

**PERSONALVORSORGESTIFTUNG DER
FELDSCHLÖSSCHEN-GETRÄNKEGRUPPE**

2017 Annual Report

(Short Version)

2017 Annual Report

Pension funds can look back on a highly satisfactory 2017. At more than 7%, estimated returns as well as funding ratios at end-2017 were at their highest since 2006, thanks primarily to the performance of equity markets.

In 2017 the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe generated a **return of 7.16%** on total assets (previous year 3.98%). Thanks to the highly positive performance of equity markets, the upper bandwidth of equity categories was also achieved. As a consequence of this, the Investment Committee decided in December to reduce equity investments by CHF 30 million and increase the under-weighted share of Swiss bonds by the same amount (rebalancing). This adjustment allowed the Group to remain within the investment strategy bandwidths at year-end.

Compared to equities, the Swiss bond market and global government bonds (hedged) posted low to slightly negative returns. Global corporate bonds generated positive returns, as did investments in real estate.

Income from investments in 2017 amounted to CHF 46.97 million (2016: CHF 26.1 million).

The interest environment remains unchanged since the previous year, as banks continue to burden clients with **negative interest rates**. In 2017 interest expense amounted to CHF 100,217.21 (2016: CHF 100,759.00). This interest rate environment significantly impedes liquidity planning, since a sufficiently large volume of liquidity must be available in order to meet obligations, and in particular pension payments, on time.

The **income surplus** at 31 December amounted to **CHF 28 million**. The **fluctuation reserve** was increased by this amount, ending the year at **CHF 58.72 million**. The target for the fluctuation reserve is CHF 145.7 million.

In 2017 the minimum BVG interest rate of 1% was applied to the retirement capital of active insured members. The interest expense on savings capital amounted to CHF 2.2 million.

In December 2017 the Board of Trustees decided to reduce the **technical interest rate** from 2% to **1.75%**. This measure is positively impacting earnings and improving the pension fund's financial situation and stability over the long term.

Despite the reduction in the technical interest rate and the associated increase in provisions, the **funding ratio** (available pension assets measured on the basis of actuarial obligations) at 31 December 2017 amounted to **109.1%** (previous year 104.73%).

Membership - The number of active insured members remained virtually unchanged at 1,273 (previous year 1,271). The number of pension recipients, on the other hand, dropped by 42 to end the year at 1,520.

For more information on the annual financial statements at 31 December 2016 and for details on the number of insured members, please refer to the Annex to the Annual Report.

Ordinance Against Excessive Compensation in Listed Joint-Stock Corporations (OaEC)

The ordinance which came into force on 1 January 2014 requires pension plans to exercise their voting right as shareholders in direct investments and to disclose their voting behaviour. As the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe engages exclusively in collective investments, it has no investments subject to the OaEC and is accordingly exempt from the obligation to exercise voting rights.

Staff changes

Since the term of office of the **Employee Representatives on the Board of Trustees** expires on 30 June 2017, an election was held for 4 employee representatives. Voting closed on 24 March 2017 1,267 voting slips were sent out, and 364 were received by the submission deadline, corresponding to a turnout of 28.73%.

The following representatives were elected:

Priska Gautschi (current representative), Administration Unit

Daniel Berger (new), Customer Supply Chain Unit (Logistics)

Marcel Kiesewetter (new), Production Unit

Ulrich Reinhard (current representative), Sales Unit

The term of office is from 1 July 2017 to 30 June 2020.

2017 also saw a change in the administration team. **Isabelle Anner** left the pension fund administration section at the beginning of November 2017 for maternity reasons. She was succeeded on 23 October 2017 by **Mina Sanfilippo**,

Outlook

At the beginning of the year, the major question was how long the successful performance on capital markets would last. The correction in early 2018 answered this question. Given this development, the Investment Committee's decision in December 2017 to rebalance was well timed.

2020 reform of old age pension scheme – As a result of voters' rejection of a reform to the old age pension system in the referendum of 24 September 2017, the occupational pension scheme remains unchanged at present. Nevertheless, the demographic and economic challenges remain and the debate continues at the political level, with the onus squarely on policymakers and the social partners to find a solution. The "2020 Old Age Pension" rejected by voters contained proposals which are uncontested for occupational pension plans. The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe agrees with these proposals and is endeavouring to implement them as far as possible:

- The regulations provide for a more flexible approach to retirement in line with the needs of insured members.
- Since 2005 the technical interest rate has been gradually reduced (lowering of targeted return on total assets).

