

2018 in Brief

The Migros Group generated sales of CHF 28.5 billion in 2018, representing an increase of 1.4%. Consolidated retail sales also increased by 1.9% to CHF 23.7 billion in a challenging economic environment.

The Chairman's and CEO's Review

Dear ladies and gentlemen,

The challenges of digital transformation are changing markets, companies and consumer behaviour at great speed. The increasing shift from in-store to digital retailing, new technologies and competitors, and persistent shopping tourism call for innovative solutions that offer the customer an **inspiring and convenient shopping experience**.

Along with a growing range of sustainable products and a further expansion of the health sector, Migros attaches great importance to the careful handling of customer data. The huge **confidence that the Swiss population has in Migros** is reflected in particular in the higher sales of the Migros Group, which rose by CHF 382 million (+1.4%) to CHF 28.5 billion in 2018.

In the e-commerce business, Migros further cemented its position as the **undisputed market leader** in Switzerland. Online sales, including Digitec Galaxus, amounted to CHF 2.1 billion (+6.9%).

Solid performance

The Migros Group's **earnings before interest and taxes** (EBIT) were CHF 651 million in the reporting year, 7.8% above the previous year (2017: CHF 603 million).

With a volume of CHF 1'516 million (2017: CHF 1'476 million), **investments** remained at a high level. Migros was once again an important economic partner and customer in 2018.

Consolidated **retail sales in Switzerland and abroad** increased to CHF 23.7 billion (previous year: CHF 23.3 billion), corresponding to growth of 1.9%.

The consolidated **sales of Cooperative Retailing** rose by 2.5% to CHF 16.9 billion. The Migros supermarkets and hypermarkets generated sales of CHF 11.8 billion (+1.5%) in Switzerland. Despite a challenging market environment, domestic sales in the ten Migros Cooperatives were up by 2.1% on the previous year. This was driven by an increase in footfall to 350 million till receipts (+1.5%).

Regional and sustainable products continued on a growth course, with more than CHF 994 million (+3.5%) of products bearing the label "Aus der Region. Für die Region." (From the region. For the region.) sold. Sales of products with ecological or social added value amounted to CHF 3.1 billion (+5.9%). More than half of Migros' sales of products with sustainability labels were generated by products from "TerraSuisse" and the organic range. At CHF 4.2 billion in total, sales of products carrying sustainability and regional labels and the health label "aha!" (CHF 93 million) were up by 5.3% 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 in 2018. The comprehensive medical and therapeutic range of Medbase/santémed saw total sales increase by 7.9% to CHF 150 million. This also includes the outpatient operating centre in Burgdorf, which was integrated in the reporting year and with which Medbase expanded its portfolio with a new strategic business segment.

With the expansion of its fitness formats, Migros further consolidated its **leading position in the fitness market**. With the opening of nine new fitness and wellness locations, it had 130 fitness facilities in Switzerland in 2018.

Growth of M-Industry abroad

M-Industry **strengthened its market position abroad**. Consolidated sales amounted to CHF 5.8 billion (previous year: CHF 5.9 billion). Adjusted for the sale of CCA Angehrn, sales increased by CHF 155 million (+2.7%). The international business grew by an encouraging 10.9%.

Hotelplan Group

The travel market in Switzerland and abroad was influenced by external factors such as airline bankruptcies, the hot summer and the uncertainty caused by Brexit. Despite the challenging travel market, the Hotelplan Group recorded a **2.4% increase in the number of passengers**. In the 2017/2018 financial year, the travel company grew by 3.9%, posting sales of almost CHF 1.3 billion.

Migros Bank

Migros Bank increased its mortgages by 4.3% in 2018. **The performance of the investment business was also encouraging**, despite the challenging stock market environment. Profit across all divisions was up 1.8% to CHF 204 million.

Social commitment

In 2018, Migros Culture Percentage invested CHF 120 million in culture, society, education, leisure and the economy, including 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. In total, **60 projects were supported in the reporting year** and CHF 15.6 million was made available (CHF 16.5 million spent).

Social responsibility as a basic principle

At the end of 2018, the Migros Group employed 106'622 staff (+1.1%), 89'671 of whom were based in Switzerland, equating to an increase of 155 positions (2017: 89'516). Migros therefore continues to be the **largest private employer in Switzerland**. Its goal is to show particular responsibility towards its staff by providing above-average employee benefits and a working environment that values every employee.

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 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. Even under difficult economic conditions, Migros remains committed to its core strategic goals and will do everything it can to continue to offer its customers **the best value for money** in the future.

