

Financial statements 2010

FEDERATION OF MIGROS COOPERATIVES

Financial statements Federation of Migros Cooperatives

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Key figures and ratios

CHF thousand	2006	2007	2008	2009	2010
Net sales revenue	5'492'081	5'399'162	5'502'163	5'414'159	5'364'414
Change in % from previous year	-4.1%	-1.7%	1.9%	-1.6%	-0.9%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	32'034	128'770	186'600	185'376	92'119
as % of net revenue	0.6%	2.4%	3.4%	3.4%	1.7%
Net profit	132'884	55'441	43'069	242'073	14'381
as % of net revenue	2.4%	1.0%	0.8%	4.5%	0.3%
Cash flow	214'450	45'203	20'784	285'395	209'420
as % of net revenue	3.9%	0.8%	0.4%	5.3%	3.9%
Investments	26'562	16'847	20'716	20'550	24'353
Current assets	2'513'491	2'926'121	3'217'033	3'574'965	3'166'758
as % of total assets	39.6%	41.3%	44.1%	46.7%	40.5%
Fixed assets	3'830'533	4'150'602	4'075'104	4'076'226	4'661'672
as % of total assets	60.4%	58.6%	55.9%	53.3%	59.5%
Short-term debt capital	1'795'250	2'473'857	2'737'745	2'896'952	3'397'048
as % of total capital	28.3%	35.0%	37.5%	37.9%	43.4%
Long-term debt capital	2'807'375	2'806'626	2'715'683	2'674'056	2'337'418
as % of total capital	44.3%	39.6%	37.3%	34.9%	29.9%
Shareholders' equity	1'741'399	1'796'240	1'838'709	2'080'182	2'093'964
as % of total capital	27.4%	25.4%	25.2%	27.2%	26.8%
Balance sheet total	6'344'024	7'076'723	7'292'137	7'651'190	7'828'430
Expenditure for cultural, social and economic policy purposes	44'492	52'303	44'699	43'175	44'851
Average workforce					
Number of persons	1'927	1'824	1'849	1'862	1'915
converted to full-time positions	1'799	1'699	1'719	1'728	1'776

Balance sheet

Assets

CHF thousand	Notes	31.12.2010	31.12.2009
Current assets			
Liquid assets and fixed-term deposits	1	1'140'438	1'296'691
Securities	2	591'536	592'551
Current receivables:			
↳ due from group companies	3	986'890	1'059'602
↳ trade debtors (third parties)		34'300	13'820
Other current receivables (third parties)	4	168'577	314'840
Inventories	5	163'765	196'504
Prepayments and accrued income		81'252	100'957
Total current assets		3'166'758	3'574'965
Fixed assets			
Financial assets			
Long-term receivables:			
↳ due from group companies	6	2'447'660	2'271'855
↳ due from third parties		11'940	2'900
Equity interests:			
↳ in group companies	7	1'926'424	1'588'272
↳ in third parties	8	176'484	130'998
Tangible assets	9	54'586	70'658
Intangible assets	10	44'577	11'542
Total fixed assets		4'661'672	4'076'225
Total assets		7'828'430	7'651'190

Liabilities

CHF thousand	Notes	31.12.2010	31.12.2009
Current debt capital			
Financial liabilities	11	350'270	254'550
Liabilities:			
↳ due to group companies	12	2'204'521	1'956'145
↳ third-party trade creditors		330'723	330'388
Other current liabilities	13	289'622	182'753
Personnel and M-participation accounts		10'281	9'596
Current provisions	14	183'129	133'264
Accrued liabilities and deferred income		28'502	30'256
Total current debt capital		3'397'048	2'896'952
Long-term debt capital			
Liabilities:			
↳ due to third parties	15	381'000	551'000
↳ due to group companies		-	-
Personnel investment accounts	16	1'414'465	1'378'903
Debenture loans / private placements	17	450'000	650'000
Long-term provisions	18	91'953	94'153
Total long-term debt capital		2'337'418	2'674'056
Total debt capital		5'734'466	5'571'008
Shareholders' equity			
Cooperative capital		15'000	15'000
Statutory reserves		20'000	20'000
Other reserves	19	2'038'007	1'800'007
Culture Percentage provision	20	7'631	5'993
Unappropriated profit	20	13'326	239'182
Total shareholder's equity		2'093'964	2'080'182
Total liabilities and shareholder's equity		7'828'430	7'651'190

