

# 2017 in Brief

The Migros Group generated sales of CHF 28.1 billion in 2017, representing an increase of 1.2%. Despite the challenging economic environment, retail sales also increased by 1.0% to CHF 23.5 billion in nominal terms.

## The Chairman's and CEO's Review

Dear ladies and gentlemen,

In 2017, the **sales of the Migros Group** were affected primarily by the shift from in-store to digital retailing, but also by negative currency effects, which were felt by the travel business in particular. Other negative factors included deflation across the Migros product ranges and persistent shopping tourism to bordering countries, the volume of which is estimated to be about CHF 11 billion.

## Challenging market environment

Despite the challenging conditions, the Migros Group performed solidly in 2017. Total sales increased by CHF 333 million (+1.2%) to CHF 28.1 billion. This shows that Migros is responding to the changes in consumer behaviour in the right ways. With its various online offerings, it was able to further extend its **undisputed leading position** in the area of e-commerce.

The Migros Group's **earnings before interest and taxes** (EBIT) were CHF 603 million in the reporting year, 33.8% below the previous year (2016: CHF 911 million).

With a volume of CHF 1'476 million (2016: CHF 1'663 million), **investments** remained at a high level. Thus, Migros was once again a key economic partner in Switzerland in 2017 and helped to safeguard thousands of jobs.

**Retail sales in Switzerland and abroad** (before VAT) increased to CHF 23.5 billion in nominal terms (2016: CHF 23.3 billion), corresponding to growth of 1.0%. Average inflation within Migros amounted to -0.3%.

Net sales of the **Cooperatives (including other countries)** decreased by CHF 77 million to CHF 15.6 billion (-0.5%). Abroad, the regional Cooperatives generated sales of CHF 1.2 billion, representing growth of 2.6%, or CHF 31 million; Tegut was the main contributor with a sales increase of 3.7%, or CHF 40 million, to CHF 1.1 billion. Sales at Migros France were down by 6.4% to CHF 122 million.

**Regional and sustainable products** remained on a growth course, with CHF 960 million (+2.0%) of products from the range "Aus der Region. Für die Region." (From the region. For the region.) sold. With sales of CHF 3 billion (+3.9%), products with ecological or social added value were also very popular. The Migros organic range and the TerraSuisse sustainability programme accounted for more than half of this volume. At a total of CHF 4 billion, sales of products carrying sustainability and regional labels and the health label "aha!" (CHF 87 million) were up by 3.3% on the previous year.

To pursue the **mission incorporated in Migros' statutes** – i.e. to support a healthy lifestyle among the Swiss population – Migros again stepped up its activities in the area of health. The comprehensive medical and therapeutic range of Medbase saw total sales increase by 6.0% to CHF 139 million. The newly launched digital platform iMpuls provided the public with tips and support for leading a healthy lifestyle.

With the expansion of its fitness formats and the acquisition of Silhouette Wellness SA, Migros further extended its **leading position in the fitness market**; at the end of 2017, it had 226'600 members (+19.3%). Based on the number of members, the market share in Switzerland is about 25%.

## **M-Industry strengthens market position**

M-Industry **further strengthened its market position in Switzerland and abroad.** It generated sales of CHF 6.5 billion (2016: CHF 6.4 billion), representing an increase of 2.1%. This growth was largely due to higher export sales (+10%) and the creation of new businesses.

## **Hotelplan Group**

Net sales generated by the strategic business unit Travel were 1.2% up on the previous year on a comparable basis, despite challenging geopolitical events in some core destinations. However, due to the **sale of Hotelplan Italia and the markedly weaker pound sterling**, net sales declined by 5.6% to CHF 1.2 billion (2016: CHF 1.3 billion).

## **Migros Bank**

Despite the challenging market environment, Migros Bank continued its stable performance in its core business. The **investment business was further expanded in 2017.** The number of asset management mandates increased by 17.9% and customer deposits rose by 1.7% to CHF 33.3 billion.

## Social commitment

From the sales revenue of Cooperative Retailing, Migros Culture Percentage once again invested CHF 122 million in culture, society, education, leisure and business in 2017; for example, in the Migros Culture Percentage Classics series of concerts, the Migros Museum of Contemporary Art and the promotion of young talent. Migros Culture Percentage, which goes back to the original idea of Gottlieb Duttweiler and has been **incorporated in Migros' statutes since 1957**, represents a voluntary commitment that is unique worldwide.

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 11.3 million was made available in 2017 (CHF 14.8 million spent).

## Social responsibility as a basic principle

At the end of 2017, the Migros Group employed 105'456 staff (+2.5%), 89'516 of whom were based in Switzerland, equating to an increase of 2.4% (2016: 87'414). Migros therefore 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 towards 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, among other things.

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 to its customers in the form of lower prices. Migros will continue to offer the **best value for money**, extend its leading position in e-commerce and enhance its range of health services. At the same time, it promises to build on its social and environmental commitment and meet its social responsibilities, and continue to strengthen its business performance.

Migros has made a long-term commitment to protecting the environment, promoting sustainable consumption, and interacting with society and employees in a socially responsible and exemplary way. This **principle of sustainability** is firmly established in Migros' Mission Statement and in its group strategy. This is fully in keeping with the guiding principle of a passionate commitment to improving the quality of life of Cooperative members and customers.

Retail is **faced with two main challenges**: the shift from in-store to digital retailing, and shopping tourism (both online and in-store in bordering countries). Courageous decisions will continue to be called for in the future in order to adapt the company to these changes.



