developing and rewarding staff. On the basis of the minimum wage of CHF 3,300, according to region and labour market situation, reference wages up to CHF 3,600 are now paid.

IN % AS AT 1 JANUARY	2003	2004	2005	2006	2007	2008
Negotiated wage increase	1.75-2.25	1.25-1.75	1.5-2.0	1.5-2.0	2.0-2.5	1.5-2.5
Benchmark price increase (national consumer price index as at September of previous year)	0.5	0.5	0.9	1.4	0.8	0.7

Statistics

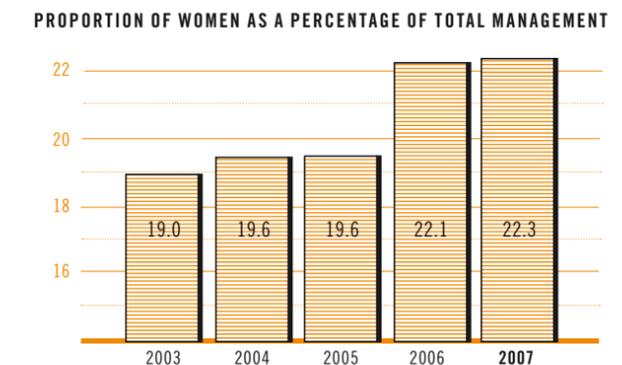
Workforce



As a result of the incorporation of Denner AG and Migros Bank (4,633 persons or 3,692 full-time positions) into the consolidated group, the total workforce of the Migros Group has increased to 82,712 (61,463 full-time positions). Without this integration, the personnel figures would be slightly lower, as in previous years.

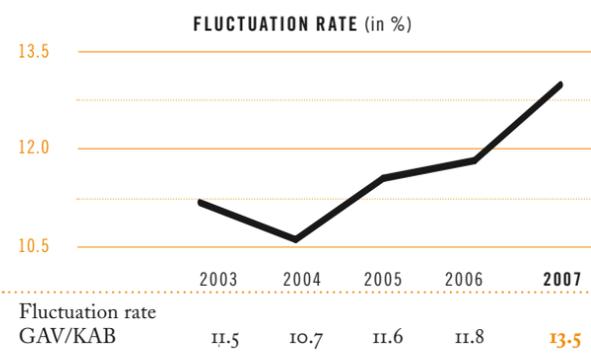
The proportion of managerial staff in the total workforce has increased slightly to 5.5 per cent. Approximately 2.5 per cent of the workforce are employed in other countries.

The proportion of women in managerial positions in 2007 was once again up slightly, levelling out at 22.3 per cent.



Fluctuation rate

Labour market trends also led to an increase in the fluctuation rate of the Migros Group, to 13.5 per cent (2006: 11.8 per cent). There was also a similar rise in loyalty to the company among long-serving employees. More than one-third of the staff have been working at Migros for over ten years. The average length of service in the company (excluding limited contracts of employment) is seven years.



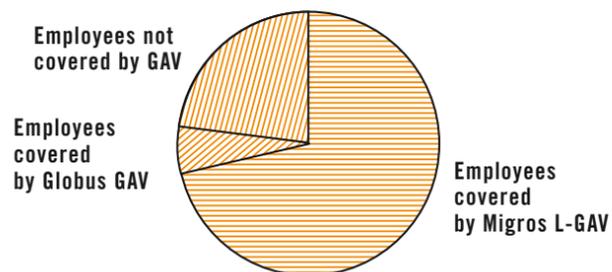
Proportion of foreign workers

The proportion of foreign workers within the consolidated Migros Group companies fell in 2007 to 27.6 per cent. The decrease is due to the integration of Migros Bank into the consolidated group. The foreign workers come from over 140 countries, with about 52 per cent of foreign employees coming from EU countries. The Migros companies are well aware of the huge diversity of their workforce, and are fully committed to preventing workers being disadvantaged or discriminated against on the basis of personal characteristics. The M-FEE tool forms the foundation for this. The system, which is based on an analytical function assessment, supports target-oriented management, recording of individual potential and fair remuneration.

(in %)	2003	2004	2005	2006	2007
Proportion of foreigners	26.2	26.4	28.2	28.5	28.1

Proportion of workers covered by GAV/KAB

The proportion of employees who are covered by the Migros or Globus collective agreement (GAV) or the conditions of employment for management (KAB) (Switzerland):



The working conditions of over 40 companies in the Migros Group are based on the still exemplary Migros national collective agreement (L-GAV) or the Globus GAV. These companies between them employ a total of 76,924 people, over 76 per cent of whom are covered by the collective agreement or the conditions of employment for management. Those workers who are not covered by a GAV also benefit from attractive conditions of employment.

Employee benefits from the Migros Pension Fund

To supplement the existing information concept, which incorporates the Internet and Extranet, the MPK office has chosen a new way to keep active insured members and members receiving pensions directly informed on a periodic basis. In June 2007 the first edition of the new information sheet "Vorsorgeflash" was sent out to all insured members.

The past year has been used to revise existing regulations, or to draw up new ones. Accordingly, a revised version of the foundation charter, a revised set of rules for the pension scheme, including decree and new voting rules for electing or nominating employee, employer and pensioner representatives to committees, came into effect on 1 January 2008. The insurance plan for our pension fund, which is a defined benefits scheme, remained largely intact.

Regardless of age, all insured members pay the same number of contributions for their old-age pension. The employer pays an equal amount, but on top of this also bears the full cost of buying in wage rises, for administering the fund and the old-age interim pension. The criteria for determining pension benefits are age, insured salary and insurance term. The target pension benefit is 74.1% of the insured salary on regular retirement at age 63.

No less than CHF 512.4 million was contributed in regulatory benefits during 2007. It is interesting to note here that 29.3% of new pensioners (311 persons) took up the option of drawing part (maximum 25%) or all of their pension as a one-off capital benefit. In all, 93 people chose to take their full pension in the form of a capital benefit.

At its November meeting, the fund's council also decided to grant all those receiving old-age, widows' and widowers' pensions above the age of 62 an additional one-off payment of CHF 200 in the form of shopping vouchers (for those living in Switzerland, otherwise as a credit on their account).

Leisure facilities

Golfparks

"Let's play Golf"

The new Golfpark in Oberkirch, Canton Lucerne, is Migros' seventh golf club.

In 2007, the Migros Golfparks launched a Golfcard for independent golfers. The Golfcard Plus costs CHF 220 and includes handicap management, a free competition and other special rates. By the end of 2007 there were already 1,800 golfers holding a Golfcard Plus, which is accepted at more than 60 official ASG golf clubs. At the end of the year the Swiss Golf Association (ASG) and Migros signed an agreement, whereby from 2008 the Golfcard Plus will become the ASG GolfCard, which will considerably increase its acceptance at both national and international level.

The end of August 2007 saw the official opening of the Oberkirch Golfpark. Glasses were raised at an all-day celebration to mark the opening of the seventh Migros Golfpark. And incidentally, the Oberkirch golf club already has 600 members.

The "Let's play Golf" event, a Migros youth promotion project which is already in its third year, closed this year with finals day in Holzhäusern. Of the 8,000 school students who could have been eligible for "Let's play Golf" in 2007, 1,800 youngsters learned how to play golf, and 108 of them managed to qualify for the final. Following its great success, there is talk of another "Let's play Golf" in 2008.

Fitnessparks

"The motor of life"

The Migros Fitnessparks are committed with the "go ..." health promotion and prevention campaign.

"The cardiovascular system – the motor of life", was the motto for the first of twelve topics covered by "go ...", the new health promotion and prevention campaign by the Migros Fitnessparks. The commitment to health promotion and disease prevention began at the end of 2007, with the aim of promoting more exercise, more relaxation and a healthier lifestyle. Every three months Fitnesspark members can find inspiration in a new theme; members can also benefit from free testing facilities and try out new training methods, courses and relaxation facilities.

The Migros Cooperative Zurich has expanded in the fitness market and early in 2007 took over Activ Fitness AG. As a result of this takeover, the region covered by the Zurich Cooperative now caters for a further 20,000 members of the nine Activ Fitness facilities in addition to the 20,000 members of the five Migros Fitnessparks. Migros Zurich has therefore moved into the medium-sized format – an ideal complement to the large-scale facilities operated up to now.

Fitness and wellness enthusiasts in the Berne area are looking forward to the new year. The new WEST-side leisure and shopping centre is to open in October 2008; this is an exclusive location that will meet the highest standards of those seeking rest and relaxation and will exceed their expectations of modern training facilities including professional advice and performance diagnostics.

Migros Culture Percentage

From an idea to a philosophy

The Migros Culture Percentage celebrated its 50th jubilee with a youth culture competition and other activities.

The year 2007 was an extraordinary one for the Migros Culture Percentage: it celebrated its 50th birthday! The Migros Community incorporated the Culture Percentage into its Statues in 1957. Since then, within the framework of the Culture Percentage, Migros has made voluntary commitments in the cultural, social, educational, leisure and economic sectors. With countless projects and activities, the Migros Culture Percentage has provided a broad section of the public with access to culture and education, and has enabled people to play a part in the social, cultural and economic changes that have taken place in society.

The 50th birthday was celebrated in the proper way. The Jubilee year was centred on the national youth competition MyCulture.ch, which offered young women and men an opportunity to experience the pleasure that cultural creativity can give, with professional support in camps and on tour in Switzerland, and to develop it further. The Migros Cultural Percentage "Pass" competition drew the attention of a broad section of the public to the commitment of the Culture Percentage. For the winners, the coveted prizes were the "passes", entitling them to unlimited admission to various Cultural Percentage events. Finally, the Migros Cultural Percentage Jubilee Awards recognised individuals or institutions in ten categories whose work had won people over by its creativity, innovation and imagination. The highlight of the Jubilee year was the great birthday party on 25 August in Fribourg, with guest attendees including Federal Councillor Pascal Couchepin, who gave a speech at the party that delighted the many guests from the worlds of culture, politics, business and society.

Culture

Projects and institutions

The Migros Cultural Percentage maintains and supports many different institutions and projects. The Cultural and Social Affairs Directorate of the Federation of Migros Cooperatives is primarily responsible for commitments of national significance. In the cultural domain, the projects conceived and realised during 2007 included:

- The pop music festival m4music, which celebrated a mini jubilee of its own: first staged in 1997, the festival in Zurich has grown into one of the most important rendezvous for national pop music. One part of the festival in particular, the "Demotape Clinic", where experts comment publicly on demo recordings by young bands, has always proved very popular.

- Prairie was launched in 2007 as a new scheme for promoting theatrical productions in Switzerland. The scheme continues the Migros Cultural Percentage's long tradition of co-production, and should help interesting theatrical productions that show potential to make guest appearances at more venues. The curtain raiser for the promotion scheme was a production by Lukas Bärfuss.

- In the field of digital culture, the Migros Cultural Percentage honoured pioneering projects with contributions of work for the first time in 2007. These new promotional programmes supplement the other activities in this domain that have been around for more than ten years now with projects such as digital brainstorming, bugnplay.ch or homemade-labor.

- The migros museum für gegenwartskunst enjoys a very good reputation in the contemporary art world, both nationally and internationally. The individual exhibition by the American Rachel Harrison, voted Exhibition of the Year, was rapturously received by the critics, with the artist also being voted Artist of the Year by the art magazine Artforum international. The summer exhibition by the Swiss artist Olaf Breunig was a favourite with the public.

- Contemporary interpretations of Swiss folk music: the Musiques Suisses label has a growing commitment to new trends in Swiss folk music, including as

co-producer of the "Alpentöne" festival compilation in Altdorf. The recording "Lyoba", featuring Thierry Lang, the renowned pianist from western Switzerland, became a hit even before its official release date.

Society

Networks and platforms

The Migros Cultural Percentage is committed to a multifaceted and vital society, one in which as many people as possible are able to play an active part. To do this, the Migros Cultural Percentage creates networks and platforms for developing new ideas. With this as a backdrop, the Cultural and Social Affairs Directorate continued to develop a number of projects in 2007:

- For several years now, VitaminB has provided competent support for voluntary club committee members. The manual "Der Verein von A-Z – Eine Anleitung in 400 Stichworten" is an easy to understand alphabetical list of headwords introducing the collected know-how of VitaminB, and represents another milestone in the successful story of this project.

- Motivating overweight children and youngsters to adopt healthy eating and exercise regimes is the aim of the club minu. The programme is exemplary in the way it deals with obesity, and has now been incorporated as an obligatory component of mandatory health insurance policies, which can be regarded as a major commendation.

- The intercultural sponsorship prize conTAKT makes awards to projects that encourage the integration of people from different cultures. This year's conTAKT prizes were awarded to seven projects that create space for intercultural encounters and experiences, including for the first time two projects from Ticino.

Education

Migros Club Schools

In 2007 the Migros Club Schools made history.

For the first time since they were founded in 1944, the Club Schools launched a sub-brand, Club School Business. All career-relevant courses and teaching programmes are now grouped together, marketed and conducted through Club School Business, while leisure-based courses will continue to be offered under the Migros Club School brand.

Together, the courses on offer from the Migros Club Schools and Club School Business in 2007 inspired half a million people to go back to school. With their newly acquired linguistic, creative or vocational skills, 2007 will leave them with an unforgettable impression.

Business Unit Club School Business

"Schärfen Sie Ihr Profil" – sharpen up your profile! That's what Club School Business has been promising since 1 May 2007. The central element of the new sub-brand is the expansion of vocational training and continuing professional development products, and linked to this are more facilities for taking Swiss federal and international examinations. As a result of this repositioning, there is a different, needs- and target group-oriented approach, to communication and also to the products and services on offer. As well as the expansion of the vocational training and continuing professional development (CPD) product, advisory services and quality management, infrastructural development is another of the quality features of Club School Business.