Note - The pension fund's home page www.pvs-feldschloesschen.ch provides information on contributions and benefits, the pension fund regulations, forms and contact details, as well as the latest news and key figures.

The occupational pension scheme remains challenging! We hope this information has provided you with a valuable insight.

**Personalvorsorgestiftung der
Feldschlösschen-Getränkegruppe**

Patrik Füeg, Chairman of the Board of Trustees
Susanne Baumberger, Head of Administration

Rheinfelden, May 2018

BALANCE SHEET31.12.2017
CHF31.12.2016
CHF**ASSETS**

Investments	663'004'913.27	636'413'545.14
Cash and cash equivalents	9'317'703.17	13'381'588.88
Receivables	771'759.80	878'646.65
Employers' current account	5'536'325.25	2'282'311.00
Swiss Life current account	1'948'973.65	1'977'154.75
Securities		
Bonds CHF	215'212'418.85	188'701'925.75
Foreign currency bonds (hedged)	40'878'090.20	41'747'408.75
Equities CHF	58'313'142.92	57'864'670.84
Equities foreign (hedged)	79'493'781.37	92'861'700.27
Equities foreign Small Cap	28'477'063.50	29'012'200.45
Equities Emerging Markets	29'588'023.40	22'956'923.40
Real estate fund units	193'467'631.16	184'749'014.40
Prepayments and accrued income	16'285.55	30'384.45
Assets from insurance contracts	47'289'587.00	52'350'072.00
Total Assets	710'310'785.82	688'794'001.59

LIABILITIES

Liabilities	2'871'006.85	4'071'969.40
Termination benefits and pensions	2'871'006.85	4'071'969.40
Accrued liabilities and deferred income	755'882.25	731'304.56
Non-actuarial reserve	727'766.85	727'766.85
Insurance capital and actuarial reserves	647'232'325.00	652'611'628.00
Retirement savings capital of active insureds	235'342'270.00	235'724'422.00
Retirement savings capital of pensioners	374'019'481.00	384'058'753.00
Actuarial reserves	37'870'574.00	32'828'453.00
Fluctuation reserve	58'723'804.87	30'651'332.78
Noncommitted funds	0.00	0.00
At start of period	0.00	0.00
Income / expense surplus	28'072'472.09	-8'101'448.42
Increase / decrease of fluctuation reserve	-28'072'472.09	8'101'448.42
Total Liabilities	710'310'785.82	688'794'001.59

INCOME STATEMENT

	01.01.-31.12.2017	01.01.-31.12.2016
	CHF	CHF
Ordinary and other contributions and transfers-ins	25'049'766.70	23'947'409.10
Employees' contributions	9'449'946.61	9'214'929.59
Employers' contributions	13'011'790.49	13'240'518.91
One-time payments and purchase amounts	2'588'029.60	1'491'960.60
Entry lump sum transfers	4'606'085.05	3'187'364.30
Termination benefit transfers	4'505'285.05	2'946'654.10
Payments for early withdrawal home ownership/divorce	100'800.00	240'710.20
Inflow from contributions and entry lump-sum transfers	29'655'851.75	27'134'773.40
Regulatory benefits	-34'612'251.20	-36'096'953.70
Retirement pensions	-20'645'287.00	-21'090'438.85
Survivors' pension	-8'553'069.05	-8'449'753.50
Disability pensions	-2'425'209.90	-2'357'749.80
Lump-sum payments on retirement	-2'485'292.50	-4'183'268.75
Lump-sum payments on death	-503'392.75	-15'742.80
Termination benefits	-17'979'018.65	-14'813'358.70
Termination benefits on leaving	-16'527'378.05	-13'859'577.70
Withdrawals for home ownership/divorce	-1'451'640.60	-953'781.00
Outflow for benefits and withdrawals	-52'591'269.85	-50'910'312.40
Decrease/Increase of insurance capital, actuarial reserves and contribution reserves	298'343.34	-14'700'662.38
Change in insurance capital for active members	2'618'116.50	-14'617'152.55
Change in insurance capital, pensioners	10'039'272.00	-7'710'497.00
Change in assets from insurance contracts	-5'060'485.00	-4'227'480.00
Change in actuarial reserves	-5'042'121.00	14'727'632.00
Interest on savings capital	-2'235'964.50	-2'835'023.45
Interest expense, vested benefits and bridging pensions	-20'474.66	-38'141.38
Income from insurance benefits	5'768'160.35	6'136'391.40
Insurance benefits	5'767'271.35	6'135'346.40
Surplus from insurances	889.00	1'045.00
Insurance expense	-90'875.05	-79'465.75
Contributions to Security Fund	-90'875.05	-79'465.75
Net result from insurance activities	-16'959'789.46	-32'419'275.73
Net return on assets	45'580'800.20	24'836'561.94
Interest income on bank balances	0.15	0.00
Interest on bank balances	-100'217.21	-100'759.00
Interest income on employers' current account	1'981.25	1'309.10
Income Swiss Life	6.90	0.00
Income from investments	46'971'710.99	26'149'613.16
Administrative expense for assets	-1'292'681.88	-1'213'601.32
Reversal/formation of non-technical provisions	0.00	0.00
Other income	34'486.30	774.65
Other earnings	34'486.30	774.65
Other expenses	-47'413.35	-34'477.99
Administrative expense	-535'611.60	-485'031.29
Own administrative costs	-402'816.45	-360'109.39
Auditors	-27'810.00	-28'172.00
Occupational pension plan experts	-49'821.80	-52'940.60
Supervisory authorities	-12'914.90	-6'942.10
Legal advice, other consulting services and external IT services	-39'791.45	-34'193.20
Fees, levies, contributions	-2'457.00	-2'674.00
Result before reversal / recognition of fluctuation reserve	28'072'472.09	-8'101'448.42
Increase/Decrease of fluctuation reserve	-28'072'472.09	8'101'448.42
Income surplus	0.00	0.00