Andrea Broggini  
Chairman of the Board of Directors



Fabrice Zumbrunnen  
Chief Executive Officer

## Key Figures 2017

In million CHF except where indicated	2013	2014	2015	2016	2017	Change compared to previous year
						ye
<b>Finances</b>						
<b>Income</b>	26'737	27'375	27'406	27'738	28'071	1.2%
↳ of which income before financial services business	25'846	26'502	26'546	26'921	27'292	1.4%
↳ of which Migros retail sales	22'867	23'052	22'996	23'269	23'490	1.0%

Change  
compared

**In million CHF**

except where

indicated

**2013**

**2014**

**2015**

**2016**

**2017**

**ye**

↳ of which (income) of the Cooperatives	15'844	15'910	15'613	15'634	15'557	-0.5%
Total Migros distribution sites	639	648	659	685	701	2.3%
Total Migros sales area	1'348'664	1'362'083	1'377'633	1'397'454	1'402'169	0.3%
<b>EBITDA</b> <b>(earnings before interest, taxes, depreciation and amortisation)</b>	2'266	2'392	2'314	2'281	2'103	-7.8%
as % of income	8.5	8.7	8.4	8.2	7.5	
↳ of which EBITDA of the retail and industry sector	1'986	2'076	2'000	1'981	1'795	-9.4%
<b>EBIT (earnings before interest and taxes)</b>	1'044	1'126	982	911	603	-33.8%
as % of income	3.9	4.1	3.6	3.3	2.1	

Change  
compared

**In million CHF**

except where

indicated

	2013	2014	2015	2016	2017	year
<b>Profit [1]</b>	771	826	791	663	503	-24.2%
as % of income	2.9	3.0	2.9	2.4	1.8	
<b>Cash flow from operating activity</b>	1'225	2'362	2'696	2'503	1'170	-53.2%
as % of income	4.6	8.6	9.8	9.0	4.2	
↳ of which cash flow from the retail and industry sector	688	1'703	2'047	1'658	1'619	-2.4%
<b>Investments</b>	1'324	1'641	1'356	1'663	1'476	-11.2%
<b>Equity</b>	15'969	15'970	16'802	17'455	17'913	2.6%
as % of balance sheet total	27.2	26.4	27.0	27.5	27.7	
↳ of which equity of the retail and industry sector	13'663	13'548	14'181	14'646	14'931	1.9%
as % of balance sheet total	65.1	65.4	66.5	67.5	67.3	

Change  
compared

**In million CHF**

except where  
indicated

previous  
year

	2013	2014	2015	2016	2017	Year
<b>Balance sheet</b>						
<b>total</b>	58'809	60'585	62'138	63'537	64'581	1.6%
↳ of which						
balance sheet						
total of the retail						
and industry						
sector	20'984	20'709	21'323	21'703	22'176	2.2%
<b>Migros</b>						
<b>Cooperative</b>						
Number of						
Migros						
cooperative						
members	2'136'959	2'155'331	2'166'145	2'182'171	2'187'818	0.3%
<b>Employees</b>						
Workforce						
(people annual						
average)	94'276	97'456	100'373	102'851	105'456	2.5%
Full-time						
positions	68'866	71'056	72'609	74'305	75'302	1.3%
Trainees	3'495	3'650	3'700	3'775	3'860	2.3%

In million CHF	2013	2014	2015	2016	2017	Change compared to previous year
except where indicated						
<b>Society &amp; culture</b>						
Migros Culture Percentage expenses	120	122	120	120	122	1.8%
Expenses Engagement Migros development fund (Migros Group) [2]	5	6	9	10	15	42%
<b>Products</b>						
Total sales of sustainable, health and regional label Cooperative Retailing	3'079	3'400	3'648	3'881	4'010	3.3%
<b>Environment</b>						
Greenhouse gas emissions, absolute (in	3'083.80	3'406.10	3'656.60	3'891.00	4'025.40	3.5%

**Change  
compared**

**In million CHF**

except where

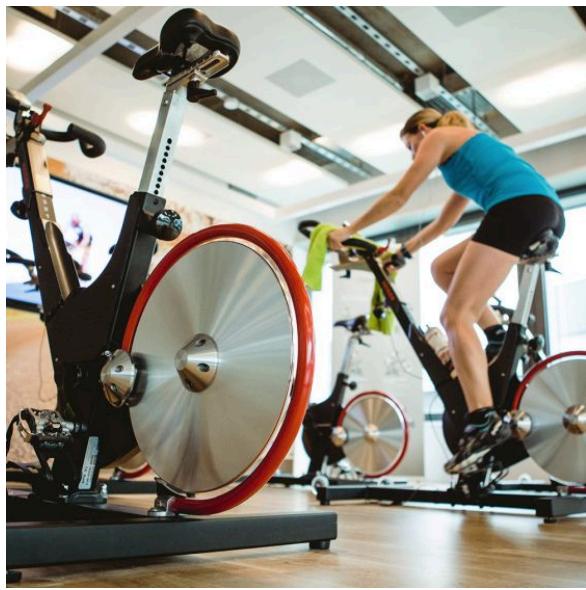
indicated

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>year to date<sup>1</sup></b>
1000 tonnes CO2-eq)						
Energy consumption, Migros group (in GWh)	1'765	1'699	1'765	1'775	1'744	-1.7% <sup>2</sup>
Installed solar power plants owned by Migros (in kWp)	10'473	13'795	21'402	27'055	27'832	2.9%
Migros Group, rail transport kilometrage (in km million)	11.3	11.6	11.5	12.5	13.3	6.6%
Recycling rate (in %)	75.9	76.8	78.0	77.7	77.8	0.1%

**1** 2013 IFRS, before effect from pension plans

**2** Funds made available for the first time in 2012.

## **January**



### **Migros launches the health initiative iMpuls**

Migros expands its range of health-related services by launching a digital platform with editorial content. The company is thus helping the population to maintain a healthy lifestyle in four areas: nutrition, exercise, relaxation and medicine.

Migros' health services are combined under the iMpuls brand alongside the medical services of Medbase.

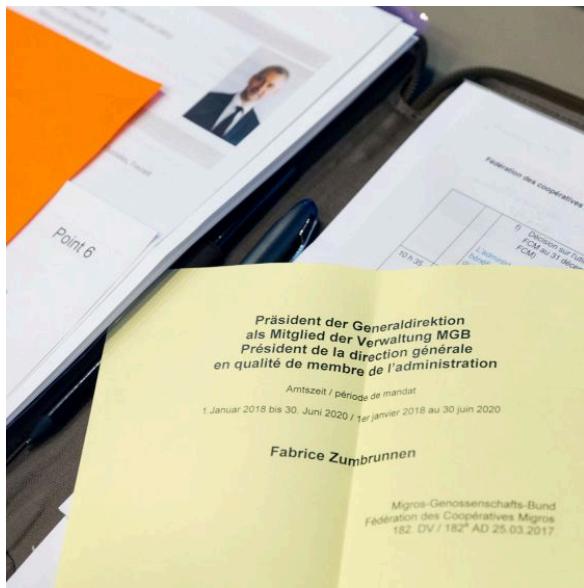
## February



### **Migros launches the Migusto cooking club**

Migros combines its culinary expertise under the Migusto brand. At the centre of this lies the cooking club Migusto. It offers numerous advantages for its members, who include ambitious amateur chefs, people with little time to cook and novices behind the stove. The platform [www.migusto.ch](http://www.migusto.ch) presents seasonal recipe ideas, cooking instructions – and Switzerland's most-visited recipe database.

