

The Chairman's and CEO's Review 2012

Andrea Broggin, Chairman of the Board of Directors Herbert Bolliger, Chief Executive Officer

It was once again a challenging year for the Swiss economy as a result of the global financial and credit crisis and the weak euro. The Migros Group has fared very well in this difficult environment, generating sales of CHF 24.999 billion, 0.6% up on 2011.

There was a predominantly tense atmosphere in the Swiss economy in 2012, which impacted on consumer sentiment. The **consumer index** registered a fall of 0.7% (2011: +0.2%). On average, prices of domestic goods remained unchanged, while prices of imported goods fell by 2.7%. This trend mirrors the situation on the currency market, which is dominated by a weak euro.

Sales of the Migros Group increased year-on-year by CHF 140 million or 0.6% to CHF 24.999 billion (2011: CHF 24.859 billion). The good result was achieved despite massive price cuts and a drop in sales in the travel business.

The Migros Group's earnings before interest and taxes (EBIT) in 2012 were CHF 985.6 million, 0.7% above the figure for 2011 (CHF 979.0 million). On the one hand, the improvement was the result of the stable gross margin in the Cooperative Retailing strategic business unit (SBU), with efficiency programmes, procurement management, the raw materials situation and exchange rates also playing a part. On the other hand, the strengthening of the wholesaling business and the sale of the packaging business in 2011 have also had a corresponding impact.

Investments totalling CHF 1'224.8 million (2011: CHF 1'265.3 million) remained at a very high level, once again making Migros a key economic partner in Switzerland in 2012 and safeguarding thousands of jobs. Substantial investments were made in the Cooperative Retailing SBU, although rather less was invested in the Commerce and Industry & Wholesaling SBUs than in 2011, CHF 193.9 million and CHF 127.6 million respectively.

In the **Cooperative Retailing** SBU, better purchase terms resulting from the weak euro, and further optimised processes made it possible to reduce prices again. In 2012 price cuts were made totalling CHF 204 million on over 2000 articles, which represents an average reduction of 1.4%. The Specialist Markets Melectronics (-6.4%) and Micasa (-4.9%) in particular benefited from substantial price reductions. Migros has therefore managed to further build up its lead in offering the best value for money, and employees have played a major part in this success.

The price cuts impacted on **sales and earnings**. In real terms, sales by Cooperative Retailing were up by 1% in 2012. Nominal sales fell slightly by 0.4% (after adjustment for a special item) to CHF 14.524 billion.

Migros' **sales network** increased in 2012 by eight to 631 locations. As a result, the sales area for the super/hypermarkets, specialist markets and catering services increased by 12'341 m² to 1'344'738 m², which is equivalent to a rise of 0.9%.

Highlights and innovations: Online trading, Famigros, Bio-Supermarkets

In 2012 a concentrated effort was made to actively promote **online trading**, and as a result the Migros Group consolidated its leading position in the online business. Another online shop, SportXX, has been opened, following Melectronics and Micasa, and Migros also acquired a 30% minority interest in Galaxus AG with its online stores digitec.ch and galaxus.ch.

1'225
million

investments in 2012.



«Thanks to substantial price reductions, Migros has managed to further build up its lead in offering the best value for money, and employees have played a major part in this success.»

Herbert Bolliger
Chief Executive Officer

«The healthy development of the Migros Group is based on cooperative action and regional roots, together with values such as trustworthiness and professional passion through openness, curiosity and interest, and a sense of responsibility.»

Andrea Brogini
Chairman of the Board of Directors

Migros is still by far the biggest online food trader in Switzerland with **LeShop**, which is continually expanding its services. The new iPad app was a particular success, and is already generating 23% of total sales of CHF 149.5 million. New collection points such as LeShop.ch DRIVE and LeShop.ch RAIL have proved worthwhile.

Hotelplan Suisse successfully launched the newly created «Dynamic-Touroperating» platform, opening up a highly promising growth field for tour operators.

Early in 2012 Migros launched a families club in the Cooperative Retailing SBU under the name «**Famigros**». The club's objective is to support families at all stages of life.

In the spring, Migros raised its shareholding in **Cash+Carry Angehrn** to 80%, resulting in a marked increase in sales in the bulk consumer business.

