

Financial reporting 2013

FEDERATION OF MIGROS COOPERATIVES

Financial statements Federation of Migros Cooperatives

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Key figures and ratios

CHF thousand	2009	2010	2011	2012	2013
Net sales revenue	5'414'159	5'364'414	5'168'004	5'147'474	5'186'082
Change in % from previous year	-1.6	-0.9	-3.7	-0.4	0.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	185'376	92'119	70'579	94'785	85'194
as % of net revenue	3.4	1.7	1.4	1.8	1.6
Net profit	242'073	14'381	74'989	79'084	50'565
as % of net revenue	4.5	0.3	1.5	1.5	1.0
Cashflow	285'395	209'420	97'324	641'757	-443,272
as % of net revenue	5.3	3.9	1.9	12.5	-8.5
Investments	20'550	24'353	24'087	27'560	59'522
Current assets	3'574'965	3'166'758	3'296'226	3'869'020	4'035'111
as % of total assets	46.7	40.5	40.4	44.0	45.8
Fixed assets	4'076'226	4'661'672	4'864'526	4'919'155	4'767'100
as % of total assets	53.3	59.5	59.6	56.0	54.2
Short-term debt capital	2'896'952	3'397'048	3'783'165	4'636'826	4'573'681
as % of total capital	37.9	43.4	46.4	52.8	52.0
Long-term debt capital	2'674'056	2'337'418	2'209'234	1'904'512	1'931'728
as % of total capital	34.9	29.9	27.1	21.7	21.9
Shareholders' equity	2'080'182	2'093'964	2'168'353	2'246'837	2'296'802
as % of total capital	27.2	26.8	26.7	25.7	26.1
Balance sheet total	7'651'190	7'828'430	8'160'752	8'788'175	8'802'211
Expenditure for cultural, social and economic policy purposes	43'175	44'851	46'104	53'598	48'646
Average workforce					
Number of persons	1'862	1'915	2'035	2'239	2'320
converted to full-time positions	1'728	1'776	1'886	2'075	2'138

Balance sheet

Assets

CHF thousand	Notes	31.12.2013	31.12.2012
Current assets			
Liquid assets and fixed-term deposits	1	1'881'007	1'995'149
Securities	2	387'709	502'417
Current receivables:			
↳ due from group companies	3	1'416'391	1'025'007
↳ trade debtors (third parties)		32'655	35'571
Other current receivables (third parties)	4	32'246	36'100
Inventories	5	195'264	182'233
Prepayments and accrued income		89'839	92'544
Total current assets		4'035'111	3'869'020
Fixed assets			
Financial assets			
Long-term receivables:			
↳ due from group companies	6	2'195'855	2'392'895
↳ due from third parties		120'073	99'995
Equity interests:			
↳ in group companies	7	2'235'323	2'179'324
↳ in third parties	8	85'305	150'105
Tangible assets	9	54'812	47'527
Intangible assets	10	75'732	49'309
Total fixed assets		4'767'100	4'919'155
Balance sheet total		8'802'211	8'788'175

Liabilities

CHF thousand	Notes	31.12.2013	31.12.2012
Current debt capital			
Financial liabilities	11	75'000	404'100
Liabilities:			
↳ due to group companies	12	3'533'672	2'898'353
↳ third-party trade creditors		249'000	246'255
Other current liabilities	13	473'056	861'864
Personnel and M-participation accounts		14'102	13'620
Current provisions	14	197'408	176'312
Accrued liabilities and deferred income		31'443	36'322
Total current debt capital		4'573'681	4'636'826
Long-term debt capital			
Liabilities:			
↳ due to third parties	15	8'500	58'500
↳ due to group companies		20'000	
Staff investment accounts	16	1'612'854	1'528'937
Debenture loans/private placements	17	200'000	225'000
Long-term provisions	18	90'374	92'076
Total long-term debt capital		1'931'728	1'904'512
Total Liabilities		6'505'409	6'541'338
Shareholders' equity			
Cooperative capital		15'000	15'000
Statutory reserves		20'000	20'000
Other reserves	19	2'211'007	2'124'007
Unappropriated profit	20	50'795	87'830
Total equity		2'296'802	2'246'837
Balance sheet total		8'802'211	8'788'175