## March



### Fabrice Zumbrunnen is elected new FMC CEO

Fabrice Zumbrunnen, Head of Human Resources, Cultural & Social Affairs, Leisure since 2012 and a member of the FMC Executive Board, is elected as the new CEO of the Federation of Migros Cooperatives by the Board of Directors. The 47-year-old from western Switzerland commences his new role on 1 January 2018. He replaces Herbert Bolliger, who retires at the end of 2017 after 13 years at the helm of Migros.



### Migros enjoys the best reputation

For the fourth time in succession, the Federation of Migros Cooperatives is named Switzerland's most renowned company by GfK Business Reflector 2017. In the assessment of social and environmental commitment in particular, Migros is way ahead of other companies in the ranking. Second place is occupied by Rega and third by Ricola.



## **Fiore di pietra opens on Monte Generoso**

On Monte Generoso, the striking Fiore di pietra, designed by Ticino architect Mario Botta, is officially opened. The building, shaped like a stone flower, offers a spectacular panoramic view, a gourmet restaurant and a self-service restaurant, and a modern conference infrastructure. The new landmark opens to the public in April 2017.

**June**



## **Sarah Kreienbühl elected new Head of the department I**

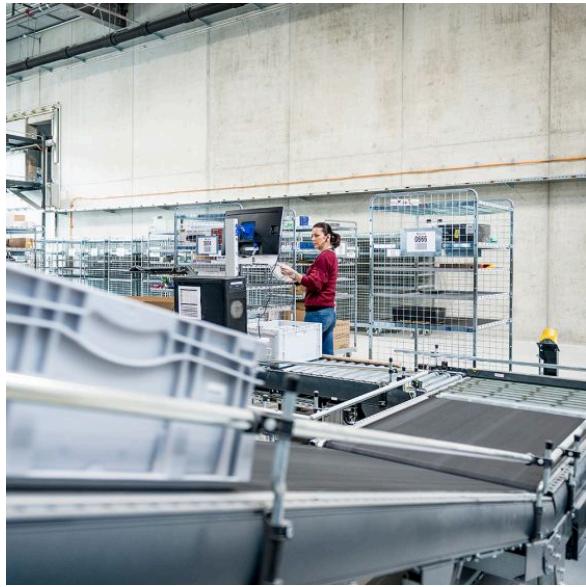
The Board of Directors of the Federation of Migros Cooperatives elects Sarah Kreienbühl as the new Head of Human Resources, Cultural & Social Affairs and a member of the FMC Executive Board. Kreienbühl, previously Group Vice President Corporate HRM & Communications and a member of the management board at Sonova AG, replaces Fabrice Zumbrunnen on 1 January 2018.



## **Acquisition of Hitzberger and Hug Bäckerei**

Migros Cooperative Zurich acquires catering company Hitzberger, which sells high-quality fast food products with organic ingredients. With retroactive effect from 1 January 2017, Migros subsidiary Jowa AG acquires a majority stake in Hug Bäckerei AG, which specialises in the semi-industrial production of fresh and frozen bread and baked goods.

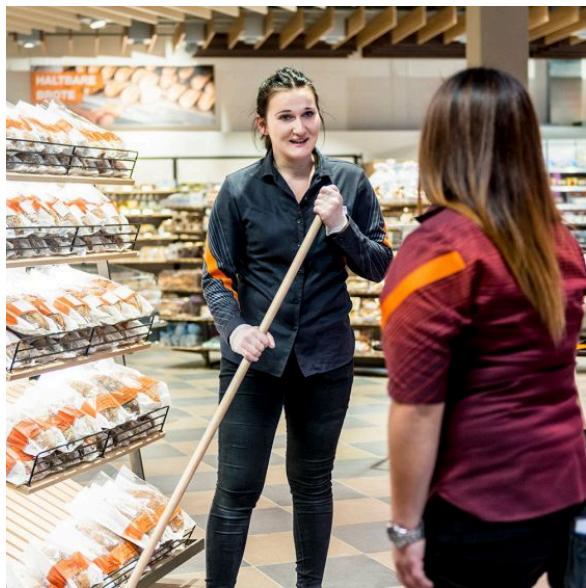
## **September**



### **M-Industry enters online market in China**

M-Industry forms partnerships with the Chinese online retail platforms Kaola and (from December 2017) Tmall, which belongs to the Alibaba Group. Under the name "Orange Garten", it sells a selected range of Migros products, such as coffee, snacks and drinks. Plans are in place to expand the product range.

## October



### New clothing for Migros sales staff

The sales staff in the Migros stores are given new uniforms. Swiss designer Ida Gut, who created the collection 12 years ago, is again in charge of the concept. The design and materials of the existing clothing are improved. Paprika is kept as the base colour of the shirts and blouses, while the outerwear colour is changed to garnet.

## November



### **Federal Councillor Simonetta Sommaruga to attend the Assembly of Delegates**

Federal Councillor Simonetta Sommaruga, head of the Federal Department of Justice and Police (EJPD), has accepted an invitation to attend the FMC Assembly of Delegates as a guest. In a discussion with journalist Esther Girsberger, she will talk about the topic of "women in managerial posts – how to succeed". Sommaruga's appearance will mark the first time that a government representative has made an appearance at the FMC Assembly of Delegates.