Two new products were successfully launched in the Management & Economy domain in 2007: the diploma courses for export and human resources administrators. These practical courses fill in the gaps between basic courses offered by office administration or commercial colleges and the Swiss federal specialist diploma courses for managers or technical sales engineers.

The "Begegnung mit China" ("encounter with China") forum staged by the Club School Business in September 2007 featured two events on the theme of intercultural communications with China ("Interkulturelle Kommunikation: China"). Business people who wanted to improve their professional links with China were shown possible ways to achieve a better understanding of Chinese daily life and business culture by the Swiss Consul General in Hong Kong. The events form part of the activities of the Club School Business dealing with theoretical and practical aspects of communication in the Chinese environment.

Business Unit Languages & Leisure

Once again in 2007, the Migros Club Schools were a byword for active leisure time organisation, and several new products geared to the market have been added to the programme. In view of the growing importance of the healthcare market, for instance, all of the health-promoting courses in the exercise, relaxation and nutrition domains have been amalgamated into the range of "Angebote mit dem gesunden Plus" – products with a healthy plus. There are 25 of these courses in all, includ-

ing, for example, Hatha Yoga. Most of the courses are recognised by health insurance schemes.

The national “health day” at the end of October, as well as providing an information leaflet, focussed especially on communication. People could go along to more than 30 centres to find out, free of charge, about health-promoting courses and obtain advice about health issues. Another success with the public was the national “day of dance”, when people could attend different dance classes, alone or in couples, and try their first steps in the salsa, the waltz or hip-hop.

In January 2008 the Migros Cooperative Zurich will take over the Colombo Dance Factory. The existing site will be retained, as will the brand name “Colombo Dance Factory”. This represents an ideal addition to the Club School product in the field of dance; whereas the Club Schools had previously positioned their dance product in the hobby sector, the Colombo Dance Factory brings with it a new emphasis on professional training.

Other news from the Migros Club Schools

The launch of the Club School Business also had a major impact on the Migros Club Schools Internet site, with changes made to its appearance and content. The record number of registrations the year before was exceeded by 15 per cent, rising to around 115,000 registrations. This success is the result of intensive marketing of the products in an array of online tools such as the Newsletter and Teaser.

A new site is in preparation for 2009, which will focus on improved customer guidance and the application of new technologies.

SAP Campus – Migros Club Schools’ new sales and information system – has been in use since August 2007 throughout German-speaking Switzerland. The launch will be complete when the schools in the French-speaking part of Switzerland also introduce the system from 2008. The system will improve efficiency, for instance enabling centralised set-up of the Club School Business programme of teaching and courses.

The Lausanne Club School has moved to new premises in the centre of Flon. The Geneva and Locarno Club Schools have also opened at new locations. In these new Club School centres, the infrastructural requirements of Club School Business have been met in full. As a result of architectonic measures (partial renovation) at many other sites, such as Basel, Club School Business has made its presence both seen and felt.

Eurocentres

Learning languages where they're spoken: 30 schools worldwide

The mission of the Eurocentres Foundation is to help achieve understanding between peoples across national, cultural and social borders. To fulfil this mission, foreign students are taught the language of the respective country at 30 schools around the world.

Teaching volume in 2007 was 3.6 per cent up on the previous year. A total of more than 11,000 participants from more than 90 countries enrolled on a residential language course at one of the 30 locations of the global Eurocentres school network, where English, French, Spanish, German, Italian, Japanese and Russian are taught. The average length of stay has risen slightly compared to the previous year, and it was good to see a steady increase in participant numbers at the Eurocentres in Berlin, which first opened at the beginning of the year.

There is still room for improvement in Switzerland and various other markets, in contrast to the many years of well above average growth in historically smaller markets and regions such as Turkey, South West Asia, Colombia and others. Over the last few years, the constant growth by these countries has made them key sales markets. Eurocentres has successfully established itself as one of the most important providers, offering the best quality of teaching and support for language travellers in these key markets that hold such great promise.

Further highlights of 2007 were the preparations for the opening of two new Eurocentres Schools in Silicon Valley (USA) and Sydney (Australia) in 2008, and a revised course programme. Each individual participant now follows a language learning programme especially created for him or her for the whole period of their stay, as well as a range of courses that is even better suited to the different financial and time arrangements of each course participant, so that they can achieve their set learning targets as effectively as possible. As a result of the cooperation with various universities and higher education institutions, Eurocentres graduates will have easier access to a course of study.

Also in 2007, members of Eurocentres staff participated on various international bodies aimed at continuing academic development and the standardisation of foreign language learning.

Leisure

Green Meadow Parks

What a beautiful country Switzerland is: five fantastic destinations.

The public adventure worlds – the Green Meadow Parks and the Monte Generoso Railway – can be traced back directly to the social commitment of Migros’ founder, Gottlieb Duttweiler, who created the Migros Culture Percentage in 1957.

The idea behind the Green Meadow Parks on the Gurten hill near Berne, in Münchenstein, Rüschtikon and Signal de Bougy is for the Migros Culture Percentage to encourage people to go out and encounter nature for themselves. For families, the highlights are the child-friendly free play areas and the many other attractions. Food and drink are available at low prices and in typical Migros quality, to give everyone a culinary excursion as well. All the valuable information about the Parks and the Monte Generoso Railway can be found in a brochure that will be published shortly.

A newly designed prospectus entitled “So schön ist die Schweiz: 5 traumhafte Destinationen für unvergessliche Events” (“what a beautiful country Switzerland is: 5 fantastic destinations for unforgettable events”) describes the Parks’ ideal setting for holding all kinds of events in an extraordinary atmosphere. Also included are details of how to get there and information about catering facilities, as well as the size and infrastructure of the seminar and party rooms. Ideal for weddings, family celebrations and conferences, with the choice of a breathtaking panoramic viewpoint at 1,704 metres above sea level (Monte Generoso) or the magnificent views in one of the Parks.

Monte Generoso Railway

The range of leisure activities also includes Monte Generoso in Ticino, a mountain that has great views and is ideal for hiking. The Migros Cultural Percentage keeps this attractive recreational area open to the public through its support for the Monte Generoso Railway.

The year 2007 was a good one on the Monte Generoso. Back in 2005 the railway carried a total of just over 51,000 people; just two years later the figure had risen to 67,000. A major tourism campaign in Canton Ticino attracted over 8,800 extra passengers in 2006. Although there was no such campaign in 2007, passenger numbers still rose by 4.7 per cent.

In the catering sector, too, improvements in quality and effective marketing are paying off. Sales at the

“Vetta” hotel restaurant topped the CHF 1 million mark for the first time in over ten years. At the small “Buffet alla Bellavista” sales were double those expected. The campsite in Melano suffered as a result of the inclement weather in the summer months, and sales were about 20 per cent down.

The good results for 2007 have to be seen as an interim stage in the process of relaunching and repositioning the Monte Generoso Railway. In the next few years this should see the railway returning to a leading position in the tourist promotion sector in Ticino.

Economy

Gottlieb Duttweiler Institute (GDI)

The power shift on the markets was one of the central issues that occupied the independent think-tank from Rüschtikon near Zurich in 2007.

The predominant theme for 2007 at the Gottlieb Duttweiler Institute (GDI) was the phenomenon of the “power shift” – the changing power relationships on the market, where consumers have an ever greater influence, and the niche market is replacing the mass market. This new allocation of roles, with its new buying behaviour and new opportunities for providers, was a central theme running through publications and events.

The studies generated considerable interest. With “Vertrauen 2.0”, the GDI once again managed to launch a theme, living up to its reputation as a centre for inspirational thought. The same was true of “Shopping and the City 2020”, an unconventional view of trends that was well received well beyond the borders of Switzerland. But the information journal “GDI Impuls” – for instance on the subject of “eco-hype” – or commissioned studies, such as the special jubilee study for hotellerieuisse on the future of the Swiss hotel industry (“Die Zukunft der Schweizer Hotellerie”) evoked massive interest.

The four specialist conferences – the European Consumer Trends Conference, European Marketing and Sales Conference, International Retail Conference and European Foodservice Summit – once again attracted the interest of a select public from a very broad range of industries, thanks to the well thought-out formulation of themes and the presence of international experts. Delegates were appreciative of, and full of praise for the excellent hospitality, exquisite cuisine and ordered ambience of the Institute as an event location.

The two evening events, “Pioneers” and “Food for Thought”, also produced an extremely positive re-

sponse, with speakers like Nobel Peace Prize winner Muhammad Yunus or the German political expert Peter Scholl-Latour.

Over the past year, the GDI's innovative spirit and the reliability of the issues it covers once again boosted demand for its services; there were more talks given by members of its staff, and also a rise in requests for tailor-made research. There was a corresponding rise in enquiries from the media, who are turning ever more frequently to the GDI in their search for competent and unexpected answers.

To give all visitors a sense of the unique spirit of this Institute as a contemporary, unconventional meeting point, the events building, which dates from 1962 is to undergo ten months of extensive renovation work. When it reopens early in September 2008, the GDI will be able to welcome its customers, guests and partners with even greater comfort, space and quality.

Gottlieb Duttweiler Chair

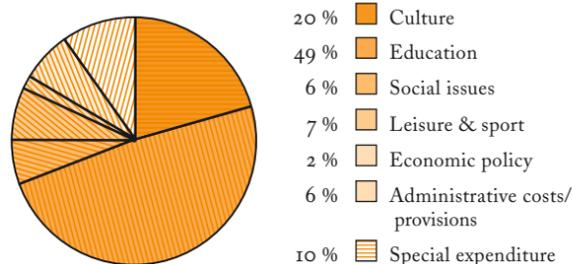
The Gottlieb Duttweiler Chair of International Retail Management is an important contribution by the Migros Culture Percentage to research and teaching in the field of economics. The internationally recognised competence centre was set up to mark Migros' 75th anniversary in 2000. It is established within the

Institute of Marketing and Retailing at the University of St. Gallen.

The Gottlieb Duttweiler Chair of International Retail Management undertakes research on issues covering the whole sphere of retailing and wholesaling. It supports the practical transfer of its research findings and promotes the new generation of academics.

To this end it has a national and international network of renowned research staff and enterprises.

FMC AND MC: PERCENTAGE DISTRIBUTION OF THE CULTURE PERCENTAGE



EXPENDITURE BY THE CULTURE PERCENTAGE				
FMC AND MC	2007		2006	
	IN CHF MILLION	IN %	IN CHF MILLION	IN %
Culture	24.9	20%	27.3	24%
Education	63.5	49%	64.2	55%
Social issues	7.2	6%	4.9	4%
Leisure & sport	8.9	7%	11.2	10%
Economic policy	2.5	2%	1.8	2%
Administrative costs/provisions	7.2	6%	6.3	5%
Special expenditure	13.1	10%	0.0	0%
TOTAL	127.3	100%	115.7	100%
FMC				
Culture	15.2	29%	17.3	39%
Education	11.0	21%	17.0	38%
Social issues	5.3	10%	3.0	7%
Leisure & sport	3.4	6%	3.8	9%
Economic policy	1.6	3%	1.0	2%
Administrative costs/provisions	2.7	5%	2.4	5%
Special expenditure	13.1	26%	0.0	0%
TOTAL	52.3	100%	44.5	100%

Migros Media

Migros Press

Three million readers

“Migros-Magazin” and “Migros Magazine” provide weekly information and entertainment for customers.

The total circulation and readership of the three Migros magazines remained stable in 2007 at a high level. Every week, they help the Migros Community to reach over three million customers. In the case of “Migros-Magazin” and “Migros Magazine”, the circulation has once again been slightly reduced and optimised by eliminating double deliveries to Cooperative members and M-Cumulus customers in the same household.

KEY FIGURES (IN THOUSANDS)	CIRCULATION	READERSHIP
Migros-Magazin	1,596,504	2,323,000
Migros Magazine	517,503	591,000
Azione	101,356	114,000
TOTAL	2,215,363	3,028,000

Source: WEMF circulation statistics 2007 and Mach Basic 2007-2

Saisonküche

“Saisonelle” launched

Six times in 2008, the new women’s magazine will focus on topics looking beyond the kitchen.

“Saisonküche” is still the sixth biggest magazine in Switzerland. This is still a very high circulation for a special interest magazine. Nevertheless, Migros’ three-language cookery magazine is coming under increasing pressure from free recipes on the Internet and also from an excess supply of information from the cookery sector, especially on the television. As a result, the magazine has lost circulation and readers in all three language regions. Increased development of additional services on the www.saison.ch Internet platform, which was revamped in November, along with targeted marketing, should halt this trend.

The launch of the special issue of “Saisonelle” went well. After four test issues the women’s magazine will be incorporated as an insert to “Saisonküche” and will appear six times in 2008, but to begin with only in German-speaking Switzerland.

KEY FIGURES (IN THOUSANDS)	CIRCULATION	READERSHIP
Saison-Küche	137,958	471,000
Cuisine de Saison	33,394	138,000
Cucina di Stagione	11,336	33,000
TOTAL	182,688	643,000*

* Because of a rounding difference, the total of all three titles is higher by 1,000 readers.

Source: WEMF circulation statistics and Mach Basic 2007-2

www.migros.ch

Portal to the digital orange world

Visiting the Migros Internet portal has become an easier and more pleasant experience.

At the beginning of May 2007 the Migros Internet portal was relaunched. The input portal to the digital orange world is now clearly sales-oriented, with prominent space also allocated to the Migros Group’s e-commerce shops. As well as product information, the Cooperatives have also been more optimally incorporated.

