

# The Chairman's and CEO's Review

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Despite challenging economic conditions, the Migros Group generated sales of CHF 27.4 billion in 2015, representing growth of 0.1%. It also managed to increase its market share slightly.



Andrea Brogini, Chairman of the Board of Directors (right), Herbert Bolliger, Chief Executive Officer (left)

Economic developments proved especially challenging for Migros in 2015. The Swiss National Bank's surprising decision to abolish the **minimum euro exchange rate**, coupled with uncertainties on the international financial markets, had an adverse impact on consumer behaviour. By the end of the year, the consumer sentiment index of SECO (State Secretariat for Economic Affairs) had fallen to its lowest level since 2011. Issues such as Switzerland as an island of high prices, increasing healthcare costs and fears of job losses came to the fore again.

In addition, the volte-face in exchange rate policy also boosted **shopping tourism to countries just across the Swiss border** by a further 8% to approximately CHF 11 billion. At the same time, the marked economic slowdown was accompanied by inflation of -1.1% on consumer prices. Despite these challenging conditions, Migros performed solidly in all areas.

Total **sales of the Migros Group in 2015** increased by CHF 31.9 million

**CHF 27.4 billion**

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of sales was generated by Migros Group in 2015, up 0.1% on the previous year.

(+0.1%) to CHF 27.4 billion. This result was heavily influenced by falling prices, which in some cases were very significant, in the individual business areas (fuel, heating oil, travel, electronics, etc.) plus a negative currency effect of 1%. These effects reduced sales by more than CHF 1 billion.

## Sustainable development

The solid performance in a challenging environment shows that Migros once again managed to increase trust among customers. With the various online offerings, numerous product innovations and new services, as well as the social and environmental commitment encapsulated in the Generation M sustainability programme, the right solutions were found to some tough challenges.

With the successful launch of PickMup, which allows customers to collect orders placed online, Migros is proving its **online cross-channel expertise**. As a majority shareholder of Digitec Galaxus AG, Migros extended its undisputed leading position in the area of e-commerce. With the majority stake in the SWICA santémed health centres, the topic of health is firmly anchored in the **group strategy**.

The Migros Group's **earnings before interest and taxes (EBIT)** were CHF 981.6 million in the reporting year, 12.8% below the previous year's figure (2014: CHF 1'125.6 million).

With a volume of CHF 1'356.3 million (2014: CHF 1'640.9 million), **investment** remained at a very high level. Migros was therefore once again a key economic partner in Switzerland in 2015, helping to safeguard thousands of jobs.

Retail sales in the core business, i.e. the net sales of all Migros **retail companies**, decreased in nominal terms by 0.2% to CHF 22.996 billion (previous year: CHF 23.052 billion). The average price reduction of 2.7% and the currency effect had a negative impact on the result. However, adjusted for inflation and currency effects, growth of 3.4% was posted.

Thanks to a slightly higher footfall, the **ten Cooperatives** generated sales of CHF 15.613 billion (-1.9%). The negative inflation across the Migros ranges in Switzerland was 1.7%. On a currency- and inflation-adjusted basis, growth amounted to 0.7%.

## M-Industry strengthens market position

Sustainable and regional products performed well, generating sales of more than CHF 3.5 billion. The organic range even recorded growth of 14.8%. Migros therefore remains the number one, not just in online retail but also for products made under socially responsible and environmentally sustainable conditions. In e-commerce, sales rose by 47.3% in nominal terms (acquisition-, inflation- and currency-adjusted by 8.9%).



**M-Industry** further strengthened its market position in Switzerland and abroad. It generated sales of CHF 6.255 billion (previous year: 6.016 billion), representing an increase of 4.0%. M-Industry newly includes Rudolf Schär AG, Lüchinger+Schmid AG and the Quantum Beauty Company Ltd.

The sales of the **Hotelplan Group** fell by 7.1% to CHF 1.305 billion (2014: CHF 1.405 billion). The decline was primarily due to the exchange rate turbulences. These resulted in lower prices for trips abroad from Switzerland and reduced the value of sales generated by the eurozone subsidiaries in Swiss franc terms.

**Migros Bank** continued its stable performance in the 2015 financial year. Despite the low-interest environment, there was a strong inflow of savings deposits and the volume of mortgage lending was again encouraging. The balance sheet stood at CHF 42.232 billion and the operating income at CHF 593.5 million.

## Social commitment

From the sales revenue of Cooperative Retailing, Migros Culture Percentage once again invested CHF 120.2 million in culture, society, education, leisure and business in 2015, including in the Migros Culture Percentage 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 statutes, 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 the fund, the companies from the strategic business units Commerce, Financial Services and Travel undertake to invest 10% of their dividends in supporting projects in the areas of culture, sustainable development, business and sport. A total of CHF 10.3 million was made available in 2015 (CHF 8.6 million spent).

With the **Christmas donation campaign**, Migros customers showed their strong support for children in need in Switzerland. More than CHF 6 million was donated to four Swiss aid organisations.

Migros Bank continued its stable performance in 2015; the inflow of savings deposits remained strong.

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CHF 10.3 million

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was made available by Engagement Migros development fund.

Surveys carried out in the reporting year showed that **customer satisfaction** is very high. Migros customers are very satisfied with the selection of products, range of services and value for money.

## Social responsibility as a basic principle

At the end of 2015, the Migros Group employed more than 100'000 people for the first time, 86'086 of which in Switzerland. The increase of 3% (2014: 97'456 employees) is primarily down to acquisitions. Migros continues to be the largest private employer in Switzerland. With above-average employee benefits and a working environment that values every employee, it takes its responsibility to staff 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 responsibility and adheres to the ten principles of the UN 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.

Migros will continue to pass on efficiency gains and lower procurement costs in the form of lower prices. It will also continue to actively promote online shopping and do all it can to offer the **best value for money**. At the same time, it promises to build on its social and environmental commitment and meet its social responsibilities, as well as continuing to strengthen its business performance.

Migros has made a long-term commitment to protect the environment, promote sustainable consumption, interact with society and employees in a socially responsible and exemplary way and campaign for a healthy lifestyle. The **principle of sustainability** is firmly established in Migros' Mission Statement and in its group strategy. 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.



Andrea Brogkini, Chairman of the Board of Directors



Herbert Bolliger, Chief Executive Officer

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people are employed by the Migros Group in Switzerland.

Passionately committed to improving quality of life

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Migros' guiding principle

