

# The Chairman's and CEO's Review

## Review by the Chairman of the Board of Directors

### Dear Readers

The Swiss economy has picked up again. Relatively stable consumption also contributed to this. Just like investments in infrastructure, it has not collapsed in recent years. Migros's unchanged high investments in the Swiss market are also responsible for this.

### 2010 was a year of consolidation for Migros.

We used the time to evaluate the situation and strengthen our position. I am delighted that the Migros Group managed to continue to grow in the year under review despite greater competition. The encouraging results reflect our initiatives over recent years. These efforts have now had a positive impact on business.

### Migros Group continued to post healthy growth in the year under review.

This included strategic balancing to strengthen the value-added chain. The Board of Directors achieved special momentum in the online range in customer dialogue and mobility. Examples are the expansion of LeShop, the introduction of new dialogue platforms and the roll-out of m-way.

### Process optimisations throughout the entire Group enable comprehensive price reductions.

With a remarkable price/performance offensive at the end of 2010, Migros strengthened its price/performance leadership. At the same time, the range was selectively expanded and vertical integration further strengthened in the year under review. The measures taken to improve efficiency were implemented consistently. The results of the individual business areas are therefore a lot more balanced today.

### Swissness is not an advertising promise for Migros.

As Switzerland's biggest employer and most important provider of Swiss products, but also thanks to our investments throughout Switzerland, we again made a crucial contribution to our economy in 2010. Here, our customers and the cooperative approach are the focus of our actions.

### We also rate actions over words when it comes to sustainability.

Important initiatives were launched in the area of climate protection in 2010. Here, we are guided by a comprehensive approach that also includes procurement and production. We support the Global Compact and focus on social responsibility – keeping with the tradition of our founder Gottlieb Duttweiler. We are delighted that this has been again certified externally. In the year under review, for instance, we were stated in the GfK Business Reflector as the best Swiss company with an optimum price/performance ratio and an above-average social and environmental commitment.

### Variety is and will continue to be a basic value of Migros.

This not only refers to a broad product range, but also to our range of services: Migros is more than a leading retailer, but also an industry, specialist shop, travel agent, bank and further education institute. Despite our variety and versatility, we endeavour to keep our offerings both functional and simple. Customer benefit is the focus, but Migros also offers a broad selection of different and interesting jobs. In sustainability, we also focus on biological and ecological variety – not only in the year of biodiversity.

---

Migros was stated in the GfK Business Reflector as the best Swiss company.

---



«In 2010 we again managed to expand our services, improve quality and lower prices.»

---

**Herbert Bolliger**  
Chief Executive Officer

«Our customers and the cooperative approach are the focus of our actions.»

---

**Claude Hauser**  
Chairman of the Board of Directors

**Migros's success is based on a strategy that takes a long-term approach.**

We again managed to play to our strengths this year to secure our position. This includes a strong vertical integration with our own high-quality industrial enterprises and a broad and attractive range of retail and comprehensive service offerings.

**Despite our long-term strategy, we aim to react swiftly to trends and changes.**

In the interest of our customers and cooperative members, the range is expanded in a targeted manner and in accordance with the requirements of our customers and cooperative members. Furthermore, we make substantial investments in Switzerland in order to maintain our leading position, thanks to our modern, customer-friendly infrastructure. We work on this every day.

**We want to stick to this model of success in the future.**

The aim is not to win a sprint, but to create value in the long run – in the interests of all our stakeholders. The basis for the healthy development of our Group is cooperative actions, regional ties, credibility and passion, and also the success and performance orientation of everyone involved. Migros's values will continue to determine our entrepreneurial actions in the future.

**The tasks in the year under review were carried out and further successes achieved.**

For this, I wish to thank our management team and the more than 80'000 employees. They have all made a contribution to the successful development of Migros. I thank our customers, suppliers and business partners on behalf of the Board of Directors for their trust and cooperation. We look forward to implementing our vision with you jointly to live better every day.



**Claude Hauser** Chairman of the Board of Directors

## Review by the Chief Executive Officer

The Migros Group managed to further expand its strong position in the Swiss market in the year under review. Comprehensive price reductions and targeted strategic initiatives dominated 2010. Net revenue rose by CHF 93 million to more than CHF 25 billion. As a result, the already excellent operating income of the previous year was slightly exceeded, thanks to the efficiency measures implemented over the year.

Switzerland's consumer index again rose over the course of the year under review. It was again above its long-standing average value in the second half of the year. Due to higher energy prices, inflation rose in the year under review by 0.7%. (previous year -0.5%). Thanks to increased efficiency, prices at Migros were reduced by 3%. In its fresh produce range alone, Migros lowered its prices by an average of 3.6%. Compared with the previous year, meat and poultry was an average of 6.5% cheaper and fruit and vegetables 3.8%. Specialist markets also dropped their prices by an average of 3%. The competitive situation in retailing remained fierce. Despite huge investments by the new market participants in Switzerland, Migros managed to hold on to its leading position. The numerous price reductions weighed on sales and earnings. But Cooperative Retail again posted real sales growth of 2.6% in the year under review.

---

The increase  
in net revenue  
was achieved  
despite massive  
price reduc-  
tions.

---

Migros Group's **net revenue rose** by CHF 93 million (+0.4%) to CHF 25.040 billion (previous year CHF 24.947 billion). The increase was achieved despite massive price reductions in the year under review and revenue falls in the travel sector due to currency fluctuations.