Income statement

CHF thousand	Notes	31.12.2013	31.12.2012
Net sales revenue	21	5'186'082	5'147'474
Other operating income	22	253'641	252'522
Total operating income		5'439'723	5'399'996
Cost of materials, goods and purchased services		4'554'987	4'525'459
Gross operating profit		884'736	874'537
Personnel expenses	23	306'510	287'920
Advertising expenses	24	213'084	227'365
Administration expenses	25	279'948	264'467
Depreciation	26	22'165	23'718
Earnings before income and taxes		63'029	71'068
Financial income and expenses	27	1'779	33'256
Other income and expenses	28	657	428
Profit before taxes		65'465	104'752
Taxes		14'900	25'668
Net profit		50'565	79'084

Notes to the financial statements

Balance sheet

1 Liquid assets and fixed-term deposits

CHF thousand	31.12.2013	31.12.2012
Cash and cash equivalents	888'459	1'622'144
Fixed-term deposits	462'150	4'700
Fixed-term deposits due from group companies	525'849	341'305
Fixed-term deposits due from affiliate companies	4'550	27'000
Total	1'881'007	1'995'149

This item is used to maintain liquidity for the Migros Community. It also serves as a cash pool for placing liquidity of group companies and affiliate companies.

2 Securities (to maintain liquidity)

CHF thousand	31.12.2013	31.12.2012
Bonds	356'978	468'840
Shares	30'731	33'577
Total	387'709	502'417

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

3 Current receivables due from group companies

CHF thousand	31.12.2013	31.12.2012
Total	1'416'391	1'025'007

Current receivables due from group companies are comprised of current loans to Migros partners and the balance of the Migros clearing system (MCS), which is used for the non-cash exchange of services within the group and operated by the FMC. The MCS balance results from the corresponding current account transactions.

4 Other current receivables due from third parties

CHF thousand	31.12.2013	31.12.2012
Total	32'246	36'100

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

5 Inventories

CHF thousand	31.12.2013	31.12.2012
Goods for resale	194'924	181'613
Other materials / advance payments	340	620
Total	195'264	182'233

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	31.12.2013	31.12.2012
Total	2'195'855	2'392'895

Group companies are financed primarily by internal FMC loans.

7 Equity interests in group companies

CHF thousand	31.12.2013	31.12.2012
Total	2'235'323	2'179'324

Equity interests are shown in the balance sheet at purchase cost less requisite depreciation (see Note 27). During the reporting year, Scana AG was acquired and subsequently merged with CCA. The new company was renamed Saviva AG. The stakes in Gries Deco Holding GmbH and LeShop were also increased.

8 Equity interests in third parties

CHF thousand	31.12.2013	31.12.2012
Total	85'305	150'105

Shareholdings of less than 20% are shown under Equity interests in third parties. These are recognised at cost less any accumulated impairment losses. Significant shareholdings in Kuoni, VZ Holding and Ch. Vögele Holding were sold (see Note 27).

9 Tangible assets

CHF thousand	31.12.2013	31.12.2012
Land and buildings	1'556	4'833
Plant, machinery and equipment	43'182	34'094
Other tangible assets	9'987	8'147
Assets under construction	88	453
Total	54'813	47'527

In 2013 a total of CHF 25.1 million was invested in tangible assets.

10 Intangible assets

CHF thousand	31.12.2013	31.12.2012
Software	54'372	26'169
Trademark and publishing rights	21'360	23'140
Total	75'732	49'309

Both acquired and internally created software is capitalised. The stock increase relates, in particular, to software that has been purchased (CHF 21.6 million).
The «LeShop» brand (CHF 26.7 million) will be depreciated over 15 years.

11 Financial liabilities

CHF thousand	31.12.2013	31.12.2012
Bank loans	50'000	179'100
Debenture loans	–	200'000
Private placement	25'000	25'000
Total	75'000	404'100

The above liabilities are repayable within the next twelve months. Bank loans and the private placement were stated under non-current liabilities in the previous year (see Notes 15 and 17).

