Stichting Mars Pensioenfonds Veghel

Annual Report 2011

Stichting Mars Pensioenfonds

Pension administration
ACS HR Solutions
Rivium Quadrant 211
2909 LC Capelle aan den IJssel
Postbus 571
2900 AN Capelle aan den IJssel

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Unless explicitly mentioned differently all amounts are in thousands of euros

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ANNUAL REPORT

1 KEY FIGURES

Amounts (in thousands EUR)	2011	2010	2009	2008	2007
Members and pensioners					
Active members	1,208	1,241	1,217	1,235	1,282
Deferred members	1,166	1,165	1,196	1,186	1,158
Retirees	970	964	917	899	856
Pensioners per type					
Old age pension	724	721	689	663	629
Partner- and orphan pension	237	237	228	236	227
Pensions					
Cost covering contribution	32.1%	27.2%	31.0%	26.3%	31.9%
Smoothened cost covering contribution	20.9%	19.4%	18.4%	21.4%	22.2%
Actual contribution	20.0%	16.0%	25.0%	1.2%	1.0%
Costs for administration	2,763	3,005	2,450	1,167	1,089
Benefits payments	25,163	24,485	23,831	23,087	22,531
Interest and Indexation					
Active members (MUP interest) average/year	4,77%	3.70%	5.42%	4.67%	4.44%
Inactive members, conditional indexation	1.19%	1.83%	1.35%	1.64%	1.25%
	1-1-2011	1-1-2010	1-1-2009	1-1-2008	1-1-2007
CPI	1.58%	0.38%	3.85%	1.46%	1.33%
Assets and solvency					
General reserve	75,156	199,400	222,500	74,000	434,100
Minimum general reserve	33,414	35,013	30,900	31,200	24,300
Regulatory own funds	209,358	194,465	173,300	168,800	155,000
Technical liabilities	805,200	700,300	618,600	624,400	485,000
Funding ratio	109%	129%	136%	112%	188%
Assets					
Market Value of assets	893,000	900,300	852,000	689,900	914,600
Investment returns	600	79,500	157,600	-194,900	47,700
Investment portfolio					
Real estate	25,900	8,600	-	-	32,000
Equity	451,200	474,000	498,000	355,900	522,500
Bonds	360,500	382,500	318,000	335,500	370,600
Other investments	50,300	35,300	35,800	-1,500	-10,700
Investments for risk of the participants (MSP)					
Equity	5,118	4,459	2,990	1,526	1,446
Bonds	14	5	-	-	10
Investment results					
Total portfolio	-0.0%	9.0%	22.4%	-20.5%	5.9%
Benchmark Return	0.5%	8.2%	21.1%	-23.3%	5.7%
Average return per year					
Last 5 years	2.3%	4.6%	7.6%	5.8%	14.1%
Last 10 years	5.9%	5.7%	4.9%	5.6%	9.2%

2 GENERAL INFORMATION

2.1 Legal structure

Stichting Mars Pensioenfonds (hereinafter: Mars Pension Fund or MPF) was established in 1964 and has its statutory seat in Veghel. Mars Pension Fund is registered in the Trade Register of the Chamber of Commerce under number 41081174. The Articles of Association were last changed in December 2010.

Mars Pension Fund is a company pension fund as referred to in the Pension Act (*Pensioenwet*).

The members of the Mars Pension Fund accrue pension benefits for (early or late) retirement, disability and death based on a final pay scheme or defined contribution and a cash balance scheme depending on the plan rules.

2.2 Statutory objectives

Mars Pension Fund provides old age pensions to current and former associates of Dutch Mars companies as well as surviving dependants' pensions to their partners and children in the event of death before or after retirement. Carefully tailored to meet their objectives the policies adopted by MPF have been documented in a number of documents.

In the plan rules the pension promises are documented. Current active members can be a member of either "Plan rules 2004" or "Plan rules 2006". "Plan rules 2004" is a combined defined contribution and cash balance scheme and "Plan rules 2006" is a final pay scheme.

The ABTN, one of the most important documents, provides insight into the operation of the Mars Pension Fund and gives a description of the policies pursued by the Pension Fund. Last modified in December 2011.

The Administrative and Financial Agreement specifies mutual responsibilities, powers, entitlements and financial and other obligations between the Mars Pension Fund and the companies listed below:

Companies	Place of Seat
Mars Nederland B.V.	Veghel
Mars Food Europe C.V.	Oud-Beijerland

2.3 Organisation

2.3.1 Pension Board

The Mars Pension Fund is governed by a Pension Board consisting of eight members, four employer and four employee representatives. Three employee representatives are elected by the Fund's active members and also appointed by the Pension Board. One of the employee representatives is elected by the retirees. The Pension Board appoints one of its members as chairman. The Pension Boards composition must meet the criteria specified in the so called Plan of Expertise (*Deskundigheids Plan*) of Mars Pension Fund.

Unless explicitly mentioned differently all amounts are in thousands of euros

As of 31 December 2011 the Pension Board has the following members:

On behalf of the employers				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Mrs. A. Bergknut	Board member	P&O Director Chocolate NL	2008	n/a
Mr. J. van Bon	Board member	Regional President Petcare West Europe	2000	n/a
Mrs. A. Poliquin	Board member	General Counsel-Europe	2010	n/a
Mr. W. van Ettinger	Chairman of the Board	Self Employed	1997	n/a

On behalf of the employees				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Mr. W. van de Laar	Board member	Global Bars Technology & Best Practice manager	2003	2012
Mr. J. van Lith	Board member	Secretary Works Council	2003	2012
Mrs. M. de Mars	Board member	Service & Finance Director Food Europe	1988	2012

On behalf of the in-active members				
Name	**Job title in Pension Board**	**Job title**	**Year of appointment**	**Year of stepping down**
Mr. P. den Hollander	Secretary	Retiree	2008	2014

Pension Board members on behalf of the employers are appointed for an indefinite period. Pension Board members on behalf of the employees and in-active members are appointed for a 3 years period.

2.3.2 Executive Board

The Executive Board consists of:

Name	Job title
Mr. W. van Ettinger	Chairman of the Pension Board
Mr. F. Bambang Oetomo	Benefits Manager EMEA
Mr. F. Nieuwland	EMEA Investments & Funding Manager

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2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office, which is led by the Benefits Manager EMEA. The Pension Board has specified that the Plan of Expertise also applies to the Director. The responsibilities of the Pension Office are:

- The day-to-day management of the Mars Pension Fund;
- The implementation and dissemination of the policy set by the Pension Board to all relevant parties involved;
- The outsourcing of the administrative activities after Pension Board approval;
- The Mars Pension Fund's management reporting.

The Pension Office is part of an internal Mars service group called the European Treasury & Benefits Centre (ETBC). Investment activities are coordinated by the ETBC as well. A service level agreement has been entered into with this internal party. By frequent meetings and the use of a dashboard, annual activity calendar, a condensed reporting and decision model the Pension Office manages its responsibilities.

The Pension Office consists of:

Name	Job title
Mr. F. Bambang Oetomo	Benefits Manager EMEA
Mrs. H. Bakermans	Pension Fund Services Manager
Mr. F. Nieuwland	EMEA Investments & Funding Manager
Mrs. S. Tonnaer	Benefits Manager Netherlands

2.3.4 Supervisory Board

In 2008 the Pension Board has installed a Supervisory Board (*Verantwoordingsorgaan*). The Supervisory Board's role is to critically review the Pension Board's range of policies. In the Annual report a separate section is included that reflects the Supervisory Board's findings.

At the end of 2011 the Supervisory Board consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer	Benefits Director S&F	2013	Employer
Mr. T. Hoogenboom	General Manager	2014	Employees
Mr. H. Faassen	Self Employed	2014	Retirees

2.3.5 Administration

The Mars Pension Fund's member administration and the investment administration of the Associate Selection Plan of Plan 2004 has been outsourced to Lohoff & Partner GmbH in Isernhagen, Germany. The Pension Office has agreed a contract and has defined processes and deliverables. The financial and pension administration are outsourced to ACS HR Solutions in Capelle aan den IJssel. The Pension Office has agreed a contract and Service Level Agreement with both ACS and Lohoff & Partner GmbH.

Mrs. H. Bakermans is responsible for managing the activities and project work of both Lohoff & Partner GmbH and ACS HR Solutions.

2.3.6 Investment Committees

The Pension Board has established two Investment Committees to advice on investments, the ARP-Investment Committee and the Advice Committee Investment Structure ASP. Committee members are appointed by the Pension Board.

The ARP-Investment Committee's responsibilities are to advice the Pension Board on all investment matters and to appoint investment managers for the final pay schemes and the cash balance plan. The responsibilities have been documented in an Investment Committee Charter.

During 2011 the ARP-Investment Committee was composed of the following members:

Name	Job title	Year of stepping down	Details
Mr. W. van Ettinger - Chairman	Self employed	2012	Also Chairman of the Pension Board
Mr. M. de Lange	Finance Director Mars NL	2011	
Mrs. M. de Mars	Finance Director Food Europe	2012	Also Member of the Pension Board
Mr. W. van der Steen	Corporate Business Planning & Reporting Mars Inc.	2011	
Vacancy			

As from January 2012 the ARP-Investment Committee will be replaced by a new committee consisting of 7 members. Mw. W. Van Ettinger will remain on the committee.

The Advice Committee Investment Structure ASP advises the Pension Board on issues concerning the defined contribution plan called the Associate Selection Plan (ASP).

On 31 December 2011 the Advice Committee Investment Structure ASP for the defined contribution plan is composed of the following members:

Name	Job title	Year of stepping down	Details
Mr. F. Bambang Oetomo	Benefits Manager EMEA	2013	Director Mars Pension Fund
Mr. B. Dobbelsteen	National Account Manager	2014	
Mr. R. van de Langenberg	Food Strategic S&F Manager	2012	
Vacancy			

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2.3.7 Investment Managers

The main investments managers, by value, are PIMCO, GMO, Marathon, Stone Harbor, Neuberger Berman and Arrowstreet.

The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds only.

2.3.8 External advisors

Where necessary the Pension Board uses outside consultants in carrying out her duties.

Advice	Third party
Advisory Actuary	Towers Watson, Eindhoven
Tax Advisor	PwC, Amsterdam
Legal Advisors	Blom advocaten, Amsterdam Stibbe N.V., Amsterdam Lovells, London
Communication Advisor	Towers Watson, Amsterdam
ALM Advisor	Towers Watson, Apeldoorn
Strategic Asset Allocation	Secor, London
Tactical Asset Allocation	Secor, London
Manager Selection	Secor, London
Transition Management and Portfolio Control	Russel Investment Group, London
Private Equity	Performance Equity Management, Greenwich
Hedge Funds	Blackstone, New York
Property Investments	Lasalle IM, London

Audit and control	Third party
Auditor	PwC, Amsterdam
Certifying Actuary	Towers Watson, Amsterdam

Pension meetings for members	Third party
Independent Financial Advisor	Kröller Boom, Amersfoort

3 FINANCIAL INFORMATION

3.1 General Financial Market Developments 2011

Global economic growth in 2011 was close to 5% and can be viewed as a mid cycle slowdown, and could have been expected after the strong economic recovery in the two preceding years. Especially because the engines of the global economic recovery, the emerging economies, have in 2011 experienced a more normal growth pace. Next to the normalized growth pattern in emerging economies, a number of cyclical and extraordinary factors have contributed to the global growth slowdown. One can mention the rising oil prices, the repercussion of the Earthquake and tsunami in Japan and the Euro crisis here.
This last phenomenon has dominated the financial and capital markets in the second half of 2011. In the first half of the year the economic growth in Europe was higher than in the U.S. but the reverse was true in the second half. The ECB had started to increase interest rates, and the European banks, caused by the contagion effect from the Italian and Spanish sovereign debt crisis, have stopped lending, which caused a drop in confidence and a drop in economic activity. By Q4 of 2011 the economic growth in the Eurozone had turned negative. The effects of more recent events like the ECB (headed by a new president) starting to cut interest rates again and providing massive liquidity for the banking system, won't be visible until well into 2012. It is clear however that the economic growth outlook for Europe in 2012 and 2013 is pretty bleak. Necessary austerity programs will in some cases improve national balance sheets, but at the expense of economic growth.

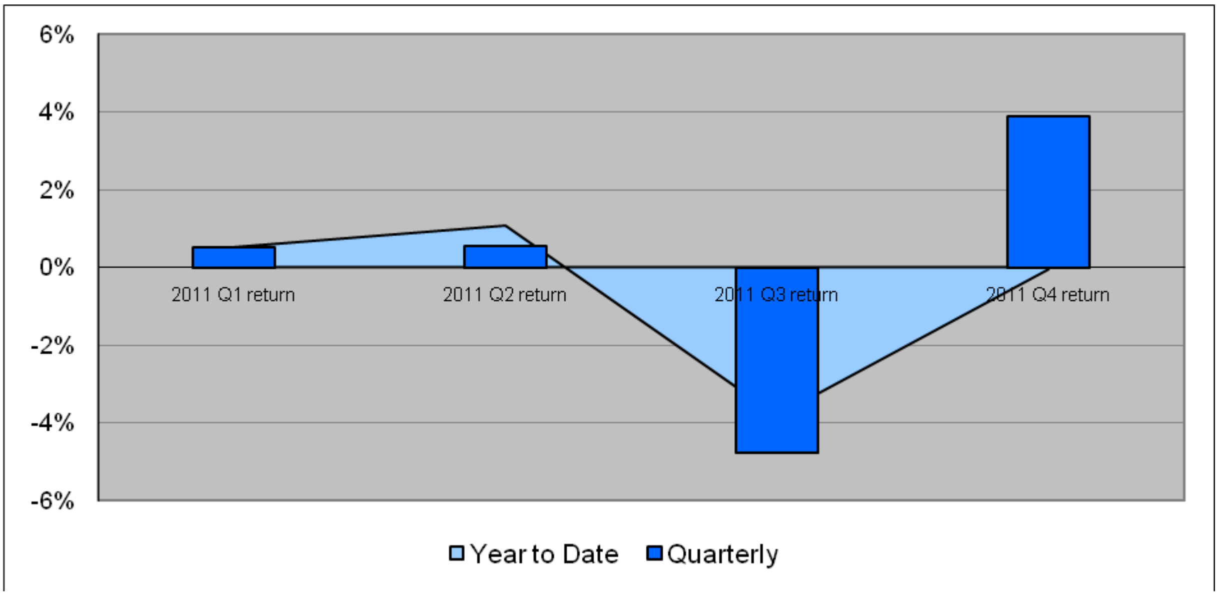
In the U.S. the optimistic growth expectations from the beginning of the year did not materialize. Economic growth remained in positive territory but came out lower than expected. Several factors contributed to a weaker than expected economic growth. Increased energy prices, the disruptions to the global production chain following the earthquake in Japan and the Euro crisis have already been mentioned. The U.S. has also suffered a shock in confidence due to the loss of the AAA rating and the political deadlock over the increase in the debt ceiling. Despite this, the US economy did not move into a recession, probably because the FED continued to use its tool-kit to support economic activity.