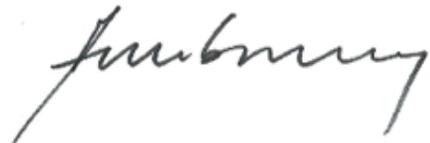
Migros has made a **long-term commitment to protecting the environment**, promoting sustainable consumption, and interacting with society and employees in a socially responsible and exemplary way. The range of sustainable products and services is therefore being continually expanded.

The persistent pressure on sales and profits means that the introduced **measures to safeguard efficiency and income** will be continued for all companies within the Migros Group, and efforts in the area of innovation will be stepped up. This will enable Migros to boost its competitiveness in the long term and to achieve a solid basis for further growth.

At the same time, Migros promises to build on its social and environmental commitment and **meet its social responsibilities**, as well as continuing to strengthen its business performance.



Andrea Broggin
Chair of the Board of Directors



Fabrice Zumbrunnen
Chief Executive Officer

Sales in 2018

CHF 28.5 billion

All key figures for 2018

Key Figures 2018

CHF million except where indicated	2014	2015	2016	2017	2018	Change compared with previous year
Finances						
Income	27'375	27'406	27'738	28'071	28'453	1.4%
↳ of which income before financial services business	26'502	26'546	26'921	27'292	27'677	1.4%
↳ of which Migros retail sales	23'052	22'996	23'269	23'296	23'729	1.9%
↳ of which (income) of the Cooperatives	15'910	15'613	15'634	15'557	15'921	2.3%
Total Migros distribution sites	648	659	685	701	727	3.7%
Total Migros sales area	1'362'083	1'377'633	1'397'454	1'402'169	1'476'827	5.3%
EBITDA (earnings before interest, taxes, depreciation and amortisation)	2'392	2'314	2'281	2'103	2'118	0.7%
as % of income	8.7	8.4	8.2	7.5	7.4	
↳ of which EBITDA of the retail and industry sector	2'076	2'000	1'981	1'795	1'796	0.1%
EBIT (earnings before interest and taxes)	1'126	982	911	603	651	7.8%
as % of income	4.1	3.6	3.3	2.1	2.3	
Profit	826	791	663	503	475	-5.5%
as % of income	3.0	2.9	2.4	1.8	1.7	

CHF million except where indicated	2014	2015	2016	2017	2018	Change compared with previous year
Cash flow from operating activity	2'362	2'696	2'503	1'170	1'361	16.3%
as % of income	8.6	9.8	9.0	4.2	4.8	
↳ of which cash flow from the retail and industry sector	1'703	2'047	1'658	1'619	1'641	1.4%
Investments	1'641	1'356	1'663	1'476	1'516	2.7%
Equity	15'970	16'802	17'455	17'913	18'417	2.8%
as % of balance sheet total	26.4	27.0	27.5	27.7	27.7	
↳ of which equity of the retail and industry sector	13'548	14'181	14'646	14'931	15'282	2.4%
as % of balance sheet total	65.4	66.5	67.5	67.3	67.1	
Balance sheet total	60'585	62'138	63'537	64'581	66'601	3.1%
↳ of which balance sheet total of the retail and industry sector	20'709	21'323	21'703	22'176	22'789	2.8%
Migros Cooperative						
Number of Migros cooperative members	2'155'331	2'166'145	2'182'171	2'187'818	2'215'194	1.3%
Employees						
Workforce (people annual average)	97'456	100'373	102'851	105'456	106'622	1.1%
Full-time positions	71'056	72'609	74'305	75'302	75'542	0.3%

CHF million except where indicated	2014	2015	2016	2017	2018	Change compared with previous year
Trainees	3'650	3'700	3'775	3'860	3'833	-0.7%
Society & culture						
Migros Culture Percentage expenses	122	120	120	122	120	-1.6%
Expenses Engagement Migros development fund (Migros Group)	6	9	10	15	16	6.7%
Products						
Total sales of sustainable, health and regional label Cooperative Retailing	3'401	3'649	3'882	4'021	4'235	5.3%
Environment						
Greenhouse gas emissions, absolute (in 1000 tonnes CO2-eq)	306.9	303.1	300.4	288.9	280.8	-2.8%
Energy consumption, Migros group (in GWh)	1'731	1'747	1'757	1'739	1'697	-2.4%
Installed solar power plants owned by Migros (in kWp)	13'795	21'402	27'055	27'832	29'742	6.9%
Migros Group, rail transport kilometrage (in km million)	11.6	11.5	12.5	13.3	13.8	3.8%
Recycling rate (in %)	76.8	78.0	77.7	77.8	74.1	-4.8%

Highlights 2018

Migros' key achievements in 2018

January



Fabrice Zumbrunnen appointed new CEO

Fabrice Zumbrunnen took over from Herbert Bolliger as the new CEO of the Federation of Migros Cooperatives with effect from 1 January 2018. Zumbrunnen has been a member of the FMC Executive Board since 2012. He was succeeded as Head of the HR, Communication, Culture, Leisure Department by Sarah Kreienbühl at the beginning of the year. Kreienbühl was previously on the Management Board of Sonova AG.