### **The Mall of Switzerland opens**

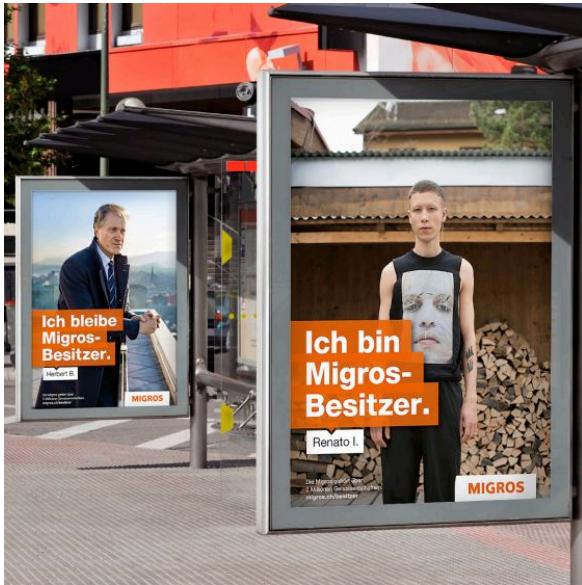
The Mall of Switzerland, the second-largest shopping centre in the country, opens in Ebikon (LU). It contains about 90 stores across four floors and offers a wide range of food and entertainment options (including a cinema). Migros Cooperative Lucerne is the mall's main leaseholder and is represented there with the region's largest MMM branch, numerous specialist markets and a Migros restaurant.



## **The Migros Group launches an extensive careers portal**

Migros is the largest private-sector employer in Switzerland. Under the title "Migros Group Working World", the new careers portal publishes all vacancies at the 60+ companies of the Migros Group. The portal also provides information about working conditions at Migros, entry and career opportunities within the group, and employee profiles.

## December



### New umbrella campaign launched

Under the title "Die Migros gehört den Leuten. Und das merkt man." (Migros belongs to the people. That's plain to see), Migros launches a new advertising campaign that focuses on the company's owners; i.e. the more than 2.2 million members of the regional Cooperatives. The campaign emphasises Migros' proximity to its customers and invites them to become members themselves.

# Strategic business units

Due to the division into **five strategic business units** and Shared Services, the management of Migros is simple and effective. The six units are each managed by a member of the Executive Board. Cooperative Retailing is an exception here, as the regional Cooperatives are legally independent and managed only indirectly by the FMC.



## Cooperative Retailing

In 2017, sales of the ten Migros Cooperatives in Switzerland and abroad fell to CHF 15.6 billion. This is attributable in particular to the deflation of -0.4% across the Migros product ranges and the shift from in-store to online retailing.

## Financial results Cooperative Retailing

**Change  
compared  
to  
previous  
year**

<b>In CHF million</b>	<b>2017</b>	<b>2016</b>	
<b>Net revenue from goods and services sold</b>			
Cooperatives incl. other countries	15'557	15'634	-0.5%
Medbase (Medbase Group and santémed health centers)	139	131	6.0%
FMC	5'189	5'174	0.3%
Logistics	359	344	4.3%
Other companies	336	295	14.1%
<b>Net revenue from goods and services sold</b>	<b>21'580</b>	<b>21'578</b>	<b>0.0%</b>
Other operating income	250	197	27.0%
Eliminations	-4'934	-4'975	-0.8%
<b>Total income</b>	<b>16'896</b>	<b>16'799</b>	<b>0.6%</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>306</b>	<b>542</b>	<b>-43.7%</b>
Segment assets	10'570	10'364	
Investments in long-term assets	945	1'156	
Employees	69'573	68'535	

## Distribution network Cooperative Retailing figures

	Number of sites		Sales area (m <sup>2</sup> )	
	2017	2016	2017	2016
<b>Distribution sites Switzerland</b>				
<b>Migros sites</b>				
M	345	336	280'268	272'252
MM	209	211	479'315	483'564
MMM	49	48	376'440	370'567
<b>Total</b>	603	595	1'136'023	1'126'383
MParcs/specialist market centres/Obi	39	40	240'573	249'878
Single-line stores [1]	36	32	22'251	18'786
<b>Total</b>	75	72	262'824	268'664
<b>Independent gastronomy businesses</b>	23	18	3'322	2'407
<b>Total sites</b>	<b>701</b>	<b>685</b>	<b>1'402'169</b>	<b>1'397'454</b>
<b>Distribution lines Switzerland</b>				
<b>Supermarkets</b>				

	Number of sites		Sales area (m2)	
	2017	2016	2017	2016
M, MM and MMM	603	595	926'241	918'847
Other supermarkets [2]	9	10	11'940	13'194
<b>Total supermarkets</b>	<b>612</b>	<b>605</b>	<b>938'181</b>	<b>932'041</b>
<b>Specialist markets</b>				
Do it + Garden	45	46	104'345	108'767
Micasa	32	29	74'529	74'354
SportXX	60	58	73'134	70'929
Melectronics	75	75	36'397	36'406
Obi DIY superstore/garden	10	10	81'303	81'303
<b>Total specialist markets</b>	<b>222</b>	<b>218</b>	<b>369'708</b>	<b>371'759</b>
<b>Migros Gastronomy</b>				
M-Restaurants	162	165	79'580	80'326
Takeaways and other gastronomic formats [3]	151	150	14'700	13'328
<b>Total Gastronomy</b>	<b>313</b>	<b>315</b>	<b>94'280</b>	<b>93'654</b>
<b>Distribution sites other countries</b>				

	Number of sites		Sales area (m2)	
	2017	2016	2017	2016
<b>France (Migros France)</b>				
MMM	2	2	10'883	10'789
MM	1	1	1'638	1'638
<b>Germany</b>				
Tegut	273	272	288'383	290'361
<b>Total other countries</b>	<b>276</b>	<b>275</b>	<b>300'904</b>	<b>302'788</b>
<b>Wholesaling cooperatives and other</b>				
Migros Partners	47	48	-	-
VOI	44	39	-	-
<b>Leisure, health and foundations</b>				
Migros Fitness Switzerland [4]	121	90	-	-
Migros Fitness outside Switzerland [5]	181	6	-	-
Medbase and santémed health centers	47	36	-	-
Aquaparcs [6]	3	3	-	-
Sportparcs	3	3	-	-

	Number of sites		Sales area (m2)	
	2017	2016	2017	2016
Golfparcs	8	9	-	-
Foundations 'Park im Grünen' and Monte Generous	5	5	-	-

- 1 Outlets, Alnatura Bio supermarkets, independent Outdoor by SportXX stores, etc.
- 2 integrated in MParcs or specialist market centres
- 3 Chickeria, My Way, Kaimug, Bio Take Away, Coffee&Time as well as Frau Helvetia
- 4 including Activ Fitness, Flower Power - Finest Fitness&Wellness, ONE Training Center, MFIT, M-Fitnesscenter, Only Fitness, Silhouette, Injoy (CH)
- 5 Elements (DE) and Injoy (AT, BE, DE)
- 6 Säntispark, Bernaqua, Vitam (FR)

## CHF 15.6 billion

sales of the ten Cooperatives.