Inflationary pressures in China were met with a tighter monetary policy, which caused the economic growth in China to slow down. Construction activity, a major component of China's GDP growth dropped as a consequence of tighter lending conditions. In the second half of the year, inflation turned out to be moderate and lending conditions, and building activity improved again. The Chinese economy becomes more difficult to steer however.

Global equity markets have experienced a bad year. After an initially positive start into the year, a number of macro-economic risks have turned the sentiment on the equity markets negative for the remainder of the year. The emerging markets were troubled by concerns about global economic growth and inflationary concerns in various emerging markets. The debt overhang and recession clouds were hanging over Europe and the U.S. saw a downward revision in its GDP growth, coupled with the loss of its AAA credit rating as a result of an S&P downgrade. At the end of the year, the best performing region was the U.S.
Global Bond markets have seen a good year. Overall interest rates and yields kept declining. If one had avoided investing in Greek, Spanish and Italian bonds it was a very good year for bonds. However it should be mentioned that even French and German bond yields came under pressure, and that there probably will not be a country within the Euro zone that will be able to steer clear from all the debt problems in the other countries. Consequently Euro denominated sovereign bonds are no longer the risk free asset class it used to be.

3.2 Return of MPF

The investment portfolio of the Pension Fund has realized a performance of -0.04% in 2011. In the first half of the year the performance was +1% and in the second half the performance came out at -1%. However as mentioned above, and as can be seen from the graph below, it has not been a quiet second half of the year.



The benchmark return for 2011 was 0.54%. The portfolio has slightly underperformed its benchmark in 2011. This can be largely attributed to a number of individually small selection effects. For more details please see paragraph 8.2.

3.3 Costs

The costs to run the Pension Fund can be split into execution and administration costs and investments related costs. The execution and administration costs are specified in the Annual Accounts. MPF is, together with the investment managers, working on a specification of all investment related costs and a benchmark. We expect to be able to report this as from the Annual Report for 2012.

3.4 Pensions

During 2011 the liabilities have increased by 15.0% to EUR 805.2m. This is mainly caused by a decrease in the yield curve (RTS) that is used to calculate pension liabilities.

The Mars Pension Fund executes several pension plans with different plan rules. For the active members there are two different sets of plan rules applicable. For the members who were already a member of the plan before 1-1-2004 the final pay plan called “Plan 2006” is applicable. For those members who became a member on or after 1-1-2004 the plan called “Plan 2004” is applicable.

The distribution of the active members (including disabled) at 31 December is:

	2011	2010	2009
Old plan rules[1]	52	52	57
Plan 2004	272	274	220
Plan 2006	884	915	940
Sum of total	1,208	1,241	1,217

For the members in Plan 2006 the pensions in payment and deferred rights were increased as per 1 January 2011 by 1.19%. The reference price inflation for this period was 1.58%, the Wage index for this period was 1.76% and the Funding Ratio was above the Legally Required Solvency Ratio at year-end 2010. This means that the indexation granted was equal to the ambition of the Pension Fund (minimum of 75% of price inflation and the wage index). There are no outstanding catch-up indexations.

For the active members in Plan 2004 the (annualised) interest on the ARP was 4.58% for the period 1 January 2011 until 30 June 2011 and 4.95% for the second half of 2011. For deferred members the interest is conditional based on the Funding Ratio per end of December and end of June in any year. The Funding Ratios per end of December 2010 and per end of June 2011 were both higher than the Legally Required Solvency Ratio for that particular month, so the interest for deferred members was equal to the interest for the active members during 2011.

3.5 Actuarial

In this section we summarise the actuarial report.

Financial position	31 December 2011	31 December 2010
Market Value of Assets	880,313	899,654
Actuarial Accrued Liabilities at the risk of the pension fund	805,157	700,258
Actuarial Accrued Liabilities at the risk of the members	5,132	4,464
Actual Funding Ratio	109.3%	128.5%
Legally Required Solvency Ratio	126.0%	127.8%
Legally Required Minimum Solvency Ratio	104.2%	105.0%

During the financial year 2011, interest rates changed: on average the interest rate term structure year end 2011 is lower compared to year end 2010. The effect is an increase in the Actuarial Accrued Liabilities of EUR 107,211. The Market Value of Assets decreased by EUR 19,341 during 2011.

The profit and loss account (P/L) shows a negative result of EUR 124,240 leading to the own funds decreasing from EUR 199,396 to EUR 75,156 in 2011.

The Funding Ratio as of 31 December 2011 decreased from 128.5% to 109.3%. Since July 2011 there is a reserve deficit. As the Funding Ratio dropped slightly below 105% in September 2011, the Minimum Legally Required Solvency Ratio is calculated in detail and came out at 104.2%, which resulted in the conclusion that there was no funding deficit.

[1] The active members in the old plan rules are all disabled members whose pension continuously accrues in the old plan.

Unless explicitly mentioned differently all amounts are in thousands of euros

The cost covering contribution on market value is determined at EUR 21,374. The smoothened cost covering contribution equals EUR 13,917. The actual contribution was EUR 13,520.
For more information please see Chapter 9.

According to the judgement of the certifying actuary the financial position of Stichting Mars Pensioenfonds is not sufficient because of a reserve deficit.

3.6 Funding Ratio

During 2011 the Funding Ratio was very volatile over the entire year. This was mainly caused by the volatility of the yield curve (*RTS*) during 2011 which had an overall downward direction over the year. This development has increased the liabilities of the Mars Pension Fund by 15.0% to EUR 805.2m. The assets have decreased by 2.9% over 2011. At year-end 2011 the Funding Ratio was 109.3%. This was below the Legally Required Solvency Ratio of 126.0%, but above the Minimum Legally Required Solvency Ratio of 104.2%. So there is a reserve deficit at year-end.

The real funding ratio, based on European price inflation is 71.1% as of year end 2011. In the determination of the real funding ratio the AAL is calculated based upon the real interest rate curve, which takes into account the full European price inflation.

According to the planrules of MPF it is our ambition to conditionally grant 75% of Dutch price inflation. Therefore the real funding ratio is mainly calculated for information purposes.

The historical development of the (nominal) Funding Ratio of the Mars Pension Fund is presented in the table below:

	Funding Ratio	Legally Required solvency ratio
End 2008	115%	127%
End 2009	136%	127%
End 2010	128%	128%
End 2011	109%	126%

3.7 Recovery plan

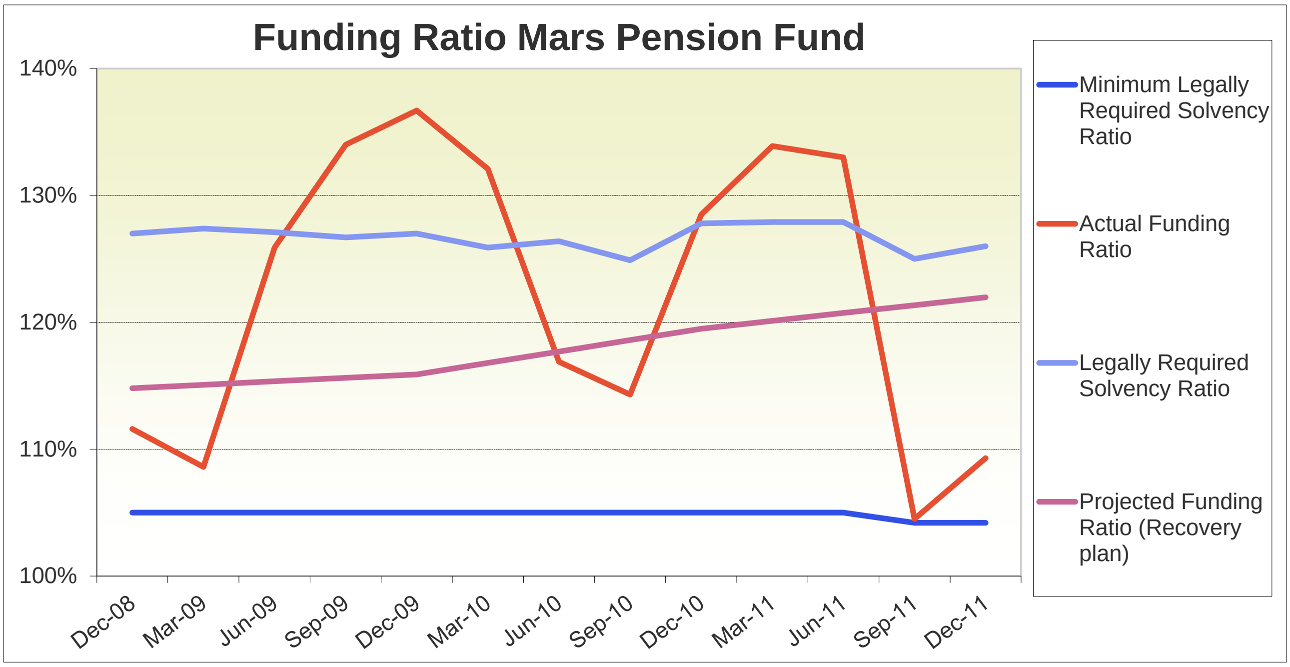
In November 2008, the Funding Ratio (115%) had fallen below the Legally Required Solvency Ratio (126%). In March 2009 a long term recovery plan was submitted to *DNB*. The main topic in the recovery plan is the expectation of the Pension Board that the Funding Ratio will recover within maximum 5 years to the Legally Required Solvency Ratio. According to the recovery plan the pension contribution for the employers is at least the smoothened cost covering contribution and expected to be between 20% and 25% of the salary sum of all active members. According to the recovery plan a contribution below 20% might be applicable after 12 years. In the recovery plan it is the expectation that the first few years only partial indexation of about 20% of the ambition might be possible.

The long-term recovery plan has been prepared in accordance with article 16 of the *Besluit FTK Pensioenfondsen* (Financial Assessment Framework)and shows a steady recovery. A recovery plan ends when the Funding Ratio is above the Legally Required Solvency Ratio for 3 quarters in a row. At year-end 2010 the long-term recovery plan was still applicable, although the Funding Ratio was above the Legally Required Solvency Ratio at the end of 2010. In July 2011 the Funding Ratio dropped again below the Legally Required Solvency Ratio and at year-end 2011 the Funding ratio is still below the Legally Required Solvency Ratio. This means that the long-term recovery plan is still applicable at year-end 2011.

The Funding Ratio at year-end 2011 of 109,3% is lower than the expected funding ratio in the recovery plan of 122.0%. According to the evaluation of the recovery plan (Quarterly reports to DNB, K502) the Funding Ratio is expected to be higher than the Legally Required Solvency Ratio at the end of 2017.

Unless explicitly mentioned differently all amounts are in thousands of euros

The graph below shows a graph of the Funding Ratio, the Legally Required Solvency Ratio and the expected Funding Ratio according to the recovery plan.



3.8 Administrative and Financial Agreement

In the Administrative and Financial Agreement the Pension Board and companies have agreed to a clear method to set the contribution. This is based on objective parameters.

The structural contribution for the employers is 20% of the salary sum of all active members. In case the Funding Ratio is below the Legally Required Solvency Ratio the contribution will increase to a maximum of 25%. In case the smoothened cost covering contribution is higher than 25% the contribution will be equal to the smoothened cost covering contribution. In case of a funding deficit the maximum percentage of 25% is not applicable and the annual contribution will be 20% plus one third of the extra contribution necessary to recover to at least 105%. When the Funding Ratio is higher than the Legally Required Solvency Ratio plus 5% a lower contribution is possible. More details are provided in the actuarial section.

As the Funding Ratio as per 31 December 2010 was above the Legally Required Solvency Ratio the Pension Board decided to set the contribution for 2011 at the structural level of 20% of the salary sum of all active members.

3.9 Supervision

There were no penalties form *DNB* received during 2011. *DNB* has not given any instructions to the Pension Fund. *DNB* has not appointed a trustee nor made the governance subject to the approval of the *DNB*.

4 RISK SECTION IN TERMS OF OBJECTIVES, POLICIES AND FINANCIAL TOOLS

In its risk management efforts the Pension Fund can utilize the following policy instruments:

- An ALM policy and duration matching;
- A Strategic and tactical investment policy;
- A Funded Status policy;
- A Funding Policy;
- A Contribution Policy;
- An Indexation Policy;
- A Reinsurance policy;
- A Risk Policy for Alternative Investments;
- A Risk Policy for outsourced activities;
- Risk management procedures for operational activities.