Report on the financial situation

A. Overview

A. 1. KEY FIGURES AND RATIOS

Unaudited

	MIGROS GROUP	
	2007 CHF MILLION	2006 CHF MILLION
Income	22,696.5	21,374.5
of which income before financial services business	21,705.2	20,461.5
Earnings before finance income and income tax	1,043.1	947.6
Group Profit	800.9	839.1
Cash Flow (from operating activity)	1,267.7	311.4
of which retail and industry sector	1,945.8	1,234.9
Investments	1,421.0	997.0
Shareholders' equity	11,639.1	10,857.4
of which retail and industry sector	10,138.9	9,419.8
Balance sheet total	46,732.1	43,717.3
of which retail and industry sector	18,832.8	16,385.0

A. 2. INCOME STATEMENT

CHF MILLION	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2007	2006	2007	2006	2007	2006
Net revenue from goods and services sold	21,341.1	20,132.0	21,341.7	20,131.8	3.4	5.3
Other operating income	364.1	329.5	364.6	313.4	1.3	17.0
INCOME BEFORE FINANCIAL SERVICES BUSINESS	21,705.2	20,461.5	21,706.3	20,445.2	4.7	22.3
Income from financial services business	991.3	913.0	-	-	992.6	914.6
TOTAL INCOME	22,696.5	21,374.5	21,706.3	20,445.2	997.3	936.9
Cost of goods and services sold	12,907.0	12,036.8	12,908.2	12,037.9	-	-
Expenses of financial services business	446.2	384.7	-	-	452.2	391.3
Personnel expenses	4,653.4	4,615.2	4,510.4	4,474.9	143.4	140.3
Depreciation	975.2	906.9	962.7	892.5	12.5	14.4
Other operating expenses	2,671.6	2,483.3	2,548.5	2,364.2	126.0	122.0
OPERATING PROFIT	1,043.1	947.6	776.5	675.7	263.2	268.9

¹ Unaudited; before consolidation of transactions between the two sectors

A. 3. BALANCE SHEET

CHF MILLION	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2007	2006	2007	2006	2007	2006
ASSETS						
Cash and cash equivalents	2,834.9	2,412.2	1,758.1	1,532.4	1,204.4	1,308.4
Receivables due from banks	391.1	258.4	358.9	252.6	129.7	158.0
Mortgage and other customer receivables	24,889.5	23,672.3	-	-	24,940.6	23,717.8
Other receivables	924.3	767.7	898.5	759.6	26.5	8.8
Inventories	2,041.1	1,787.9	2,041.1	1,787.9	-	-
Other financial assets	3,323.0	3,970.7	942.6	694.8	2,380.4	3,276.0
Investments in associated companies	99.6	38.4	837.1	775.8	-	-
Investment property	305.3	381.6	272.8	348.7	32.5	32.8
Tangible assets	10,333.5	9,603.2	10,201.8	9,473.7	131.7	129.5
Intangible assets	1,072.9	284.7	1,068.3	284.7	4.6	-
Other assets	516.9	540.2	453.6	474.8	64.3	66.6
TOTAL ASSETS	46,732.1	43,717.3	18,832.8	16,385.0	28,914.7	28,697.9
LIABILITIES						
Payables due to banks	1,439.3	930.6	1,311.4	757.4	167.6	223.4
Customer deposits and liabilities	19,391.6	19,290.3	-	-	19,613.2	19,869.4
Other financial liabilities	2,132.6	1,706.2	2,128.6	1,690.8	4.0	15.4
Other liabilities	2,761.9	2,540.6	2,532.9	2,287.9	245.7	251.4
Provisions	98.9	103.7	93.7	98.0	5.1	5.7
Issued debt instruments	7,340.8	6,536.8	991.5	642.1	6,349.3	5,894.8
Liabilities from employee benefits	516.2	510.9	506.9	501.8	16.9	16.2
Current income tax payables	83.9	66.7	77.4	62.6	6.6	4.1
Deferred income tax liabilities	1,327.8	1,174.1	1,051.5	924.6	274.6	248.1
TOTAL LIABILITIES	35,093.0	32,859.9	8,693.9	6,965.2	26,683.0	26,528.5
TOTAL SHAREHOLDER'S EQUITY INCLUDING MINORITY INTERESTS	11,639.1	10,857.4	10,138.9	9,419.8	2,231.7	2,169.4
TOTAL LIABILITIES AND EQUITY	46,732.1	43,717.3	18,832.8	16,385.0	28,914.7	28,697.9

A. 4. CASH FLOW STATEMENT

CHF MILLION	Migros Group		Retail and Industry sector ¹		Financial Services sector ¹	
	2007	2006	2007	2006	2007	2006
Cash flows from operating activity	1,267.7	311.4	1,945.8	1,234.9	-876.8	-577.1
Cash flows from investing activity	-1,677.3	-585.7	-2,092.6	-884.9	416.2	291.1
Cash flows from financing activity	829.5	334.2	369.7	-128.5	356.6	459.7
CHANGES IN CASH AND CASH EQUIVALENTS	419.9	59.9	222.9	221.5	-104.0	173.8
Cash and cash equivalents, at beginning of year	2,412.2	2,340.4	1,532.4	1,299.0	1,308.4	1,134.6
Foreign exchange differences	2.8	11.9	2.8	11.9	-	-
CASH AND CASH EQUIVALENTS, AT END OF YEAR	2,834.9	2,412.2	1,758.1	1,532.4	1,204.4	1,308.4

¹ Unaudited; before consolidation of transactions between the two sectors

B. Introduction

Migros Bank, which in the past had been included using the equity method (proportionate shareholders' equity) is now fully consolidated under IFRS as a result of Migros Group changing its accounting system from Swiss GAAP ARR ("Accounting and Reporting Recommendations") to IFRS ("International Financial Reporting Standards"). The Financial Services business of Migros Bank differs fundamentally from other segments of the Migros Group. It is for this reason that in the annual accounts of the Migros Group two sectors have been added in the Report on the financial situation: Below, the Migros Group without the Financial Services business is referred to as "Retail and Industry sector" and the Migros Bank as "Financial Services sector". This separate reporting allows outsiders to gain a good insight into the income, financial and asset position of the two sectors. The below table provides an overview of the segments assigned to the sectors:

SECTOR	CONSISTING OF THE SEGMENTS
Retail and Industry sector	Retail Migros, Retail Others, Travel, Oil and Fuel, Others
Financial Services sector	Financial Services (Migros Bank)

The information provided for the sectors refers to the annual accounts before elimination of intercompany transactions between the Retail and Industry and the Financial Services sector. The respective totals do therefore not correspond with the totals of the audited annual report of the Migros Group. According to the IFRS this additional information is not mandatory and has therefore not been audited.

C. Acquisitions and disposals

During the financial year 2007 mainly the following companies were acquired:

The Board of Directors of the Federation of Migros Cooperatives (FMC) decided on 12 January to acquire 70% of Denner AG, Zurich. The remaining 30 percent are held by Gaydoul Holding. This partnership with the leading food discounter in Switzerland perfectly fits the Migros strategy of participating in the growing discount market with additional ranges. The joint venture also considerably contributes to securing Denner's competitiveness in the long term and to reinforce the competitiveness of Migros Industry. Philippe Gaydoul will remain Head of Operations for at least another three

years and will ensure that in the future Denner will also remain Denner. The Federation of Migros Cooperatives has acquired a call option for the remaining 30 percent of the shares. On 3 September 2007 the Competition Commission approved the acquisition of Denner subject to the certain conditions. Denner will be included in the consolidation group as of 1 October 2007. The company has been allocated to the segment Retail Others.

Migros Aare has acquired all of the shares of the Egerking shopping centres Gäupark North and Gäupark South as of 1 January 2007 thus safeguarding their successful future. The centres were sold by the former owner Georg P. Hein, who can now rest assured that his life's work is secure. There will be no changes to the existing concept or job losses. The Egerking shopping centres will be included in the consolidation group as of 1 January 2007. The company has been allocated to the segment Retail Migros.

The Migros Cooperative Zurich, already operating five Migros fitness parks, has acquired 100% of the shares in Activ Fitness AG, Zurich as of 2 April 2007. Following the acquisition, the two most successful fitness chains in the economic region of Migros Zurich have been planning their joint future. Activ Fitness AG will be included in the consolidation group as of 1 April 2007. The company has been allocated to the segment Others.

On 27 October 2006, the Federation of Migros Cooperatives acquired a 30% shareholding in Cash+Carry Angehrn (CCA). This partnership with one of the most significant Swiss Cash + Carry operators for the hospitality sector and small retailers fits in with Migros' strategy of strengthening the bulk customer business and processing it in its entirety. The Competition Commission has approved the acquisition of the shareholding on 8 January 2007. CCA was integrated as an associated company on 1 January 2007.

During 2007, the Hotelplan group has disposed of several smaller companies (for details see Note 46).

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

2007 CHF MILLION	INCOME	EXPENSES	OPERATING PROFIT
SEGMENT			
Retail Migros	8.9	7.5	1.4
Retail Others	690.2	671.8	18.4
Others	17.3	18.2	-0.9
TOTAL EFFECT OF ACQUISITION	716.4	697.5	18.9

D. Income trend (sales trend) of Migros Group

The Migros Group produced income of CHF 22.7 billion, representing a growth of 6.2 percent. The Retail and Industry sector saw a growth of 6.2 percent equal to CHF 21.7 billion. The growth rate after adjustment of acquisitions amounts to +2.7 percent. The core business

has seen a moderate growth despite discounting; some market share was, however, lost to competitors. The Financial Services sector significantly increased income from customer business, shows income of CHF 997.3 million with a growth of 6.4 percent and continued to gain in market share.

D.1. INCOME TREND (SALES TREND) IN RETAIL AND INDUSTRY SECTOR

INCOME IN RETAIL AND INDUSTRY SECTOR	TOTAL INCOME		CHANGE OVER PREVIOUS YEAR IN %
	2007 CHF MILLION	2006 CHF MILLION	
Retail Migros	15,505.4	15,290.4	1.4
Retail Others	2,212.6	1,356.8	63.1
Travel	2,029.9	1,777.8	14.2
Oil and fuel	1,644.2	1,689.4	-2.7
Others	717.7	664.6	8.0
Eliminations (within retail and industry sector)	-403.5	-333.8	20.9
TOTAL RETAIL AND INDUSTRY SECTOR	21,706.3	20,445.2	6.2

In the segment Retail Migros the ten regional Cooperatives produced income for the segment of CHF 14.4 billion. This represents an increase of CHF 199.4 million or 1.4 percent over the previous year. The growth in income was slowed down by selective price reductions of, once again, in excess of CHF 100 million and an extension of the M-Budget product line from over 500 to over 615 products. Prices of the Migros shopping basket have fallen by -1.2 percent, whilst the general price index in Switzerland amounted to 0.7 percent according to BFS. The weighted sales area decreased by -0.4 percent over the previous year. Together with an increase of 1.6 percent in average spending over the previous year

1.6 this produced a 1.6 percent higher weighted area productivity. Retail Migros in other countries stagnated with sales of CHF 225 million at the previous year's level, managed however to withstand difficult market conditions. Migros Industry continued its growth trend in 2007. Despite of considerable pricing pressure and partial liberalisation of the markets (cheese market), an overall growth of 2.9 percent over the previous year was achieved (adjusted by internal special effects). Export sales increased by 2.9 percent to CHF 342.9 million. The bulk customer business (Scana) grew by 5.5 percent as a result of strict customer focusing and increased product line competence.

The segment **Retail Others** mainly includes retail companies Denner, Magazine zum Globus, Ex Libris, Le Shop, Interio and Office World. After adjustments for acquisitions (Denner) the segment showed a positive growth of CHF 165.6 million or 12.2 percent to which all companies contributed. During the last three months of the year 2007 or since its incorporation in the Migros group, Denner has achieved income of CHF 690.2 million, showing an above average growth for the market. This is mainly due to the fact that the company has managed to distinguish itself in its Fresh Produce range since the beginning of 2007. The positive result produced by Globus can be attributed to the upgrading of the Globus department stores and the extension of the ranges with over 100 new brands. With income of CHF 178.7 million Ex Libris recently achieved record results, showing an increase of 10.8 percent over the previous year. The company has taken advantage of the growth opportunities offered by the Internet, benefited from the abolition of binding book retail prices and has modernized and equipped its branches with the latest technology. Its online channel is now one of the most important and largest E-Commerce portals in Switzerland with approximately 2.2 million visitors per month. Le Shop has again had a very successful year: With annual income of CHF 94.3 million, the company has once again shown considerable growth over the previous year (CHF 45.4 million for the period May - December) nearly tripling its sales since 2004. The second distribution centre, opened last year in Ecublens, has fulfilled all expectations. As a next step, the delivery area will be extended to include the Ticino in 2008.

In the **Travel segment** Hotelplan produced income of CHF 2 billion, representing an increase of CHF 252.1 million or 14.2 percent. After adjustments for acquisitions (Travelhouse) the company showed a growth of +3.6 percent. Hotelplan England (mainly winter sports business) and Hotelplan Italy (specialising in long-distance travel) have produced positive results. Interhome, the leading agent for quality holiday accommodation, has also produced a positive result after years of stagnation. All in all, results achieved in the Swiss travel business are not satisfactory as yet. The take-over of the Travelhouse group has, however, already had a positive effect on the Swiss business. The growth in income is considerably affected by one-off effects: By disposing of its hotels and holiday complexes in Spain and Italy and

integrating Belair into the international flight network of Air Berlin, Hotelplan has continued to drive forward its focus on its core business.