April



Migros launches Amigos platform

Migros has launched the social shopping platform Amigos, initially as a pilot project. It is based on the idea that Migros customers go shopping for one another; orders are placed via the app. With this platform, which is undergoing tests in Zurich and Berne, Migros is complementing its online shopping options with a new service that focuses on the social aspect.

May



N-CLA extended until 2022

More than 50'000 employees in 40 Migros Group companies are covered by the Migros National Collective Labour Agreement. N-CLA 2019–2022, which has replaced the agreement that expired on 31 December 2018, ensures that the comprehensive benefits and achievements are preserved and the Migros Group can continue providing exemplary working conditions.

June



Migros is the world's most responsible retailer

The independent ratings agency ISS-oekom assessed the social and ecological commitment of 151 retailers worldwide. The Migros Group achieved the best result, making it the world's most sustainable retailer in 2018.

July



Fast Forward bundle of measures

As part of the "Fast Forward" project, the Federation of Migros Cooperatives has identified more than 30 measures to make internal processes leaner and more efficient. Simplifying the organisation and exploiting synergies within the FMC will help to make Migros fit for the future and free up resources for relevant projects.



Zur Rose and Medbase join forces

The Migros-owned Medbase Group serves 450'000 patients in Switzerland with some 1.8 million consultations per year. As part of a strategic partnership, mail-order pharmacy Zur Rose is now the exclusive supplier of medical products to all Medbase centres, thus enabling medical and pharmaceutical competencies to be optimally combined.

August



Migros launches M-Check

To make product labelling clearer for its customers, Migros has launched M-Check for sustainable products. The products will now feature standardised labelling, with details relating to cultivation methods, supply chain and packaging shown directly on the product. With this aid, Migros is the first retailer in Switzerland to offer guidance through the complex label landscape.



Mibelle Group acquires Gowoonsesang

The M-Industry company Mibelle Group has acquired Seoul-based Gowoonsesang Cosmetics Co., Ltd. With its "Dr. G." brand, Gowoonsesang specialises in dermocosmetics and fits perfectly into the international export strategy of the Mibelle Group and the health strategy of the Migros Group.

October



Launch of the musical "Supermarkt Ladies"

Migros is launching the musical "Supermarkt Ladies". The music and dance show will be touring through nine Swiss towns with "Das Zelt" until June 2019. "Supermarkt Ladies" is the world's first interactive musical. The audience plays the staff of a fictitious supermarket and can decide at various points how the play progresses.

November



Matthias Wunderlin appointed new Head of Marketing

The Board of Directors of the Federation of Migros Cooperatives has appointed Matthias Wunderlin as the new Head of the Marketing Department and a member of the Executive Board. The economist (*1973) will succeed Hansueli Siber on 1 January 2019, who is taking on more strategic roles outside Migros. Wunderlin previously served as Head of Retail Digital Division within the FMC.



Partnership with Digitec Galaxus strengthened

The Migros specialist markets and Near/Non Food are strengthening their partnership with the online retailer Galaxus. More than 14'000 products of the two divisions will now be available online at galaxus.ch. The focus is on Migros' own brands, which make up about 80% of the new range. Digitec Galaxus is Switzerland's leading online retailer.



Medbase Group acquires Topwell AG

The Migros-owned Medbase Group has announced the takeover of Topwell Apotheken and its approximately 40 branches. The Topwell chain, which has more than 600 employees, will be integrated into the Medbase Group this year. Migros is thereby plugging a gap in Swiss integrated care as part of its health strategy. The transaction is subject to review by the Competition Commission.

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 2018, the total sales of the ten regional Migros Cooperatives in Switzerland and abroad amounted to CHF 15.921 billion, representing growth of 2.3% despite the challenging market environment.