In 2017, Cooperative Retailing was dominated by a competitive market environment, average deflation of -2.7% in the specialist markets and -0.2% in the supermarkets and hypermarkets, as well as an **increasing shift from in-store to online retailing**. Shopping tourism to bordering countries, the volume of which is estimated to be about CHF 11 billion, also had a negative impact. In Switzerland and abroad, the ten regional Cooperatives generated sales of CHF 15.6 billion (-0.5%). Footfall remained stable, with 344.9 million till receipts.

**Supermarket and hypermarket sales** in Switzerland came in at CHF 11.6 billion (-0.8%). Abroad, the ten regional Cooperatives generated sales of CHF 1.2 billion, representing an increase of 2.6% or CHF 31 million. With sales of CHF 1.1 billion (+CHF 40 million), Tegut was the main contributor to this growth. Sales at Migros France were down by 6.4% to CHF 122 million.

The five Migros specialist markets Micasa, SportXX, Melectronics, Do it + Garden and OBI generated sales of CHF 1.6 billion (+0.9%) in 2017. Adjusted for deflation of -2.7%, this figure is up 3.6% in real terms in comparison with the previous year. The **online shops of the specialist markets reported growth of 25.0% to CHF 65 million**.

**701**

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locations made up Migros' sales network in Switzerland in 2017.

At CHF 676 million, sales at Migros Catering were 0.9% lower than in the previous year. The **new catering formats**, such as Chickeria (+69.4%) and community catering (+3%), continued to perform well.

At the end of 2017, Migros' **sales network** comprised a total of 701 locations, 16 more than in the previous year. The total sales area for the supermarkets, specialist markets and catering services increased by 4'715 m<sup>2</sup> to 1'402'169 m<sup>2</sup> (+0.3%).

## Sales of sustainable products up considerably

**Sales of sustainable and regional Migros products** saw above-average growth.

Customers bought CHF 3.0 billion worth of products with ecological and/or social added value (+3.8%) and CHF 960 million (+2%) worth of products bearing the label "Aus der Region. Für die Region" (From the region. For the region). At a total of CHF 4.0 billion, sales of products carrying sustainable/regional labels and the health label "aha!" (CHF 87 million) were up by 3.3% on the previous year.

As part of the **Generation M sustainability programme**, launched in 2012, Migros has made a total of 67 binding promises to tomorrow's generation. By the end of 2017, 41 promises had already been fulfilled.



## Commerce

In 2017, the Migros retail companies focused on meeting changing customer requirements both in-store and online. In a challenging market environment, the Commerce Department increased its sales by 3.9% to CHF 7.8 billion.

## Financial results Commerce

**Change  
compared  
to  
previous  
year**

<b>CHF million</b>	<b>2017</b>	<b>2016</b>	
<b>Net revenue from goods and services sold</b>			
Denner AG	3'050	2'959	3.1%
Migrol AG	1'410	1'290	9.3%
Magazine zum Globus AG	857	879	-2.5%
Digitec Galaxus AG	834	704	18.5%
Depot (Gries Deco Company GmbH)	540	501	7.7%
migrolino AG	480	431	11.3%
Le Shop S.A.	181	182	-0.5%
Interio AG	154	168	-8.1%
Office World Group [1]	144	179	-19.5%
Ex Libris AG	109	112	-3.0%
Dolphin France SAS (Probikeshop) [2]	10	75	-87.3%
Other companies	71	63	12.8%
<b>Net revenue from goods and services sold</b>	<b>7'840</b>	<b>7'544</b>	<b>3.9%</b>
Other operating income	151	80	89.8%

Change  
compared  
to  
previous  
year

CHF million	2017	2016	
Eliminations	-53	-21	147.0%
<b>Total income</b>	<b>7'938</b>	<b>7'602</b>	<b>4.4%</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>-83</b>	<b>-87</b>	<b>5.3%</b>
Segment assets	2'072	2'103	
Investments in long-term assets	223	225	
Employees	17'369	16'742	

- 1 Sales 2017 of Office World group were taken into account until the company was sold
- 2 Sales 2017 of Probikeshop were taken into account until the company was sold

## Distribution network Commerce figures

	Number of sites		Sales area	
	2017	2016	2017	2016
<b>Denner</b>	811	809	-	-
Denner branches	522	510	210'552	207'182

	Number of sites		Sales area	
	2017	2016	2017	2016
Denner satellites (incl. Denner Express)	289	299	-	-
<b>Globus (Magazine zum Globus AG)</b>	<b>81</b>	<b>84</b>	<b>131'949</b>	<b>132'081</b>
Globus department stores [1]	15	16	81'842	81'702
Herren Globus	23	24	13'367	13'534
Schild AG [1] [2]	43	44	36'740	36'845
<b>Interio AG</b>	<b>11</b>	<b>11</b>	<b>44'073</b>	<b>44'073</b>
Depot Switzerland	39	36	18'000	17'797
Depot (Germany and Austria)	601	522	255'031	230'886
<b>Office World</b> [3]	-	<b>26</b>	-	<b>17'522</b>
<b>Ex Libris AG</b>	<b>57</b>	<b>69</b>	<b>5'624</b>	<b>6'790</b>
<b>Migrol</b>				
<b>Total petrol stations</b>	<b>307</b>	<b>313</b>	-	-
Migrol Auto Service/Migrol Service	144	144	-	-
Petrol stations (automated)	163	169	-	-

	Number of sites		Sales area	
	2017	2016	2017	2016
Convenience stores (migrolino and Migrol shops)	144	144	-	-
<b>Convenience stores</b>	357	354	-	-
migrolino [4]	311	307	-	-
Migrol shops	46	47	-	-

**1** incl. outlets (2 Globus, 4 Schild)

**2** incl. Schild brand stores

**3** The Office World Group was sold on 01.12.2017

**4** These locations are divided into stand-alone migrolinos, Migrol migrolinos, Shell migrolinos, Socar migrolinos and Piccadilly migrolinos.