Income statement

CHF thousand	Notes	31.12.2010	31.12.2009
Net sales revenue	21	5'364'414	5'414'159
Other operating income	22	255'727	227'555
Total operating income		5'620'141	5'641'714
Cost of materials, goods and purchased services		4'767'272	4'784'923
Gross operating profit		852'869	856'791
Personnel expenses	23	235'648	226'180
Advertising expenses	24	282'795	258'395
Administration expenses	25	242'307	186'840
Depreciation	26	14'493	10'285
Earnings before income and taxes (EBIT)		77'627	175'091
Financial income and expenses	27	-61'758	151'661
Other income and expenses	28	3'757	-11'439
Profit before taxes		19'625	315'313
Taxes		5'244	73'240
Net profit		14'381	242'073

Notes to the financial statements

Balance sheet

1 Liquid assets and fixed-term deposits

CHF thousand	31.12.2010	31.12.2009
Cash and cash equivalents	428'748	710'996
Fixed-term deposits	173'390	404'695
Fixed-term deposits due from group companies	532'500	181'000
Fixed-term deposits due from affiliate companies	5'800	–
Total	1'140'438	1'296'691

This item is used to maintain liquidity for the Migros Community.

2 Securities (to maintain liquidity)

CHF thousand	31.12.2010	31.12.2009
Bonds	527'959	501'377
Shares	45'392	49'388
Shares in funds (Money Market)	18'184	41'786
Total	591'536	592'551

The securities of the current assets are used to maintain liquidity. Securities are valued at their fair value on the balance sheet date.

At the year end CHF 18.2 million has been invested in the money market funds with immediate liquidity.

3 Current receivables due from group companies

CHF thousand	31.12.2010	31.12.2009
Total	986'890	1'059'602

Services exchanged within the group are settled on a non-cash basis via a clearing system operated by the FMC. The balance results from the corresponding current account transactions.

4 Other current receivables due from third parties

CHF thousand	31.12.2010	31.12.2009
Total	168'577	314'840

The item includes loans, refund claims for withholding tax, foreign value-added taxes, and balances relating to current account transactions with foundations.

The stock change results from the repayment of a loan of CHF 242 million. In addition, a reclassification is performed of several loans stated under non-current receivables in the amount of CHF 95 million.

5 Inventories

CHF thousand	31.12.2010	31.12.2009
Goods for resale	163'506	195'778
Other materials / advance payments	259	726
Total	163'765	196'504

Inventories include mainly stocks of goods at the two central warehouses in Suhr and Neuendorf.

6 Long-term receivables due from group companies

CHF thousand	31.12.2010	31.12.2009
Total	2'447'660	2'271'855

Group companies are financed primarily by internal FMC loans.

7 Equity interests in group companies

CHF thousand	31.12.2010	31.12.2009
Total	1'926'424	1'588'272

Equity interests are shown in the balance sheet at purchase cost less requisite depreciation. The remaining 30% of shares in Denner AG were purchased in the year under review. The shareholdings of Migrol AG and Scana AG were transferred to Migros Beteiligungen AG. This transfer of assets was conducted without compensation (see Notes to financial statements). The carrying amounts were assigned to Migros Beteiligungen AG, which is also a 100% subsidiary of FMC and is stated under the above balance sheet item.

8 Equity interests in third parties

CHF thousand	31.12.2010	31.12.2009
Total	176'484	130'998

Shareholdings of less than 20% are shown under Equity interests in third parties. These are recognised at cost less any accumulated impairment losses.

