

The Chairman's and CEO's Review 2011

Claude Hauser, Chairman of the Board of Directors Herbert Bolliger, Chief Executive Officer

The Swiss economy faced a demanding year due to the global financial and debt crises and the weak euro. Migros Group performed very well in a challenging environment. Both the volumes sold and footfall posted a rise. Sales were virtually unchanged on last year at CHF 24.9 billion.

The Swiss **consumer index** posted a fall in the year under review. Due to higher energy prices, inflation in Switzerland rose by 0.2% (2010: 0.7%).

The **competitive situation** in retailing remained fierce. There were major challenges at all levels of the value-added chain from industrial enterprises to logistics centres through to shops, and they required efficiency increases.

Migros Group's **sales** fell slightly on the previous year (-0.7%) to CHF 24.9 billion (2010: CHF 25.0 billion). The good sales were achieved despite massive price reductions in the year under review and despite currency-related falls in sales.

At CHF 979.0 million, Migros Group's earnings before financial income, taxes and pensions (**EBIT**) were down a significant -16.8% on the previous year (2010: CH 1'176.2 million). This worsening resulted from the substantial price reductions in Cooperative Retailing and the company's industry.

Investments in the amount of CHF 1'265.3 million (previous year: CHF 1'490.2 million) remained at a very high level. As such, Migros remained an important business partner in Switzerland and again secured thousands of jobs in 2011. Significant investments were made in the regional cooperatives and in industrial and commercial companies. At CHF 230 million and CHF 157 million, significantly more money was invested in particular in the areas of Commerce and Industry & Wholesaling than in the previous year.

Retail was dominated mainly by the weak euro, which boosted shopping tourism hugely. Migros made price reductions of CHF 600 million in 2011; the range became cheaper by about 3.9%.

However, the price reductions were not fully offset by additionally sold quantities and higher footfall (+0.2%), which means that sales in Cooperative Retailing (incl. abroad) were down 3.3% on 2010.

Migros' **network of shops** was expanded by 13 to 623 sites in 2011. The sales area in supermarkets/hypermarkets, in specialist markets and in gastronomy grew by 39'193 m² (+3.0%) to 1'332'397 m² (previous year 1'293'204 m²).

Price development: best price-performance ratio

Migros permanently lowered the prices of more than 6250 items in 2011. The biggest price reductions were made in the area of fruit and vegetables (-9.8%); in the specialist markets, prices were reduced by -4.4% on average and at Melectronics by -6.4%. Currency gains were also consistently passed on by the company in the form of lower prices on more than 1000 branded items.

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«Migros' success is based on a long-term strategy in the interest of all stakeholders.»

Claude Hauser
Chairman of the Board of Directors



«Migros is a healthy, innovative and profitable company which enjoys huge trust amongst the Swiss population.»

Herbert Bolliger
Chief Executive Officer

Highlights and innovations: industry and online retail

Online commerce was consistently expanded in 2011. With Leshop.ch, Exlibris.ch, Travel.ch, Micasa.ch, Melectronics.ch and Migrol.ch, the Migros Group is the most successful provider in Switzerland.

LeShop, the biggest online supermarket in Switzerland, moved into profitable territory in the year under review with sales of more than CHF 149.5 million. The number of orders via smartphones and tablets is increasing strongly. More than 10% of all orders placed with LeShop were made on the go.

The major **ELSAvenir** project was completed in November 2011 with its official inauguration. Over the past five years, some CHF 100 million has been invested in ELSA, thereby making it one of Europe's most modern milk processing plants.

Depot, the provider of products in the home accessories area, is expanding at a rapid pace. 95 new branches were opened in Germany, Austria and Switzerland in 2011. Depot (Gries Deco Company) was consolidated in the Migros Group in the year under review and is one of the fastest growing retailers in Europe.

Since July 2011, **m-way**, the centre of excellence for electromobility, has been an independent company of the FMC. In the year under review, two new shops were opened in St Gallen and in Geneva, and the range was expanded with e-bikes, e-scooters, e-motorcycles and e-cars.

Varied sustainability and an Oscar

In 2011 Migros won the **Energy Globe Award Switzerland**, which is regarded as the energy Oscar, for its long-standing commitment in the energy and environment areas.

In the year under review, the range of **sustainable products** was increased further. Migros is thereby responding to the strongly growing demand for goods produced in a socially and environmentally sustainable way. Sales in sustainable labels rose by a total of 6.5%, i.e. to CHF 2.3 billion.

M-Industrie also decided to switch to «segregated quality» for **palm oil procurement**.

Migros Culture Percentage again invested more than CHF 117 million in culture, society, education, leisure and business in 2011. This institution, which is based on the idea of the Migros founder Gottlieb Duttweiler, represents a unique global commitment.

Sponsoring: Swissness and a regional connection

Migros' commitment in sponsoring was again guided by Swissness and regional ties in 2011. As such, Migros was the main sponsor of the Unspunnen-Schwinget. A further highlight was the new SportXX appearance at various regional running events throughout Switzerland, such as the Greifensee run, the Lausanne marathon or the Zurich New Year's Day run.

Customer satisfaction

Customer surveys again showed in 2011 that customers are very satisfied with Migros' product and service range as well as its price-performance ratio. The exchange on social networks like Facebook or Twitter is hugely popular. This dialogue is an expression of the strong trust that customers have in Migros. It shows that the company is on the right path strategically.

Employees

At the end of 2011, Migros had a total workforce of 86 393. This means that it continues to be the biggest employer in Switzerland. The increase of 2777 employees (+3.3%) is mainly down to acquisitions (Depot). During the year under review, 3386 apprentices were trained in more than 40 trades. In a fiscal year dominated by major challenges, employees worked very well.

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Uniqueness

Migros' success is based on a long-term strategy in the interest of all stakeholders. It is committed to the Global Compact and places social responsibility at its heart, thereby remaining true to the vision of its founder Gottlieb Duttweiler.

The basis for the healthy development of the Migros Group is Cooperative Retailing, its regional ties and the values of reason, solidarity and respect.

In an international banking and finance system dominated by excess, the form of a cooperative has turned out to be both solid and stable. For this reason, Migros will stick to this model of success. All the more so as the UN has proclaimed 2012 to be the International Year of Cooperatives.

Outlook

Migros is a healthy, innovative and profitable company which enjoys huge trust amongst the Swiss population. It prepared itself well at the right time, which allows it to act responsibly and with confidence even in a demanding environment. The company will pass on consistent efficiency gains and lower procurement costs in the form of lower prices, surprise its customers with new services and at the same time expand its social and ecological commitment again in 2012. In doing so, it will continue to offer its customers the best price-performance ratio in the future.

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Claude Hauser Chairman of the Board of Directors



Herbert Bolliger Chief Executive Officer