In the **Oil and fuel segment** Migrol's sales in cubic meters fell by -11.2 percent. On one hand this is due to the warm winters of 2006 and 2007. Due to the high crude oil prices, consumers are also slow to top up heating oil tanks. Income fell by -2.8 percent to CHF 1,640.7 million. Migrol is making increasing efforts in the future-proof shop business: Shell Convenience shops are selling Migros products during an extended test phase. In return, Migrol test sites sell Shell fuel.

D.2. INCOME TREND IN FINANCIAL SERVICES SECTOR

The Financial Services sector can look back on a good financial year. Income from financial services business were increased significantly and amount to CHF 993 million for the financial year with interest revenue totalling CHF 845 million or 84.7 percent, constituting the main share of total income. Commission income amount to CHF 102 million and the profits and losses from financial instruments and foreign exchange dealings amount to CHF 64 million. The risk situation remains unchanged and is still favourable. In the competitive mortgage market Migros Bank is the price leader with favourable net conditions for fixed and variable rates. Customers appreciate the company's fair and transparent conditions policy. Mortgage applications grew by CHF 1.343 million or 6.2% over the previous year, representing an increase in market share.

E. Operating result of Migros group

The operating result (EBIT) of the Migros group for 2007 of CHF 1'043.1 million is 10 percent or CHF 95.5 million higher than the previous year's result of CHF 947.6 million. Within the Retail and Industry sector various programs optimising the value added chain helped to compensate for the effect of lower retail and higher raw material prices. The EBIT amounts to CHF 776.5 million with various one-off effects affecting the result. The EBIT of the Financial Services sector amounting to CHF 263.2 million remains around the previous year's level. The cost/income ratio, showing the relationship between business expenditure and income, remained nearly unchanged at a very good 47.3%.

E.1. OPERATING RESULT OF RETAIL AND INDUSTRY SECTOR

OPERATING PROFIT IN RETAIL AND INDUSTRY SECTOR	TOTAL OPERATING PROFIT		CHANGE OVER PREVIOUS YEAR IN %
	2007 CHF MILLION	2006 CHF MILLION	
Retail Migros	583.7	571.3	2.2
Retail Others	94.5	29.7	218.2
Travel	77.2	42.1	83.4
Oil and fuel	13.4	11.8	13.6
Others	0.1	17.5	-99.4
Eliminations (within retail and industry sector)	7.6	3.3	130.3
TOTAL RETAIL AND INDUSTRY SECTOR	776.5	675.7	14.9

Various measures for optimizing processes and structures were initiated or continued during the past financial year.

With the "Success" project, systematic programs were started in all Cooperatives, leading to a further in efficiency in providing services for customers. The aim of the project "Migros fresh produce" was to provide clients with products that are even fresher and of better quality. As part of this project, the product mix was standardised throughout Switzerland and extended with a selected regional products. Purchasing was combined enabling companies to improve their quality control of suppliers. The project was completed during the financial year 2007; the optimisation of the entire fresh produce purchasing process with regular invitations to tender and monitoring of the procurement structures remains an ongoing process. Migros Catering was subjected to a full analysis. Its positioning, market representation and procurement are standardised throughout Switzerland. Within the Logistics division, transportation costs for the orange M were systematically analysed by the NATRO budget and both the organization and responsibilities were revised. Costs of transportation were noticeably lowered. In connection with the new Power Supply Act, electricity consumption was also analysed again. In future, energy requirements will be bundled and centrally procured, resulting in respective cost savings. After the successful completion of the Avanti project in which productivity improvements were evaluated and realised in all Industry companies, various follow-on projects were already started with the first noticeable results.

The group structure of the Globus group was dissolved on 1.1.2007; the individual companies of the Globus group are now run as independent companies within the M Community. The Hotelplan group now has a holding structure. The previously separately managed divisions Hotelplan Switzerland and Travelhouse group have merged with immediate effect to M-Travel Switzerland, the new overall organisation for Switzerland.

The **gross margin** and **operating** result of the Retail and Industry sector were influenced by new structures and procedures, monitoring and standardisation of processes and efficiency programs as well as sustained cost management.

The change in the **gross margin** results from shifts in the individual companies' share of sales. The segment Retail Migros, the retailing of goods at Migros', has a higher gross margin as a result of internal production. The segments Retail Others, Travel and Oil and fuel have smaller gross margins because they do not have their own production facilities, but their operating costs are correspondingly lower. Any increases in efficiency of the industry

companies and improvements in the purchasing for goods are passed on in full to the customers in form of reduced sales prices. As a result of passing on the increases in efficiency of the industry companies to the customer, the gross margin is reduced. Annual changes in the sales mix result in further smaller shifts.

EBIT has increased by CHF 100.8 million. The company managed to compensate for price reductions in goods and increased raw material costs. Operating costs have risen less than sales. Staff costs, which in addition

to wages and salaries also include pension fund contributions and other social security benefits, represent 20.8 percent of costs shown in the income statement and are together with expenditure on goods and materials by far the largest cost factor. After adjustment of company acquisitions (Denner, Travelhouse), staff costs are reduced by CHF 37.3 million, despite salary increases of 2 to 2.5 percent exceeding average increases for the sector. This is due to careful and improved planning and optimised use of available staff. Other operating costs increased slightly mainly due to the acquisitions. Depreciation is also higher than in the previous year due to increased investment during past years and the additional companies; total investments for the current financial year amounts to approx. CHF 1.4 billion (previous year CHF 1 billion). Most of these investments are utilized by the Cooperatives for new, expanded and modernised sales outlets and by Migros Industry for modernisation and expansion of capacity at production facilities.

E.2. OPERATING RESULT OF FINANCIAL SERVICES SECTOR

The Financial Services sector generated income from financial services business totalling CHF 993 million with costs of CHF 452 million. This resulted in an increase in net income from financial services business of 3.2% to CHF 540 million. Net income from interest margin remains an important result component in the Financial Services sector, producing approximately 75% of the net income in this sector during 2007. Due to a good refinancing structure, the interest margin showed only a slight change. As a result, net income from interest margin saw a rise of 4.4 percent over the previous year to 440 million.

Income from the commission and services business rose in total by a positive 19 percent. In particular stock broking commissions showed a strong increase of 34 percent due to the Ticket Fee introduced as per 1 October 2005. Commissions earned from asset management and investment trusts also showed a positive development with increases of 13.4 percent and 15.5 percent respectively.

Investment of the company's own securities produced gains of CHF 29 million compared to CHF 26 million in the previous year. Trading in foreign currency, graded and precious metal generated gains of CHF 35 million compared to CHF 40 million in the previous year.

Due to the continuous expansion of the customer advice capacities and of the branch network, staffing levels increased by 46 to 1207 employees from the previous

year. Rising requirements in the consulting and support areas produce however a continuous trend for more qualified staff. As a result of salary adjustments and higher social security contributions as well as project-related personnel costs, total personnel costs rose by a total of 2.2 percent to CHF 143 million.

Over the last year Migros Bank has made considerable expenditures in its IT systems, resulting in an increase in the item Other operating expenditure of 3.3 percent to CHF 126 million. Considerable expenditures were in particular made for the further development of the IBIS software by the Real-Time Center AG (RTC), a joint project by several banks.

F. Balance sheet of Migros group

Mortgage and other customer receivables and deposits of the Financial Services sector have had a considerable effect on the balance sheet of the Migros group. Compared to 31 December 2006, the balance sheet total rose by CHF 3.0 billion to CHF 46.7 billion as a result of a renewed increase in customer deposits and the acquisition of Denner AG. Customer deposits as per 31 December 2007 amounted to approx. 41.5 percent of the balance sheet total (31 December 2006: 44.1 percent).

F.1. BALANCE SHEET OF RETAIL AND INDUSTRY SECTOR

Changes in balance sheet structure and individual balance sheet items from the previous year were mainly due to acquisitions. The increase in cash and cash equivalents is due to the issue of two bonds totalling CHF 350 million in 2007 for early refinancing of a CHF 350 million loan, maturing in April 2008. The balance sheet item Issued debt instruments consequently increases accordingly. The carrying amount of tangible assets increased by CHF 728 million over the previous year, also as a result of Westside project investments. The increase in liabilities due to commercial banks mainly results from financing the new acquisitions during the financial year.

The balance sheet structure of the Retail and Industry sector continues to remain healthy. The interest bearing net finance debts of CHF 2.2 billion are set against a balance sheet total of CHF 18.8 billion and have doubled from the previous year. Based on the current EBITDA these debts can be paid off within 1.3 years. With an increase in equity of CHF 719.1 million, the proportion of shareholders' equity in the total equity decreased by -3.7 percent to 53.8 percent.

The principle of matched maturities, whereby shareholders' equity and long-term loan capital cover investment capital, has been maintained.

F.2. BALANCE SHEET OF FINANCIAL SERVICES SECTOR

During the reporting year receivables from mortgages and other customers were increased by 5.2 percent from the previous year to CHF 24.9 billion. Due to its attractive and transparent pricing policy, growth over and above the average for the sector could be achieved.

The trend for converting fixed-interest mortgages into variable-interest mortgages, already apparent last year, has increased further during the reporting year. On the balance sheet date, 62 percent of all mortgages were fixed-interest mortgages compared to 72 per cent in the previous year.

Interest servicing by mortgage customers remains very good. Open interests (without overdue and compromised receivables) only amount to 0.4 percent of the total interest income from mortgages.

In order to ensure refinancing of customer lending at any time, also under changed market conditions, Migros Bank holds significant cash reserves in form of securities. Securities shown under balance sheet item Other financial assets amount to CHF 2.4 billion and mainly consist of debt securities and widely diversified investment funds. During the reporting year, these cash reserves were reduced by a total of CHF 896 million.

A considerable part of this marked credit growth was financed with new customer deposits. A re-evaluation of the medium-term interest rate trend led to customer deposits being transferred from variable-interest to fixed-interest and from short-term to longer term investment vehicles. As a result, customer deposits and liabilities fell by CHF 256 million, whilst deposit certificates rose by CHF 516 million. Customer deposits totalled CHF 21.8 billion, corresponding to 87 per cent of customer lending. Migros Bank consequently continues to benefit from a comfortable refinancing structure.

Due to the positive result for the year, the bank managed to significantly strengthen its own funds. As a result of the bank's substantial own resources, a secondary loan of CHF 60 million was repaid during the reporting year. In the financial year 2006, a dividend of CHF 125 million was paid out. For the financial year 2007 a dividend of CHF 100 million is proposed. The banks own funds creditable under Swiss banking law thus total CHF 2,245 million on 31 December 2007.

Compared to the legally required coverage this represents a very comfortable cover ratio of 161 per cent.

G. Cash flow statement of Migros group

On 31.12.2007 cash and cash equivalents of the Migros group amounted to CHF 2,835 million. The increase of CHF 420 million over the previous year 2006 resulted from the cash flow obtained from the operating activity of CHF 1,268 million as well as a higher cash flow from financing activity of CHF 829 million. On the other hand the group saw a net outflow from investing activity amounting to CHF 1,677 million.

G.1. CASH FLOW STATEMENT OF RETAIL AND INDUSTRY SECTOR

At the end of 2007, cash and cash equivalents of the Retail and Industry sector totalled CHF 1,758 million. Compared to CHF 1,532 million at the end of 2006 this represents a rise of CHF 226 million.

The cash flow from operating activity has increased from CHF 711 million to CHF 1,946 million. This is partly due to the increased profit before taxes as well as higher depreciation on long-term assets. The increase in liabilities to commercial banks has also led to an increased cash flow.

During the reporting year the outflow from investing activity totalled CHF 2,093 million, in particular due to investments in long-term assets totalling CHF 1,401 million. Revenue from the sale of long-term assets (mainly real estate) amounted to approx. CHF 220 million. The clear increase in investment activities during the reporting period is due to acquisitions by subsidiaries. As a result of these acquisitions the outflow of funds from investing activity could not be fully financed from the generated cash flow (operating activity).

The cash flow generated by financing activity has increased from CHF -128 million to CHF 370 million. This increase is partly due to the issue of two new debenture loans totalling CHF 350 million, required for refinancing the loan maturing during 2008.

G.2. CASH FLOW STATEMENT OF FINANCIAL SERVICES SECTOR

At the end of 2007, cash and cash equivalents of the Financial Services sector amounted to CHF 1,204 million. Compared to the total of CHF 1,308 million at the end of 2006 this represents a decrease of CHF 104 million.

In 2007 operating activity resulted in an outflow of CHF 877 million, compared to an outflow of CHF 577

million in the previous year. The operating outflow was mainly the result of the positive growth in mortgage receivables of CHF 1,223 million. The switching from customer liabilities to deposit certificates as a result of interest rate developments resulted in an outflow of CHF 256 million, whilst the retirement of short-term financial investments produced a cash flow of CHF 388 million. The cash flow from the operating result before tax was reduced from CHF 239 million to CHF 232 million.

During the reporting year CHF 436 million of long-term financial assets were liquidated compared to CHF 274 million in the previous year. In total, investing activity generated a cash flow of CHF 416 million during the reporting year compared to CHF 291 million in the previous year.

The financing activity generated a cash flow of CHF 356 million during 2007 compared to 459 million in the previous year. The switching of customer deposits to deposit certificates resulted in a cash flow of CHF 516 million in 2007 or of CHF 273 million in 2006. CHF 125 million was paid out to shareholders as dividends during the reporting year.