The priority for the business operations in 2017 was to **focus consistently on meeting customer requirements** across all sales channels. The companies Denner, migrolino, Migrol, Digitec Galaxus, m-way, Le Shop and Ex Libris pursued specific initiatives to boost their market position in the highly competitive retail sector.

**Globus and Depot** have launched projects to increase long-term efficiency. Interio has been positioned more clearly in the market in relation to Micasa, and potential synergies between the two retail brands have been exploited.

At the same time, new owners were found for **Probikeshop**, **OWiba** (Office World, iba and Tramondi Büro) and **Sharoo**.

## **Enhancement of market position**

Despite strong competition, Denner enhanced its **market position as Switzerland's leading discounter** with a 3.1% increase in sales. A 4.7% increase in footfall provided further evidence that significantly more customers are shopping at Denner. This was due in particular to the modernisation work performed on a further 194 branches and partner stores. Two more branches were added to Denner's extensive network of sites, taking the total to 811.

migrolino remained on a **growth course**. By the end of 2017, 311 stores were open to customers (previous year: 307). The company again saw a considerable increase in sales, this time by 11.3% to CHF 480 million.

After a decline in the previous year, Migrol recorded a significant increase in sales of 9.3%, facilitated by the **positive price development in the petrol station and petroleum market**. Migrol was also able to increase its market shares in the fuel business due to slightly higher sales figures, despite the overall market decline. Migrol thereby extended its leading position.

Digitec Galaxus again achieved **encouraging double-digit sales growth** (19.4%) in the retail segment. The company thus enhanced its leading position in the B2C electronics market (Digitec). The Galaxus platform was further expanded with additional external retailers and a wider product range. With sales of CHF 834 million (+18.5%), Digitec Galaxus consolidated its position as the online market leader in Switzerland.

m-way recorded a 21.8% increase in sales and consolidated its position as the **leader of the Swiss e-bike market** in 2017.

## **Market position defended**

In the home delivery business, Le Shop recorded an increase in sales of 3.0%. The online supermarket generated sales of CHF 181 million in total. The slight decline of 0.5% was down to the **closure of the two Drive pilot locations**.

Ex Libris again faced strong **consolidation pressure in in-store retailing**. The structural shift to ordering and consuming books, media and games online has continued. Although sales from in-store retailing were negatively affected, online sales increased again (+8%). Eleven branches had to be closed at the start of 2018. Overall, despite a noticeable gain in market share, sales decreased by 3% to CHF 109 million.

## **Implementation of efficiency measures**

In 2017, Globus countered the challenging conditions in the fashion market with the launch of a forward strategy marked by the integration of the two brands Schild and Herren Globus, and by consistent digital transformation. By implementing new store concepts and combining in-store and digital channels, Globus is focusing on meeting **customer requirements in the premium segment**. The company again faced challenges in the form of a strong franc, shopping tourism and competition from online business, all of which resulted in a 2.5% decrease in sales to CHF 857 million.

Interio again felt the effects of the **declining overall market**, with sales falling by 8.1% to CHF 154 million. In contrast, online business grew by an encouraging 4.6%.

Combined with stronger **implementation of efficiency measures**, the Depot network of outlets grew to 479 own branches (previous year 452) and 161 locations at wholesale partners. The company generated consolidated sales of CHF 540 million, representing an increase of 7.7%.



## Industry & Wholesaling

M-Industry generated sales of CHF 6.5 billion in 2017, representing an increase of 2.1%. The international business grew by a considerable 14.1% to CHF 901 million; business from the Swiss market increased by 0.4% as a result of acquisitions.

### Financial results Industry & Wholesaling

CHF million	2017	2016	Change compared to previous year
<b>Net revenue from goods and services sold</b>	<b>6'520</b>	<b>6'389</b>	<b>2.1%</b>
Other operating income	67	73	-7.9%
Eliminations	-594	-544	9.2%
<b>Total income</b>	<b>5'994</b>	<b>5'918</b>	<b>1.3</b>

Change  
compared  
to  
previous  
year

CHF million	2017	2016	
<b>Earnings before interest and taxes (EBIT)</b>	<b>56</b>	<b>154</b>	<b>-63.9%</b>
Segment assets	2'289	2'352	
Investments in long-term assets	216	206	
Employees	14'192	13'113	

In 2017, the international business (exports and overseas locations) grew by CHF 112 million (14.1%) to CHF 901 million. **Export sales were up by 10%**, driven mainly by the coffee capsules, chocolate, cosmetics and cheese ranges.

Further sales platforms were set up in China, France, Spain and the Netherlands in order to continue to provide the export business with effective support in the future. Under the name "Orange Garten", M-Industry successfully **entered the Chinese market**. High quality Migros products are sold to Chinese consumers via leading e-commerce providers.

## Optimisation of the portfolio

M-Industry optimised its portfolio in the **Swiss market** (retailing and bulk consumer business). The Cash+Carry Angehrn (CCA) division was sold, but the overall market position was strengthened due to strategic acquisitions in the fresh food areas of fish (Tipesca), baked goods (majority participation in Hug Bäckerei AG) and dairy/cheese specialities (majority stake acquired in Schwyzer Milchhuus AG).

At CHF 4.5 billion, business with the **Migros Group** remained at the previous year's level. Migros retail revenues were down (due to inflation, among other factors), but business with Denner, migrolino and Le Shop increased.

## Growth through newly established businesses

In the **bulk consumer business**, M-Industry will continue to focus systematically on the delivery sector under the Saviva brand. Past experience has shown that synergies between the pick-up and delivery wholesale businesses are lower than expected.

Newly established businesses such as Apposito (digital business model in the beverage business), Saviva Health Services and the integration of Tipesc (fish) performed well. Despite the departure of CCA on 30 November 2017, **sales were up** overall on the previous year, increasing by 2.2% to CHF 1.1 billion.