Which policy instruments will be utilised when and how, is largely determined by extensive analyses focusing on expected developments in the evolution of the liabilities and the relevant developments on financial markets. The Pension Fund uses Asset-Liability-Management (ALM) studies to focus on the long-term developments of both sides of the balance sheet. An ALM study analyses the structure of the pension liabilities and analyses the behaviour and consequences of various investment policies under many diverse economic scenarios.
One should bear in mind that the Pension Fund will always use a combination of policy instruments to manage and control the risks the Pension Fund is going to be confronted with. More often than not, the application of different instruments simultaneously is more effective than the singular use of one instrument. For example, in its overall policy framework, the Pension Fund has established a direct and explicit link between the funded status and the contribution and indexation policy. Following the outcomes of the ALM study and the investment policy review, the Pension Fund decides on investment policy guidelines on which the actual investments implementations are based. These investment guidelines also define the ranges and limits within which the investment strategy has to be executed, and the ranges and limits are set to manage the most important investment risks. The Pension Fund's tactical asset allocation efforts are also used to control perceived price risks. Based on the insights from the investment advisors overvalued asset classes will be underweighted in the portfolio, and undervalued asset classes will be overweighted. The tactical policy is partly used to reduce the overall absolute volatility of the portfolio and to protect the absolute value of the investments.

In Paragraph 11.6 Risk Management and Derivates the most important financial and capital market risks a pension fund will normally be confronted with are described including the figures for MPF.

5 LOOKING FORWARD

5.1 Pension Fund Governance

The Dutch Minister of Social Affairs, Mr. H. Kamp, has indicated that he will present a detailed overview of the new governance models as proposed by his predecessor, Mr. P.H. Donner, in 2012. The Pension Board will decide on the future of its pension fund governance model based on the guidelines that will be presented by the Ministry of Social Affairs.

5.2 Investments

In 2012 MPF will work with a new investment committee. The Pension Board has approved the appointment of a new investment committee in its final meeting in 2011. This new investment committee consists of experienced investment committee or Pension Board members from various countries. A new investment committee charter, the authority of the investment committee and the reporting procedures have also been ratified by the Pension Board in the last meeting of 2011. One of the ETBC investment managers, F. Nieuwland will function as the liaison between the Pension Board and the Investment Committee going forward.

Also in 2012, the LDI program will go live, whereby MPF will (partially) hedge its interest rate risk. Much has been said about the LDI program in previous annual accounts, therefore it probably suffices to say that the Pension Board is very content that the program will finally go live.

MPF will execute an ALM study in 2012 to establish new policies for the foreseeable future. The study will, as usual, focus on the funding, indexation and investment policy. One of the possible additions to the investment policy could be the implementation of a Tail Risk Hedging strategy.

The expansion of the Property portfolio will continue in 2012. The plan has seized a number of buying opportunities in 2011. The pace of investments is expected to accelerate in 2012.

The ETBC will start the execution of a comprehensive risk management project. The vision is that by the end of the project, risk objectives and risk management procedures for the major investment and operational risks will be improved and more transparent. The Pension Fund will continue to focus on the funded status volatility of the plan, will increase its focus on the development of risk scenarios, and the policies under those scenarios.

5.3 Pension Schemes

Based on the discussions that have taken place in 2010 and 2011 with respect to new pension contracts, we expect that significant changes in Dutch pension legislation and the FTK will be introduced in 2013/2014. The Pension Board and Pension Office will follow the developments closely and make sure that we will stay compliant with new pension legislation.

5.4 Long Term Recovery Plan

Based on the financial position at year-end 2011 it is potentially possible that we will be able to terminate the long-term recovery plan by the end of 2017. The decision to terminate the long-term recovery plan will be based on the specific circumstances at the moment the Funding Ratio has been above the Legally Required Solvency Ratio for three adjacent quarter ends.

6 PENSION BOARD EXPERIENCES

The Pension Board held five physical meetings. Besides the physical meetings regular and ad-hoc conference calls were organised to deal with specific topics and to monitor the dashboard.

During the year the following items were the most important or most frequently discussed topics.

6.1 Governance

The Pension Board uses a dashboard and balance sheet management reports to have a good oversight of the status and development of all activities.
During 2011 Pension Board members have attented several *SPO Connects* meetings and other meetings organised by the *Pensioenfederatie* and *DNB* in order to maintain their expertise.
After running the election procedures there were some re-appointments in the governance bodies. Mr P. Den Hollander, representative of the retitrees in the Pension Board, Mr. H. Faassen representative of the retirees in the Supervisory Board and Timo Hoogeboom were all re-appointed for a new term of 3 years.
At the last Pension Board meeting of 2011, the Pension Board has adopted a new investment governance structure. A new investment committee that consist of higly experienced individuals coming from various MARS investment committees and/or pension governance bodies have been appointed as the new investment committee for MPF. This Investment committee will also service other Mars Pension Boards in Europe. The authority of this new investment committee has been documented in detail.

As from 2012 the investment committee will exist of 7 members, which are:

Name	Job title	Details
Mr. W. van Ettinger	Self employed	Also Chairman of the Pension Board
Mr. R. Lottermann	Retiree	
Mr. A. Parton	VP Supply Chain Mars Chocolate Europe	
Mr. J. Price	Retiree	
Mr. W. Rigler	S&F Staff Officer Western Europe	
Mr. D. Szente	Chief Investment Officer	Chairman

During 2011 the SLA with the ETBC was agreed. The SLA points out all activities which are outsourced to the ETBC for the Pension Office and Investment Support.

Together with P&O the Pension Board is continuously working on the vacancies in the Committee Investment Structure ASP. Finding the rights candidates who are willing to participate for a number of years in such a committee next to their daily work seems to be challenging.

6.2 Actuarial

Recovery plan and Funding Ratio
The Pension Board has monitored the development of the Funding Ratio and the consequences for the long-term recovery plan on a monthly basis. To perform this task a monthly balance sheet report was provided by Towers Watson. The Funding Ratio during 2011 was very volatile, mainly caused by a volatile yield curve. Since July 2011 the Funding Ratio was below the Legally Required Solvency Ratio. In September 2011 the Funding Ratio was slightly above the Minimum Legally Required Minimum Solvency Ratio, so during 2011 there was no funding deficit, only a reserve deficit. With the Funding Ratio of 109.3% at 31 December 2011 the Funding Ratio is below the expected (122%) Funding Ratio in the long-term recovery plan.

Unless explicitly mentioned differently all amounts are in thousands of euros

At the end of 2011 Towers Watson has started with an Asset Liability Watch (ALW), which is a further improvement of the monthly balance sheet.

Funding and indexation 2011
In line with the funding and indexation policy of the Mars Pension Fund the Pension Board decided in its meeting in January 2011 to grant a full indexation of 1.19% effective 1 January 2011. There are no outstanding catch-up indexations, because per 1 January 2010 the catch-up indexation of 1.54% was fully granted by the Pension Board.
The contribution paid in 2011 was 20% of the salary bill of all active members. For 2012 the contribution is set at the maximum contribution of 25%.

6.3 Investment Policy and Financial Market Developments

Until the ALM study will have been completed, the existing investment policy will remain valid. Given the macro-economic uncertainty, globally, it is not envisioned that the actual asset allocation will deviate too much from the investment policy. The Pension Board, the Investment Committee, the ETBC investment team and the strategic investment advisor will continue to monitor the development of the sovereign debt crisis in Europe. The exposure to sovereign debt of the peripheral countries has been minimal over the past year. The risk for the portfolio is no longer a default of any of the peripheral countries; the risk will be the collapse of the Euro as legal tender. Despite the fact that the probability of a complete Euro demise is still perceived to be quite low, this risk is carefully monitored.

6.4 Duty of Care (Zorgplicht) Plan 2004

The members of Plan 2004 have the possibility to opt-out of the Life Cycle Mix and choose their own investment mix. Opting out is only possible after completing a questionnaire to help members learn and understand what their investment profile is. Members need to answer the questions and find out their investment profile before they can opt out. The website *www.mijnmarspensioen.nl* supports the members in their choice and keeps a record of member's investment profiles. At the end of 2011 there were 1.1% of the members who have chosen for opting out with a total of 3% of the assets.

6.5 Administration

In 2012 the last actions of the implementation of the member administration were completed or finalized. All historical divorces are implemented and now we are well prepared for the new requirements of the Pensioenregister which are due by the end of 2012. As from the first quarter of 2011 a quarterly Admin report which is a combined report from Lohoff & Partner and ACS is available. Some potential improvements are identified and will be implemented in 2012.

6.6 Communication

During 2011 we have selected KoolBaas&deQuelerij as our new communication advisor which became part of Towers Watson in the course of 2011. A new Communication Campaign "Nobody can predict the future ……. but you can always check your pension!" was launched successfully. Together with this campaign we have launched the option to subscribe for the individual digital mailbox with an alert function. As a results we saw a high increase in the number of visits of the website www.mijnmarspensioen.nl. For the first time UPO's were posted into each members mailbox, so from now on the actual and historical versions are always available for all members.
During 2011 more than 150 active members, who are within 10 years from their retirement, have participated in the Pension Preparation workshops, which is a joint workshop from the company and the Pension Office.

This workshop is introduced to help members understand their pension and possibilities as well as the procedures they have to follow once they are planning to retire.

6.7 Legal

An amendment to the Articles of Association was defined to support the changes in the Investment Committee. The text of Plan 2004 has been modified to avoid unclarity in the area of disability and divorces.

6.8 Governance Advisory Committee and Supervisory Board follow up

In 2010 the Supervisory Board (SB) gave some attention points to the Pension Board, in their report. In this section we give more insight into the follow-up on these attention points.

Before the Pension Board starts using more sophisticated financial instruments like derivates it is advice to take appropriate training. The Pension Board members are trained together with the Investment Committee members.

The Supervisory Board has encouraged the Pensioen Board to understand the implications of new LDI driven strategies fully. Before the LDI program was started it was first started as a pilot paper program to learn from it before it was decided in December to implement the program.

The Governance Advisory Committee review is planned with a three years interval and was not applicable in 2011.

7 BENEFITS SECTION

The Mars Pension Fund runs 2 sets of plan rules for the active members and in total 5 sets of plan rules for deferred members and/or retirees. In the section below a brief description of the plan rules for active members is provided.

7.1 Plan 2006

The 2006 Pension Plan is a final pay defined benefit plan, which has been in effect since 1 January 2006. This regulation applies to the closed group of employees who were already active members of the 2000 Pension Plan before 31 December 2003 and were born on or after 1 January 1950.

Old age pension	2% of salary multiplied by the average shift percentage minus offset
Partners pension	70% of accrued old age pension, in case of death it is assumed that the membership would have continued
Orphans pension	14% of accrued old age pension
Disability benefit	Full disabled: 75% of pensionable salary minus social security ceiling. Continuation of accrual on costs of the Pension Fund
Offset (franchise)	As from 1 April 2011: EUR 18,565.57
Employee contribution	0%
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, exchanging partner's benefit for additional old age pension or vice versa

Entitlements acquired elsewhere during employment with the company, e.g. from the pension plan or the Industry Wide Fund (*Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie)* or from the Disability Act (*WAO* or *WIA*), are deducted from the Funds' pension benefits.

Unless explicitly mentioned differently all amounts are in thousands of euros

7.2 Plan 2004

The 2004 Pension Plan is a so called contribution agreement (*premieovereenkomst)* and consists of the following two modules:

A) Associate Retirement Plan (ARP) (*Medewerker Uittredings Plan MUP*)
B) Associate Selection Plan (ASP) (*Medewerker Selectie Plan MSP*)

Members of the 2004 Pension Plan are those employees registered by the Company and who entered the Company's service after 31 December 2003 and who are exempted from mandatory membership of the pension plan of the *Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie* (industry-wide pension fund for the sugar and chocolate processing industry).

	ARP	ASP
Type	Cash balance plan	Individual defined contribution plan with investment module
Employee contribution	No	Compulsory contribution of 3% plus voluntary contribution with an age related maximum
Employer contribution	Age related	Equal to voluntary contribution of employee
Offset (Franchise)	EUR 12,898.00	EUR 12,898.00
Interest	CPI + 3% (which is conditional for deferred members)	Not applicable
Investment choice	Not applicable	Either Life Cycle mix or free choice
Annuity	At retirement with the Pension Fund or insurance company (choice of member)	At retirement with insurance company
Death during active membership	Risk based partner pension of 1.4% of the pensionable earnings for each year of membership that could have been achieved. Balance flows to Pension Fund.	Balance flows to the Pension Fund, surviving benefits comes via ARP
Death before retirement as deferred member	Surviving dependents can use balance to buy annuity with the Pension Fund or Insurance company	Surviving dependents can use balance to buy annuity with Insurance company
Disability	Full disabled: disability pension of 75% of pensionable salary minus social security ceiling. Continuation of contributions on costs of the Pension Fund	Continuation of contributions on costs of the Pension Fund, disability pension is not applicable as it comes via ARP
Flexible options	Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension	Early or postponed retirement, purchase of temporary retirement pension, size of partner's benefit and old age pension

7.3 Developments in Legislation and Regulations

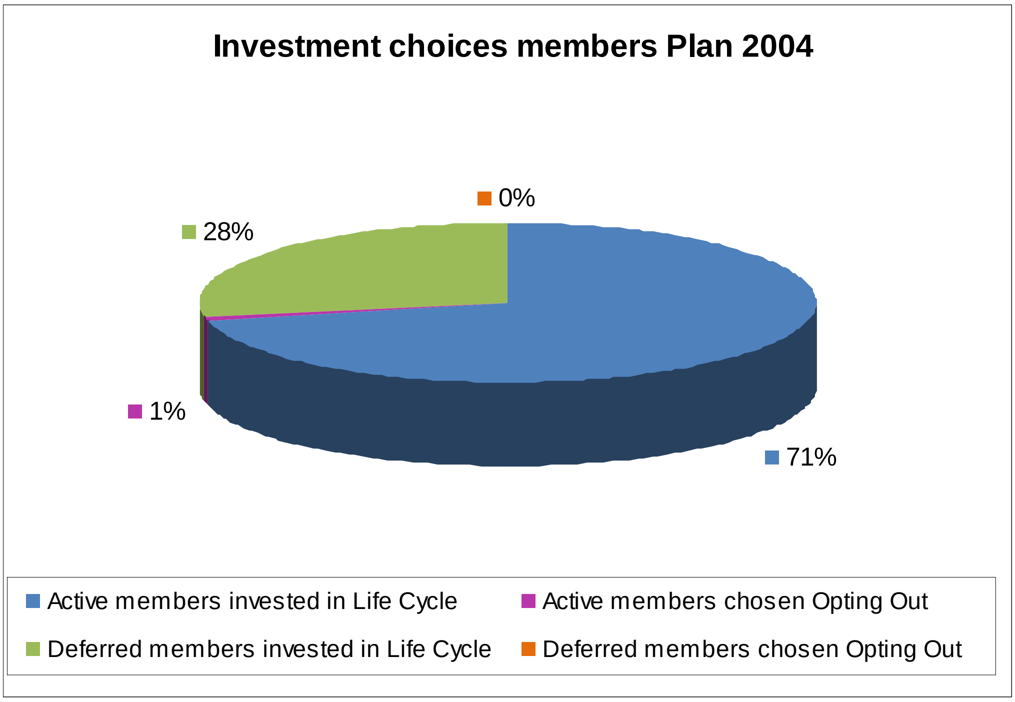
In 2011 there were no developments in legislation and regulation that had any impact on the existing pension schemes of the Mars Pension fund.