**Earnings** before finance income, income tax and pension plan effect (EBIT) of the Migros Group stood at CHF 1'176 million, CHF 23 million above the previous year's value of CHF 1'153 million. The improvement resulted mainly from greater contributions from the Financial Services and Industry & Wholesaling units. **Investments** remained at a very high level of CHF 1'490 million (previous year CHF 1'480 million), enabling Migros to retain its position as an important business partner in Switzerland and to secure thousands of jobs. Significant investments were made in the regional cooperatives and industrial and commercial companies. At CHF 171 million, significantly more was invested in the commerce area, in particular, than in the previous year. During the past year, the **sales area** in supermarkets/hypermarkets, specialist markets and in gastronomy grew by 27'142 m<sup>2</sup> (+2.1%) to 1'293'204 m<sup>2</sup> (previous year: 1'266'062 m<sup>2</sup>).

### Price development: Migros remains best value for money

At the end of December 2010, Migros made its customers a very special present with an unmatched **price offensive**: the prices of 2'247 convenience goods, including fruit, vegetables, yoghurt, chicken, mineral water and nappies, were reduced by between 3% and 20%. The cost reductions, achieved by efficiency increases and cheaper commodities and procurement prices, were passed on to consumers in full.

### Highlights and innovations: online, mobility and customer dialogue

A targeted approach was taken to push **online sales** in 2010. Overall, Migros managed to further extend its leading position in e-commerce business. Net revenue rose by CHF 100 million (+19%) to CHF 640 million. This includes the sales platforms of LeShop.ch, the online activities of the Hotelplan Group, Ex Libris, Office World, melectronics and Migrol. **LeShop**, Switzerland's biggest online supermarket, again posted record sales in 2010. With food sales via the internet standing at CHF 151 million, the volume rose by 15% on 2009. A key growth driver was the option to order by smartphone: now every 20<sup>th</sup> order is made using a mobile device.

---

In the area of climate protection, CO<sub>2</sub> emissions were further reduced thanks to various measures.

---

The decision to build up a platform for electromobility in **m-way** was not guided by the aim to generate profits, but by the conviction that the future belongs to green mobility. Important suggestions have already been provided via **Migipedia**, Migros's customer platform launched in 2010. Customers exchange ideas and are in dialogue with Migros here every day. More than 20'000 people have already registered.

#### **Versatile sustainability**

Migros set the pace for sustainable procurement, production and distribution of products in 2010. In the area of **climate protection**, CO<sub>2</sub> emissions were further reduced thanks to various measures. As such, Migros is Switzerland's first retailer to use glass doors for its freezers. This allows a reduction in energy consumption of up to 50%.

In the year under review, the entire **basic coffee range** was switched to coffee grown to socially and environmentally friendly standards. To implement this unique project, Migros cooperates with the non-profit organisation Utz Certified. In the international year of **biodiversity** a special commitment was made towards the diversity of nature. This included produce from natural and animal-friendly Swiss agriculture. The products bearing the TerraSuisse label are today widespread across the range and are popular among customers. With Oceanmania, we enabled hundreds of thousands of children to gain insight into the secrets of the world's oceans. But the commitment also starts directly on our own doorstep – for instance, with the numerous new and naturally designed business premises. **Migros Culture Percentage** again supported numerous projects in culture, society, education, leisure and business, with donations of more than CHF 100 million in 2010. The idea, which goes back to Migros founder Gottlieb Duttweiler, won the Culture Investor of the Year award in the year under review. The award was bestowed at the Culture Brand Awards in Berlin on 28 October 2010.

#### **Sponsoring: sustainability, Swissness and regionality**

Migros's commitment to sponsorship was oriented towards the themes of sustainability, Swissness and regionality. For instance, in 2010 Migros supported a WWF education programme for children and adolescents, the Swiss Wrestling Championships and the 16 Slow-up events in the various regions of the country. And that is precisely what the success and uniqueness of Migros is based on: the equality of the three dimensions of social issues, environment and business.

#### **Customer satisfaction**

A survey of our customers shows that our range of products and services are highly popular. It therefore hardly comes as a surprise that Migros was voted «best Swiss company» in 2010. Migros was also declared to be the «strongest brand» and «the most popular retailer» in Switzerland. The wide range of these top marks is an expression of the huge trust in Migros. They prove that we are on the right route with our strategy.

### **Employees**

At the end of 2010, Migros had a total workforce of 83'616. During the year under review, 3'328 apprentices were trained in more than 40 trades. Our employees worked very hard. We wish to thank them, as well as our customers, suppliers and all cooperative members. **Employee satisfaction** was measured at various Group businesses in the year under review. The results are above the previous year's in many businesses. This is particularly remarkable as the surveys were conducted during a period of difficult market conditions.

### **Outlook**

In 2010 Migros again managed to expand its services, improve quality, lower prices and drive the healthy development of the entire Group with sustainable investments and cost-reduction programmes. As a result, we again ensured profitable growth, which is necessary to secure jobs in the long term and establish a healthy financial footing. We will hold fast to this orientation in the future. We aim to maintain or expand our leading position in all core areas. We are committed to staying what won us an award this year – Switzerland's most popular company.



**Herbert Bolliger** Chief Executive Officer