H. Value-orientated 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 the Migros Group as a basis for its financial management. Its basis is that the Migros Group has to act just like any other company with regard to creation of value added and efficiency. The paramount objective for Migros here is to guarantee long-term success by means of sustained value added. To achieve this, differentiated targets are set for the various corporate sectors. Migros therefore differs from capital market oriented businesses in its use of the value created. The financial values created are made available to customers, to secure jobs, for the Culture Percentage or for long-term investments in major projects. Further information about this may be found in the Statement of Value Added.

The concept applied, and its methodology, are not intended solely to strengthen the notion of value added; they also improve the quality and transparency of decisions and ensure the availability of relevant financial information. This means that Migros can focus more

on sustained implementation of its corporate strategy and on greater integration of strategic, financial and investment planning. Annual results, budgets and plans are assessed on the basis of established targets and new projects evaluated accordingly. Sector-specific evaluations with differentiated targets also enable the Migros Group 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 returns, growth and creation of value added are therefore a component of the group's operations and strengthen its influence in an increasingly competitive market environment. Accordingly, the key concept of value-oriented management and positive focussing on greater attractiveness are ever-present considerations.

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

I.1. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (ICS) IN THE RETAIL AND INDUSTRY SECTOR

I.1.1. Risk management in general

Through the Cooperatives, Industry companies, Hotelplan and all other Commercial and Logistics companies the Retail and Industry sector is active in many markets exposed to very different risks. Apart from a general risk management, the individual companies of the Migros Community, in particular, operate an active risk management. This increases risk transparency and risk awareness and protects the Retail and Industry sector against negative surprises. It also provides a basis for consistently using opportunities created therefrom and take on risks in a controlled manner.

The Board of Directors of the Federation of Migros Cooperatives is responsible for maintaining a comprehensive risk management across all companies of the Migros Community. The risk management process is integrated in the annual financial planning and strategy process of the Retail and Industry sector, which takes into consideration the different aspects of the Cooperatives and also of the subsidiaries. Within the companies of the Migros Community the respective management (or Board of Directors) is responsible for the risk management.

Internal auditors also provide a monitoring and control function. As they operate outside of the operational activities, they are able to identify any weaknesses in

the internal control system and to provide measures for improving the effectiveness and efficiency of monitoring and control processes.

For annual accounts from 2008 onwards, the legislator has specified new disclosure and auditing obligations as regards the existence of an internal control system and risk management. Migros is currently preparing itself to ensure that the group complies with the new regulations of debenture and auditing legislation.

I.1.2. Financial risk management

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

Exchange rate risks originate from the purchase of commodities, raw materials and services from abroad as well as to some extent from international activities e.g. Hotelplan's travel operation. Each Cooperative defines its maximum foreign currency exposure from which it defines its hedging requirement. The individual enterprises enter into hedging relationships with the Treasury department of the Federation of Migros Cooperatives. The Treasury department of the Federation of Migros Cooperatives is responsible for hedging against foreign currency exposure on the market in different currencies used by the Retail and Industry sector. The main currencies are the EURO and US Dollar. In particular forward exchange dealings and to some extent also foreign currency options are used as hedging instruments. Every six months, the individual companies report their foreign currency exposure to the Treasury department of the Federation of Migros Cooperatives, who generates the foreign exchange exposure or foreign exchange risk of the Retail and Industry sector from these figures.

As most of the liquidity and financing of the Federation of Migros Cooperatives is centralised, the interest risk can be centrally monitored and controlled. Because of the volatility of market interest rates, interest-bearing financial investments as well as lending are exposed to an interest rate risks that may have negative

effects on the net worth and earnings. The interest rate risk is monitored with a simulation calculation and is mainly controlled with interest rate swaps and forward rate options.

Migros also buys a limited amount of equities to maintain liquidity. Share price fluctuations consequently have a direct effect on the result. In order to reduce share price risks to a minimum, appropriate diversification of share investments by markets, securities and sectors is observed. The risks of any loss in value are reduced by analyses before making the purchase and by regularly monitoring the performance and risks of the investments.

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

The financial requirements of the Retail and Industry sector are met by raising short- or long-term funding on the money and capital markets. Financing is essentially based on a "three-pillar" concept: the investment savings accounts of Migros employees, attracting an interest rate equivalent to the first mortgage rate of Migros Bank, bilateral credit lines from domestic and foreign banks, fully utilized at present in form of variable-interest roll-over loans and fixed-interest capital market bonds and private placements with institutional investors.

The companies within the Retail and Industry sector obtain their funding centrally from the Federation of Migros Cooperatives, providing capital at the best available cost and diversified in respect of maturity staggering and counterparties and nearly exclusively in the main currency Swiss Franc. The credit worthiness of the Retail and Industry sector is regularly checked by the credit rating agency Standard & Poor's. Currently, the Retail and Industry sector is rated as follows: Rating by Standard & Poor's: long-term A, outlook stable, short-term p-1.

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 "minimization of risk" before the "achievement of a maximum return". Long-term planning of investment activities means that a strategy

can be followed that will keep the effective level of debt low and the timing of maturities staggered. This should also safeguard the continued independence of the Retail and Industry sector.

1.1.3. Insurance risk management

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

To cover property risks (fire, storm and tempest, theft and burglary, water, EDP) the FMC operates an "internal insurance" scheme, whereby it carries common risks itself, up to a certain total amount. Major risks and catastrophe risks are covered by a group policy. For all businesses that are part of the Retail and Industry sector, insurance cover exists for public liability and product liability risks under a basic and excess contract. Transportation risks for imports and exports are covered by an "own-insurance solution". Potential major losses are covered by reinsurance. There is a group fleet insurance to cover mandatory third-party liability insurance and comprehensive risks. Separate policies are taken out for special risks such as new building/renovation work, machinery, exhibitions, etc., based on the actual risk involved and whether the risk is worth insuring.

1.1.4. Tax and VAT risk management

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

In particular with regards to VAT we have implemented measures whose effectiveness was confirmed by auditors of the Swiss Inspector of taxes.

1.1.5. 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 sectors. Training in this subject is proactively carried out in order to avoid any legal conflicts.

Like all companies of a certain size, also the businesses of the Retail and Industry sector are confronted with third-party claims. Provisions have been set up for such claims – as far as allowed in accordance with the IFRS. The sector also enjoys extensive insurance cover, where this makes economic sense.

1.1.6. 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 affects the levels company – processes – IT. The decisive concept describes the technical and organisational nature of the ICS and is used by all businesses within this division. In compliance with the statutory regulations of Article 728a OR, the Retail and Industry sector has defined the goals to be fulfilled by the ICS as follows: reliable data quality and data consistency – reliable financial reporting – compliance with applicable laws and regulations – protection of assets – efficiency of operation. The aim is to achieve ICS level 3 (1 lowest level, 5 highest level) at which controls are defined, are in place, are documented and communicated to involved parties. Deviations from the standard are generally detected and corrected. The ICS is uniformly based on the COSO model and is risk focused. High and regularly occurring medium risks defined by a risk matrix (frequency of occurrence/ extent of damage) are minimised by checks. The aim is to cover the following risks in particular: Economic performance risks of the 5 to 7 most important business processes – personnel risks – IT and financial risks, as well as other relevant risks. The ICS can only to a limited extent cover risks specific to the company and sector as well as risks relating to corporate strategy. The Board of Directors has the overall responsibility for the

ICS; the management is responsibility 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, Board of Directors and the responsible ICS Officer. The ICS Officer of the Retail and Industry sector in turn also reports at least once a year the existence and functioning of the system to the Executive Board of the Federation of Migros Cooperatives as well as the Board of Directors. The current ICS project will be completed by the end of 2008 by which time the specified principles will have been implemented.

1.2. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (ICS) IN THE FINANCIAL SERVICES SECTOR

1.2.1. Risk management in general

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

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

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

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

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

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

1.2.2. Financial risk management

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

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

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

The Financial Services sector uses a rating model with ten levels for credit-rating decisions. The model takes into consideration quality and quantity characteristics of customers required to keep accounts and their business-related securities. In corporate banking, ratings of commercial loans are checked 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 contribu-

tion and cover. The rating model ensures that the personal contribution is managed in line with the risk of the credit transaction.

Credit transactions are in general secured. Most loans are secured by charges on land. Loans are based on conservative loan margins. For more than 90% of all mortgages the ratio of loan to market value (conservative valuations) is under 75%. Loans are only issued after current valuations for the real estate have been obtained. Most of the respective cover originates from private residential housing and is well diversified throughout Switzerland. In order to determine the sustained affordability, a technical interest rate corresponding to a long-term average interest rate is assumed for residential mortgages.

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

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

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

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

1.2.3. Management of legal and compliance risks

Legal and compliance risks refer to risks resulting from the legal and regulatory business environment. Predom-

inantly these are liability and default risks, regulatory risks and behavioural risks. The department Legal Services & Compliance, reporting directly to the Chief Risk Officer, is responsible for managing the risks.

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

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

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

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

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

The basic features of the Internal Control System (ICS) of Migros Bank comply with the respective regulatory regulations of the circular "Monitoring and Internal Control" published by the Swiss Banking Commission.

The ICS consequently contains all control structures and control processes forming the basis for achieving business policy goals at all levels of the bank and

that result in a correct banking operation. In addition to retrospective control activities, internal control also contains planning and steering activities. An effective internal control also includes control activities integrated in work processes, processes for managing risk and the compliance with applicable standards (Compliance), a risk control that is independent from the risk management as well as the Compliance function. The internal control is monitored and evaluated by internal auditors thus contributing to its continuous improvement.

The actual implementation of the circular "Monitoring and Internal Control" is regulated in general instructions issued by the bank. The bank passes on the responsibility for monitoring the processes and implementing adequate control measures to the Process and

IT Security department, reporting directly to the Chief Risk Officer.

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

STATEMENT OF VALUE ADDED <i>Unaudited</i>	RETAIL AND INDUSTRY SECTOR	
	2007 CHF MILLION	2006 CHF MILLION
NET VALUE ADDED	6,311.5	6,109.8
Allocation		
to employees	4,510.4	4,474.9
to culture/social (culture percentage)	127.3	115.7
to lenders	106.0	96.8
to public sector	846.2	796.6
- taxes	137.0	123.6
- value-added taxes	151.2	144.4
- customs duties/fees/fiscal charges	558.0	528.5
to the company (self-financing)	721.6	625.8
NET VALUE ADDED	6,311.5	6,109.8

J. Statement of value added

The statement of value added of the Migros Group indicates the added value created for the company by the Group. The aim of the group is to create a sustainable value added by striving for a future-orientated management of available resources that will safeguard the future of the business, secure jobs and guarantee public-sector contributions.

Staff costs account for the lion's share of value added with 71.5 per cent (previous year 73.2 per cent). In absolute terms, personnel costs were decreased compared to the previous year, due to an individual and performance-related wage increase of 2.0 to 2.5 per cent and changes to the consolidated entity of the group – acquisition and disposal of companies. The percentage decrease compared to the previous year is due to respective shifts in value towards a higher level of self-finance within the allocation of value added.

Contributions to the “Migros Culture percentage”, voluntary sponsorship by Migros for Culture, Society,

Education, Leisure and Economy projects total around 2.0 per cent (previous year 1.9 percent) of the value added, offering a wider section of the population access to cultural and social benefits.

Lenders receive 1.7 per cent (previous year 1.6 per cent) in form of interest. The public sector receives 13.4 per cent (previous year 13.0 percent) as a result of charges for taxes, customs duties and fees. The increase in public sector allocation is due to increased sales of CHF 22.7 billion and the sound profitability.

The group secures the future of the company as a going concern and guarantees innovation by consistently orientating the value-added chain to dynamic market trends. Maintaining an adequate profit, securing jobs and passing on performances to customers at fair conditions all serve to achieve this goal.

Joerg Zulauf
Finance Department

Migros Group Financial Statements

Group Income Statement

	2007 CHF MILLION	2006 ¹ CHF MILLION
Net revenue from goods and services sold	21,341.1	20,132.0
Other operating income	364.1	329.5
INCOME BEFORE FINANCIAL SERVICES BUSINESS	21,705.2	20,461.5
Interest and commission income and (net) gains on financial instruments of the financial services business	991.3	913.0
TOTAL INCOME	22,696.5	21,374.5
Cost of goods and services sold	12,907.0	12,036.8
Interest and commission expense and valuation allowances of the financial services business	446.2	384.7
Personnel expenses	4,653.4	4,615.2
Depreciation and amortisation	975.2	906.9
Other operating expenses	2,671.6	2,483.3
OPERATING PROFIT	1,043.1	947.6
Finance income	65.3	128.7
Finance cost	-107.8	-98.4
Share of (loss)/profit from associates and joint ventures	-3.4	16.4
PROFIT BEFORE INCOME TAX	997.2	994.3
Income tax expense	196.3	155.2
PROFIT FROM CONTINUING OPERATIONS	800.9	839.1
Profit/(loss) from discontinued operations	-	-
GROUP PROFIT	800.9	839.1
ATTRIBUTION OF GROUP PROFIT		
Profit attributable to members of the cooperatives	799.2	837.5
Profit attributable to minority interests	1.7	1.6
GROUP PROFIT	800.9	839.1

¹ The prior year has been adjusted to IFRS.