Notes to 2017 Financial Statements

Legal form and purpose

The purpose of the pension fund is to provide an occupational pension plan under the terms of the BVG and its implementation provisions, in order to insure employees of Feldschlösschen Getränke AG and companies which have close economic or financial ties to it and are affiliated to the pension fund, as well as their family and survivors, against the economic consequences of old age, death and disability.

The pension fund can provide benefits beyond the minimum benefits defined by the BVG, including support benefits in emergencies such as illness, accident and loss of employment.

The fund complies with the obligations of the BVG and is entered in the Occupational Pension Scheme Register and Supervisory Authority of the Canton of Aargau under Number 0232.

Affiliated employers

	31.12.2017	31.12.2016
Active members		
Feldschlösschen Getränke AG	447	452
Feldschlösschen Supply Company AG, from 1.10.2014	695	687
Carlsberg Supply Company AG	130	129
Delegate employees (Carlsberg Group's Global Mobility Programme)	1	3
Total	1,273	1,271

Membership

	31.12.2017	31.12.2016
Active members		
Men	1'048	1,036
Women	225	235
Total	1,273	1,271
Of which insured under the Plus plan	165	160

	31.12.2017	31.12.2016
Pension recipients		
Old age pension recipients	815	841
Disability pension recipients	92	107
Widows and widowers	574	571
Orphans / children's pensions	39	43
Total	1,520	1,562

Pension plan

The pension plan is based on a defined contribution scheme for *retirement provisions*. The fund offers two plans for retirement provisions (Basic plan and Plus plan). Under the Basic plan, the employee pays retirement contributions of 40% and the employer 60%. Under the Plus plan, the employee's and employer's contributions are the same (50/50).

Disability and death benefits (*risk provision*) are defined as a percentage of the insured salary (defined benefit scheme). The contributions are financed 40% by the insured member and 60% by the employer.

Actuarial risks / risk coverage

As an autonomous pension fund, the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe bears the risk itself for the regulatory benefits of the risk provision (disability and death) and retirement provisions.

Insurance contracts

Swiss Life – pension agreement

Part of the pension stock from some former pension funds is still fully reinsured with Swiss Life. The fund is the policyholder and pays the pension to pensioners on a monthly basis. Pensioners have no direct claims on Swiss Life.

The corresponding repurchase value (assets from insurance contracts) is CHF 47,3 million.

Actuarial principles

The regulatory principles and calculations for the actuarial balance sheet are based on the actuarial principles set forth in the LOB 2015 / PT 2015 (so-called period table).

The technical rate of interest is 1.75%.

To provide for the increase in life expectancy and other anticipated changes, a *provision for changes in principles* is recognised and set aside.

Since the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe bears the pension losses resulting from the excessively high actuarial conversion rate, a *conversion rate provision* is recognised.

As the foundation itself bears the actuarial risks in the event of death and invalidity, a *risk fluctuation fund* must be managed to offset actuarial fluctuations (death and disability cases do not follow the expected trend).