9 Tangible assets

CHF thousand	31.12.2010	31.12.2009
Land and buildings	14'805	34'338
Plant, machinery and equipment	33'462	28'967
Other tangible assets	6'319	5'041
Assets under construction	–	2'312
Total	54'586	70'658

In 2010 a total of CHF 15.5 million was invested in tangible assets. Of this, CHF 12.1 million related to plant, machinery and equipment, and in particular to the development of information technology. The stock reduction of land and buildings results mainly from the assettransfer of the Volketswil warehouse to the Migros-Verteilbetrieb Neuendorf AG as of 1.1.2010 (see explanation in the Notes).

10 Intangible assets

CHF thousand	31.12.2010	31.12.2009
Software	17'877	11'502
Trademark and publishing rights	26'700	40
Total	44'577	11'542

The stock increase results from the sale of trademarks for CHF 26.7 million, as well as the activation of software for CHF 8.8 million. Depreciation stands at CHF 2.5 million in 2010. Both acquired and internally created software is activated.

11 Financial liabilities

CHF thousand	31.12.2010	31.12.2009
Bank loans	150'270	254'550
Debenture loans	200'000	–
Total	350'270	254'550

The above liabilities are repayable within the next 12 months. The bonds loan, which is due on 3.5.2011, was stated under long-term liabilities in the previous year (see Note 17).

12 Liabilities due to group companies (current debt capital)

CHF thousand	31.12.2010	31.12.2009
Total	2'204'521	1'956'145

Services exchanged within the group are settled on a non-cash basis via a clearing system operated by the FMC. The balance results from the corresponding current account transactions.

13 Other current liabilities

CHF thousand	31.12.2010	31.12.2009
Fixed-term deposits	–	1'750
Migros Pension Fund	221'710	112'098
Old-age equalisation fund / foundations	3'150	3'684
Giftcards & Migros gift vouchers	40'355	41'616
Other	24'407	23'605
Total	289'622	182'753

The Migros Pension Fund placed more short-term funds with FMC as of the due date compared with the previous year. The obligation for Giftcards & gift vouchers that have not yet been redeemed decreased slightly on the previous year. The liability for the current Giftcard increased by CHF 2.7 million, while the liability for the expiring paper gift vouchers was reduced by CHF 4.0 million.

14 Current provisions

CHF thousand	31.12.2010	31.12.2009
Provisions for:		
↳ Taxes on income and capital	8'756	60'072
↳ Insurance losses	8'507	8'698
↳ Group risks	4'100	1'000
↳ Commodity and monetary transaction risks	149'747	51'953
↳ Other	12'020	11'541
Total	183'129	133'264

Provisions for taxes on income and capital fell significantly due to tax payments, in particular for 2009. Provisions for Group risks refer to payments to foundations and companies as part of the Culture Percentage expenditure. The increase in provisions for commodity and monetary transactions results mainly from the trend in value of hedging transactions. Respective provisions are formed for unrealised exchange losses, while unrealised gains are not shown in the balance sheet due to the imparity principle (see Note 27).

15 Liabilities due to third parties (long-term debt capital)

CHF thousand	31.12.2010	31.12.2009
Total	381'000	551'000

The decrease results from the reclassification of bank loans under the item Current financial liabilities (see Note 11).

16 Personnel investment accounts

CHF thousand	31.12.2010	31.12.2009
Total	1'414'465	1'378'903

Employees and retired employees of the M-Community have made funds available to the FMC. Up to a maximum deposit of CHF 200'000 for employees and CHF 100'000 for retired employees, interest is paid at a preferential rate, equal to the variable interest rate for first mortgages offered by Migrosbank. For drawings over CHF 25'000, 3 months' notice is required. The balance rose by 2.6% on the previous year.

17 Debenture loans/private placements

CHF thousand			31.12.2010	31.12.2009
Maturity	Term	Interest rate		
3.5.2011	2004 – 2011	2.5%	–	200'000
28.9.2012	2007 – 2012	3.125%	150'000	150'000
4.6.2013	2007 – 2013	2.875%	200'000	200'000
Debenture loans			350'000	550'000
Private placements			100'000	100'000
Total			450'000	650'000

The loans are listed on the SIX Swiss Exchange. The bond, which is due on 3.5.2011, is now stated under Current financial liabilities (see Note 11).