Group Balance Sheet

	31.12.2007 CHF MILLION	31.12.2006 ¹ CHF MILLION
ASSETS		
Cash and cash equivalents	2,834.9	2,412.2
Receivables due from banks	391.1	258.4
Mortgages and customer receivables	24,889.5	23,672.3
Trade receivables	596.6	509.4
Other receivables	327.7	258.3
Inventories	2,041.1	1,787.9
Other financial assets	3,323.0	3,970.7
Investment in associates and joint ventures	99.6	38.4
Investment property	305.3	381.6
Tangible assets	10,333.5	9,603.2
Intangible assets	1,072.9	284.7
Assets from employee benefits	256.8	226.2
Current income tax receivables	5.0	3.2
Deferred income tax assets	40.8	49.6
Other assets	208.5	194.4
Non-current assets held for sale	46,726.3	43,650.5
	5.8	66.8
TOTAL ASSETS	46,732.1	43,717.3
LIABILITIES AND EQUITY		
<i>Liabilities</i>		
Payables due to banks	1,439.3	930.6
Customer deposits and liabilities	19,391.6	19,290.3
Other financial liabilities	2,132.6	1,706.2
Trade payables	1,703.2	1,396.0
Other liabilities	1,058.7	1,144.6
Provisions	98.9	103.7
Issued debt instruments	7,340.8	6,536.8
Liabilities from employee benefits	516.2	510.9
Current income tax payables	83.9	66.7
Deferred income tax liabilities	1,327.8	1,174.1
Liabilities relating to non-current assets held for sale	-	-
TOTAL LIABILITIES	35,093.0	32,859.9
<i>Equity</i>		
Cooperative capital	20.3	20.0
Retained earnings	11,609.5	10,810.6
Currency translation difference	11.7	6.4
Other reserves	-16.9	7.0
EQUITY ATTRIBUTABLE TO MEMBERS	11,624.6	10,844.0
Minority interests	14.5	13.4
TOTAL EQUITY	11,639.1	10,857.4
TOTAL LIABILITIES AND EQUITY	46,732.1	43,717.3

¹ The prior year has been adjusted to IFRS.

Statement of Changes in Group Equity

CHF MILLION	Attributable to members of the cooperatives						Total
	Co-operative capital	Retained earning ¹	Currency translation difference	Other reserves	Equity of the cooperative members	Minority interests	
EQUITY AS PER 31.12.2005 UNDER SWISS GAAP FER	19.9	9,911.0	-2.0	-	9,928.9	15.4	9,944.3
IFRS adjustments	-	63.3	2.0	52.6	117.9	-3.0	114.9
EQUITY AS PER 01.01.2006 AFTER IFRS ADJUSTMENTS	19.9	9,974.3	-	52.6	10,046.8	12.4	10,059.2
Fair value adjustments of financial instruments	-	-	-	-45.6	-45.6	-	-45.6
Currency translation difference	-	-	6.4	-	6.4	-	6.4
NET INCOME RECOGNISED DIRECTLY IN EQUITY	-	-	6.4	-45.6	-39.2	-	-39.2
Group profit	-	837.5	-	-	837.5	1.6	839.1
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	837.5	6.4	-45.6	798.3	1.6	799.9
OTHER CHANGES OF EQUITY							
Change in cooperative capital	0.1	-1.2	-	-	-1.1	-	-1.1
Dividends to minority interests	-	-	-	-	-	-0.5	-0.5
Changes in minority interests	-	-	-	-	-	-0.1	-0.1
TOTAL OF ALL OTHER CHANGES IN EQUITY	0.1	-1.2	-	-	-1.1	-0.6	-1.7
EQUITY AS PER 31.12.2006	20.0	10,810.6	6.4	7.0	10,844.0	13.4	10,857.4

¹ An amount of CHF 2.5 millions (previous year CHF 7.2 millions) is reserved in retained earnings for the Culture percentage. Also see Note 16.

CHF MILLION	Attributable to members of the cooperatives						Total
	Co-operative capital	Retained earning ¹	Currency translation difference	Other reserves	Equity of the cooperative members	Minority interests	
EQUITY AS PER 31.12.2006	20.0	10,810.6	6.4	7.0	10,844.0	13.4	10,857.4
Fair value adjustments of financial instruments	-	-	-	-23.9	-23.9	-	-23.9
Currency translation difference	-	-0.3	5.3	-	5.0	-	5.0
NET INCOME RECOGNISED DIRECTLY IN EQUITY	-	-0.3	5.3	-23.9	-18.9	-	-18.9
Group profit	-	799.2	-	-	799.2	1.7	800.9
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	798.9	5.3	-23.9	780.3	1.7	782.0
OTHER CHANGES OF EQUITY							
Change in cooperative capital	0.3	-	-	-	0.3	-	0.3
Dividends to minority interests	-	-	-	-	-	-0.6	-0.6
Changes in minority interests	-	-	-	-	-	-	-
TOTAL OF ALL OTHER CHANGES IN EQUITY	0.3	-	-	-	0.3	-0.6	-0.3
EQUITY AS PER 31.12.2007	20.3	11,609.5	11.7	-16.9	11,624.6	14.5	11,639.1

¹ An amount of CHF 2.5 millions (previous year CHF 7.2 millions) is reserved in retained earnings for the Culture percentage. Also see Note 16.

Group Cash Flow Statement

	31.12.2007 CHF MILLION	31.12.2006 ¹ CHF MILLION
PROFIT BEFORE INCOME TAX	997.2	994.3
Depreciation, amortisation and impairment (net)	975.2	906.9
Impairment of financial assets (net)	12.2	13.6
(Profit)/loss from sale of tangible assets	-94.5	-59.8
(Profit)/loss from sale of financial assets	8.9	-69.4
(Profit)/loss from associates and joint ventures	3.4	-16.4
Change to provisions	11.1	-1.5
Change to operating assets and liabilities		
(Increase)/decrease receivables due from banks	-132.7	453.6
(Increase)/decrease mortgages and customer receivables	-1,217.2	-1,505.6
(Increase)/decrease inventories	-67.8	-81.6
(Increase)/decrease financial assets	389.6	-25.3
(Increase)/decrease other assets	-18.6	-151.0
(Increase)/decrease payables due to banks	486.2	-673.4
(Increase)/decrease customer deposits and liabilities	101.3	397.5
(Increase)/decrease other liabilities	-55.9	254.8
Paid income tax expense	-130.7	-125.3
CASH FLOWS FROM OPERATING ACTIVITY	1,267.7	311.4
Acquisition of tangible assets and investment property	-1,395.1	-972.4
Proceeds from sale of tangible assets and investment property	218.2	100.6
Acquisition of intangible assets	-26.9	-23.9
Proceeds from sale of intangible assets	2.4	0.8
Acquisition of financial assets	-790.7	-1,281.1
Proceeds from the sale of financial assets	959.3	1,638.0
Acquisition of subsidiaries and business activities, net of cash acquired	-635.2	-61.4
Proceeds from sale of subsidiaries and business activities, net of cash disposed	51.2	23.1
Acquisition of associates	-60.5	-9.4
Proceeds from sale of associates	-	-
CASH FLOWS FROM INVESTING ACTIVITY	-1,677.3	-585.7

¹ The prior year has been adjusted to IFRS.

(CONTINUED)

	31.12.2007 CHF MILLION	31.12.2006 ¹ CHF MILLION
Proceeds from issuance of long-term bonds	599.4	-
Repayment and redemption of long-term bonds	-250.0	-
Proceeds from issuance of medium-term bonds and mortgage backed loans	516.3	1,002.5
Repayment of medium-term bonds and mortgage backed loans	-59.9	-544.1
Proceeds from issuance of other financial liabilities	1,131.9	40.5
Repayment of other financial liabilities	-1,107.9	-164.2
Dividends paid to minority interests	-0.6	-0.6
Increase in cooperative capital	0.5	0.5
Reduction in cooperative capital	-0.2	-0.4
CASH FLOWS FROM FINANCING ACTIVITY	829.5	334.2
CHANGES IN CASH AND CASH EQUIVALENTS	419.9	59.9
Cash and cash equivalents, at beginning of year	2,412.2	2,340.4
Foreign exchange differences	2.8	11.9
CASH AND CASH EQUIVALENTS, AT END OF YEAR	2,834.9	2,412.2
CASH AND CASH EQUIVALENTS INCLUDE:		
Petty cash/postal accounts/bank accounts	1,465.6	1,335.1
Fixed-term deposits with an original maximum maturity of 90 days	1,369.3	1,077.1
TOTAL CASH AND CASH EQUIVALENTS	2,834.9	2,412.2
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	917.8	833.1
Interest paid	-538.0	-471.9
Dividends received	9.7	11.4

¹ The prior year has been adjusted to IFRS.

Glossary of Technical Terms

OTHER OPERATING INCOME

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

PROJECTED UNIT CREDIT METHOD

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

CASH FLOW (CASH FLOW FROM OPERATING ACTIVITY)

Profit before income tax, depreciation and impairments, plus expenditure not affecting liquidity, less income not affecting liquidity and changes in operating assets and liabilities.

COST-INCOME RATIO

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

RETAIL SALES OF COOPERATIVES

Net sales revenue (excluding VAT) realised with third parties, related parties and consolidated companies. Shows sales generated from retailing, wholesaling, catering, leisure, Club Schools, other.

AVERAGE NUMBER OF FULL-TIME POSITIONS

Average of full-time positions at the end of the previous year and at the balance sheet date.

EBIT (EARNINGS BEFORE INTEREST AND TAXES)

Earnings before financial profit and income tax.

EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

Earnings before finance income and cost, income tax, depreciation on tangible assets, amortisation on intangible assets and investment property.

INCOME (SALES)

The income (sales) of the Migros group consists of Net revenue from goods and services sold, Other operating income and Income from financial services business with third parties.

The terms income and sales are used synonymously.

INCOME FROM FINANCIAL SERVICES BUSINESS

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

FINANCIAL RISK MANAGEMENT

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

FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The terms Fair Value and market value are used synonymously.

FREE CASH FLOW (RETAIL AND INDUSTRY SECTOR)

Cash flow from operating and investing activities. Measure of flexibility for the retail and industry sector; the higher the Free Cash flow, the more room is available to the management for financial decisions.

INVESTMENTS

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

CAPITAL RISK MANAGEMENT

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

CASH SALES OF COOPERATIVES

Cash sales (including VAT) of the sales Cooperatives in the business sectors supermarkets/hypermarkets, specialist markets and restaurants.

NET REVENUES FROM GOODS AND SERVICES SOLD

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

NET BORROWING (RETAIL AND INDUSTRY SECTOR)

Total of interest-bearing liabilities less liquid assets, receivables and short-term realizable securities.

WORKFORCE

Number of employees on the reporting date.

KEY MANAGEMENT PERSONNEL

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

SENSITIVITY ANALYSIS

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

AMORTISATION FACTOR (RETAIL AND INDUSTRY SECTOR)

Ratio of net borrowing to EBITDA. Measure of the ability to settle net financial debt from the EBITDA.

Addresses

Federation of Migros Cooperatives
Limmatstrasse 152, PO Box 1766, CH-8031 Zurich
Tel. ++41 (0)44 277 21 11, Fax ++41 (0)44 277 25 25, www.migros.ch

Migros Cooperatives

Each Cooperative publishes its own annual report, which can be obtained from the addresses below.

AARE

Industriestrasse 20, 3321 Schönbühl
 Tel. ++41 (0)58 575 55 55
 Fax ++41 (0)58 575 55 77
 Board of Directors (Chairman):
 Max Meyer
 Managing Director: Beat Zahnd
 Cooperative Council (President):
 Ursula Nold-Meier
 www.migros-aare.ch

BASEL

Ruchfeldstrasse 11-17
 4142 Münchenstein
 Tel. ++41 (0)58 565 81 11
 Fax ++41 (0)58 565 89 00
 Board of Directors (Chairman):
 Rudolf Grüninger
 Managing Director: Werner Krättli
 Cooperative Council (President):
 Ernst Mutschler
 www.migrosbasel.ch

GENEVA

rue Alexandre-Gavard 35
 1227 Carouge
 Tel. ++41 (0)22 307 51 11
 Fax ++41 (0)22 307 51 50
 Board of Directors (Chairman):
 Marian Stepczynski
 Managing Director: Guy Vibourel
 Cooperative Council (President):
 Chantal Guy
 www.gmge.migros.ch

LUCERNE

Industriestrasse 2, 6036 Dierikon
 Tel. ++41 (0)41 455 71 11
 Fax ++41 (0)41 455 71 71

Board of Directors (Chairman):
 Markus Mosele
 Managing Director: Ernst Weber
 Cooperative Council (President):
 Ruth Gerhard
 www.migros-luzern.ch

NEUCHÂTEL-FRIBOURG

rue Fleur-de-Lys 26, 2074 Marin
 Tel. ++41 (0)32 755 81 11
 Fax ++41 (0)32 755 88 85
 Board of Directors (Chairman):
 Damien Piller
 Managing Director: Fabrice Zumbrennen
 Cooperative Council (President):
 Dominique Viridis Yerly
 www.migros.ch/FR/Regions/
 Neuchatel_Fribourg

EASTERN SWITZERLAND

Industriestrasse 47, 9201 Gossau SG
 Tel. ++41 (0)71 493 21 11
 Fax ++41 (0)71 493 27 87
 Board of Directors (Chairman):
 Andres Gut
 Managing Director: Christian Biland
 Cooperative Council (President):
 Josef Cajochen-Forst
 www.migros-ostschweiz.ch

TICINO

Postfach, 6592 San Antonino
 Tel. ++41 (0)91 850 81 11
 Fax ++41 (0)91 850 84 00
 Board of Directors (Chairman):
 Ulrich K. Hochstrasser
 Managing Director: Lorenzo Emma
 Cooperative Council (President):
 Giuseppe Cassina
 www.migrostickino.ch

VAUD

Chemin du Dévent, 1024 Ecublens
 Tel. ++41 (0)21 694 61 11
 Fax ++41 (0)21 691 03 53
 Board of Directors (Chairman):
 Michel Renevey
 Managing Director: Marc Schaefer
 Cooperative Council (President):
 Bernard Marendaz

