

The Chairman's and CEO's Review 2013

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

Switzerland's GDP grew by around 2% in 2013. This makes Switzerland one of the strongest growing OECD countries since the start of the financial crisis. The Migros Group also fared very well in this positive economic environment, generating sales of CHF 26.7 billion, 7% up on 2012.

Consumers were more confident in 2013 than in the previous years. They assessed the general economic outlook as being more positive, especially in the second half of the year. They also considered the prospects for their personal financial situation and gradually decreasing unemployment to be slightly better. As a result, consumer sentiment was above the average of the previous years.

26.7 bn.

generated by Migros Group
in 2013

Average inflation stood at -0.2% (2012: -0.7%). On average, prices of domestic goods even rose by 0.4% (2012: 0.0), while prices of imported goods fell by 1.9% (2012: -2.7%). Migros was able to develop continuously in this environment in 2013. The **Migros Group** achieved excellent growth of 7% and generated a total of CHF 26.7 billion.

The **Migros Group's earnings before interest and taxes (EBIT)** were CHF 1'043.9 million in the reporting year, 5.9% above the previous year's figure (2012: CHF 985.6 million). On the one hand, the improvement resulted from the sales growth and stable gross margin in the Cooperative Retailing strategic business unit (SBU) and, on the other hand, from the Commerce and Travel SBUs.

With a volume of CHF 1'324.2 million (2012: CHF 1'224.8 million), **investments** remained at a very high level in 2013, once again making Migros a key economic partner in Switzerland and helping to safeguard thousands of jobs. Substantial investments were made in the Cooperative Retailing and Industry & Wholesaling SBUs in particular, which invested considerably more than in 2012, with CHF 941.8 million and CHF 163.5 million respectively.

Retail sales in the core business, i.e. the net sales of all Migros retail companies (non-consolidated) rose in nominal terms by 7.2% to CHF 22.9 billion. For the first time, this includes the sales of the tegut Group, which has been part of Migros since 1 January 2013. Even without tegut..., the increase was a pleasing 1.6%. The growth is all the more remarkable considering that shopping tourism increased by CHF 500 million.

In **Cooperative Retailing**, Migros increased its sales by 9.1% to CHF 15.844 billion in the reporting year. Without the sales of the tegut Group, whose result in 2013 is being reported in consolidated form for the first time, the sales of the ten regional Migros Cooperatives rose by 0.8% in a challenging market environment. For the first time, the Migros Cooperatives generated sales of more than CHF 2 billion from sustainable products.

At the end of 2013, the **sales network** of Migros branches included a total of 639 locations, eight more than the previous year. 17 new locations were opened, nine replacement buildings were constructed and four larger conversions and extensions were built. The sales area for the super/hypermarkets, specialist markets and catering services increased by a total of +3'926 m² (+0.3%).



«Migros increased its sales in Cooperative Retailing by 9.1%. For the first time, sales of more than CHF 2 billion were generated from sustainable products.»

Herbert Bolliger
Chief Executive Officer

«Migros' success is founded on a strategy oriented to the long term in the interests of all stakeholders. In keeping with the philosophy of Duttweiler, it is centred on social accountability.»

Andrea Brogini
Chairman of the Board of Directors

Surveys carried out in the reporting year showed that **customer satisfaction** is very high. Migros customers are very satisfied with the selection of products, the range of services and the value for money. There is a growing demand for exchanges via the communication platforms M-Infoline and Migjipedia as well as via Facebook and Twitter. This dialogue reflects the close relationship with customers and confirms that the company is strategically on the right track.

In the **e-commerce business**, Migros again managed to extend its leading position on the market. Online sales amounted to CHF 932 million. The traditional e-commerce business made up CHF 740 million (+5.1%). This includes LeShop.ch, the online activities of the Hotelplan Group, the online business of Ex Libris, the Office World Group, Migrol, Probikeshop, Micasa, SportXX, Melectronics, Denner, Frey, Delica and Gries Deco. Online orders in the wholesaling business generated sales of CHF 191 million. LeShop.ch sold food worth CHF 158 million (2012: CHF 150 million) and is still by far the biggest online food trader in Switzerland.