18 Long-term provisions

CHF thousand	31.12.2010	31.12.2009
Voluntary staff provident fund	15'942	17'965
Insurance fund	20'000	20'000
General commercial risks	46'011	46'188
Product liability	10'000	10'000
Total	91'953	94'153

The FMC has undertaken to pay an old-age equalisation fund bridging pension to cover the years between the general Migros retirement age and the normal retirement age. Provisions totaling CHF 15.9 million have been set up for these cumulative obligations and for pensions under the early retirement scheme.

19 Other reserves

CHF thousand	31.12.2010	31.12.2009
Previous year	1'800'007	1'760'007
allocation from appropriation of profits	238'000	40'000
Total	2'038'007	1'800'007

The allocation was approved in each case by resolution of the Assembly of Delegates.

20 Unappropriated profit / Culture Percentage provision

CHF thousand	2010	2009
Previous year	583	645
Profit for the year	14'381	242'073
Deletion / allocation (-) Culture Percentage provision	- 1'638	- 3'536
Total	13'326	239'182

The proposal of the Board of Directors on the employment of the unappropriated profit for 2010 is contained in the Notes to the accounts.

Since 2006, the statutory amount allocated to the Culture Percentage, but not used up by the reporting date has been allocated to a Culture Percentage reserve under Equity capital.

Income statement

21 Net sales revenue

CHF thousand	2010	2009
Net sales revenue from trading in goods, by customer classes:		
↳ Third parties	60'789	62'840
↳ Group companies	5'301'952	5'349'490
↳ Related parties	1'673	1'829
Total	5'364'414	5'414'159

The decrease in revenue compared with the previous year is due largely to the drop in sales revenue from supplying the Regional Cooperatives. Despite higher volumes, price reductions resulted in a net decrease in sales of CHF 49.8 million. Overall, net sales fell by 0.9%.

22 Other operating income

CHF thousand	2010	2009
Group companies:		
↳ Contribution for promotions and advertising	51'769	40'280
↳ Other income - group	160'858	153'927
Sub-total	212'628	194'207
Third parties:		
↳ Contributions for promotions and advertising	28'453	23'801
↳ Other income - third parties	13'400	8'758
Sub-total	41'853	32'559
Internal expenditure capitalised	1'247	789
Total	255'727	227'555

Suppliers share in promotional and marketing costs in the form of contributions for promotion and marketing. The item Other income – group includes the management fee for the segments Fresh Produce and Catering of the regional cooperatives. The item also contains an additional management fee for various group companies, for which FMC provides centralised services.

23 Personnel expenses

CHF thousand	2010	2009
Wages and salaries	185'273	176'711
Social insurance	17'104	16'526
Staff pension schemes	23'776	22'745
Other	9'495	10'198
Total	235'648	226'180

The increase in staff costs of 4.2% compared with the previous year results from the 2010 salary rises and from the larger workforce.

24 Advertising expenses

CHF thousand	2010	2009
Total	282'795	258'395

As a result of additional market development measures, advertising costs are CHF 24.4 million higher than in the previous year.

25 Administration expenses

CHF thousand	2010	2009
Rental to group companies	17'172	20'180
Other rent	3'929	3'615
Maintenance of fixed assets	21'960	22'755
Energy and consumables	5'890	3'480
Administrative costs	92'020	84'607
Expenditure for cultural purposes	15'416	14'989
Services	23'831	21'949
Other expenditure	62'089	15'264
Total	242'307	186'840

The decrease in rental to group companies was primarily the result of rent reductions. Other expenditure for 2010 includes the group-wide employee bonus of CHF 30.5 million, and one-off special expenses for market development contributions and restructuring costs of some CHF 16 million.

26 Depreciation

CHF thousand	2010	2009
Land and buildings	156	723
Plant, machinery and equipment	10'779	7'585
Other tangible assets	1'032	689
Intangible assets	2'526	1'288
Total	14'493	10'285

Depreciation amounts are based on the provisions of commercial and fiscal law.