Unless explicitly mentioned differently all amounts are in thousands of euros

7.4 Developments of the Membership

The development of the membership over 2011 is shown in the table below.

	Active [1]	Deferred	Old age pension	Partner pension	Orphans pension	Disability pension
Balance end 2010	1,241	1,165	721	215	22	6
New members	28	1				
Deferred	-47	47				
Disabled						2
Retirement	-13	-18	31			
Decease	-2	-5	-28	8		
Surrender		-10				
Transfer out		-12				
Other reason	1	-2			-7	
Sum of mutations	-33	1	3	8	-7	2
Balance end 2011	1,208	1,166	724	223	15	8



[1] Disabled members (partial and full disabled) are counted as active members as there is still accrual of pension rights.

Unless explicitly mentioned differently all amounts are in thousands of euros

7.5 Indexation Policy and Interest Addition

Final pay schemes:
The Pension Fund aims for annual adjustment of the pension benefits for deferred pensioners and retirees under the final pay pension schemes (2006, 2000, 1995 and 1994 Pension Plans). Each year, the Pension Board decides the extent to which benefits will be adjusted. The Pension Board identifies this indexation in category D1 in the statutory Indexation Matrix.

The annual adjustment/indexation ambition is determined as:

A) 75% of the ConsumerPriceIndex (CPI) 'all-households' as published by CBS over the months September versus September of the preceding year;
B) If A is higher than 3%, the outcome will be maximised at 3%;
C) The final indexation percentage will never be higher than the wage index.

Any adjustment will only be granted if and insofar as the Pension Fund's financial position permits it. This judgement is fully within the decision power of the Pension Board. The Pension Board decides each year whether or not and, if so, to what extent indexation is granted.

There is no financial reserve for the indexation and there is no contribution paid for the indexation. The costs of the indexation are financed from the reserves of the Pension Fund.

The Supplementary Retirement Pension entitlements for active members of the 2006 Pension Plan will be annually unconditionally adjusted according to the wage index. There is no financial reserve for the indexation, but the contribution for this indexation is part of the unconditional accrual in the cost covering contribution.

Plan 2004
During active membership the balance on the Pension Accrual Account of the ARP is increased by the addition of interest. The interest additions occur on a daily basis and in such a manner that the interest additions on an annual basis are equal to a percentage amounting to "CPI all households" plus 3%. The maximum addition of interest is 13% on an annual basis. The interest addition is financed partly by a component in the cost covering contribution and partly from the general reserves of the Pension Fund.

For deferred members the adjustment only takes place if and insofar as the Pension Fund's financial position permits it. The Pension Board also decides each half year whether or not and, if so, to what extent indexation will be granted. There is no contribution paid for this interest addition, but the interest addition is financed from the general reserves of the Pension Fund.

The Balance of the ASP is developing according to the investment results.

The partner pensions and orphans pensions of members that have deceased during active service are indexed according to the indexation policy for the final pay schemes (indexation category D1).

7.6 Reinsurance

The Pension Fund has reinsured the death-in-service and work disability in-service risks with Generali. This reinsurance can be seen as a catastrophe-risk-coverage because it is based on stop-loss insurance with a net retention of EUR 7.8m which is approximately 600% of the risk premium.
Over the year 2011 no declaration was applicable.

8 INVESTMENT SECTION

8.1 Investment Strategy

In the table below we have represented the long-term investment policy for the Pension Fund, as has been established after the strategy review in 2010. We also show the interim policy as it will apply in 2012 and the actual asset allocation at the end of 2011.

	LT Investment policy	2012 Interim policy	End 2011 Asset Allocation	Minimum	Maximum
Equities	38.6%	41.0%	42.5%	28.6%	48.6%
Developed Equities	30.9%	32.8%	35.4%	20.9%	40.9%
Emerging Market Equities	7.7%	8.2%	7.1%	3.7%	11.7%
Fixed Income	30.4%	40.0%	42.0%	15.4%	45.4%
High Quality Fixed Income	20.4%	30.0%	29.6%	10.4%	30.4%
High Yield Bonds	6.0%	6.0%	8.1%	0.0%	12.0%
Emerging Market Debt	4.0%	4.0%	4.3%	0.0%	10.0%
Alternatives	31.0%	19.0%	11.9%	16.0%	46.0%
Property	20.0%	8.0%	3.0%	10.0%	30.0%
Private Equity	5.0%	5.0%	3.5%	0.0%	10.0%
Hedge Funds	6.0%	6.0%	5.4%	1.0%	11.0%
Cash	0.0%	0.0%	3.6%	0.0%	5.0%
Hedges					
Currency	72.4%	72.4%	82.0%	50.0%	100.0%
Interest Rate	50.0%	0.0%-50%	0.0%	0.0%	75.0%
Inflation	11.0%	0.0%-11%	0.0%	0.0%	75.0%

The Pension Board has determined the long-term investment policy in the spring of 2010 and has reconfirmed it in its first meeting of 2011 and this still valid until a new investment policy will have been established after the ALM study of 2012.The interim policy for 2012 reflects the intended allocations for the year.

From the table above one can see that the fund is still in the build-up phase with respect to its property and private equity allocation. Also, as mentioned earlier, the LDI program will start in 2012.The specific interest rate environment and the development of the financial position of the Pension Fund will determine the speed of the LDI implementation. The primary goal of the LDI strategy is to reduce the funded status volatility. The results of the ALM Study and the Investment Strategy review indicate that the funded status volatility can be reduced from around 10% currently to 8% when a 50% interest rate hedge will be implemented.

8.2 Returns

The Pension Fund has realised a performance of exactly -0.04% in 2011. The benchmark return for 2011 was 0.54%. The relative underperformance in 2010 therefore has been 0.58%. This small underperformance is attributable to a number of factors that will be elaborated upon below.

Unless explicitly mentioned differently all amounts are in thousands of euros

For the main asset categories as defined by *DNB*, the performance has been as follows:

Category	Portfolio	Benchmark	Relative Performance
Property	-9.5%	10.1%	-19.6%
Public Equities	-3.3%	-4.7%	1.4%
Fixed Income	4.7%	6.8%	-2.1%
Other Investments[1]	-3.4%	-6.0%	2.6%
Total Portfolio	-0.0%	0.5%	-0.6%

The small property portfolio in the overall investment portfolio of the plan has experienced a decline in valuation and hence the quite negative return compared to a benchmark return of 10.1%. The impact on the overall portfolio result however is small. In contrast, the public equity portfolio has performed better than the benchmark. Notably selection effects within public equities in 2011 have been very good. Another positive contributor to the overall portfolio performance has been the private equity portfolio (included in the Other Investments category), with very strong returns of more than 20%. Fixed income, the asset class that has helped performance considerably in 2010, has in 2011 been a detractor to overall performance.
All these attribution elements, and more, have resulted in a small negative excess performance of -0.5%. The table below presents the average asset class weights in 2011 plus the appropriate asset class benchmarks.

The average benchmark weights plus the asset class benchmarks have been as follows:

Asset Category	Benchmark	Average policy weight over the year 2011
US Equity	MSCI US	9.1%
Emerging Markets Equity	MSCI EM Free	5.2%
EAFE Equity	MSCI EAFE Index	9.3%
Global Equity	MSCI ACWI Index	12.0%
Global High Quality Fixed Bonds	Barclays Capital Global Aggregate ex Japan in EUR	30.7%
High Yield Bonds	Merril Lynch High Yield Master II in EUR	6.1%
Emerging Market Debt Bonds	50% JPMorgan EMBIG + 50% JPMorgen GBI-EM	4.0%
GMO Discretionary Mandate	80% MSCI ACWI + 20% JPMorgan GBI	11.5%
Cash[2]	Libor EUR 3 month	2.3%
Property	RPI EUR+ 7% pa	1.6%
Private Equity	MSCI World + 3%	2.8%
Hedge Funds	Libor EUR 3 month + 5%	5.4%

[1] Including Plan Level Currency Hedge, Hedge Funds and Private Equity
[2] Including Active Currency Managers and Plan Level Hedging

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In 2011 the Pension Fund underperformed relative to the WM universe, please see below.

Year	Fund Performance	Strategic Benchmark	WM Universe
2011	-0.0%	0.5%	8.8%
2010	9.0%	8.2%	10.9%
2009	22.4%	21.1%	14.6%
2008	-20.5%	-23.3%	-16.6%
2007	5.9%	5.9%	3.8%
2006	11.6%	11.5%	7.4%
2005	25.2%	19.3%	14.8%
2004	12.8%	11.1%	9.9%
2003	15.7%	14.6%	10.7%
2002	-13.1%	-16.1%	- 8.1%
2001	-2.1%	- 5.9%	-2.8%
Average last 10 years	+5.9%	+4.2%	+5.1%
Average last 5 years	+2.3%	+1.3%	+3.7%

Measured over a longer period of ten years, the average return for the Pension Fund lies above the strategic benchmark for the Pension Fund, and above the WM universe average. The WM Universe reflects a representative sample of Dutch Pension Funds. In the last ten years, including 2011, Mars Pension Fund has generated an average return of 5.9%. The averages for the strategic benchmark and the WM universe were 4.2% and 5.1% respectively.

Unless explicitly mentioned differently all amounts are in thousands of euros

9 ACTUARIAL SECTION

The actuarial analysis of the result 2011 is shown in the next table:

	2011		2010	
	EUR	EUR	EUR	EUR
Contributions and costs				
Employer contributions	10,419		8,758	
Employee contributions	1,092		1,003	
Accrual of benefits	-15,069		-13,262	
Contribution surcharge for costs	533		543	
Available for costs out of provision	505		497	
Execution and administration costs	-2,763		-3,005	
		-5,283		**-5,466**
Return and yield curve change				
Return on investments	-3,128		75,729	
Intrest addition provision	-9,179		-8,109	
Yield curve change	-107,211		-62,694	
		-119,518		**4,926**
Other results				
Result on benefit transfers	124		109	
Result on other actuarial assumptions	3,451		2,787	
Change in other actuarial assumptions	0		0	
Other income	1		171	
Indexation	-5,024		-7,448	
Change in mortality assumptions	0		-17,453	
Corrections	2,261		-658	
Other costs	-252		-121	
		561		**-22,613**
		-124,240		**-23,153**

The cost covering contribution, smoothened cost covering contribution and the actual contribution (employers and employees) are as follows:

	EUR
Cost covering contribution	21,374
Smoothened cost covering contribution	13,917
Actual contribution	13,520

Cost covering contribution (CCC)

The CCC is determined by using the interest rate term structure published by the DNB and the observed actuarial costs during the financial year. The CCC comprises the following parts:

- The actuarial required contribution for pension accrual (coming service and past service) and the risk cover for death and disability in service;
- The solvency surcharge on the contribution for the unconditional components of the pension commitment in relation to the strategic risk profile. This is a surcharge for maintaining the required solvency buffers;
- A surcharge for costs for executing the pension plan, 0.8% of pensionable salaries.

The CCC equals 21,374.

Unless explicitly mentioned differently all amounts are in thousands of euros

Smoothened Cost Covering Contribution (SCCC)

The Financial Assessment Framework provides the possibility to mitigate contributions. This can be done by using an interest rate that is based on an ongoing average over the past (with a maximum of 10 years) or on the return on an expectation regarding the future. The Pension Fund has opted mitigation based on a fixed actuarial interest rate based on the strategic investment mix of the Pension Fund. The discount rate used to calculate the SCCC is 5.95%. The SCCC equals 13,917.

Actual contribution

The actual contribution is agreed upon between the Pension Fund and the company in the Administrative & Financial Agreement. The actual contribution is equal to 20% of pensionable salaries, increased in case of a reserve deficit to a maximum of 25% of pensionable salaries minus the contributions the company paid to the BPF. The Pension Fund increases contribution when the funding ratio is below the Legally Required Solvency Ratio (RSR). The Pension Fund decreases contribution when the funding ratio is more than 5% above the RSR. When the funding ratio is above the Continuity Test Funding Ratio (CTFR) of 160% the Pension Fund will grant a refund to the Company.
The Pension Fund receives total contribution that consists of employer and employee contributions. The BPF contributions sum to 0.9% of total pensionable salaries for all pension plan members. The actual employee contribution is equal to the compulsory and voluntary MSP contributions. The employee contributions add up to 1.2% of total pensionable salary for all pension plan members.