Financial results Cooperative Retailing

In CHF million	2018	2017	Change in %
Net revenue from goods and services sold			
Cooperatives incl. other countries	15'921	15'557	2.3%
Medbase (Medbase Group and santémed health centers)	150	139	7.9%
FMC	5'335	5'189	2.8%
Logistics	377	359	5.0%
Other companies	334	336	-0.7%
Net revenue from goods and services sold	22'118	21'580	2.5%
Elimination intra-sectoral	-5'253	-5'130	
Sales per segment (net revenue from sales of goods and services sold)	16'865	16'450	2.5%

In CHF million	2018	2017	Change in %
Other operating income	409	446	-8.5%
Total income	17'273	16'896	2.2%
Earnings before interest and taxes (EBIT)	363	306	18.8%
Segment assets	10'680	10'570	
Investments in long-term assets	1'025	945	
Employees	71'323	69'573	

Distribution figures Cooperative Retailing

	Number of sites		Sales area (m2)	
	2018	2017	2018	2017
Distribution sites Switzerland				
Migros sites				
M	351	345	288'237	280'268
MM	208	209	482'166	479'315
MMM	49	49	382'416	376'440
Total	608	603	1'152'819	1'136'023
MParcs/specialist market centres/Obi	51	39	295'469	240'573
Single-line stores ^[1]	38	36	24'470	22'251

	Number of sites		Sales area (m2)	
	2018	2017	2018	2017
Total	89	75	319'939	262'824
Independent gastronomy businesses	30	23	4'069	3'322
Total sites	727	701	1'476'827	1'402'169
Distribution lines Switzerland				
Supermarkets				
M, MM and MMM	608	603	932'661	922'401
Other supermarkets ^[2]	9	9	12'422	11'940
Total supermarkets	617	612	945'083	934'341
Specialist markets ^[3]				
Do it + Garden	45	43	106'078	103'038
Micasa	34	32	75'203	74'529
Interio ^[4]	11	-	51'479	-
SportXX	62	60	75'209	73'134
Melectronics	106	105	42'484	41'543
Obi DIY superstore/garden	11	10	86'170	81'304
Total specialist markets	269	250	436'623	373'548
Migros Gastronomy				
M-Restaurants	161	162	79'914	79'580

	Number of sites		Sales area (m2)	
	2018	2017	2018	2017
Takeaways and other gastronomic formats ^[5]	163	151	15'207	14'700
Total Gastronomy	324	313	95'121	94'280
Distribution sites other countries				
France (Migros France)				
MMM	2	2	10'883	10'883
MM	1	1	1'638	1'638
Germany				
Tegut	273	273	291'222	288'383
Total other countries	276	276	303'743	300'904
Wholesaling cooperatives and other				
Migros Partners	49	47	-	-
VOI	53	44	-	-
Leisure, health and foundations				
Migros Fitness Switzerland ^[6]	122	121	-	-
Migros Fitness outside Switzerland ^[7]	174	181	-	-
Medbase and santémed health centers	51	47	-	-
Aquaparcs ^[8]	3	3	-	-

	Number of sites		Sales area (m2)	
	2018	2017	2018	2017
Sportparcs	3	3	-	-
Golfparcs	8	8	-	-
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 New definition of criteria for various specialist markets; thus, adjustment of the corresponding figures for the previous year
- 4 Interio included in the 'Cooperative Retailing' segment from 2018
- 5 Chickeria, Kaimug, Hitzberger, Bio Take Away, Coffee&Time, My Way as well as Frau Helvetia
- 6 incl. fitness park in Milandia sport and adventure park; incl. subsidiaries/formats (Activ Fitness, FlowerPower, ONE Training Center, MFIT, M-Fitnesscenter, Only Fitness, Silhouette/PURE)
- 7 Migros Freizeit Deutschland GmbH (ELEMENTS studios in Germany, INJOY franchise facilities in Germany, Austria and Belgium)
- 8 Sântispark, Bernaqua, Vitam (FR)

CHF 15.921 billion

sales of the ten Cooperatives.

As in the previous year, Cooperative Retailing was again dominated by a competitive **market environment** in 2018, with average inflation of 1.3% in the supermarkets and hypermarkets, and average deflation of -1.9% in the specialist markets. The shift from in-store to online retailing continued.

Increase in footfall

The consolidated sales of Cooperative Retailing rose by 2.5% to CHF 16.865 billion. In 2018, the **supermarkets and hypermarkets** generated sales of CHF 11.765 billion in Switzerland. As a result, sales of the ten Migros Cooperatives were up by 1.5% on the previous year, despite the challenging environment. This was driven by an increase in footfall to 350 million till receipts (+1.5%).

The **specialist markets** Micasa, SportXX, melectronics, Do it + Garden and OBI generated sales of CHF 1.774 billion (+9.6%). This figure included Interio for the first time. Excluding Interio, year-on-year growth amounted to 1.0%. The online shops of the specialist markets again developed well, with a 25.2% increase in sales.

Sales of sustainable products up considerably

Sustainable and regional products were very popular in 2018. Customers bought over 3% more products bearing the label "Aus der Region. Für die Region" (From the region. For the region), with sales amounting to CHF 994 million. At CHF 3.148 billion, total sales of products with ecological or social added value were up 5.9% on the previous year.