	31.12.2017	31.12.2016
Changes in principles	3,688,740	1,892,902
Conversion rate	23,181,413	20,153,961
Risk fluctuation fund	<u>11,000,421</u>	<u>10,781,590</u>
Total technical provisions	37,870,574	32,828,453

Funding ratio pursuant to Art. 44 BVV2

Mr Stephan Gerber, an actuarial expert with ABCON AG, conducts an annual review under the terms of Art. 52e Para. 1.a BVG. The review of the year ended 31 December 2017 produced the following findings:

The actuarial balance sheet at 31 December 2017 shows an actuarial surplus of CHF 57,723,804.87 The funding ratio is 109.1% The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe has no underfunding within the meaning of Art. 44 BVV2.

	31.12.2017	31.12.2016
Required retirement capital and technical provisions	<u>647,232,325</u>	<u>652,611,628</u>
Retirement capital and technical provisions	647,232,325	652,611,628
Fluctuation reserve	58,723,805	30,651,333
Pension fund capital, non-committed funds	0	0
Funds available to cover regulatory obligations	<u>705,956,130</u>	<u>683,262,961</u>
Funding ratio	109.1%	104.7%

Accounting and valuation principles

Bookkeeping, balancing of accounts and valuation complies with the provisions of the Swiss Code of Obligations and the BVG. The annual statements consisting of the balance sheet, income statement and notes provide a true and fair view of the financial situation as required by law. The applied accounting principles comply with the Swiss GAAP FER 26 accounting standard which among other things require statements to be drawn up at market values and require no other reserves apart from those technically necessary. Noncommitted funds may be reported only when all reserves in the required amount have been augmented.

All assets are measured at fair value (market value) on the balance sheet date, based on the rates provided by the depositaries. The provisions of Article 48 BVV2 and Swiss GAAP FER 26.3 also apply.

Fluctuation reserve

The target for the fluctuation reserve is defined by the external investment expert in the course of a risk capability audit. This is generally calculated on a yearly basis.

An audit was conducted as at 31 December 2017. For current asset investments this calculation results in a target fluctuation reserve of 22.5% of the tied-up retirement capital (security level 99%, for a time horizon of two years).

	31.12.2017	31.12.2016
Fluctuation reserve at 1.1.	30,651,333	38,752,781
Allocation charged to the income statement	<u>28,072,472</u>	<u>- 8,101,448</u>
Fluctuation reserve acc. To balance sheet	58,723,805	30,651,333
Target fluctuation reserve	<u>145,700,000</u>	<u>150,800,000</u>
Reserve deficit	- 86,976,195	- 120,148,667

Investment strategy

The Board of Trustees defines the investment guidelines drawing on the services of PPCmetrics AG, Zurich, as consultant. The investment strategy is influenced by risk capability, demographics and the projected outflow of liquidity. At the end of the reporting year, all investment categories were within the strategic bandwidths.

Presentation of asset investments by investment category

Asset investments / risk distribution

Investment category	Portfolio	Internal	UBS	Credit Suisse	Swisscanto Assetimmo Cité du Levant	Total 31.12.2017	Effective share	Strategy
		CHF	CHF	CHF	CHF	CHF	%	%
Receivables, current accounts, Accrued income and prepaid expenses		8'273'344	-	-	-	8'273'344	1.2%	---
Liquidity / CHF money market		-	9'270'730	46'973	-	9'317'703	1.3%	0 - 10%
Equities CHF		-	-	58'313'143	-	58'313'143	8.2%	4 - 10%
Equities foreign (hedged)		-	-	79'493'781	-	79'493'781	11.2%	6 - 14%
Equities foreign Small Cap		-	-	28'477'064	-	28'477'064	4.0%	1 - 5%
Equities Emerging Markets		-	-	29'588'023	-	29'588'023	4.2%	1 - 5%
Bonds CHF		-	-	262'502'006	-	262'502'006	37.0%	32 - 52%
Foreign currency bonds (hedged)		-	-	40'878'090	-	40'878'090	5.8%	2.5 - 7.5%
Real estate fund units		-	-	-	193'467'631	193'467'631	27.2%	20 - 36%
		8'273'344	9'270'730	499'299'081	193'467'631	710'310'786	100.0%	