As the Funding Ratio as per 31 December 2010 was above the RSR, but below the RSR + 5%, the contribution for 2011 is set to 20% of the pensionable salaries. In 2011 the actual total contribution to the pension fund equals 13,520.

The total actual contribution is less than the Cost Covering Contribution (market value) and less than the Smoothened Cost Covering Contribution, but the difference between the actual contribution and the Smoothened Cost Covering Contribution is relatively small. At year-end 2010 the Funding Ratio was above the RSR, which implies that Mars Pension Fund met the requirement for reduction of the contribution for 2011.

Due to the development of the SCC contribution the structural contribution is set at 23.4% as of 2012. Due to the Funding Ratio at year-end 2011 an additional contribution is applicable, which leads to the maximum contribution of 25%. The Company and the Pension Board have agreed in January 2012 to set the contribution for 2012 to the maximum contribution of 25% of the salary bill of all active members.

Minimum regulatory own funds

The Minimum legally Required Solvency Ratio (MRSR) is defined in the Financial Assessment Framework (“Besluit FTK”) and depends on the risks that the pension fund runs. Risks can be financial risks, such as investment risks, and demographic risks, such as mortality and invalidity. The more the pension fund has reinsured such risks, the lower the MSSR. For Mars Pension Fund the MSSR is calculated in detail as specified in article 11 of the Financial Assessment Framework.

The minimum regulatory own funds are derived from the required margin per risk and amounts to 33,414. The minimum legally required solvency ratio amounts to 104.2% of the technical liabilities. The actual Funding Ratio equals 109.3%. Based on these figures the pension fund is not in a situation of a funding deficit.

Regulatory own funds

The Legally Required Solvency Ratio (RSR) is defined in the ‘Decree in relation to the Financial Assessment Framework for pension funds’. The regulatory own funds are the market value of assets that a pension fund needs to maintain a state of equilibrium. In a state of equilibrium the own funds are at such a level that the pension fund's assets will exceed its obligations with a 97.5% probability in one year's time. The amount of the own funds and hence of the regulatory own funds in the state of equilibrium depends on the pension fund's risk profile. The RSR is determined by using the standard model, as defined by the supervisor DNB. The standard model defines several types of risk (i.e. market risk, interest risk) and calculates (negative) effect of this risk on the regulatory own funds. The calculations of the standard model depend on market conditions and therefore fluctuate over time. For Mars Pension Fund the standard model is slightly adjusted for the calculation of the equity and property risk (S2), because several funds are actively managed.

The regulatory own funds are derived from the required margin per risk and amounts to 209,358. The legally required solvency ratio amounts to 126.0% of the technical liabilities. The actual Funding Ratio equals 109.3%. Based on these figures the Pension Fund is in a situation of a reserve deficit.

The conclusion of the certifying actuary on the financial position is that this is not sufficient.

10 PENSION FUND GOVERNANCE

10.1 Compliance Officer

In 2007 the Pension Board appointed Mrs. J. van den Broek as Compliance officer within the Mars Pension Fund. Main responsibilities of the Compliance Office are:

- Independent monitoring of compliance with the Code of Conduct;
- Independent monitoring of compliance with the law;
- Independent oversight of the adequacy and effectiveness of internal rules and procedures.

The main provisions in the Code of Conduct are:

- Standards: Every associated person is expected to behave in line with the highest standards of business ethics under all circumstances;
- Confidentiality: Associated persons may not disclose to third parties any information concerning the business – including individual pension details - and investments of the Pension Fund;
- Insider knowledge: An associated person may not use insider knowledge;
- Restriction on accepting business gifts, invitations, additional functions, participation in other companies and institutions.

10.2 Report Supervisory Board

Introduction

The Supervisory Board has been put in place to be compliant with the rules for good pension fund governance. The roles and responsibilities of the Supervisory Board have been written down in the articles of association of the Pension Fund and the rules of the Supervisory Board. The Pension Board has to give account to the Supervisory Board.

The Supervisory Board consists of representatives of active members in the Pension Fund, pensioners and sponsors.

The Pension Board has to give account with respect to the policy setting, the policy execution and compliance with principles for good pension fund governance as set by the “Stichting van de Arbeid”. The Pension Board has regular interactions with the Supervisory Board with respect to the policies and achieved results.

The Supervisory Board provides its opinion on the following topics annually:

- The proceeding of the Pension Board, based on the (draft) annual report, the annual accounts and other information;
- The pursued policy of the Pension Board in the last year;
- The Pension Board’s proposed policies for the future.

An external actuary and a pension lawyer advise the Supervisory Board to fulfill their job in the best manner.

The Supervisory board in their report have considered the comments they made during the past two years and the corresponding responses from the Pension Board. In addition we have considered the proposed policies of the Pension Board for the coming year.

In Summary the Supervisory Board continues to find that the Pension Board of Stichting Mars Pensioenfonds (MPF) is proactive and engaged in the management of the fund. It seeks appropriate professional advice and works well with strong and committed sponsors to serve the interests of the beneficiaries of the Pension Fund.

The Pension Board operates to a clear annual plan and is responsive to the findings of both the Supervisory Board and the Governance Advisory Committee.

With regard to the findings of the Supervisory Board in the 2010 annual report

The Pension Board have continued to follow up on suggestions made by the Supervisory Board in both 2009 and 2010. Activity planning tools are well integrated into the operation of the Pension Board and will be further enhanced in 2012. Training has been undertaken to ensure that the Pension Board understands the more sophisticated financial instruments that now form part of the investment strategy and longevity is monitored on a regular basis as part of the dashboard.

Proceedings and Policies of the Pension Board in 2011

As a Supervisory Board we have read the draft annual report in detail and we would ask the Pension Board to pay attention to the following areas.

We note that a number of Pension Board members are due to stand down in 2012. We ask the Pension Board to consider what succession planning they have in place to ensure that changes in membership of the Pension Board can be managed in a way that doesn't compromise the capability of the Pension Board to meet its responsibilities to the various stakeholders. We also ask that the Pension Board runs a clear well communicated process in determining any new Pension Board members and also ensure that any new members will be able to devote sufficient time to Pension Board responsibilities.

We note that the Pension Board has made a change to the Investment Committee at the end of 2011 and we would ask the Pension Board to pay particular attention to the way of working that it establishes with the new committee and also to satisfy itself that the new committee is capable of fulfilling the role it is entrusted with by the Pension Board. It should be ensured that decisions on investments and the associated risks remain the full responsibility of the Pension Board.

We note that more transparency of costs is demanded of Dutch pension funds by the branche. Getting more transparency on administration and execution costs will be required. But especially on investment costs more time and negotiation with the investment managers will be needed. We ask the Pension Board to make sure the required level of transparency is met.

We also note that, as in previous years, there is considerable legislative change planned for pensions in the Netherlands. We ask that the Pension Board pays particular attention to the impact of this change on the plans and investment strategies and that you ensure an appropriate dialogue with the plan sponsor and the plan members as the legislation is developed and enacted.

Regarding the upcoming changes of governance models in the Netherlands, we ask that the Pension Board chooses the appropriate governance model for the PB carefully, taking into account the higher demands on expertise of the Pension Board members.

Finally we ask that the Pension Board satisfy itself that the responsibilities it delegates, in particular, administration responsibilities are well managed and regularly reviewed. In line with the Company principles an adequate level of quality control has to be maintained.

As in previous years we commend the Pension Board on the positive relationship with the sponsoring companies and the time it spends ensuring that it is appropriately supported by professional advisors.

10.3 Response Pension Board on report of Supervisory Board

Response by the Pension Board

The Pension Board wishes to thank the Supervisory Board for their helpful observations. We are content that the positive relationship with sponsoring companies is noted as well as the appreciation for our overall governance.
As in last year's report we would like to react briefly to each of the points made :

- Pension Board Continuity/Succession/[S]election – The Pension Board will have to deal with a number of vacancies on the employee representation side in the course of this year and will run the elections in a transparent way. Although we hope current board members to be interested in continuing their membership we will also identify and engage other plan members for a Pension Board membership in the future.
- Although there is an enhanced and professional IC the Pension Board remains responsible for the strategic investment decisions and risk management and control --The Pension Board has discussed this at a number of occasions. The Pension Fund needs a professional IC but also investment knowledge in the Pension Board on which we have to work, and is a continued point of attention of our Plan of Expertise.
- Cost Transparency — The Pension Board agrees this point whole-heartedly and has already started taking measures to engage with professional institutions in this area to not only benchmark but potentially also remedy, particularly in the area of investment costs. In addition attention will be given to transparent reporting of all costs.
- Legislative Changes—The Pension Board will work on these in good consultation with plan sponsors, members and advisors
- Governance Model – Once legislation becomes effective the Pension Board will work on the right model going forward in close consultation with sponsors and taking appropriate demands for expertise into account.

Veghel, June 15, 2012

The Pension Board

W. van Ettinger (chairman) P. den Hollander (secretary)

ANNUAL ACCOUNTS

11.1 (Consolidated) Balance Sheet after appropriation of result (in EUR 1,000)

Assets		31-12-2011		31-12-2010	
Investments for risk Pension Fund					
Real Estate	[1] 1	25,919		8,579	
Equities	2	451,221		473,952	
Bonds	3	360,494		382,488	
Other financial investments	4	50,279		35,237	
Derivatives	5	5,113		52	
			893,026		900,308
Investments for risk members					
Investments for risk members	6		5,132		4,464
Other financial assets	7		739		1,902
Cash	8		3,360		2,860
			902,257		**909,534**
Liabilities					
Reserves					
Foundation capital	9		-		-
General reserve	10		75,156		199,396
Technical provisions					
Technical liabilities at the risk of the Pension fund	11	802,939		698,224	
Provision for future disability	12	2,218		2,034	
			805,157		700.258
Technical liabilities at the risk of the members	13		5,132		4,464
Short term liabilities					
Taxes and premiums social security	14	704		726	
Other liabilities	15	16,108		4,690	
			16,812		5,416
			902,257		**909,534**

[1] The reference figures refer to corresponding figures in the explanation on the balance sheet.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.2 (Consolidated) Profit and Loss Account (in EUR 1,000)

Income		**2011**		**2010**	
Investment result for risk Pension Fund	16	553		79,475	
Contributions	17	12,442		10,598	
			12,995		90,073
Results for the account and risk of the members (ASP)					
Investment results for the account and risk of members	18	-445		449	
Balance transfer of rights for the account and risk members	19	21		22	
Contributions for the account and risk members	20	1,092		1,003	
			668		1,474
Other income	21		1		171
Balance income			**13,664**		**91,718**
Losses					
Costs asset managers	22		3,681		3,746
Benefits payment	23		25,163		24,485
Change pension provision	24		104,715		81,273
Change provision for future disability	25		184		373
Change provision for the account and risk members	26		668		1,474
Execution and administration cost	27		2,763		3,005
Premiums reinsurance	28		37		33
Balance transfer of rights for risk fund	29		441		361
Other cost	30		252		121
Balance losses			**137,904**		**114,871**
Result			**-124,240**		**-23.153**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.3 (Consolidated) Cash Flow Report (in EUR 1,000)

Cashflow from pension activities	2011		2010	
Contributions received	14,506		8,900	
Received as a result of transfer of rights	95		36	
Benefits payments paid	-25,820		-25,253	
Paid as a result of transfer of rights	-550		-389	
Paid execution and administration costs	-2,247		-2,393	
Received benefits from reinsurers	-		-	
Paid contribution reinsurance	-37		-33	
Total cash flow from pension activities		**-14,053**		**-19,132**
Cash flow from investment activities				
Sale and redemption of investments	169,548		254,121	
Received direct investment returns	68		79	
Purchase investments	-127,306		-228,397	
Paid costs asset managers	-4,247		-4,964	
Other amounts received	1,432		350	
Other amounts paid	-		-5,339	
Total cash flow from investment activities		**39,495**		**15,850**
Net cash flow		**25,442**		**-3,282**
Exchange and conversion difference on cash		-349		467
Mutation cash flow		**25,093**		**-2,815**
The change in cash is as following:				
Balance per January 1st		**4,897**		**7,712**
Mutation cash		25,093		-2,815
Balance per December 31st		**29,990**		**4,897**
Presented under other financial investments		26,630		2,037
Balance cash per December 31st		**3,360**		**2,860**

Note: for the valuation of the cash flows we have used the direct method.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.4 Principles of Valuation and Determination of Result

General

The Mars Pension Fund has applied with the compilation of this annual report the assumptions of BW 2 Title 9, with the exception of article 390.

Investments and pension accruals are valued at fair value. The other assets and liabilities are being valued at cost value. If no specific ground for valuation is mentioned, valuation is done at cost price.

Consolidation

In 2009 Mars Real Estates Investments was founded, Mars Pension Fund owns 100% of the shares of MREI B.V. In the consolidated balance sheet and profit and loss account of Mars Pension Fund the figures of the participation in MREI B.V. are included.

Principles for valuation of assets and liabilities

Principles for the conversion of foreign exchange
Other receivables, debts and obligations, as far as stated in foreign currency, are being converted at the exchange rate per balance sheet date, except for as far the exchange risk has been covered. In those cases valuation is based upon the agreed forward price. The exchange results as a result of the conversion are being presented as part of the investments income in the profit and loss account.

Investments at the risk of the pension fund
Real estate investments are direct investments in property. An independent appraiser values each property in the portfolio in December of each year. This valuation is used to report the value of the Fund’s real estate investments. Valuation is being done against appraisal value.