Collection service expanded

PickMup, Migros' collection and returns network, was **further expanded in 2018**. A total of some 160'000 packages were collected in the reporting year – twice as many as in the previous year.

At CHF 673 million, sales of **Migros Catering** were 0.4% lower year on year. Under the brand name "Migros Daily", a new format with fresh products was launched in the fast food segment.

The **Migros sales network** grew by 26 locations to a total of 727 in the reporting year. The sales area for supermarkets, hypermarkets, specialist markets and catering services amounted to 1'476'827 m² (+5.3%) at year end.

727 locations

made up Migros' sales network in 2018.

Commitment to health

In the **health** segment, the Migros-owned Medbase Group further expanded its medical and therapeutic range in 2018. Sales increased by 7.9% to CHF 150 million.

The **sustainable development programme Generation M**, launched in 2012, has so far made 67 binding promises to tomorrow's generation; at the end of 2018, 44 of these had been met.



Commerce

In 2018, the companies focused their activities even more consistently on providing customer-oriented products and services. This enabled them to strengthen their position in the dynamic retail market. The consolidated sales of the Commerce department amounted to CHF 7.869 billion. Taking into account the sale of the majority shareholdings in OWiba, Probikeshop and Sharoo, and the integration of Interio into Cooperative Retailing, this corresponds to a 4.9% increase in sales.

Financial results Commerce

CHF million	2018	2017	Change in %
Net revenue from goods and services sold			
Denner AG	3'181	3'050	4.3%
Migrol AG	1'530	1'410	8.5%

CHF million	2018	2017	Change in %
Magazine zum Globus AG	808	857	-5.7%
Digitec Galaxus AG	953	834	14.2%
Depot (Gries Deco Company GmbH)	554	540	2.5%
migrolino AG	516	480	7.3%
Le Shop S.A.	185	181	1.9%
Ex Libris AG	99	109	-9.0%
Other companies	58	379	-84.8%
Net revenue from goods and services sold	7'882	7'840	0.5%
Elimination intra-sectoral	-13	-27	
Sales per segment (net revenue from sales of goods and services sold)	7'869	7'813	0.7%
Other operating income	101	126	-20.1%
Total income	7'970	7'938	0.4%
Earnings before interest and taxes (EBIT)	-152	-83	-84.3%
Segment assets	1'995	2'072	
Investments in long-term assets	181	223	
Employees	16'826	17'369	

Distribution network Commerce figures

	Number of sites		Sales area	
	2018	2017	2018	2017
Denner	817	811		
Denner branches	537	522	214'789	210'552
Denner satellites (incl. Denner Express)	280	289		
Globus (Magazine zum Globus AG)	56	81	118'926	131'949
Globus department stores ^[1]	15	15	83'188	81'842
Globus special formats ^{[1] [2]}	41	66	35'738	50'107
Interio AG ^[3]	-	11	-	44'073
Depot Switzerland	38	39	17'800	18'000
Depot (Germany and Austria)	644	601	262'807	255'031
Ex Libris AG	15	57	1'562	5'624
Migrol				
Total petrol stations	307	307	-	-
Migrol Auto Service/Migrol Service	149	144	-	-
Petrol stations (automated)	158	163	-	-
Convenience stores operated by Migrol (migrolino und Migrol-Shops)	(149)	(144)	-	-
Total convenience stores ^[4]	367	357	-	-

	Number of sites		Sales area	
	2018	2017	2018	2017
migrolino	318	311	-	-
Migrol shops	49	46	-	-

1 incl. outlets

2 Consolidation of the former Herren Globus and Schild branches in 2018

3 Interio included in the 'Cooperative Retailing' segment from 2018

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

Due to their customer-focused orientation, the companies **Denner, migrolino, Migrol, Digitec Galaxus, Le Shop, Depot and m-way** remain on a growth trajectory. In 2018, they strengthened their market position further in the highly competitive retail sector.

Globus and Ex Libris are in the midst of an intensive transformation phase that is on one hand influencing their sales development, and on the other leading to a significant increase in online business.

In their increasingly interlinked sales channels (in-store, online, mobile), the retail companies are focusing consistently on meeting customers' diverse shopping and consumption needs.

Enhancement of market position

Denner was able to underline its position as Switzerland's leading discounter in a challenging market environment by offering its customers excellent value money. With growth of 4.3%, Denner increased its sales for the ninth time in succession. In 2018, Denner carried out modernisation work on a total of 204 branches and partner stores, and expanded its network of sites by six to 817. Due to consistent expansion of its services, more and more customers are shopping at Denner. This led to an increase in footfall of 4.4% for the own branches and 3.6% across the entire network.