27 Financial income and expenses

CHF thousand	2010	2009
Interest revenue	105'096	119'937
Interest costs	- 108'262	- 83'680
Net currency differences	- 93'028	52'783
Income from securities	31'803	60'337
Income from investments	2'632	2'284
Total	- 61'758	151'661

Financial income is much worse than in the previous year. This is due mainly to the balance from currency differences. With regard to the currency hedging balance, it should be noted that unrealised profits from foreign currency derivatives are not recognised while unrealised – losses must be reported in net income (impairity principle). As FMC uses derivatives to hedge high procurement volumes in foreign currency, high volatility in exchange rates, as in 2009/2010, results in considerable income fluctuations.

The lower interest rate results in slightly lower income for interest income. Interest expenses are higher than in the previous year and also influenced by the change to unrealised profits and losses from interest hedges.

Income from securities is also lower than the previous year and reflects the weaker recovery in financial markets compared with the previous year.

28 Other income and expenses

CHF thousand	2010	2009
Unrealised profit from disposal of fixed assets	48	42
Unrealised loss from disposal of fixed assets	- 252	-
Extraordinary expenditure and income	3'960	- 11'481
Total	3'757	- 11'439

In both 2009 and 2010 there were no significant profits or losses from the disposal of fixed assets. Extraordinary expenditure and income in 2010 includes profit of CHF 3.5 million from the liquidation of a foreign company and a reversal of impairment on a property of CHF 0.5 million. The previous year's balance contains, in particular, an impairment on investments of CHF 11.6 million.

Notes

Accounting standard

The annual financial statement of the Federation of Migros Cooperatives, Zurich, has been prepared in accordance with the regulations currently applicable under company law.

Balance sheet information

CHF thousand	2010	2009
Fire insurance values:		
↳ Moveable property	267'744	252'424
↳ Real estate	31'397	66'060
Undisclosed reserves released	22'236	21'228
Sureties, guarantee commitments, charges in favour of third parties	43'830	52'000
Liabilities in respect of staff pension schemes	221'710	113'027

Appropriation of net profit for the year

Proposal of the Board of Directors for the appropriation of net profit for the year:

CHF thousand	2010
Profit brought forward from previous year	583
Profit for the current year	14'381
Allocation of the Culture Percentage provisions ¹	- 1'638
Net profit for the year for approval by the Assembly of Delegates	13'326
Interest at 4% on FMC Cooperative capital	600
Allocation to other reserves	12'000
Carried forward to new account	726

¹ The statutes state that at least 1/3% of the retail sales must be allocated to cultural, social and economic purposes. Every year it is determined whether too much or too little money has been spent on the Culture Percentage. Any unspent amounts must be spent within five years.

Risk management

The Federation of Migros Cooperatives Zurich operates a risk management system. The Board of Directors ensures that a risk assessment is carried out on time and in the appropriate manner. The Board is regularly informed by the Management about the risk situation of the company.

Based on a systematic risk analysis, the Board of Directors and the Chief Executives identify the main risks for the Federation of Migros Cooperatives and assess the likelihood of occurrence and financial effects. Measures implemented by the Board of Directors ensure that these risks are avoided, reduced or passed on.

Risks that have to be borne by the company are rigorously monitored. The results of the risk assessment are taken into consideration in the Board's annual review of business strategy.

The last risk assessment was carried out by the Board of Directors on 04.12.2010 and established that risks were well covered by strategies, processes and systems.

Expenditure for cultural, social and economic policy purposes

CHF thousand	2010	2009
Culture	20'516	17'004
Education	4'797	13'535
Social	10'642	7'205
Leisure	4'803	2'640
Economy	2'179	1'860
Administrative / infrastructure costs	914	931
Extraordinary expenditure (donation Haiti)	1'000	-
Total	44'851	43'175

Asset transfers in 2010 under the Mergers Act

FMC transferred a property in Volketswil to Migros-Verteilbetrieb Neuendorf AG. In addition, two stockholdings of FMC were transferred to Migros Beteiligungen AG. Under the Mergers Act, these asset transfers within the group do not affect the rateable profits value. Throughout FMC this corresponded without exception to the regulations on residual values currently applicable under company law. The assets were partly transferred against payment and partly without payment. The below overview shows details of the asset transfers:

Transfer from FMC to the following group companies

Recipient	Assets	%	Date	Transfer value in CHF thousand		
				Total	against payment	of which without payment
Migros-Verteilbetrieb Neuendorf AG	Warehouse Volketswil	-	1.1.2010	19'776	19'776	-
Migros Beteiligungen AG, Spreitenbach	Migrol AG	97.5	21.6.2010	53'713	-	53'713
Migros Beteiligungen AG, Spreitenbach	Scana AG	100	21.6.2010	34'652	-	34'652

List of main equity interests

Company	Domicile	Currency	Equity capital thousand	Equity interest in %
Cremesso AG	Zürich	CHF	200	100
Denner AG	Zürich	CHF	15'000	100
EG Dritte Kraft AG	Wollerau	CHF	600	100
Ferrovia Monte Generoso SA	Mendrisio	CHF	3'500	100
Gries Deco Company GmbH	DE-Niedernberg	EUR	63	49.1
Le Shop SA	Ecublens	CHF	4'500	90.5
Migrolino AG	Bern	CHF	6'000	100
Migros Beteiligungen AG	Rüschlikon	CHF	1'000	100
Angehrn Holding AG	Gossau SG	CHF	500	30
Aproz Sources Minérales SA	Nendaz	CHF	850	97.6
Bischofszell Nahrungsmittel AG	Bischofszell	CHF	6'000	100
Chocolat Frey AG	Buchs	CHF	4'000	100
Delica AG	Birsfelden	CHF	1'000	100
Estavayer Lait SA	Estavayer-le-Lac	CHF	3'500	100
Ex Libris AG	Dietikon	CHF	3'000	100
Hotelplan Holding AG	Opfikon	CHF	10'000	100
Iloma Holding AG	Bolligen	CHF	100	100
Interio AG	Dietikon	CHF	1'000	100
Jowa AG	Volketswil	CHF	10'000	100
Liegenschaften-Betrieb AG	Zürich	CHF	18'000	100
Limmatdruck AG	Spreitenbach	CHF	6'000	100
Magazine zum Globus AG	Spreitenbach	CHF	33'000	100
Mibelle AG	Buchs	CHF	2'000	100
Micarna SA	Courtepin	CHF	10'000	100
Midor AG	Meilen	CHF	2'000	100
Mifa AG Frenkendorf	Frenkendorf	CHF	2'000	100
Mifroma SA	Ursy	CHF	3'000	100
Migrol AG	Zürich	CHF	52'000	97.5
Migros Bank	Zürich	CHF	700'000	100
Office World AG	Zürich	CHF	1'000	100
Riseria Taverne SA	Toricella-Taverne	CHF	100	100
Scana Lebensmittel AG	Regensdorf	CHF	9'000	100
Migros Deutschland GmbH	DE-Lörrach	EUR	10'000	48.8
Migros (Hong Kong) Ltd.	HK-Kowloon	HKD	100	100
Migros-Vertriebsbetrieb Neuendorf AG	Neuendorf	CHF	4'500	100
Migros-Vertriebszentrum Suhr AG	Suhr	CHF	35'000	100
Migros Liegenschaften GmbH	DE-Lörrach	EUR	5'120	94
M Industry Canada Inc.	CA-Saint John NB	CAD	300	100
M Industry USA Inc.	Delaware	USD	700	100
Sportxx AG	Zürich	CHF	100	100
SSP Informatik AG	Zürich	CHF	100	100
Swiss Industries GmbH	DE-Weil am Rhein	EUR	125	100
TKL Tiefkühlager AG	Neuendorf	CHF	2'500	100

Report of the statutory auditor

Report of the statutory auditor to the
Assembly of Delegates of the
Federation of Migros Cooperatives
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of the Federation of Migros Cooperatives, which comprise the balance sheet, income statement and notes, for the year ended December 31, 2010.

Management's Responsibility

Management is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the cooperative's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2010 comply with Swiss law and the cooperative's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 906 CO in connection with article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the cooperative's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker
Audit expert
Auditor in charge

Hans Peter Heiber
Audit expert

Zurich, March 11, 2011

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