Equities are valued at the latest available quoted market price per balance sheet date. The value of the private equity and hedge fund investments presented under equities are being determined by independent parties on a fair value basis based upon the FAS 157 principles.

Bonds are valued at fair value including the accrued interest at balance date.

Derivatives
At year end interest rate swaps and currency swaps, which are traded publicly, are valued using the market price of comparable instruments. Interest is accrued on a monthly basis upon the conditions of the contract. Therefore these amounts are included in the change in the fair value.

Options are being valued at the market price at year-end. If no market price is available on a official exchange, the value of the ‘over the counter’ option contract is determined by the investment manager, using general accepted pricing models like Black & Scholes, using the market data at year-end.

The fair value of futures contracts is determined by using the market price at year-end. The fair value of the forward currency contracts is based on the forward market rate at year-end and is based on the gain or loss that would be realised if the contract would be closed out at year-end.

Negative positions of derivatives are presented under short term liabilities.

The other financial investments are valued at fair value at balance sheet date. The cash presented under other financial investments is valued at cost value at balance date.

As far as above investments are stated in foreign currency, valuation is done at the exchange rate per balance sheet date. Transactions related to investments in foreign currency within the reporting period are reported in the annual accounts at the rate at time of settlement.

Investments at the risk of the members
The investments at the risk of the members are valued at latest available quoted market price per balance sheet date. This is the unit value of the investment funds per balance sheet date.

Cash
Cash is being valued at cost value. This is the balance per December 31st 2011.

Provisions are taken for actual rights existing per balance sheet date where a cash outflow is expected and where the amount can be determined in a reliable manner.

The provisions are valued at the best estimate value for the amounts required to be able to settle the liabilities per balance sheet date. The provisions are being valued at the cash value of the expenses which will likely to be required to settle the liabilities.

When liabilities are likely to be compensated by another party, this compensation will be presented in the balance sheet as an asset if it is likely this compensation will be received along with the settlement of the liability.

Actuarial accrued liability
The actuarial accrued liabilities at risk of the pension fund (AAL) are set at fair value. The market value is calculated as the present value of estimated future cashflows, based on the unconditional pension entitlements as at the balance sheet date. The unconditional pension entitlements include the accrued pension entitlements.The present value is calculated based on the term structure of interest rates, published by the Dutch central bank (DNB), applicable as at the calculation date.

The actuarial accrued liability is based on the applicable pension plans as at the balance sheet date and on the pension entitlements that can be attributed to the service years completed as at the balance sheet date. This includes all granted increases based on the indexation policy to any members as at balance sheet date. No account is taken of the increase of the accrued pension entitlements of the active members with effect from 1 January following the balance sheet date.

The pension liability for active members is determined as the present value of the accrued benefits up until balance sheet date. The pension liability for non-active members, disabled members, and surviving dependants is determined as the present value of the pension entitlements granted.

Life expectancy rates in determining actuarial accrued liabilities:
- For males and females, the life expectancy rates are derived from the AG Prognosetafel 2010-2060 male mortality table as published by the Dutch Actuarial Association
- For experience rating the mortality rates are adjusted with correction factors Towers Watson 2010 experience rates.

Actuarial interest rate
Term structure of interest rates, published by the Dutch central bank (DNB), applicable as at the calculation date.

Assumed retirement ages
For the 2006 Pension Plan it is assumed that active and deferred members retire at age 61. All other (inactive) members are assumed to retire at the normal retirement age in the pension plan.

Future costs
The actuarial accrued liability takes into account an addition of 2% for future costs for executing the pension plans.

Actuarial partner assumption
For the valuation of partner pensions the following assumptions are used:
- For retirees the actual marital/partner status is used
- For active and deferred members a 100% rate of partner occurrence is assumed up to and including the retirement date.
- It is assumed that the male is three years older than the female.

The IBNR provision for disability is equal to twice the expected yearly loss. The expected yearly loss is equal the risk premium for disability as used in determination of the cost covering contribution (1.5% of salary sum).

Reinsurance
The Pension Fund has a reinsurance on a stop-loss basis in order to insure the risk of death-in-service and disability-in-service. In 2011, no amounts can be claimed.

Other assets and liabilities
The other assets and liabilities are presented at cost value.

Principles for the determination of the result

General
In the profit and loss account,the income and losses are presented which can be addressed to the annual year. All direct and indirect investment revenues are directly presented under the income statement. The investments costs are presented separately.

Interest and investment results at the risk of the pension fund
The investment results at the risk of the pension fund are investment results where the risk of the investments is for the pension fund.

Interest and investment results at the risk of the members
The investment results at the risk of the members are investment results where the risk of the investments is for the members.

Other cost
Costs are determined on a historical basis and assigned to the reporting year to which these apply.

Reinsurance
The Pension Fund has a reinsurance on a stop-loss basis in order to insure the risk of death-in-service and disability-in-service. In 2011, no amounts can be claimed.

Cash flow report
The changes presented in the cash flow report are the changes in cash on the current account as well as the investment accounts of the Pension Fund. The balance of the cash available for investments and real estate are being presented on the balance sheet under other financial investments. The balance of the cash on the current account of Mars Pension Fund is presented separately under the assets.

11.5 Notes to the Balance Sheet

Investments for risk Pension Fund

1 Real Estate

	2011	2010
Balance per January 1st	8,579	18
Purchases	19,199	9,064
Sales	-	-
Valuation changes	-2,338	-503
Other	479	-
Balance per December 31st	25,919	8,579

2 Equities[1]

	2011	2010
Balance per January 1st	473,952	498,184
Purchases	102,981	409,754
Sales	-113,233	-496,153
Valuation changes	-12,479	62,872
Reclassification[2]	-	-705
Balance per December 31st	451,221	473,952

3 Bonds[3]

	2011	2010
Balance per January 1st	382,488	318,011
Purchases	368,964	809,208
Sales	-402,563	-778,734
Valuation changes	12,360	32,871
Reclassification[2]	-	705
Other	-755	427
Balance per December 31st	360,494	382,488

4 Other financial investments

	31-12-2011	31-12-2010
Cash available for investments	26,630	2,037
Other financial investments	23,649	33,200
Total	50,279	35.237

The Other financial investments partly consist of cash or cash equivalents, for this reason no movement schedule is presented.

[1] Including Private Equity, Hedge Funds. Excluding Convertible Bonds.
[2] In 2010 there has been a reclassification between the equities and the bonds of EUR 705. In order to reconcile the investment administration and the annual statement, this difference has been processed in both sections under the section reclassification.
[3] Excluding Cash. Including Convertible Bonds.

Unless explicitly mentioned differently all amounts are in thousands of euros

5 Derivatives

	31-12-2011	31-12-2010
Derivatives	5,113	52

As far as each individual derivative has a positive balance, it is presented under assets. If each individual derivate has a negative balance, it is presented under other liablilities. A further explanation on the derivates can be found in paragraph 11.6 “Risk management and derivatives”.

6 Investments for risk members

	2011	2010
Balance per January 1st	4,464	2,990
Contributions	1,092	1,003
Transfer values balance	21	22
Valuation changes	-440	449
Other	-5	0
Balance per December 31st	5,132	4,464

The investments for risk members are not at risk for the Pension Fund. These investments are invested in passive investments funds. The principles of valuation and determination of result for these investments are the same as the investments at the risk of the Pension Fund.

7 Other financial assets

	31-12-2011	31-12-2010
Contributions to be received	-	1,222
Receivable from employers other than pension contribution	-	354
Other receivables	739	326
Total	739	1,902

8 Cash and cash equivalents

	31-12-2011	31-12-2010
Rabobank	3,359	1,161
Royal Bank of Scotland	1	1,699
Total	3,360	2,860

The section Cash and cash equivalents includes the funds in bank accounts which are repayable on demand.

9 Foundation Capital

The foundation’s capital amounts to NLG 1,000 (EUR 454) and remained unchanged during the financial year. As a result of the conversion to Euro the foundation capital has been rounded off to zero.

10 General reserve

The minimum regulatory own funds, 4.2% of the actuarial accrued liabilities at the risk of the pension fund, is EUR 33,414. The regulatory own funds amount to EUR 209,358 and is equal to 26.0% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the regulatory own funds.

Unless explicitly mentioned differently all amounts are in thousands of euros

The following table shows the regulatory own funds, minimum regulatory own funds and present own funds per December 31st, 2011.

Balance per December 31st, 2011	EUR	Funding Ratio
Present own funds	75,156	109.3%
Minimum regulatory own funds	33,414	104.2%
Regulatory own funds	209,358	126.0%

In September 2009 a (revised) recovery plan was submitted to DNB. The pension fund has been in a reserve deficit since November 2008. Following the recovery plan it is expected that at the end of 2016 the fund will be out of reserve deficit. The expected funding ratio at the end of 2011 is 122%.

At year-end 2010 the Funding Ratio is above the Required Solvency Ratio, but in July 2011 the Funding Ratio dropped again below the Required Solvency Ratio and at year-end 2011 the Funding Ratio is still below the Required Solvency Ratio. This means that the long-term recovery plan is still applicable at year-end 2011.

The main topic in the recovery plan is the expectation of the Pension Board that the Funding Ratio will recover within maximum 5 years to the Required Solvency Ratio. According to the recovery plan the pension contribution for the employers is at least the smoothened cost covering contribution and expected to be between 20% and 25% of the salary sum of all active members. According to the recovery plan a contribution below 20% might be applicable after 12 years. In the recovery plan it is the expectation that the first few years only partial indexation of about 20% of the ambition might be possible.

11 Technical liabilities at the risk of the Pension Fund

The change in the provision for pension liabilities is specified below:	2011	2010
Provision for pension liabilities per January 1st	698,224	616.951
Interest	9,179	8,109
Indexation to the account of the pension fund	5,024	7,448
Accrual of benefits	13,977	12,259
Mortality	-1,767	-625
Other actuarial and technical assumptions	-1,143	-1,124
Disability / rehabilitation	822	201
Individual transfer value (balance)	-551	-461
Benefit payments (incl. surrender value)	-25,271	-24,842
Available for costs	-505	-497
Yield curve change	107,211	62,694
Corrections	-2,261	658
Change of mortality assumptions	0	17,453
Total change	104,715	81,273
Provisions for pension liabilities per December 31st	802,939	698,224

Unless explicitly mentioned differently all amounts are in thousands of euros

The pension liability for active members is determined as the present value of the accrued benefits up until balance sheet date. The pension liability for non-active members, disabled members, and surviving dependants is determined as the present value of the pension entitlements granted.

	31-12-2011	31-12-2010
Actives	365,333	302,198
Deferred participants	107,230	86,243
Pensioners	355,865	331,689
Sub-total	828,428	720,130
Minus: Industry wide Pension Fund	-25,489	-21,906
Total	802,939	698,224

For more information about the deduction of the liabilities of the Industry wide Pension Fund see paragraph 7.1.

12 Provision for future disability

	2011	2010
Balance per January 1st	2,034	1,661
Changes	184	373
Balance per December 31st	2,218	2,034

The provision for future disability at the end of the financial year 2011 is set equal to twice the yearly risk premium for disability.

13 Technical liabilities at the risk of the members

	2011	2010
Balance per January 1st	4,464	2,990
Contribution employer/employee	1,092	1,003
Exchange gain/loss	-440	449
Balance value transfers	21	22
Other	-5	0
Balance per December 31st	5,132	4,464

14 Taxes and premiums social security

	31-12-2011	31-12-2010
Tax and national insurance contributions and social premiums to pay	704	726

15 Other liabilities

	31-12-2011	31-12-2010
Derivatives	11,881	2,054
Employers pension contributions 2011 balance to settle	793	-
Accrued expenses and other liabilities	3,434	2,636
Total	16,108	4,690

As far as each individual derivative has a positive balance, it is presented under assets. If each individual derivate has a negative balance, it is presented under other liabilities. A further explanation on the derivates can be found in paragraph 11.6 “Risk management and derivatives”.

Unless explicitly mentioned differently all amounts are in thousands of euros

Off-balance sheet assets and commitments

With respect to the investments in private equity, MPF has an off-balance sheet commitment of USD 94 million to PEM to invest in EFFEM II Fund. Non-compliance can lead to the charging of interest as well as legal- and other collection costs.

11.6 Risk Management and Derivates

The figures presented in this section are based on the “look-through approach”. Which means that investments in investment funds are categorized based on the underlying investments in the investment funds. The figures presented on the balance sheet under “Investments for risk Pension Fund” are not based on this approach. On the balance sheet the investments are categorized per investment manager in total. Each investment manager is being allocated to only one investment category. For this reason the presented amounts in this section do not reconcile with the categorization on the balance sheet.

11.6.1 Market Risk

Market risk can be split into interest rate risk, currency risk and price risk. The investment guidelines define the strategy Mars Pension Fund will adopt to control market risk. In practice, the Investment Committee oversees the controls regarding market risk, in line with the agreed policy framework and investment guidelines. Periodically all aggregated market positions will be reported to the Investment Committee and the Pension Board.

11.6.2 Interest rate risk

A pension fund will be confronted with interest rate risk if and when the interest rate sensitivity of the investments is different from the interest rate sensitivity of the liabilities. If the relevant interest rate changes the investments will react differently than the liabilities and this has a consequence for the funded status. A measure of interest rate sensitivity is the so-called duration, which is technically the weighted average remaining maturity of all cash flows. The duration approximately represents the percentage change in the value of investments and liabilities as a result of a 1% interest rate change.