12 Current liabilities due to group companies

CHF thousand	31.12.2013	31.12.2012
Total	3'533'672	2'898'353

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	31.12.2013	31.12.2012
Fixed-term deposits	–	1'000
Migros Pension Fund	378'154	767'624
Old-age equalisation fund/foundations	4'068	2'232
Gift cards and Migros gift vouchers	59'397	56'623
Others	31'437	34'385
Total	473'056	861'864

Liabilities due to the Migros Pension Fund are significantly lower than in the previous year. The reason for the higher amount in the previous year was the Migros Pension Fund's new investment strategy as of 01.01.2013 and the associated greater reallocations to individual sub-funds.

14 Current provisions

CHF thousand	31.12.2013	31.12.2012
Provisions for:		
↳ Taxes on income and capital	16'594	14'027
↳ Insurance losses	10'050	10'285
↳ Group risks	8'878	6'579
↳ Commodity and monetary transaction risks	148'122	131'770
↳ Other	13'764	13'651
Total	197'408	176'312

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 predominantly from the increase in the value of hedging transactions.

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

CHF thousand	31.12.2013	31.12.2012
Total	8'500	58'500

The decrease results from the reclassification of bank loans (repayable within twelve months) under the Financial liabilities item (see Note 11).

16 Personnel investment accounts

CHF thousand	31.12.2013	31.12.2012
Total	1'612'854	1'528'937

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 Migros Bank. For drawings over CHF 25'000, three months' notice is required.

17 Debenture loans/private placements

CHF thousand			31.12.2013	31.12.2012
Maturity	Term	Interest rate		
03/05/2017	2011 – 2017	2.0%	150'000	150'000
Private placements			50'000	75'000
Total			200'000	225'000

The loan is listed on SIX Swiss Exchange. The private placement, which is due in 2014, is now stated under Financial liabilities (see Note 11).

18 Long-term provisions

CHF thousand		31.12.2013	31.12.2012
Voluntary staff provident fund		13'076	13'961
Insurance fund		20'000	20'000
General commercial risks		47'298	48'114
Product liability		10'000	10'000
Total		90'374	92'076

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 totalling around CHF 13 million have been set up for these cumulative obligations and for pensions under the early retirement scheme. Provisions for general commercial risks include provisions for the 2-year guarantee on non-food items and other long-term provisions.

19 Other reserves

CHF thousand		31.12.2013	31.12.2012
Previous year		2'124'007	2'050'007
Allocation from appropriation of profits		87'000	74'000
Total		2'211'007	2'124'007

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

20 Unappropriated profit/Culture Percentage provision

CHF thousand		2013	2012
Previous year		230	915
Profit for the year		50'565	79'084
Deletion/allocation (-) Culture Percentage provision		–	7'831
Total		50,795	87'830

The proposal of the Board of Directors on the employment of the unappropriated profit for 2013 is contained in the Notes to the accounts.

In 2013, the statutory amount allocated to the Culture Percentage was exceeded.

Income statement

21 Net sales revenue

CHF thousand	2013	2012
Net sales revenue from trading in goods, by customer classes:		
↳ Third parties	143'302	115'512
↳ Group companies	5'041'173	5'030'058
↳ Related parties	1'607	1'903
Total	5'186'082	5'147'474

The increase in net sales revenue in wholesale activities is due largely to smaller reductions in sales revenue in favour of the regional cooperatives.

The sales of Migros Media, as well as the passing on of charges for IT, transport and logistics services to the regional cooperatives, M-Industry and other Migros partners, increase the billing volumes year on year.

Growth also stems from the online shops Melectronics, Micasa and SportXX, which together generate sales totalling CHF 31.8 million.