6.3%

Growth of Migros' own industry

Migros' **own industry** also developed positively. It generated sales of CHF 5.763 billion in 2013, representing an increase of 6.3%. The international business grew by 7.3% to CHF 513 million (2012: CHF 478 million). M-Industry thereby strengthened its market position in Switzerland and abroad and boosted its competitiveness through «operational excellence» and «value-added concepts».

The sales of the **Hotelplan Group** fell by -6.1% to CHF 1'130 million in 2013 (2012: CHF 1'203 million). This decline is primarily down to the business restructuring measures in Italy and Russia. Interhome and Travelwindow easily exceeded their sales from the previous year. Hotelplan Suisse suffered a setback, with revenue declining due to the insolvency of the airline Hello and the Egyptian crisis.

Migros Bank again increased its business volume and earnings in the reporting year. In particular, it continued to benefit from a strong inflow of savings deposits and an upturn in securities business. In comparison to the previous year, the growth for mortgages only diminished slightly in 2013. The number of locations rose by two to 65.

Other **highlights** in 2013 included the 125th anniversary of Gottlieb Duttweiler. Swiss Post paid tribute to the Migros founder and his achievements with a special commemorative stamp. In addition, Migros was again voted **Switzerland's strongest brand** by the «Brand Asset Valuator» (BAV). According to the survey, the Cooperative is benefiting from the shift in social values towards more idealism. The transparent communication and the innovations in the online sector are valued in particular.

In 2012, Migros launched the sustainable development programme **Generation M**, under which it gave a long-term undertaking to protect the environment, promote sustainable consumption, interact with society and employees in a socially acceptable and exemplary way and campaign for a healthy lifestyle. The principle of sustainable development is firmly established in Migros' Mission Statement and in its group strategy. At the same time, Migros refined its understanding of sustainable development in the group strategy and adopted «sense of responsibility» as an additional core value. Basic social and ecological standards apply to the entire Migros Group.

From the sales revenue of Cooperative Retailing, **Migros Culture Percentage** once again invested CHF 120 million in culture, society, education, leisure and the economy in 2013, including in the «Classics» series of concerts and the Migros Museum of Contemporary Art. The institution, which goes back to the original idea of Gottlieb Duttweiler and is incorporated in the Migros by-laws, represents a commitment that is unique anywhere in the world.

The **Engagement Migros development fund** was set up in 2012 to supplement Migros Culture Percentage. With this fund, the companies from the strategic business units Retail, Financial Services and Travel undertake to invest 10% of their dividends in supporting projects in the areas of culture, sustainable development, the economy and sport. A total of CHF 8.7 million was made available in 2013 (CHF 4.8 million spent).

At the end of 2013, the Migros Group employed a total of 94'276 people, 81'456 of which in Switzerland. The increase of 7.8% (2012: 87'461) is primarily down to the consolidation of tegu... and the expansion in individual companies of the Migros Group. Migros continues to be the **largest private employer in Switzerland**. With above-average employee benefits and an appreciative working environment, it takes its responsibility towards employees seriously.

The company's 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 ten principles of the United Nations Global Compact.

The **healthy development** of the Migros Group is based on its cooperative philosophy, its national and regional roots, and its commitment to serving the needs of its customers with professional passion and in a credible, performance-oriented and responsible way.

Outlook

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

The company will continue to pass on efficiency gains and lower procurement costs consistently in the form of lower prices. Migros will 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 the guiding principle of being passionately committed to improving the quality of life of its Cooperative members and its customers.

Migros was again voted Switzerland's strongest brand by the «Brand Asset Valuator».



Andrea Broggini Chairman of the Board of Directors



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