Balance Sheet Value	31-12-2011	31-12-2010
	EUR	EUR
Fixed Income Duration (excluding derivatives)	4.0	3.6
Fixed Income Duration (including derivatives)	5.4	5.1
Duration of the (nominal) pension liabilities	17.7	17.2

The duration of the fixed income portion of the investments is much shorter than the duration of the liabilities. It is assumed that all non-fixed income assets have zero duration.
In 2011 the Pension Board has adopted a formal interest rate hedging procedure. This interest rate hedging procedure is dynamic in nature. The interest rate hedge will generally increase linearly with the relevant interest rate, but small tactical deviations are possible. This hedging process will go live as of January 1st 2012. Given the generally very low interest rates at the end of 2011, the initial hedge level is going to be small as well, and based on the information available will be 15% of the assets at the end of 2011. The strategic level of the interest rate hedge will be 50% of the assets.
The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. Notably the negotiation and finalisation of the ISDA agreements, to allow for a derivatives based implementation, has proven to be quite cumbersome. Also the verification of the appropriate operational systems and procedures used by the intended investment manager was an extensive process. The Pension Board is now however confident that operational and counterparty risks can be managed appropriately.

Unless explicitly mentioned differently all amounts are in thousands of euros

The Pension Fund's fixed income portfolio, excluding derivatives, can be divided into the following subcategories.

	2011		2010	
	EUR	%	EUR	%
Government Bonds	80,707	19.3	88,623	22.1
Index-linked Bonds	176	0.0	0.0	0.0
Mortgages and MBS	13,512	3.3	16,090	4.0
Credits	225,614	54.0	231,036	57.3
Pooled Funds	43,147	10.4	32,685	8.1
Cash and cash-like instruments	54,323	13.0	34,301	8.5
Total[1]	417,479	100.0	402,735	100.0

11.6.3 Currency risk

At the end of 2011, about 75,0 % (2010 68.5%) of the investment portfolio has been invested outside of the Euro zone. The actual EUR (lookt-hrough) exposure of the total portfolio before and after hedging was respectively 52.6 % and 81.4% at the end of 2011. The total net market value of the outstanding currency forward contracts at the end of the year was EUR -1.20m.

The investments in non-Euro securities can be classified as follows:

	31-12-2011	31-12-2010
	EUR	EUR
Real estate	26,333	8,579
Equities	326,769	391,629
Fixed Income	196,576	219,770
Other Investments	64,052	-2,336
Total	613,730	617,642

The lookthrough currency exposure before and after plan level hedging can be specified as follows:

			31-12-2011	31-12-2010
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
	EUR	EUR	EUR	EUR
Euro	464.9	254.1	719.0	659.0
British pound	34.9	-50.7	-15.8	3.1
Japanese yen	37.9	-30.1	7.8	-22.3
US Dollar	216.2	-153.1	63.1	93.7
Other	129.7	-20.2	109.5	167.6
Total	883.6	0.0	883.6	901.1

11.6.4 Price Risk

All investments and all asset classes are subject to the risk of price movement. Some to a limited degree like for example short maturity government bonds, some to a heightened degree like for example emerging market equities. One must bear in mind however that the asset classes with the highest price risk also tend to have the highest expected returns. Or, in other words, the portfolio of MPF needs to carry some degree of

[1] Including Cash, excluding Convertible Bonds

Unless explicitly mentioned differently all amounts are in thousands of euros

price risk, otherwise the expected return will not be sufficient. This trade-off between risk and return is addressed in the ALM study and this has resulted in a strategic investment policy in which the price risk of asset classes will be accepted when the expected return is commensurate. Generally, movements in price lead to movements in value and the value changes are directly and fully reflected in the value of the investment portfolio. On a strategic level the Pension Fund manages the impact of price risk by diversifying across many asset classes and by considering only active investment management. On a tactical level the Pension Fund controls the price risk by underweighting perceived overvalued asset classes within the allowable ranges. Hedging it through derivatives like options and futures can also mitigate price risk.

The equity investments can be divided into the following regions[1]:

Equities (regions)	31-12-2011	31-12-2010
	EUR	EUR
EAFE	146.2	151.2
United States	166.9	171.7
Emerging Markets	64.1	94.4
Total	377.2	417.3

11.6.5 Credit Risk

Credit risk can be defined as the risk of financial losses for the Pension Fund as a consequence of a counterparty default or payment impairment, if the Pension Fund is a creditor of this counterparty. The Pension Fund's exposure to Bond issuers, banks (through deposits), reinsurers, and OTC derivative counterparties are all subject to credit risk.

Settlement risk is a specific element of credit risk that needs to be mentioned because it relates to all investment transactions. This occurs when parties, with which the Pension Fund has engaged in financial transactions, are incapable of honouring their obligations under the transaction within pre-agreed time limits, and this inability to honour the obligations leads to a financial loss for the Pension Fund.

There are various ways in which a pension fund can control credit and settlement risks, first and foremost to impose counterparty exposure limits on the total fund level and to implement an effective collateral management programme. Mars Pension Fund also gives its fixed income investment managers investment guidelines that seek to diversify the credit risk as broadly as possible. The Pension Fund tries to mitigate the settlement risk by only investing in markets where a proper and reliable clearing and settlement system is in operation. The Pension Fund requires from its investment managers that they perform a due diligence investigation into the clearing and settlement system of each markets before the manager is allowed to invest in a new market. If and when the Pension Fund engages in transactions in non-exchange traded instruments directly, like OTC derivative transactions, it will do so only when ISDA and CSA agreements have been established with the transaction counterparties so that the Pension Fund's financial position in such a transaction is properly collateralised. It should be mentioned that Mars Pension Fund does not provide any mortgage loans and has stopped its securities lending programme in 2009.

[1] Excluding Private Equity, Hedge Funds. Including Convertible Bonds.

Unless explicitly mentioned differently all amounts are in thousands of euros

In the table below, the sectoral division of the Pension Fund's fixed income investments is presented[1]

In Millions EUR	31-12-2011	31-12-2010
	EUR	EUR
Basic Materials	2.7	4.9
Communications	8.8	11.6
Consumer, Cyclical	3.6	2.7
Consumer non-cyclical	6.6	9.0
Diversified	2.1	1.7
Energy	6.5	7.6
Financial	121.4	141.3
Funds	109.6	81.8
Government	58.7	71.1
Industrial	2.5	2.2
Technology	1.2	0.2
Utilities	3.4	5.2
Other	84.6	61.8
Total	411.7	401.1

The regional split is given below:

In Millions EUR	31-12-2011	31-12-2010
	EUR	EUR
Mature markets	393.9	349.2
BRIC[2] countries	2.7	7.5
Other emerging markets	15.1	44.4
Total	411.7	401.1

The credit rating split of all debt issues in the fixed income portfolio is as follows[3]:

In Millions EUR	31-12-2011	31-12-2010
	EUR	EUR
AAA	74.5	91.9
AA	28.0	37.1
A	42.5	46.2
BBB	58.3	61.9
Lower than BBB	42.1	39.0
No rating	172.1	126.6
Total	417.5	402.7

The Bond funds managed by GMO are classified as "no rating". At the end of 2010 and 2011 there is no concentration risk, i.e. no more than 50% of the total fixed income portfolio is invested in any given sector or category.

[1] Including Derivatives
[2] Brasil, Russia, India and China
[3] Excluding Derivatives

11.6.6 Liquidity Risk

Liquidity risk is the risk that investments cannot be sold within an acceptable time period and/or cannot be transformed into cash at an acceptable price, as a consequence of which the fund cannot meet its financial obligations. The liquidity needs of the Pension Fund are modelled and taken into consideration in the investment strategy review, and the resulting asset allocation reflects the Pension Fund's liquidity needs. The Pension Fund will invest sufficiently in highly liquid assets that can be sold quickly and efficiently under most market circumstances. Furthermore the Pension Fund invests in assets that generate periodical income streams that can be used to meet the Pension Fund's financial obligations, thereby reducing and/or eliminating the need to sell investments to meet cash needs. Income generating assets include (almost) all fixed income investments and property investments. As of the end of 2011 the Pension Fund has sufficient liquid asset to meet its liquidity needs. However the intention, as said, is not to sell these assets but use the income from income generating assets to supply the required liquidity. The ETBC also creates a liquidity planning for the Pension Fund on a monthly basis.

11.6.7 Concentration Risk

Large individual investments in the portfolio can lead to concentration risk. In order to determine which investments could be earmarked as large positions one must add all positions against one and the same debtor per asset class. Large positions are then defined as positions that constitute more than 2% of the total investment value of the portfolio. As per 31 December 2010 there is no individual position that constitutes more than 2% of the total investment value of the portfolio. Generally speaking, concentration risk can occur if adequate diversification is missing. Concentration risks can then occur in regional, sector or counterparty exposures. For example loan or equity portfolios that are only invested in a handful of sectors could lead to concentration risks.

11.6.8 Other Financial Risks

1 Systemic Risk

One can talk about systemic risk when the global financial system (all financial and capital markets) is no longer functioning properly, in which case the fund would not be able to trade its investments, and absent a properly working market could (temporarily) lose their value. The global financial and banking system has witnessed this to some extent in the credit crisis of 2007/2008 where a lot of "structured" investments products, particularly related to US sub-prime mortgages could no longer be sold, leading to severe problems for many banks and other financial institutions around the globe. A few financial institutions even went bankrupt, because they could not meet their liquidity requirements because they were unable to sell securities for which there suddenly was no market anymore. A systemic risk or systemic failure is hard to control for directly by any financial institution. However, careful monitoring of liquidity, counterparty and concentration risk can help mitigate the impact of a systemic crisis. In the ALM study of 2012, MPF will explicitly model various Tail Risk Hedging strategies that could help mitigate the negative effects of a systemic crisis.

2 Specific Financial Instruments (Derivatives)

Within the ranges of the agreed strategic investment possibility the Pension Fund can use financial derivatives to hedge financial risks or to enhance or restrict certain exposures. The possible financial effects of using derivatives will always be taken into consideration.
The use of financial derivatives will expose the Pension Fund to price risk and counterparty risk (the risk that counterparties to the transaction cannot meet their financial obligations under the transaction). Only using approved counterparties and the use of collateral can mitigate this risk.The following instruments can be used:

Futures
These are standard exchange traded instruments that can be used to change the exposure to asset classes. Futures will be used to implement the Pension Fund's tactical investment strategy and for rebalancing purposes. Tactical deviations from policy are allowable within the predefined ranges of the strategic investment policy.

Equity Put Options
This concerns exchange traded or over-the-counter (OTC) options with which the Pension Fund can limit the downside risk of an equity portfolio. The Pension Fund has to pay a premium to obtain a put option, and this premium is dependent on the actual value of the underlying equity index, the maturity of the options, and the exercise price of the option. In case the Pension Fund would write a put option (sell a put option), then the premium would be received but the Pension Fund would be exposed to price risk in case the underlying index would decrease in value.

Equity Call Options
This concerns exchange traded or over-the-counter (OTC) options with which the Pension Fund can capture the upside potential of an equity portfolio. The Pension Fund has to pay a premium to obtain a call option, and this premium is dependent on the actual value of the underlying equity index, the maturity of the options and the exercise price of the option. In case the Pension Fund would write a put option (sell a put option), then the premium would be received but the Pension Fund would be exposed to price risk in case the underlying index would increase in value.

Currency Forward Contracts
These are individual contracts with financial counterparties where both parties agree to buy one currency and sell another currency at a pre-agreed price (the forward rate) and at a pre-agreed time. Currency forward contracts are used to hedge exchange rate risks.

Swaps
A swap is defined as an over-the counter contract with a counterparty (usually a bank) in with both contract parties agree to exchange interest payments on a pre-agreed notional value. The use of swaps will help the Pension Fund to increase the interest rate sensitivity of the portfolio, thereby reducing the duration mismatch.

Swaptions
A swaptions is an option contract on a swap. The option buyer is allowed to enter into a swap contract with a counterparty at a pre-specified interest rate, with a pre-specified maturity at a pre-specified time. The option buyer will only do so if the contract terms are better than the market terms at the time of exercise.

The table below shows the derivatives positions in the Pension Fund as per December 31, 2011:

Type of contract	Expiry Date	Notional Values	Market Value assets	Market Value liabilities
		EUR	EUR	EUR
Futures	Various	63.0	1.1	-
Currency Forward contracts[1]	Various	1,059.5	3.5	10.2
Options	Various	99.1	0.2	0.2
Interest Rate Swaps	Various	6.0	-	0.1
Credit Default Swaps	Various	32.4	0.3	1.4
Total		1,260.0	5.1	11.9

[1] The total notional value of the currency forward contracts includes the notional values of all long legs and all short legs of all currency forward contracts. This introduces a double count, but it represents the preferred method of reporting as indicated by DNB.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.7 Notes to the Profit and Loss Account

16 Investment results for risk Pension Fund

	2011	2010
Real estate	-887	-425
Equities	-8,287	70,790
Bonds	25,514	46,524
Cash	-15,780	-37,399
Other	-7	-15
Total	553	79,475

	Direct turnovers	Indirect turnovers	2011	2010
Real estate	1,451	-2,338	-887	-425
Equities	4,192	-12,479	-8,287	70,790
Bonds	13,153	12,361	25,514	46,524
Cash	665	-16,445	-15,780	-37,399
Other	-7	-	-7	-15
Total	19,454	-18,901	553	79,475

17 Contributions

More detailed explanation of the (smoothened) cost covering contribution ((S)CCC) and actual contribution:
The actual premium amounts to 20% of the pensionable salaries reduced with the premium contributions of the employer to BPF. The actual premium amounts to EUR 13,520.The unsmoothened respectively the smoothened cost covering contribution amount to respectively EUR 21,374 and EUR 13,917.

The costs covering, smoothened and actual contributions are composed as follows:

	2011	2010
Cost covering contribution	21,374	18,615
Smoothened contribution	13,917	13,233
Actual contribution	13,520	11,592

The actual premium is excluding the FVP contributions (EUR 14) and including the premium contribution for participants account and risk (EUR 1,092), as mentioned in explanation 21.