22 Other operating income

CHF thousand	2013	2012
Group companies:		
↳ Contributions for promotions and advertising	71'580	66'206
↳ Other income - group	137'572	144'926
Sub-total	209'152	211'132
Third parties:		
↳ Contributions for promotions and advertising	22'062	24'615
↳ Other income - third parties	15'503	10'694
Sub-total	37'565	35'309
Internal expenditure capitalised	6'923	6'081
Total	253'640	252'522

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

23 Personnel expenses

CHF thousand	2013	2012
Wages and salaries	232'921	227'196
Social insurance	21'723	21'190
Staff pension schemes	29'626	28'681
Other	22'240	10'853
Total	306'510	287'920

The increase in personnel expenses of 6% on the previous year is due, on the one hand, to the 2013 salary rise and, on the other hand, to the larger workforce as a result of integrating a part of the regional cooperatives' IT departments into MITS (MITS competence centres). Expenses for the employee gift card celebrating 125 years since the birth of Gottlieb Duttweiler are also included under the Others item.

24 Advertising expenses

CHF thousand	2013	2012
Total	213'084	227'365

Advertising expenses are lower than in the previous year due to a general reduction in advertising costs as well as cost savings. Advertising is partly funded through contributions made by suppliers.

25 Administration expenses

CHF thousand	2013	2012
Rental to group companies	16'640	16'427
Other rent	19'437	17'932
Maintenance of fixed assets	36'400	33'728
Energy and consumables	6'133	5'499
Administrative costs	119'842	115'198
Expenditure for cultural purposes	20'555	18'522
Services	38'494	31'199
Other expenditure	22'446	25'963
Total	279'948	264'467

The increase in administrative costs is the result of higher consulting and legal fees. This is due to the integration of part of the regional cooperatives' IT departments into MITS (MITS competence centres), which generates higher project-related costs for IT consulting.

The Services item includes costs in relation to the spread of «subito» (self-scanning).

26 Depreciation

CHF thousand	2013	2012
Land and buildings	196	181
Plant, machinery and equipment	11'576	12'175
Other tangible assets	2'091	1'963
Intangible assets	8'303	9'148
Investments	–	250
Total	22'165	23'718

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

27 Financial income and expenses

CHF thousand	2013	2012
Interest revenue	96'932	98'086
Interest costs	-86,231	-84,892
Net currency differences	-7,504	-1,032
Income from securities	16'568	26'949
Income from investments	24'041	75'964
Debt waiver of receivables / Impairments	-42,028	-81,410
Total	1'778	33'256

Despite the persistently low interest rate environment, interest revenue was maintained at the level of the previous year.

Interest costs were slightly up on the previous year due to the increase in the personnel investment portfolio.

The clearly negative result from currency hedges is a result of applying the imparity principle to hedges and holdings in foreign currencies, under which unrealised income is only reported in the subsequent period following realisation.

As in 2012, the income from securities reflects the excellent performance of share and bond investments. Value gains also made a positive impact in the previous year due to the massive fall in interest rates.

The gains made from the sale of Kuoni and VZ Holding, totalling CHF 22.3 million, are included under the income from investments.

The debt waiver of receivables / value adjustments figure for 2013 contains impairment on a loan from the FMC to m-way (CHF 8.0 million) and on a loan from the FMC to Interio (CHF 10.0 million). Value adjustments on the equity interests Interio (CHF 16.0 million) and Ch. Vögele (CHF 8.0 million) are also reported under this item.

During the previous year, a merger took place between Angehrn Holding AG and Cash + Carry AG, while Interio AG and DEPOT CH AG were split into two separate companies. In order to create the prerequisites for the legal execution of these transactions, non-cash dividends of CHF 73'400'000 were distributed to the FMC and are included in the income from investments.

Simultaneously the same amount was depreciated from the distributing subsidiary companies.

These transactions did not have any impact on the annual result or on the balance sheet item of equity interests.

28 Other income and expenses

CHF thousand	2013	2012
Unrealised profit from disposal of fixed assets	661	18
Unrealised loss from disposal of fixed assets	-4	-
Extraordinary expenditure and income	-	409
Total	657	428

Profit increased in 2013 due to the sale of a property.

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. Since 2011 the imparity principle has no longer been applied for foreign currency transactions concluded by the FMC for its partners (companies and foundations of the Migros Community).