Other highlights of 2012 were the launch of the first **Alnatura Bio-Supermarket** in Zürich and the take-over of the German retailer **tegut** by the Migros Cooperative Zürich with effect from early January 2013.

Sustainable development: Promises to Generation M

In 2012 Migros launched the sustainable development programme «**Generation M**», under which it gave a long-term undertaking to protect the environment, to promote sustainable consumption, to interact with society and employees in a socially acceptable and exemplary way, and also to actively campaign for a healthy lifestyle.

The principle of sustainable development is firmly established in Migros' Mission Statement and in its group strategy. In 2012 Migros defined its understanding of sustainable development in the group strategy more precisely and adopted a sense of responsibility as an additional core value. Basic social and ecological standards also apply to the entire Migros Group.

In the year under review, the range of **sustainable products** was also further expanded. Particularly strong growth was recorded by the Migros Bio, MSC (fish from sustainable fish stocks), FSC (timber from sustainable forestry) and Topten labels. Cocoa and tea sourced from socially acceptable and environmentally friendly cultivation have now followed coffee in being certified under the UTZ Certified standard.

In 2012 the **Migros Culture Percentage** once again invested CHF 125 million in culture, society, education, leisure and the economy, e.g. in the «Classics» series of concerts or the «Steps» dance festival. This institution, which goes back to the original idea of Gottlieb Duttweiler, represents a commitment that is unique anywhere in the world. To mark the 50th anniversary of the death of Migros' founder, the Oranger Garten was opened in Rüslikon in 2012, with a pavilion presenting the history of the company using the very latest technology.

The support fund «**Engagement Migros**» has been set up to supplement the Migros Culture Percentage. With this fund, the other companies in the Migros Group undertake to invest 10% of their dividends in supporting projects in the areas of culture, sustainable development, the economy and sport.

As part of its **sponsorship activities** Migros is committed to the values of Swissness, regionality and sustainable development. In 2012 it supported Swiss wrestling events, open-air festivals and the WWF. It has entered into a new partnership with the Swiss Alpine Club SAC.

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Customer satisfaction

Customer surveys carried out in 2012 showed that they are very satisfied with the selection of products, range of services and value for money available at Migros. There is a growing demand for exchanges via M-Infoline, Migipedia and social networks such as Facebook or Twitter. The dialogue is an expression of the huge trust that Cooperative members and customers have in Migros. It confirms that the company is strategically on the right track.

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Apprentices were being trained in over 40 trades.

Management committees and employees

The year 2012 saw some changes on the management committees: Andrea Broggini was elected as Chair of the Board of Directors of the FMC. He replaces Claude Hauser, who has stepped down having reached the age of retirement. Gisèle Girgis, Head of the HR, Cultural and Social Affairs, Leisure Department has retired from the FMC Executive Board. Her place has been taken by Fabrice Zumbrunnen, who had previously headed the Migros Cooperative Neuchâtel-Fribourg.

At the end of 2012 Migros had 87'461 employees, which makes it still the largest private employer in Switzerland. The increase of 1068 employees was due mainly to the acquisition of what is now a majority interest in CCA and the expansion at Gries Deco Company. In the year under review, 3358 apprentices were being trained in over 40 trades.

Distinctiveness

Migros' success is founded on a strategy oriented to the long term in the interests of all stakeholders. In keeping with the philosophy of its founder Gottlieb Duttweiler, it is centred on social accountability and adheres to the United Nations Global Compact.

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Outlook

Migros is in very good shape, an innovative and profitable company which enjoys huge confidence among the Swiss population. It prepared the ground well when times were good, so now, even in such a challenging environment, it is able to act responsibly and with self-confidence.

The company will continue to pass on efficiency gains and lower procurement costs consistently in the form of lower prices. Nevertheless, in 2013 rising prices in various raw material markets will also impact on selling prices. Migros will in the future continue to actively promote online trading and do all it can to offer the best value for money. At the same time, it promises to build on its social and ecological commitment, as well as consolidating its economic performance. This is completely in keeping with its guiding principle of being passionately committed to improving the quality of life of its Cooperative members and its customers.



Andrea Broggini Chairman of the Board of Directors



Herbert Bolliger Chief Executive Officer