The costs covering contribution is composed as follows:

	2011	2010
Unconditional accrual	16,545	14,550
Solvency surcharge	4,296	3,522
Surcharge for administration costs	533	543
Total	21,374	18,615

See chapter 9 for more information.

Unless explicitly mentioned differently all amounts are in thousands of euros

18 Investment results for the account and risk of members

	2011	2010
Investment results for the account and risk of the members	-445	449

19 Balance transfer of rights for the account and risk members

	2011	2010
Incoming transfer values ASP	128	40
Outgoing transfer values ASP	-107	-18
Total	21	22

20 Contributions for the account and risk members

	2011	2010
Obligatory employee contribution	454	399
Voluntary employee contribution	319	302
Employer contribution	319	302
Total contribution	1,092	1,003

21 Other income

	2011	2010
Refundable income tax MREI	-	171
Other	1	-
Total	1	171

22 Costs asset managers

	2011	2010
Other external costs	3,558	3,625
Value added tax for foreign asset managers costs	123	121
Total	3,681	3,746

23 Benefits payment

	2011	2010
Retirement pension	21,871	21,345
Partner pension	2,891	2,782
Disability pension	353	310
Orphan pension	48	48
Total	25,163	24,485

24 Change pension provision

	2011	2009
Change provision	104,715	81,273

See also the specification under reference number 11.

25 Change provision for future disability

	2011	2010
Provision change for future disability	184	373

See also the specification under reference number 12.

Unless explicitly mentioned differently all amounts are in thousands of euros

26 Change provision for the account and risk of members

	2011	2010
Provision change for the account and risk of members	668	1,474

See also the specification under reference number 13.

27 Execution and administration cost

	2011	2010
Audit fee	124	100
Actuarial costs	401	614
Administration costs	1.076	1.130
Advisory costs	351	682
Cross charges from the employer	130	127
Governance costs	148	169
Communication costs	135	136
Other costs	398	47
Total	2.763	3.005

Audit fee

	2011	2010
Annual account audit	65	78
Audit MREI	13	8
Audit Investments	27	13
Other non auditing services	19	1
Total	124	100

The audit fee for the annual accounts 2011 also include costs related to the year 2010 (EUR 18) booked in 2011, which were above the accrued expenses for 2010.

The audit fee for investments in 2011 also include costs related to the year 2010 (EUR 4) booked in 2011, which were above the accrued expenses for 2010.

28 Reinsurance premiums

The Pension Fund has closed a reinsurance contract on a stop-loss basis to be able to insure the risk of death and disability.
In 2011 no declaration of damages was applicable as the actual damage was lower than the priority of the contract which applied per 2011.
The result on (risk)insurance is negative, EUR 37k and contains the risk premium paid to the reinsurer. The real damages in 2011 was not more than the already mentioned priority, therefore no payment from the reinsurer was received.

29 Balance transfer of rights for risk fund

	2011	2010
Incoming transfer values	-94	-32
Outgoing transfer values	535	393
Total	441	361

30 Other cost

	2011	2010
Adjustment Corporate Income Tax MREI 2010	136	-
Corporate Income Tax MREI 2011	116	-
Other	-	121
Total	252	121

Unless explicitly mentioned differently all amounts are in thousands of euros

11.8 (Single) Balance Sheet after appropriation of result (in EUR 1,000) of MPF

Assets		31-12-2011		31-12-2010	
Investments for risk Pension Fund					
Equities	2	451,221		473,952	
Bonds	3	360,494		382,488	
Other financial investments	31	48,118		34,260	
Derivatives	5	5,113		52	
			864,946		890,752
Investments for risk members					
Investments for risk members	6		5,132		4,464
Other financial assets	32		27,119		11,008
Cash	8		3,360		2,860
			900,557		**909,084**
Liabilities					
Reserves					
Foundation capital	9		-		-
General reserve	10		75,156		199,396
Technical provisions					
Technical liabilities at the risk of the Pension fund	11	802,939		698,224	
Provision for future disability	12	2,218		2,034	
			805,157		700,258
Technical liabilities at the risk of the members	13		5,132		4,464
Short term liabilities					
Taxes and premiums social security	14	704		726	
Other liabilities	33	14,408		4,240	
			15,112		4,966
			900,557		**909,084**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.9 (Single) Profit and Loss Account (in EUR 1,000) of MPF

Income		2011		2010	
Investment result for risk Pension Fund	34	1,909		79,960	
Contributions	17	12,442		10,598	
			14,351		90,558
Results for the account and risk of the members (ASP)					
Investment results for the account and risk of members	18	-445		449	
Balance transfer of rights for the account and risk members	19	21		22	
Contributions for the account and risk members	20	1,092		1,003	
			668		1,474
Other income			-		-
Balance income			**15,019**		**92,032**
Losses					
Costs asset managers	22		3,681		3,746
Benefits payment	23		25,163		24,485
Mutation pension provision	24		104,715		81,273
Mutation provision for future disability	25		184		373
Mutation provision for the account and risk members	26		668		1,474
Execution and administration cost	35		2,310		2,785
Premiums reinsurance	28		37		33
Balance transfer of rights for risk of fund	29		441		361
Other cost	30		-		121
Balance losses			**137,199**		**114,651**
Result Mars Pension Fund			**-122.180**		**-22,619**
Result participation in MREI			**-2,060**		**-534**
Total Result			**-124,240**		**-23,153**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.10 Principles of Valuation and Determination of Result

The principles of valuation for the single balance sheet and profit and loss account are almost the same as the principles for the consolidated balance sheet and profit and loss account (see also 11.4).

In addition to the consolidated balance sheet the participation in Mars Real Estates Investments B.V. is valued at net asset value.

11.11 Notes to the (single) Balance Sheet

General

If the amount presented on the single balance sheet is the same as the amount presented on the consolidated balance sheet, the amount has the same referencenumber as the amount on the consolidated balance sheet. Details for these amounts can be found in paragraph 11.5 “Notes to the Balance Sheet”

31 Other financial investments

	31-12-2011	31-12-2010
Investments accounts Mars	26,630	2,037
Other financial investments	21,488	32,223
Total	48,118	34,260

32 Other financial assets

Current assets

	31-12-2011	31-12-2010
Contributions to be received	-	1,222
Receivable from employers other than pension contribution	-	354
Other receivables	176	50
Total	176	1,626

Non current assets

	31-12-2011	31-12-2010
Loan to MREI	19,623	6,373
Value participation in MREI.	7,320	3,009
Total	26,943	9,382

Unless explicitly mentioned differently all amounts are in thousands of euros

The development during the year of the participation in Mars Real Estates Investments B.V. was as follows:

	2011	2010
Balance per January 1st	3,009	18
Premium March 23, 2011	838	-
Premium July 13, 2011	1,839	-
Premium November 11, 2011	2,364	-
Premium December 12, 2011	1,240	-
Revaluation foreign currency opening balance	90	-
Premium April 4, 2010	-	117
Premium October 10, 2010	-	1,284
Premium November 2, 2010	-	2,124
Result participation in MREI	-2,060	-534
Balance per December 31st	7,320	3,009

33 Other Liabilities

	31-12-2011	31-12-2010
Derivatives	11,881	2,054
Employers pension contributions 2011 balance to settle	793	-
Accrued expenses and other liabilities	1,735	2,636
Total	14,409	4,690

As far as the derivatives have a positive balance, they are presented under assets. If the derivates have a negative balance, they are presented under other liablilities. A further explanation on the derivates can be found in paragraph 11.6 “Risk management and derivatives”.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.12 Notes to the (single) Profit and Loss Account

36 Investments results for risk Pension Fund

	2011	2010
Real estate	-	3
Equities	-8,287	70,790
Bonds	25,513	46,524
Cash	-15,311	-37,341
Other	-7	-16
Total	1,908	79,960

	Direct turnovers	Indirect turnovers	2011	2010
Real estate	-	-	-	3
Equities	4,192	-12,479	-8,287	70,790
Bonds	13,153	12,360	25,513	46,524
Cash	1,132	-16,443	-15,311	-37,341
Other	-7	0	-7	-16
Total	18,470	-16,562	1,908	79,960

37 Execution and administration costs

	2011	2010
Audit fee	111	80
Actuarial costs	401	614
Administration costs	1,164	1,177
Advisory costs	389	568
Cross charges from the employer	130	131
Governance costs	51	96
Other costs	64	119
Total	2,310	2,785

Veghel, *15 June 2012*

The Pension Board,

W. van Ettinger (chairman)

P. den Hollander (secretary)

Unless explicitly mentioned differently all amounts are in thousands of euros

OTHER INFORMATION

12.1 Statutory Arrangement for the Settlement of the Result

In line with the Articles of Association making of profit is not a target. As a result the balance of the profit loss account will be brought in favour to or deducted from the reserves.

Proposal settlement result

The proposal is to decrease the reserves with the balance of the profit and income for an amount of EUR 124,240. This proposal has already been incorporated in the balance sheet.

Administrative and Financial Agreement

For the funding of the accrual of the pension entitlements with Mars Pension Fund the companies are obliged to pay contribution to the Pension Fund. The rules to determine the contribution, based on the Funding Level are described in detail in the Administrative and Financial Agreement.

Events after balance date

The Pension Board has decided in the Pension Board meeting of January 26 and 30, 2012 to grant a partial indexation of 0.29% and the maximum contribution of 25%. This decision was according the Administrative and Financial Agreement based on the Funding Ratio as per December 31, 2011.

12.2 Actuarial Statement

Engagement

Stichting Mars Pensioenfonds, established in Veghel, engaged Towers Watson to issue an actuarial statement, as referred to in the Pension Act, for the financial year 2011.

Information

The information on which my review was based, was provided by and compiled under the responsibility of the board of the pension fund.
I reviewed the actual funding and assessed the financial position on the basis of the financial information underlying the financial statements.
In accordance with the guidelines on “Cooperation between the auditor and actuary in respect of the audit of the accounts of insurance institutions" the auditor of the pension fund provided me with information on the reliability and completeness of the administrative basic data and other principles and assumptions that are relevant in forming my judgement.

Activities

To perform the engagement I ascertained whether Sections 126 to 140 of the Pension Act had been complied with. The administrative basic data provided by the pension fund and the findings of the auditor in relation to this data were such that I used this data as a starting point for my judgement activities.
As part of the activities for the engagement:

- I reviewed, among other things, whether the technical provisions, the minimum level of regulatory own funds and the required level of regulatory own funds have been sufficiently stated; and
- I formed a judgement about the financial position of the pension fund.

I have conducted my audit and assessment to obtain reasonable assurance that the results contain no material misstatements. I formed a judgement about the probability that the pension fund will be able to meet its liabilities accrued until the balance sheet date, taking into account the pension fund's financial policy.

The work described and the performance thereof is in accordance with the standards and practices applicable within the Actuarieel Genootschap (Dutch Actuarial Association) and in my view constitute a sound basis for my judgement.

Judgement

Seen as a whole, the technical provisions have been adequately established in accordance with the computation rules, principles and assumptions.

On the balance sheet date the own funds of the pension fund are less than the regulatory own funds, but not less than the minimum regulatory own funds. Measured to the regulatory standard with respect to the liabilities entered into until the balance sheet date, there is a reserve deficit.

Taking the foregoing into account, I have ascertained that Sections 126 to 140 of the Pension Act have been complied with, with exception of Section 132, because of a reserve deficit.

To my judgement the financial position of Stichting Mars Pensioenfonds is not sufficient because of a reserve deficit.

Apeldoorn, June 15, 2012

R. Kruijff AAG
Towers Watson

12.3 Auditors Report

Report on the financial statements

We have audited the accompanying financial statements 2011 of Stichting Mars Pensioenfonds, Veghel, which comprise the consolidated and company balance sheet as at 31 December 2011, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

The board's responsibility

The board is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Board Report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code and in compliance with article 146 of the Dutch Pension Act. Furthermore, the board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Mars Pensioenfonds as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and in compliance with article 146 of the Dutch Pension Act.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Board Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, June 15, 2012
PricewaterhouseCoopers Accountants N.V.

Original has been signed by Drs. H.C. van der Rijst RA

12.4 Terminology

ABTN	*Actuariële Bedrijfs Technische Nota*
AFA - Administrative & Financial Agreement	*Uitvoeringsovereenkomst*
AFM	*Autoriteit Financiële Markten*
AG	*Actuarieel Genootschap*
ALM	Asset Liability Management
ARP *(MUP)*	Associate Retirement Plan *(Medewerker Uittredings Plan)*
ASP *(MSP)*	Associate Selection Plan *(Medewerker Selectie Plan)*
BPF (industry wide pension fund)	*Bedrijfstak Pensioen Fonds*
CBS	*Centraal Bureau voor de Statistiek*
CPI	*Consumenten Prijs Index*
CSA	Credit Support Annex
Defined Contribution Pension Scheme (DC)	*Beschikbare premieregeling*
DNB	*De Nederlandsche Bank*
EAFE	European And Far East
EB – Executive Board	*Dagelijks bestuur*
ECB	*Europese Centrale Bank*
ETBC	European Treasury & Benefits Centre
FED	Federal Reserve Board
GDP	Gross Domestic Product *(Bruto Nationaal Product)*
IBNR	Incurred But Not Reported
IMA	Investment Management Agreement
ISDA	International Swaps and Derivatives Association
KPI	Key Performance Indicators
LDI	*Financieel Toetsings Kader*
MPF	*Stichting Mars Pensioenfonds*
MREI	Mars Real Estate Investments B.V.
OTC	Over The Counter
PCC	*Pensioen Communicatie Commissie*
RIG	Russel Investment Group
RTS	*Rentetermijnstructuur*
SLA	Service Level Agreement
UPO (Uniform Pension Overview)	Benefit Statement *(Uniform Pensioen Overzicht)*