## Investments in the Swiss business areas

M-Industry invested about CHF 216 million in Switzerland as a centre of industry in 2017. There was a strong focus on **capacity expansion and rationalisation investments**. More investment is being made in automation as part of the "Industry 4.0" programme. With the completion of the new building in Gränichen, Jowa has increased its bread production capacity. The modern bakery combines traditional craftsmanship with intelligent technology. The new building also features a high-bay warehouse and a wood-fired heating plant.

The successful commissioning of the two wood-fired heating plants at Jowa in Gränichen and Elsa in Estavayer-le-Lac has made it possible to cut CO<sub>2</sub> emissions by 11'000 t per year. This makes an important **contribution to implementation of M-Industry's ambitious sustainability goals**.

## New apprenticeship positions

M-Industry again increased the number of apprenticeship positions in 2017. Currently, 556 apprentices (18 more than in the previous year) are trained **in more than 30 different professions**. In 2017 M-Industry employed an average of 14'192 people, which is 1'079 more than in the previous year. 1'215 employees worked abroad.



## Financial Services

Migros Bank expanded its core business in 2017 and further increased its market shares. At 3.7%, the mortgage volume grew above the market average. The performance of the investment business was also encouraging.

### Financial results Financial Services

CHF million	Change compared to previous year		
	2017	2016	year
Net revenue from goods and services sold	3	3	-20.2%

Change  
compared  
to  
previous  
year

CHF million	2017	2016	
Income from financial services business	779	817	-4.7%
Other operating income	2	6	-75.0%
<b>Total income</b>	<b>783</b>	<b>827</b>	<b>-5.3%</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>280</b>	<b>270</b>	<b>3.7%</b>
Segment assets	43'277	42'718	
Investments in long-term assets	17	23	
Employees	1'479	1'507	

**17.9%**

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increase in the number of asset management mandates.

Migros Bank remained on a growth course in 2017. In the investment business, the number of asset management mandates increased by 17.9%. The range of funds was also expanded: Migros Bank now offers both traditional and sustainable investment funds for every investment strategy. It thus has **one of the widest and most comprehensive portfolios in Switzerland for sustainable strategy funds**. Not least due to the launch of new investment vehicles, the fund volume increased by 19.2% to CHF 2.5 billion. The total of all funds and securities held by customers in Migros Bank custodian accounts rose by 12.9% to CHF 12.3 billion.

Customer deposits also saw an increase. Liabilities arising from customer deposits rose by 1.7% to CHF 33.3 billion. The number of **private accounts grew** by 8% and pillar 3a retirement accounts by 2.4%.

## Cautious lending policy

Customer lending saw an even greater increase than customer deposits. Mortgage lending increased by 3.7% to CHF 35.5 billion. As a result, Migros Bank was Switzerland's fifth largest mortgage lender in the reporting year. In a **highly competitive environment**, Migros Bank firmly maintained its cautious lending policy. On the balance sheet date, 97.6% of the portfolio of mortgages on residential properties consisted of first priority mortgages.

Receivables from private lending amounted to CHF 1 billion, corresponding to a decrease of -6%. Despite the generally declining market, Migros Bank was still the **third largest provider of consumer credit**.

## Investments business: positive driver

Net interest income increased by 1.2% to CHF 452 million in the reporting year. Commission income improved by as much as 10.4% to CHF 98 million, due in particular to the **positive trend in the investment client business**. At CHF 34 million, trading income was down slightly (-0.5%). The operating income of Migros Bank rose by 2.9% overall to CHF 592 million.

Despite strong **expansion of the core activities**, total operating expenses rose by only 0.6% to CHF 280 million; material expenses increased by 3.2% and personnel costs saw a 0.9% decrease. The workforce consisted of 1'319 full-time staff, compared with 1'327 in the previous year.

After being **at an encouragingly low level** in the previous year (47.2%), the cost/income ratio improved even further to 46.5%. After taking into account depreciation, provisions and losses, operating income and profit amounted to CHF 281 million, representing an increase of 5.7%. After accounting for extraordinary items and taxes, a profit of CHF 223 million was generated, 3.9% more than in the previous year. After the voluntary creation of reserves for general banking risks, this resulted in a decrease of 6.5% to CHF 201 million.

## New organisational structure

The new, streamlined organisational structure of Migros Bank came into effect on 1 January 2017. Among other things, the management matrix has been abolished **in favour of standardised line and functional management**. At the same time, the distinction between management and extended management was waived. One of the aims of the reorganisation was to make the sales management more efficient in order to be able to respond faster to market changes and launch promising innovations more quickly. Another objective was to expand the corporate client and investments business.

## Expansion of the cash withdrawal network

The option of free cash withdrawals for customers of Migros Bank was extended to Migrolino petrol station shops and Denner branches in 2017. As a result, cash can now be withdrawn at about 1'800 sales outlets of the Migros Group. Together with the more than 220 cash machines of Migros Bank, this makes up **one of the most extensive networks in Switzerland** for free cash withdrawals.



## Travel

The Hotelplan Group's sales in the 2016/2017 financial year were in line with expectations, and the margins were improved considerably. In a year that proved challenging in an operational sense, the Hotelplan Group generated net sales of CHF 1'212 million.

### Financial figures Travel

CHF million	2017	2016	Change compared to previous year
<b>Net revenue from goods and services sold</b>	<b>1'212</b>	<b>1'284</b>	<b>-5.6%</b>
Other operating income	9	8	11.9%
<b>Total income</b>	<b>1'221</b>	<b>1'292</b>	<b>-5.5%</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>5</b>	<b>-12</b>	<b>142.9%</b>

Change  
compared  
to  
previous

CHF million	2017	2016	year
Segment assets	13	29	
Investments in long-term assets	7	5	
Employees	2'709	2'822	

In 2017, the travel business was again affected by terror attacks and natural disasters. Nevertheless, the Hotelplan Group recorded a **5.5% rise in the number of passengers**. However, due to the sale of Hotelplan Italia and the much weaker pound sterling, the Group's net sales were down by 5.6% to CHF 1'212 million for the financial year ending 31 October 2017.