In 2018, **migrolino** significantly expanded its range of fresh and convenience products at its 318 locations (previous year: 311), thereby increasing customer demand. With a 7.3% rise in sales to CHF 516 million, the shops continued their growth trend.

Migrol was able to increase its share of the declining fuel market and expand its business with higher sales volumes. The positive price development in the petrol station and petroleum market also contributed to the encouraging 8.5% increase in sales.

Digitec Galaxus increased its platform sales by 15% to CHF 992 million, further extending its position as the market leader in Switzerland. Net sales came in at CHF 953 million, compared with CHF 834 million in the previous year. The two portals digitec.ch and galaxus.ch recorded strong growth in supply and demand. Through the integration of further retailers, the product range has almost trebled to 2.6 million products.

Sales at **Le Shop** increased by 1.9% to CHF 185 million. Adjusted for the one-off effects from the closure of the Drive pilot locations in 2017, growth in the home delivery business amounted to 3.8%. This confirmed Le Shop's position as Switzerland's leading online supermarket.

Market position defended

As announced in January 2018, **Ex Libris** positioned itself to meet rising online demand and reduced the branch network by three quarters to 14 branches. As expected, this led to lower in-store sales. In contrast, the realignment generated strong online growth of 16.3%. This resulted in total sales of CHF 99 million (-9.0%). Excluding the branches, this corresponds to a 9.8% increase in sales.

m-way is operating in a fiercely competitive market that is being entered by more and more providers. Despite this, it was able to consolidate its leading position in the Swiss e-bike market and keep sales at a steady level.

Implementation of efficiency measures

For **Globus**, 2018 was a year marked by transformation and the orientation towards a digital, in-store and integrated shopping experience for the customer. Expansion of the mobile online shop, the acquisition of Navyboot, the transformation of Schild and Herren Globus into specialist fashion retailers, and the reduction of the branch network all had a significant impact on the structure of Globus. In this year of change, Globus achieved sales of CHF 808 million, representing a decrease of 5.7% in absolute terms. However, like-for-like sales were up 0.4% due to the rising popularity of the online shop.

Depot's network of outlets grew to 488 (previous year: 479) and 196 locations at wholesale partners. (previous year: 161). The company generated consolidated sales of CHF 554 million, representing an increase of 2.5%.



Industry & Wholesaling

In 2018, the consolidated sales of M-Industry came in at CHF 5.8 billion. Adjusted for the sale of CCA Angehrn, growth amounted to 2.7%. The international business grew by 10.9%; business from the Swiss market increased by 1.5%.

Financial results Industry & Wholesaling

CHF million	2018	2017	Change in %
Net revenue from goods and services sold	5'829	5'905	-1.3%
Other operating income	87	89	-2.2%
Total income	5'916	5'994	-1.3%
Earnings before interest and taxes (EBIT)	132	56	137.6%
Segment assets	2'366	2'289	
Investments in long-term assets	207	216	
Employees	14'070	14'192	

In 2018, the **consolidated sales** of M-Industry amounted to CHF 5.829 billion (previous year: CHF 5.905 billion). This decrease is due to the loss of income following the sale of CCA Angehrn. Excluding this disposal, growth amounted to CHF 155 million (+2.7%).

Market position in Asia strengthened

The **international business** achieved strong growth of CHF 79 million (+10.9%) to CHF 807 million. In the export business, cosmetics, coffee capsules, chocolate and cheese were again the main growth drivers. The market position in Asia was strengthened further with the takeover of the South Korean company Gowoonseung Cosmetics Co. Ltd.

Solid domestic growth

In the **Swiss market** (retailing and bulk consumer business), M-Industry increased its sales by 1.5% to CHF 5.022 billion (adjusted for the sale of CCA Angehrn). M-Industry's business with the Migros Group grew by 0.8% to CHF 4.117 billion. Business with Denner developed disproportionately well.

In the **bulk consumer business**, M-Industry continued to focus consistently on the delivery sector. In Landquart, Saviva has opened its first regional sales and logistics centre with integrated gastro-butcher's shop for the food services industry. The strengths of the traditional brands Scana, Mérat and Lüchinger + Schmid are now bundled under one roof. Adjusted for the sale of CCA, organic growth of 5.0% was achieved. This translates to sales of CHF 0.906 billion.

Investments in the Swiss business areas

M-Industry invested CHF 207 million in Switzerland as a centre of industry in 2018. As in previous years, the focus was on capacity expansion, process automation and digitalisation, as well as **investments to reduce CO2 emissions and water consumption**. With the construction of a new building for parent stock for hatching egg production in Sierre and the new broiler chicken hatchery in Avenches, Micarna is setting new animal welfare standards in poultry farming.