Explanation of net result from asset investments

	Total 2016	Total 2017	Bonds CHF	Foreign currency bonds (hedg.)	Equities CHF	Equities Emerging Markets	Equities foreign (hedged)	Equities Small Cap	Real estate fund units
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Income from interest on bank balances	-	0	-	-	-	-	-	-	-
Interest on bank balances	-100'759	-100'217	-	-	-	-	-	-	-
Income from interest on employers' current a/c	1'309	1'981	-	-	-	-	-	-	-
Income Swiss Life	-	7	-	-	-	-	-	-	-
Realised income from investments	10'213'093	9'637'623	3'168'948	1'078'894	1'145'682	566'241	1'966'109	495'363	1'216'386
Unrealised exchange rate gains	15'936'520	37'334'088	-3'489'507	-869'319	10'448'471	6'631'100	11'632'080	4'464'863	8'516'400
Foreign currency losses	-	-	-	-	-	-	-	-	-
Income from real estate	-	-	-	-	-	-	-	-	-
Administrative expense for assets									
Key cost figures in CHF for coll. investments	-909'906	-974'073	-2'152	-	-	-25'978	-1'590	-25'060	-919'293
Credit Suisse asset management fee	-197'439	-197'142 *	-	-	-	-	-	-	-
Global Custody Credit Suisse fees	-50'067	-42'183 *	-	-	-	-	-	-	-
Investment consulting and controlling fees	-48'681	-70'902 *	-	-	-	-	-	-	-
Expenses for securitisation consulting	-	-	-	-	-	-	-	-	-
Other bank expenses	-7'509	-8'382 *	-	-	-	-	-	-	-
Net return on assets	24'836'562	45'580'800	-322'711	209'575	11'594'153	7'171'362	13'596'599	4'935'167	8'813'493

* Allocation to indiv. Asset investments not possible

Asset management costs

	31.12.2017	31.12.2016
Total fund assets (market values)	663,004,913	636,413,545
of which:		
Transparent investments	663,004,913	636,413,545
Cost transparency ratio	100%	100%
Directly recognised asset management costs	318,609	303,695
Total of all key cost figures recorded in the income statement in CHF for collective investments	<u>974,073</u>	<u>909,906</u>
Total asset management costs recorded in the income statement	<u>1,292,682</u>	<u>1,213,601</u>
as % of cost-transparent asset investments	0.19%	0.19%

Organs

Foundation boards

Employer representatives

Patrik Füg, Chairman
Silvia Keller
Claude Kirschner
Thomas Metzger

Employee representatives

Bruno Born (until 30.6.2017)
Marcel Kiese Wetter (from 1.7.2017)
Priska Gautschi
Ulrich Reinhard
Christian Schumacher (until 30.6.2017)
Daniel Berger (from 1.7.2017)

Investment Committee

Claude Kirschner, Chairman
Patrik Füg
René Steiner
Dieter Neuschwander
Lukas Riesen, PPCmetrics AG, external consultant

Investment Experts / Investment Controlling

PPCmetrics AG, Badenerstrasse 6, 8021 Zürich

Asset management

Global Custodian

Credit Suisse, Zurich

Asset managers

Credit Suisse Asset Management - Swiss bonds
Credit Suisse Asset Management - foreign currency bonds (hedged)
Credit Suisse Asset Management - Swiss Equities
Credit Suisse Asset Management - foreign equities (hedged)
Credit Suisse Asset Management - foreign equities Small Cap
Credit Suisse Asset Management - equities Emerging Markets
Swisscanto Real Estate Investment Fund
Assetimmo Real Estate Investment Fund
Cité du Levant - Real Estate

Administration

Susanne Baumberger, Head of Administration
Isabelle Anner, Administration (until 31.10.2017)
Mina Sanfilippo, Administration (from 1.11.2017)
Petra Kalt, Restart GmbH, Federally Certified Fiduciary Expert

Auditors

Ernst & Young AG, Schanzenstrasse 4a, 3001 Bern

Actuarial expert

Stephan Gerber, ABCON AG, Zentweg 13, 3000 Bern 15

Supervisory body

Occupational Pension Scheme Register and Supervisory Authority
Canton Aargau (BVSA)

Actuarial audit

The actuarial audit is conducted by actuarial experts as at the end of each calendar year i.e. on the balance sheet date. The actuarial expert, Mr Stephan Gerber, ABCON AG, Berne, issued the report on the actuarial balance sheet as at 31 December 2017 on 21 March 2018 and found that the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe provided assurance on the balance sheet date that it was able to meet its actuarial obligations.

The regulatory actuarial provisions governing benefits and financing comply with the legal requirements.

The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe has no underfunding within the meaning of Art. 44 BVV2.

Report of the Auditors

Ernst & Young AG have conducted an audit of the financial statements, overall management, investment management and individual retirement accounts of the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe for the year ended 31 December 2017. In their opinion, these are in compliance with Swiss law, the Deed of Foundation and the Regulations. Ernst & Young AG recommend that the financial statements be approved.

Further information is available from

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