## CHF 559 million

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in sales at Hotelplan Suisse.

## **Positive development in Switzerland**

The Swiss market leader Hotelplan Suisse, together with the business travel specialist bta first travel, generated net sales of CHF 559 million in the reporting year (invoiced sales CHF 715 million). With a share of 46%, the Swiss subsidiary is **Hotelplan Group's largest business unit**. Despite terror attacks and natural disasters, such as the earthquakes on Kos and in Bodrum and the hurricanes in the Caribbean and Florida, Hotelplan Suisse (excluding bta first travel) was able to increase its sales (excluding travel.ch) by 1.4%. The tendency to book early, coupled with the sustained enthusiasm for travel, also resulted in a 0.6% increase in the number of passengers to 523'000.

The business travel specialist bta first travel is a successful element of the Hotelplan Group. It was able to **expand its customer portfolio in the SME segment** in 2017. Invoiced sales in the business travel segment increased by 6.2% to CHF 124 million; this was due partly to the booking portal btaONLINE.

## **Increase in holiday home bookings**

In the newly created Holiday Home Division, comprising the two holiday home agencies Interhome and Inter Chalet, the trend towards vacations in holiday homes and holiday cottages showed no signs of abating. This is reflected in invoiced sales of CHF 332 million, **up 3%** on the previous year. The synergies between the two agencies affected the result positively, as did the use of various online sales channels.

## **Good results in the United Kingdom**

Calculated in the local currency, the sales of Hotelplan UK were up by 3.2%. Converted into Swiss francs, however, they were down slightly to CHF 319 million. The effects of Brexit are particularly noticeable in the ski area, as this customer segment is price-sensitive and travel abroad has become more expensive due to the weaker pound. The most growth in the UK was recorded by the **walking and cycling holiday specialist Inntravel and the soft adventure provider Explore**.

## Start-up with potential

# CHF 14 million

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in invoiced sales at bedfinder.

The booking platform bedfinder is currently still an investment for the Hotelplan Group, but with net sales of CHF 2 million (invoiced sales CHF 14 million), the travel services provider is showing great potential. **Travel services can be booked worldwide** on its own site bedfinder.com or via Book-on-Google without leaving the Google search platform.

Hotels in the US were offered for the first time in 2016 and Book-on-Google was rolled out in the UK. **Additional markets** were added in 2017 with Canada, New Zealand, Ireland, Spain, Sweden and Belgium. The platform provides interested partners with additional white-label products, fulfilment services and technological assistance. In addition to the roll-out of bedfinder.com, the hotel search portal Trivago was used as an additional sales channel alongside Book-on-Google.



# Shared Services

The Logistics & IT Department – Shared Services – optimised further services along the national and international supply chain in 2017.

Shared Services combines the competence centres of six operationally and strategically independent areas: logistics, IT, transport, engineering, planning/expansion and quality assurance. **For all entities of the Migros Group**, they provide standardised solutions, where possible, and which are oriented towards overriding objectives and requirements.

## Logistics: optimisation & expansion

In the area of logistics, the main focus in 2017 was on **improving efficiency along the entire value-added chain**. Further processes were optimised at the Migros Distribution Centre in Suhr (Food). Furthermore, a project was launched to provide logistics capacity by 2025.

In addition to ongoing process optimisations, the Migros Distribution Centre in Neuendorf (non and near-food products, textiles and frozen produce) has an on-going **expansion project** that will increase the level of automation by 2021 and concentrate storage in one location.

## Transport: economical & ecological

The changing customer requirements – longer opening hours, cross-channel delivery and online shopping – are calling for new transport solutions. In 2017, Shared Services successfully implemented its **efficient and environmentally friendly transport concepts**.

- Clever volume bundling and an **intelligent combination of all modes of transport** (road, rail and intermodal) enable cost-effective, fast and economical transport

solutions. In international transport, this was achieved in particular through expansion of the southern port connection. More than 50% of goods from the Far East passed through the Mediterranean ports in 2017.

- Migros also made more use of rail freight again. The number of conveyed rail wagons in domestic traffic rose by 3%, while the number of rail kilometres was up by 7%. Through **optimisation in the national distribution centre in Buchs AG**, it was possible to increase the annual shipment capacity.
- Efforts in the area of rail innovation were stepped up considerably in 2017, and an **innovative information system** was introduced to optimise business operations through use of rail.
- Migros **agreed an innovation partnership** with the Swiss Federal Laboratories for Materials Science and Technology (EMPA) to assess the possibility of achieving the 'two degrees' climate policy target (Paris climate conference) from the perspective of freight transport.
- In addition, Migros supported the national generational project **Cargo sous Terrain** with a further CHF 100'000 to the newly formed Cargo sous Terrain AG, and is committed to investing a total of CHF 5 million in capital for the project's planning permission phase between 2019 and 2023. Migros is represented on the board of directors of Cargo sous Terrain AG and other committees.

## IT: digitalisation & consolidation

In 2017, the main focus in Migros IT Services was again on **digitalisation and consolidation**, in particular:

- In Migros Cooperative Lucerne, the new POS checkout system Avanta went live in the first pilot branches. A **future-oriented and innovative solution** that helps to meet the requirements of in-store and online business in an optimum way has thus been implemented.
- SAP F&R (Forecast and Replenishment) was implemented in more than 350 supermarkets. The system enables improved algorithms and **individual demand factors for each brand**. As a result, stock levels in the branches were improved considerably in 2017, leading to less food waste and inventory gaps.
- The mobile terminals used **for inventory management** in the Migros stores were also updated. More than 9'000 mobile devices were replaced with robust, state-of-the-art touchscreen computers and mobile printers.
- In the roll-out that has been underway since 2014, about **10'000 standard PC workstations** have already been reconfigured in the "orange M" companies. The roll-out to the subsidiaries Aproz and Elsa/Mifroma and to Migros Cooperative Vaud was completed in 2017.

## Engineering: resource efficiency

Various **construction and conversion projects** were planned and implemented throughout the Migros Group in 2017, such as Jowa's new wood-fired heating plant in Gränichen and Digitec Galaxus' extended logistics warehouse in Wohlen. The main focus here was on resource efficiency, in particular in the operation of equipment and buildings.