Stable development of jobs

M-Industry employed an average of 14'048 employees in 2018. Adjusted for the sale of CCA and the acquisition in South Korea, it had 78 more employees than in the previous year. 1'258 employees work abroad. As a **leading trainer**, M-Industry trained a total of 554 apprentices in more than 30 different occupations.



Financial Services

Migros Bank increased its mortgages by 4.3% in 2018. The performance of the investment business was also encouraging, despite the challenging stock market environment. Profit across all divisions was up 1.8% to CHF 204 million.

Financial results Financial Services

CHF million	2018	2017	Change in %
Net revenue from goods and services sold	6	3	131.5%
Income from financial services business	777	779	-0.3%
Other operating income	2	2	28.9%
Total income	785	783	0.2%
Earnings before interest and taxes (EBIT)	291	280	4.1%
Segment assets	44'638	43'277	
Investments in long-term assets	17	17	
Employees	1'519	1'479	

34.0%

increase in the number of asset management mandates.

Migros Bank continued to grow in 2018. The number of asset management mandates was up considerably in the reporting year. After a 17.9% rise in 2017, the volume increased by a further 34.0% in 2018. The **sustainability funds** enjoyed strong demand again, with a 9.4% increase in volume to CHF 327 million.

Due to the market conditions, the total of all securities held by customers in Migros Bank custodian accounts fell by 8.8% to CHF 11.2 billion, but the number of depositing customers rose by 1.9%. In contrast to the securities volumes, **liabilities arising from customer deposits** increased by 1.8% to CHF 33.9 billion. There was considerable growth in the number of private accounts (+6.3%) and pillar 3a retirement accounts (+2.2%).

Mortgage business develops well

Customer loans grew even more strongly than customer deposits, with an increase of 4.1% to CHF 39.0 billion. Receivables from private lending made up CHF 1.0 billion of this amount (+0.8%), while mortgages constituted CHF 37.0 billion (+4.3%). In a highly competitive environment, Migros Bank firmly maintained its cautious lending policy in 2018. At year end, 97.7% of the portfolio of mortgages on residential properties consisted of first priority mortgages with a loan-to-value rate of up to 67%. In parallel to the mortgage portfolio, Migros Bank's net interest income increased by 3.9% to CHF 469 million.

Increase in operating income and profit

Commission income also developed encouragingly. As a result of expanding the investment customer base, it rose by 3.5% to CHF 102 million. At CHF 34 million, trading income was slightly higher than in the previous year (+0.2%). In contrast, other ordinary income increased significantly to CHF 15 million. This figure contains one-off investment income from the sale of the acquiring and terminal business of the payment services provider Aduno Holding AG, in which Migros Bank holds a 7% stake. The **operating income** of Migros Bank rose by 4.7% overall to CHF 620 million.

Operating expenses increased by 5.5% to CHF 296 million. Among other reasons, this was due to expansion of the core activities and investment in future-oriented IT solutions. After reaching an encouragingly low level in 2017 (46.5%), the cost/income ratio was 47.4%.

After taking into account depreciation, provisions and losses, operating income and profit amounted to CHF 288 million (+2.2%). After accounting for extraordinary items, the creation of reserves for general banking risks and taxes, a **profit** of CHF 204 million was generated (+1.8%).

Comprehensive range of services

In 2018, Migros Bank acquired a majority stake in the Zurich-based company **CSL Immobilien AG**, a leading full-service provider in the real estate sector. The two partners provide a range of services that covers the entire real estate life cycle, including valuation, financing, development, general contracting, marketing and management. The range is completed with research and analysis of the Swiss real estate market.



Travel

The Hotelplan Group grew by 3.9% in 2017/2018, posting sales of CHF 1'259 million despite the challenging travel market.

Financial figures Travel

CHF million	2018	2017	Change in %
Net revenue from goods and services sold	1'259	1'212	3.9%
Other operating income	7	9	-18.5%
Total income	1'267	1'221	3.8%
Earnings before interest and taxes (EBIT)	-3	5	-166.1%
Segment assets	87	13	
Investments in long-term assets	5	7	
Employees	2'749	2'709	

The travel market in 2018 was influenced by external factors such as airline bankruptcies, the hot summer and the uncertainty caused by Brexit, all of which impacted business in Switzerland and abroad. The Hotelplan Group rose to the challenge with a **2.4% increase in the number of passengers**. This resulted in sales for the past financial year (1 November 2017 to 31 October 2018) increasing by 3.9% to CHF 1'259 million.

CHF 558 million

in sales at Hotelplan Suisse.