VALAIS

rue des Finettes 45, case postale 736,
 1920 Martigny
 Tel. ++41 (0)27 720 44 00
 Fax ++41 (0)27 720 44 01
 Board of Directors (Chairman):
 Jean-René Germanier
 Managing Director: Max Alter
 Cooperative Council (President):
 Dominique Imhof
 www.migros-valais.ch

ZURICH

Pfingstweidstrasse 101, 8021 Zürich
 Tel. ++41 (0)44 278 51 11
 Fax ++41 (0)44 278 58 86
 Board of Directors (Chairman):
 Christoph Stüssi
 Managing Director: Oswald Kessler
 Cooperative Council (President):
 Loredana Donau

(As at 1.1.08)

*Industry companies,
service companies, Retail others,
Travel, Oil and fuels,
Financial services, Other,
logistics, Foundations*

BISCHOFSZELL FOOD LIMITED

Industriestrasse 1, 9220 Bischofszell
Tel. ++41 (0)71 424 91 11
Fax ++41 (0)71 424 94 94
Managing Director: Mark Aegler
www.bina.ch

CHOCOLAT FREY AG

Bresteneggstrasse, 5033 Buchs
Tel. ++41 (0)62 836 26 26
Fax ++41 (0)62 836 25 01
Managing Director:
Wolfgang Brokatzky
www.chocolatfrey.ch

DELICA AG

Hafenstrasse 120, 4127 Birsfelden
Tel. ++41 (0)61 315 77 88
Fax ++41 (0)61 315 77 89
Managing Director: Adrian Zigerli
www.delica.ch

ESTAVAYER LAIT SA

Route de Payerne 2-4
1470 Estavayer-le-Lac
Tel. ++41 (0)26 664 91 11
Fax ++41 (0)26 664 91 21
Managing Director: Gilles Oberson
www.elsa.ch

JOWA AG

Erlenwiesenstrasse 9
8604 Volketswil
Tel. ++41 (0)44 947 91 11
Fax ++41 (0)44 947 97 96
Managing Director: Martin Häuptli
www.jowa.ch

MÉRAT & CIE. AG

Mühlemattstrasse 55, 3007 Bern
Tel. ++41 (0)31 378 45 45
Fax ++41 (0)31 378 45 46
Managing Director:
Hans Reutegger
www.merat.ch

MIBELLE AG

Bolimattstrasse 1, 5033 Buchs
Tel. ++41 (0)62 836 11 11
Fax ++41 (0)62 836 13 13
Managing Director: . Luigi Pedrocchi
www.mibelle.ch

MICARNA SA

1784 Courtepin
Tel. ++41 (0)26 684 91 11
Fax ++41 (0)26 684 10 31
Managing Director: Albert Baumann
www.micarna.ch

MIDOR AG

Bruechstrasse 70, 8706 Meilen
Tel. ++41 (0)44 925 81 11
Fax ++41 (0)44 925 84 84
Managing Director:
Marcel Bühlmann
www.midor.ch

MIFA AG

Rheinstrasse 99, 4402 Frenkendorf
Tel. ++41 (0)61 905 91 11
Fax ++41 (0)61 905 93 93
Managing Director:
Luigi Pedrocchi
www.mifa.ch

MIFROMA SA

1670 Ursy
Tel. ++41 (0)21 909 11 11
Fax ++41 (0)21 909 11 00
Managing Director: Gilles Oberson
www.mifroma.ch

RISERIA TAVERNE SA

v. Ponte Vecchio, 6807 Taverno
Tel. ++41 (0)91 935 73 00
Fax ++41 (0)91 935 73 03
Managing Director: Ernst Amstutz
www.riseria.ch

SCANA LEBENSMITTEL AG

Althardstrasse 195
8105 Regensdorf-Zürich
Tel. ++41 (0)44 870 82 00
Fax ++41 (0)44 870 82 01
Managing Director:
Walter Brandenberger
www.scana.ch

SEBA APROZ SA

Case postale 1248, 1951 Sion
Tel. ++41 (0)27 345 51 11
Fax ++41 (0)27 345 51 01
Managing Director:
Michel Charbonnet
www.aproz.ch

SWISS INDUSTRIES GMBH

Hafenstrasse 45, D-79576 Weil s/Rhein
Tel. ++49 7621 422 03 83 05
Fax ++49 7621 422 03 83 06
Managing Director:
Luigi Pedrocchi
www.swiss-industries.de

DENNER AG

Grubenstrasse 10, 8045 Zürich
Tel. ++41 (0)44 455 11 11
Fax ++41 (0)44 461 17 17
Managing Director: Philippe Gaydoul
www.denner.ch

EX LIBRIS AG

Grünaustrasse 23, 8953 Dietikon
Tel. ++41 (0)44 743 72 72
Fax ++41 (0)44 743 72 30
Managing Director: Peter Bamert
www.exlibris.ch

INTERIO AG

Pfadackerstrasse 6
8957 Spreitenbach
Tel. ++41 (0)56 417 91 11
Fax ++41 (0)56 417 91 88
Managing Director: Peter Blatter
www.interio.ch

LE SHOP SA

Chemin des Chalets 7
1279 Chavannes-de-Bogis
Tel. ++41 (0)22 960 89 99
Fax ++41 (0)22 960 89 98
Managing Director:
Christian D. Wanner
www.leshop.ch

MAGAZINE ZUM GLOBUS AG

Industriestrasse 171
8957 Spreitenbach
Tel. ++41 (0)58 455 21 11
Fax ++41 (0)58 455 21 10
Managing Director: Marcel Dietrich
www.globus.ch
www.herrenglobus.ch

OFFICE WORLD AG

Altstetterstrasse 149, 8048 Zürich
Tel. ++41 (0)44 439 79 79
Managing Director: Matthias Baumann
www.office-world.ch

HOTELPLAN HOLDING AG

Sägereistrasse 20, 8152 Glattbrugg
Tel. ++41 (0)43 211 81 11
Fax ++41 (0)43 211 81 81
Managing Director:
Christoph A. Zuber
www.hotelplan.ch

MIGROL AG

Badenerstrasse 569, 8048 Zürich
Tel. ++41 (0)44 495 11 11
Fax ++41 (0)44 495 13 37
Managing Director: Daniel Hofer
www.migrol.ch

MIGROS BANK AG

Seidengasse 12, 8023 Zürich
Tel. ++41 (0)44 229 81 11
Fax ++41 (0)44 229 87 12
Managing Director:
Harald Nedwed
www.migrosbank.ch

LIMMATDRUCK AG

Pfadackerstrasse 10, 8957 Spreitenbach
Tel. ++41 (0)56 417 51 11
Fax ++41 (0)56 417 53 84
Managing Director: Jean-Pierre Pfister
www.limmatdruck.ch

ZEILER AG

Packaging, packaging technology
Gartenstadtstrasse 5, 3098 Köniz
Tel. ++41 (0)31 978 11 11
Fax ++41 (0)31 971 79 13
Managing Director: Ulrich Nydegger
www.zeiler.ch

LIEGENSCHAFTEN-BETRIEB AG (LIB-AG)

Limmatstrasse 152, 8031 Zürich
Tel. ++41 (0)44 277 31 11
Fax ++41 (0)44 277 25 25
Managing Director: Heinz Klausner

MIGROS VERTEILZENTRUM SUHR AG

Wynenfeld, 5034 Suhr
Tel. ++41 (0)62 855 61 11
Fax ++41 (0)62 855 61 14
Managing Director:
Daniel Waltenspühl
www.migros-mvs.ch

MIGROS-VERTEILBETRIEB NEUENDORF AG

Neustrasse 49
4623 Neuendorf
Tel. ++41 (0)62 388 71 11
Fax ++41 (0)62 398 22 74
Managing Director: Hans Kuhn
www.mvn.ch

FERROVIA MONTE GENEROSO SA

6825 Capolago
Geschäftsleitung: Marco Bronzini
Tel. ++41 (0)91 630 51 11
Fax ++41 (0)91 648 11 07
www.montegeneroso.ch

GOTTLIEB DUTTWEILER INSTITUT

Langhaldenstrasse 21
Postfach 531
8803 Rüslikon/Zürich
Tel. ++41 (0)44 724 61 11
Fax ++41 (0)44 724 62 62
Managing Director: David Bosshart
www.gdi.ch

GURTEN-PARK IM GRÜNEN

3084 Wabern bei Bern
Tel. ++41 (0)31 970 33 33
Fax ++41 (0)31 970 33 44
www.gurtenpark.ch

PARK IM GRÜNEN MÜNCHENSTEIN

Rainstrasse 6, 4142 Münchenstein
Tel. ++41 (0)58 575 80 00
Fax ++41 (0)58 575 80 02
www.parkimgruenen.ch

PARK IM GRÜNE RÜSCHLIKON

Alsenstrasse 40, 8803 Rüslikon
Tel. ++41 (0)44 724 01 66
www.parkimgruene.ch

PARC PRÉ VERT DU SIGNAL DE BOUGY

1172 Bougy-Villars
Tel. ++41 (0)21 821 59 30
Fax ++41 (0)21 807 33 86
www.signaldebougy.ch

STIFTUNG FÜR EUROPÄISCHE SPRACH- UND BILDUNGSZENTREN EUROCENTRES

Seestrasse 247, 8038 Zürich
Tel. ++41 (0)44 485 50 40
Fax ++41 (0)44 481 61 24
Managing Director:
Michael Gerber
www.eurocentres.ch

(As at 1.1.08)

GRI index

Migros reporting, including the financial statement and the sustainability report, complies with the principles of the Global Reporting Initiative GRI (Version G3). The GRI is a multi-stakeholder dialogue and develops generally recognized guidelines for the explanation of economic, ecological and social services. It confirms compliance at level B for the Migros reporting.

This document is also a progress report in accordance with Global Compacts. This United Nations (UN) initiative contains ten principles based on widely recognized value concepts of good company management. The Global Compacts principles are specified on page 19 of the Sustainability report or on the Internet: www.globalcompact.org.

A detailed version of this table of contents according to GRI and Global Compact can be found on the Migros website: www.migros.ch › Über die Migros › Nachhaltigkeit › Publikationen › English Documents.

Level of conformity

GRI confirms compliance at level B for the Migros reporting after the following prerequisites had been fulfilled:

- a) all indicators (indicators 1.1 to 4.17) were answered in the “Strategy and profile” section;
- b) information about the management approach was provided for every category (economy, environment, labor practices, human rights, society, product responsibility) in the “Performance indicators” section and
- c) the reporting included a total of at least 20 indicators (at least one per category).

The full indicator titles and additional information about the level of conformity can be found under: www.globalreporting.org



NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
STRATEGY AND PROFILE							
PROFILE							
1.1	Chairman and CEO's statement	●			7		
1.2	Risks and opportunities	●			19, 34-40		
ORGANIZATIONAL PROFILE							
2.1	Name of organization	●			Title page	Title page	
2.2	Primary brands, products and services	●			12, 25		
2.3	Operational structure	●			13		
2.4	Location of headquarters	●				imprint	
2.5	Countries of operation	●			12		
2.6	Nature of ownership and legal form	●			12		
2.7	Markets served	●			12		
2.8	Scale of the organisation	●			12, 36		
2.9	Significant structural changes	●			15		
2.10	Awards received	●			21		

NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
REPORT PROFILE							
3.1	Reporting period	●			Title page		
3.2	Date of most recent previous report	●			4		
3.3	Reporting cycle	●			4		
3.4	Report contact person	●			Imprint		
3.5	Report content: process for defining	●					www
3.6	Boundary of the report	●			4		
3.7	Limitations on report scope	●					www
3.8	Basis for reporting	●					www
3.9	Data measurement techniques	●					www
3.10	Re-statements of information	●					www
3.11	Significant changes in scope and methods	●			4		www
3.12	GRI Content Index	●			4		
3.13	Assurance	●					www
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT							
4.1	Governance structure	●				119-121	
4.2	Chair/executive officer status	●			37	119-121	www
4.3	Board: non-executive directors	●			37	119-121	
4.4	Board: mechanisms for feedback	●			37	119-121	
4.5	Remuneration: senior executives	●				122	
4.6	Board: conflicts of interest	●				122	
4.7	Board: qualifications and expertise	●			19		www
4.8	Internal statements: mission and principles	●			6, 27, 34	181	
4.9	Board: oversight of performance	●			19, 20	180	
4.10	Board: evaluating own performance	●					www
4.11	Precautionary principle	●		7	19, 27	150	
4.12	External charter/initiatives endorsed	●			19, 27, 43	180-181	
4.13	Memberships	●			36	182	
4.14	Stakeholder: list	●			34	182	
4.15	Stakeholder: basis for identification	●					www
4.16	Stakeholder engagement: approaches	●			34	182	
4.17	Stakeholder engagement: key topics	●			34		
MANAGEMENT APPROACH AND PERFORMANCE INDICATORS							
ECONOMIC							
EC1	Management approach	●					www
EC1	Economic value generated	●	*		35	113	
EC2	Climate change: financial risks	●			(7), (8)		

NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
EC3	Benefit plan obligations	●	*				www
EC4	Financial assistance from government	●	*				
EC5	Entry level wage	●	◇	(6)		187	
EC6	Locally-based suppliers: Policies, spendings	●	*		14, 24		
EC7	Local hiring policy	○	*	(6)			www
EC8	Infrastructure developments	●	*		14	127, 191-193	
EC9	Indirect economic impacts	●	◇		12,35	190	
ENVIRONMENTAL							
EN1	Management approach	●					www
EN2	Materials: used	●	*	(8)			
EN2	Materials: recycled input materials	●	*	8, 9			
EN3	Energy: direct energy consumption	●	*	(8)	42, 43		
EN4	Energy: indirect energy consumption	●	*	(8)	42, 43		
EN5	Energy: efficiency savings	●	◇	8, 9	42, 43		
EN6	Products: energy-efficient or renewables	●	◇	8, 9	26		
EN7	Indirect energy consumption	●	◇	8, 9	47		
EN8	Water: consumption	●	*		50		
EN9	Water: sources	○	◇				
EN10	Water: recycled	●	◇	8, 9			
EN11	Biodiversity: land usage	●	*	(8)			www
EN12	Biodiversity: impacts on	●	*	(8)			
EN13	Biodiversity: habitats protected or restored	●	◇	8			www
EN14	Biodiversity: managing impacts	●	◇	8	24, 30-31		
EN15	Biodiversity: red list species	●	◇	(8)			
EN16	Greenhouse gas emissions: direct and indirect	●	*	(8)	46		
EN17	Greenhouse gas emissions: other indirect	●	*	(8)			
EN18	Greenhouse gas emissions: reduction	●	◇	8, 9	42-44, 45, 46		
EN19	Ozone-depleting substances by weight	●	*	(8)			

NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
EN20	NOx & SOx, and other significant air emissions	●	*	(8)			
EN21	Wastewater: discharge (quality and destination)	●	*	8			www
EN22	Waste: total weight and disposal method	●	*	8	49-50		
EN23	Significant spills: total number and volume	●	*	(8)			www
EN24	Hazardous waste: transported weight	●	◇	(8)			
EN25	Affected water bodies	○	◇	(8)			www
EN26	Products: environmental impacts reduction	●	*	8, 9	26		
EN27	Products/packaging: percentage reclaimed	●	*	8, 9	50		
EN28	Non-compliance environmental laws	●	*	(8)			www
EN29	Transport: environmental impacts of transport	●	*	(8)	42-46, 47		
EN30	Environmental protection expenditures	●	*	8			
LABOR PRACTICES AND DECENT WORK							
LA1	Management approach	●					www
LA1	Workforce: employment type, contract, region	●	*			187	www
LA2	Employee turnover by age group, gender, region	●	*	(6)		187-188	
LA3	Employee benefits	●	◇	(6)			www
LA4	Collective bargaining agreements	●	*	(1), 3		188	
LA5	Operational changes: minimum notice period	●	*	3			
LA6	Health & safety: workforce in committees	●	◇				
LA7	Health & safety: rates of injury, lost days	●	*				www
LA8	Health & safety: prevention of serious diseases	●	*			186	
LA9	Health & safety: agreements with trade unions	●	◇				www
LA10	Training & development: hours per employee	●	*				
LA11	Training & development: lifelong learning	●	◇			184, 186	
LA12	Training & development: performance reviews	●	◇				www
LA13	Diversity statistics	●	*	(1), 6		187-188	
LA14	Remuneration: basic salary men - women	●	*	(1), 6			
HUMAN RIGHTS							
HR1	Management approach	●					www
HR1	Human rights: significant investments screening	○	*	1, 2, (4), (5), (6)		www	
HR2	Human rights: procurement screening	●	*	1, 2, (4), (5), (6)	28-29		

NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
HR3	Human rights: employee training	○	◇	1, (4), (5)			
HR4	Discrimination: number of incidents	●	*	1, 6			
HR5	Freedom of association: right at risk	●	*	1, 3			www
HR6	Child labour: operations with significant risk	○	*	1, 5			www
HR7	Forced labour: operations with significant risk	○	*	1, 4			www
HR8	Human rights: security personnel trained	○	◇	1, 2			www
HR9	Indigenous people rights: incidents	○	◇	1			www
SOCIETY							
SO1	Management approach	●					www
SO2	Impacts of operations on communities	○	*	(1)			www
SO3	Corruption: number of business units analyzed	●	*	10		184	
SO4	Anti-corruption: training	●	*	10			
SO5	Corruption: actions taken in response to	●	*	10	36	182	
SO6	Public policy development	●	*	(10)			www
SO7	Political contributions: total value	●	◇	(10)		182	www
SO8	Legal actions: anti-competitive behavior	●	◇				www
SO8	Non-compliance: significant fines	●	*				
PRODUCT RESPONSIBILITY							
PR1	Management approach	●					www
PR2	Products: customer safety assessments	●	*				www
PR3	Non-compliance: customer health & safety	●	◇			150	www
PR4	Products: information requirements	●	*	(8)		150	www
PR5	Non-compliance: product information	●	◇	(8)			
PR6	Customer satisfaction	●	◇	(8)	34	149	
PR7	Marketing communications: voluntary codes	●	*				
PR7	Non-compliance: marketing communications	●	◇				www

NO.	SHORT TITLE AND STATUS OF INDICATOR	LEVEL OF COMPLETION	CORE INDICATOR	GLOBAL COMPACT	PAGE NUMBER SUSTAINABILITY REPORT	PAGE NUMBER ANNUAL REPORT	ADDITIONAL INFORMATION
PR8	Customer complaints: customer privacy	●	◇			149	www
PR9	Non-compliance: provision of products	●	*				www

LEGEND

- The indicator is reported or the reason for not reporting it is specified.
- The indicator is partly reported.
- The indicator is not reported.
- The indicator is not relevant for Migros.
- * Core indicator
- ◇ Supplemental indicator
- P Directly relevant Global Compact principle
- (P) Indirectly relevant Global Compact principle
- www Additional information about this indicator can be found in the online GRI-index at www.migros.ch: Über die Migros > Nachhaltigkeit > Publikationen > English documents

Biographies

Jessica Backhaus

was born in 1970 in Cuxhaven. She studied photography and visual communication in Paris. Today, she lives and works in New York and Europe. Her works were shown in numerous solo and group exhibitions, among others in the National Portrait Gallery, London, and in the Martin-Gropius-Bau in Berlin. In 2005, she published her first book, “Jesus and the Cherries” [Kehrer Verlag].

Nathan Beck

was born in 1966 in Zofingen and lives in Zurich. He studied photography at the Zurich University of the Arts and was a founding member of the image agency “Regards”. He travelled throughout Africa and the Mid-East for various magazines. His photographs were shown in the exhibition “Weltenbilder” at the Fotomuseum Winterthur in 1998 and in a group show at the Migros Museum for Contemporary Art, Zurich, in 2001. In 2007, he published together with Eugen Sorg “Unbesiegbar” [Nagel & Kimche], a book of reportages.

Kurt Markus

was born 1947 in Montana, where he still lives. His work ranges from fashion shoots to travel reportages and was published in leading international magazines [among others “Vanity Fair”, “GQ”, “Rolling Stone”, “Vogue”]. In 2001, he published his most recent book, “Cowpunchers” [Wild Horse Island Press]. He is represented by galleries in New York, Berlin and Milan. Together with his wife Maria, he runs the publishing house Wild Horse Island Press.

Walter Pfeiffer

was born in 1946 in Beggingen and lives in Zurich. For more than 30 years the photographer, draughtsman, painter and director has laboured on his rich work, which increasingly garners international attention. He recently had solo and group shows in New York, Paris, London and Zurich. In 2007, he published “Cherchez la femme” [Edition Patrick Frey], a collection of his portraits of women. In autumn 2008, the Fotomuseum Winterthur will present a retrospective of his photographic work.

Alexis Saile

was born in 1972 in Basel and lives in Zurich. He is a painter and graphic designer, musician and dancer, film-maker and photographer, juggler and acrobat. His works were shown in solo and group shows in Zurich, among others in the Helmhaus, Gallery Hauptmann & Kampa and Message Salon. In 2003, he published his first book, “Doppelgänger”, followed by “Schabernack” in 2005 [both Edition Dino Simonett].

Lukas Wassmann

was born in 1980 in Zurich and currently lives in Berlin and Zurich. After an apprenticeship as a carpenter he studied photography at the FAS School in Berlin and at the Zurich University of the Arts. Wassmann self-published three books: “Straight Forward” [2002], “Watermillions” [2004] and “Holzkopf” [2006]. His works were shown in solo shows in Basel, Zurich, and Paris. In 2006, he participated in the Festival International de Mode & de Photographie Hyères and in 2007 in the Swiss Art Awards, Basel.

Gabriela Herpell works as a freelance writer in Munich, primarily for the “Süddeutsche Zeitung”, but also for various magazines.

Max Küng [*1969] is a reporter for “Das Magazin”. He lives in Zurich. In 2008 his new book “Buch N°2 – Der Anfang von allem” [Book No.2 – The Beginning of Everything] will be published by Edition Patrick Frey.

Michèle Roten, 28, is an editor and columnist for “Das Magazin”.

Christian Seiler, born in 1961, works as a writer and conceptualist in Vienna. He was chief editor of the Austrian news magazine “profil” and the Swiss cultural magazine “Du”. He is the author of numerous books and prefers to spend his weekends in the Lower Austrian Weinviertel.

Eugen Sorg works as a journalist, previously for “Das Magazin” of the “Tages-Anzeiger”, today for “Die Weltwoche”, and reports from around the world. A selection of his reportage was awarded the Türler Prize in 2003 and appeared as a book under the title “Unbesiegbar” [Invincible] with pictures from the photographer Nathan Beck.

Thank you

Ager Josef, Aich Tina, Akbar Mohammed, Akbar Zia, Alessandri Victor, Altenburger Stefan, AMP / Audiovisuelles Archiv
MGB, Andrews Martha, Arnold Lesley, Aubrey Tim
Bashir Mohammed, Baum Gerhard, Black W. Trevor, Bobst Christoph, Borgos Miguel, Borsodi Bela, Bosco Aline,
Brägger Erwin, Bryksa Pedro, Bryska Zulema, Butt Khalid Zarar, Butt Shahid Mehmood
Carnero Gabriel, Chresta Yvonne, Colby Anna
Delemeschnig Brigitte / Midor, Dougal Scott, Durstmüller Manfred
Eggenberger Hanspeter, Eicka, Eschbach Joel, Eschbach Simon
Farr Michael, Fehr Sarah, Ferch Stephan, Fidler Malcom, Fierz Pascal, Fiorotto Juan, Fiorotto Olga Beatriz, Fiorotto Socorro,
Freigang Manuela, Fuchser Beat
Grausenburger Lukas, Grausenburger Reinhard, Gribi Patrick, Grünig Heinrich, Gwinner Pierre, Gygli Stefan
Haas Christian, Hagen Andreas, Hay family, Heck Lotte, Heeb Nikolaus, Heierli Karin, Herdman Steve, Herger Therese,
Hofmeister Annika, Hug Ulrike
Isler Marlise
Jäggi Martin, Janecki Willy, Jawad Ali
Kerr William, Khokar Nadim, Kian, Kiehlholz Pascal, Klingbacher Barbara, König Franziska, Kovacic Nenad, Küng George,
Kunovits Christine, Kuoni Mara
Leopold Fritz, Lieber Alexis, Le Petit Hotel Zermatt, Hotel Post Zermatt
Malik Qasim, Märker Ruth, Markus Maria, Massera Steffi, Mayer Hans, Meier Dieter, Moreira José, Müller Heinz
Nascel Javier, Nelson Archie, Nurrudin Hadji
Orucevic Aida
Parth Günther, Pfennigbauer Ernst, Pferschinger Johann, Portmann Michael, Prochaine AG, Purvis Derek, Purvis Gregor,
Purvis Robert
Rauscher Wolfgang, Robertson Gordon, Robertson Steve, Roppel Patrick, Ruch Peter
Saavedra Laureano, Saavedra Silverio, Scheff Natalie, Schredl Rudolf, Schuoler Pascale, Shotview, Sisa Alois, Suzy,
Syed Khalid
Teufl Helmut, Tiefenbacher Hermann
Ventura Film
Ward Colin, Whittle Michel, Wurm Erwin
Vogel Dorothee, Vogel Gabi, von Giese Helge
Zermatter Bergbahnen, Zermatt Tourismus, Zweifel Stefanie, Zwitkowits Gerardo

And everyone else we've forgotten.

Imprint

Migros-Genossenschafts-Bund, Zurich

Overall Responsibility

Monica Glisenti, Corporate Communications
www.migros.ch

Concept

Studio Achermann, Zurich
Beda Achermann, Markus Bucher
Monica Glisenti

Photographers, Illustrators

Kurt Markus, Kalispell/Montana
Jessica Backhaus, New York
Lukas Wassmann, Zurich
Nathan Beck, Zurich
Walter Pfeiffer, Zurich
Alexis Saile, Zurich

Artwork

Studio Achermann, Zurich
Adrian Ehrat, Kerstin Landis, Yves Gerteis

Text

Hanspeter Eggenberger, Zurich
Eugen Sorg, Zurich
Michèle Roten, Zurich
Christian Kämmerling, Zurich
Max Küng, Zurich
Gabriela Herpell, Munich
Christian Seiler, Vienna

Art Buying/Production

Studio Achermann, Zurich
Tina Schalow

Photo Assistants

Weston Markus, Kalispell/Montana
Robert Rubak, Vienna
Eva Maria Küpfer, Berlin

Typesetting

Roger Furrer, Zurich

Translation

FCM translation coordination, Zurich
Tom Gundy, Basel

Proofreading

FCM translation coordination, Zurich
Lektorama, Zurich

Pre Press

Sturm AG, MuttENZ

Printing

Offsetdruck Goetz, Geroldswil

Binding

Eibert, Eschenbach

Information Policy

Migros pursues a policy of openly communicating information and publishes certified Annual Reports according to the Global Reporting Initiative [GRI] Standard.

MIGROS