Balance sheet information

CHF thousand	2013	2012
Fire insurance values:		
↳ Movable property	256'974	245'140
↳ Real estate	17'925	32'555
Accumulation/release of undisclosed reserves (-)	4'902	4'400
Sureties, guarantee commitments, charges in favour of third parties	109'763	158'055
Liabilities in respect of staff pension schemes	378'154	767'624

Appropriation of net profit for the year

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

CHF thousand	2013
Profit brought forward from previous year	230
Profit for the current year	50'565
Net profit for the year for approval by the Assembly of Delegates	50'795
Interest at 4% on FMC Cooperative capital	600
Allocation to other reserves	50'000
Carried forward to new account	195

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 4 July 2013 and established that risks were well covered by strategies, processes and systems.

Expenditure for cultural, social and economic policy purposes

CHF thousand	2013	2012
Culture	19'896	22'450
Social	4'877	6'237
Education/training	16'504	14'643
Leisure and sport	4'036	6'593
Economic policy	2'297	2'730
Administrative/infrastructure costs	1'036	945
Total	48'646	53'598

Letters of comfort

The FMC has issued letters of comfort to Migros Bank for three subsidiaries, in which it states that the subsidiaries will have adequate capital to be able to meet their obligations towards Migros Bank. Should the equity capital no longer be fully covered as a result of losses, the FMC would provide the amount needed to restore the legally required condition.

List of main equity interests

Company	Domicile	Currency	Equity capital thousand	Equity interest in %
AMS Sourcing BV	NL-Schiphol	EUR	67	3
Atlante S.r.l.	IT-Casalecchio di Reno (BO)	EUR	80	20
Crempo AG	Zurich	CHF	100	100
Depot CH AG	Winterthur	CHF	1'000	100
Dolphin France SAS	FR-Saint-Etienne	EUR	115.2	51
EG Dritte Kraft AG	Zug	CHF	600	100
Ferrovie Monte Generoso SA	Mendrisio	CHF	3'500	100
Galaxus AG	Zurich	CHF	108	30
Gries Deco Holding GmbH	DE-Niedernberg	EUR	56	90
Interio AG	Dietikon	CHF	1'000	100
LeShop SA	Ecublens	CHF	4'329	96.2
Migrolino AG	Bern	CHF	6'000	100
Migros Beteiligungen AG	Rüschlikon	CHF	1'000	100
Aproz Sources Minérales SA	Nendaz	CHF	829	97.5
Bischofszell Nahrungsmittel AG	Bischofszell	CHF	6'000	100
Chocolat Frey AG	Buchs	CHF	4'000	100
Delica AG	Birsfelden	CHF	1'000	100
Denner AG	Zurich	CHF	15'000	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
Jowa AG	Volketswil	CHF	10'000	100
Liegenschaften-Betrieb AG	Zurich	CHF	18'000	100
Löwenbräu-Kunst AG	Zurich	CHF	9'000	33.33
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	Zurich	CHF	52'000	100
Migros Bank AG	Zurich	CHF	700'000	100
OWiba AG	Bolligen	CHF	100	100
Riseria Taverne SA	Toricella-Taverne	CHF	100	100
Migros Deutschland GmbH	DE-Lörrach	EUR	4'880	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 Vita AG	Gossau SG	CHF	600	25
Migros Liegenschaften GmbH	DE-Lörrach	EUR	4'812.8	94
M Industry Canada Inc.	CA-Saint John NB	CAD	300	100
M Industry USA Inc.	Delaware	USD	700	100
m-way AG	Opfikon	CHF	1'000	100
Ryffel Running AG	Bern	CHF	36	60
Ryffel Running Versand AG	Uster	CHF	100	100
Saviva AG	Regensdorf	CHF	6'400	80
Sportxx AG	Zurich	CHF	100	100
SSP Informatik AG	Zurich	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 (pages 4 to 17), for the year ended 31 December 2013.

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 judgement, including the assessment of the risks of material misstatement of the consolidated 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 31 December 2013 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

Rodolfo Gerber
Audit expert
Auditor in charge

Nicole Sprecher
Audit expert

Zurich, 13 March 2014

Enclosures:

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