Stable development in Switzerland

Despite airline bankruptcies, including SkyWork Airlines and Cobalt Air, the Swiss market leader Hotelplan Suisse was able to **hold its own in a challenging market environment** and keep sales at the same level as in the previous year. The sales achieved together with the business travel specialist bta first travel amounted to CHF 558 million.

Finass Reisen AG, which was acquired on 31 October 2018, is an ideal addition to the business travel segment in which bta first travel operates. The two **business travel specialists** each have different target groups and are managed separately.

Growth in holiday home segment

The Holiday Home Division, comprising the two holiday home agencies Interhome and Inter Chalet, continued its strong growth. At 8%, **growth was considerably higher** than in the previous year. With sales of CHF 359 million, the Holiday Home Division is the second largest division of the Hotelplan Group. The potential of the two brands has not yet been exhausted; the focus in 2019 will again be on exploiting synergies.

Hotelplan UK defies Brexit uncertainty

Hotelplan UK increased its sales in the local currency by 2.9% to GBP 259 million; in Swiss francs, the figure amounts to CHF 339 million (+6.7%). Hotelplan UK is thus defying the uncertainty surrounding Brexit and the associated weakness of the British pound. However, as the **effects of Brexit** are still unclear, the outlook is slightly gloomy.

Investments in start-up

CHF 4 million

net sales at bedfinder.

The start-up bedfinder has tapped into further source markets, including India and the United Arab Emirates, and expanded its range with white-label products. As a result, invoiced **sales were up by 34%**. Net sales amounted to CHF 4 million, representing growth of 68%. bedfinder began offering and selling package holidays for the first time in the reporting year.



Shared Services

In 2018, the Logistics & IT Department – Shared Services – continued to ensure that the national and international supply chain functioned flawlessly and was further optimised.

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, which are oriented towards overriding objectives and requirements.

Logistics: optimisation & expansion

In the area of logistics, the main focus in 2018 was on **improving efficiency along the entire value-added chain**. At the Migros Distribution Centre in Suhr (food), further processes were optimised with a focus on reducing costs and ensuring quality.

At the Migros Distribution Centre in Neuendorf (non-food and near-food, textiles and frozen products), work on expanding and automating the site got under way in 2018. The plant is due to go into operation in 2021.

Transport: economical & ecological

Changing customer requirements – longer opening hours, cross-channel shopping and supply – call for transport solutions to be continuously adapted. In 2018, Shared Services successfully evolved 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 again passed through the Mediterranean ports in 2018.
- Migros also made more use of rail freight again. The number of rail kilometres was up by 3%. Since 2018, deliveries to Migros Eastern Switzerland from the Migros distribution centre in Neuendorf have been made **exclusively by rail**. Some international shipments from suppliers were also switched to rail.
- In addition, an **innovative software** program that analyses and optimises international and national sea, road and rail freight on the basis of geographical data was developed further in 2018.
- The content and details of the **innovation partnership** agreed with the Swiss Federal Laboratories for Materials Science and Technology (EMPA) in 2017 were enhanced in the reporting year. The aim is to create a simulation system that can calculate the composition of vehicle fleets and their effects on the environment.
- Migros continued to support the national generational project **Cargo sous Terrain** and is represented on the board of directors of Cargo sous Terrain AG and other bodies, including the steering committee of the City Logistics sub-project. This sub-project is being brought forward and will be carried out in the coming years.

IT: digitalisation & transformation

In Migros IT Services, some important milestones were reached in 2018 and foundations laid for the future.

- For example, the pilot phase with the new POS checkout system **Avanta** was completed in Migros Lucerne. The future-oriented solution, which supports the requirements of in-store and online business, will be available to all supermarkets/hypermarkets and specialist markets, and to Catering and Cooperative Retailing from 2020.
- In Cooperative Retailing, the project **Rialto** was successfully completed in 2018. It creates a standardised

e-commerce architecture for Micasa.ch, SportXX.ch and M-Service in particular.

- In the area of **personalised marketing**, various customer databases were consolidated into a central data pool in the reporting year. This will provide a technical basis for subsequent projects in this area.
- The **#shift** transformation programme of Migros IT Services was also launched in 2018, with the aim of achieving three objectives: aligning IT more closely with customer requirements; developing new core competencies; making the development and operational processes more efficient. The programme will be implemented in several stages by 2022.

Engineering: resource efficiency

Several **construction and conversion projects** were planned and implemented throughout the Migros Group in 2018. For example, the automated warehouse for Digitec Galaxus went into operation in Wohlen (AG). New picking systems are planned in individual Cooperatives and will go into operation in the coming years. Energy masterplans for M-Industry companies ensure long-term resource efficiency, particularly in the operation of equipment and buildings.