Stichting Mars Pensioenfonds Veghel

Annual Report 2012

Stichting Mars Pensioenfonds

Pension administration
ACS HR Solutions
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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)	2012	2011	2010	2009	2008
Members and pensioners					
Active members	1,389	1,208	1,241	1,217	1,235
Deferred members	1,158	1,166	1,165	1,196	1,186
Retirees	1.037	970	964	917	899
Pensioners per type					
Old age pension	774	724	721	689	663
Partner- and orphan pension	255	237	237	228	236
Pensions					
Cost covering contribution	35.3%	32.1%	27.2%	31.0%	26.3%
Smoothened cost covering contribution	21.0%	20.9%	19.4%	18.4%	21.4%
Actual contribution	25.00%	20.0%	16.0%	25.0%	1.2%
Execution- and administration costs	1,874	2,310	3,005	2,450	1,167
Benefits payments	25,350	25,163	24,485	23,831	23,087
Interest and Indexation					
Active members (MUP interest) average/year	5.59%	4,77%	3.70%	5.42%	4.67%
Inactive members, conditional indexation	0.29%	1.19%	1.83%	1.35%	1.64%
	1-1-2012	1-1-2011	1-1-2010	1-1-2009	1-1-2008
CPI	2.71%	1.58%	0.38%	3.85%	1.46%
Assets and solvency					
General reserve	106,230	75,156	199,400	222,500	74,000
Minimum general reserve	36,473	33,414	35,013	30,900	31,200
Regulatory own funds	221,903	209,358	194,465	173,300	168,800
Actuarial Accrued Liabilities at the risk of the pension fund	878,000	805,200	700,300	618,600	624,400
Funding ratio	112%	109%	129%	136%	112%
Assets					
Market Value of assets	999,000	893,000	900,300	852,000	689,900
Investment returns	123,000	600	79,500	157,600	-194,900
Investment portfolio					
Real estate	52,300	25,900	8,600	-	-
Equity	464,500	403,200	474,000	498,000	355,900
Bonds	387,900	360,500	382,500	318,000	335,500
Other investments	62,600	98,300	35,300	35,800	-1,500
Investments for risk of the participants (MSP)					
Equity	7,685	5,118	4,459	2,990	1,526
Bonds	29	14	5	-	-
Investment results					
Total portfolio	13.5%	-0.0%	9.0%	22.4%	-20.5%
Benchmark Return	13.0%	0.5%	8.2%	21.1%	-23.3%
Average return per year					
Last 5 years	3.8%	2.3%	4.6%	7.6%	5.8%
Last 10 years	8.8%	5.9%	5.7%	4.9%	5.6%

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 a defined contribution and cash balance scheme depending on their start of service date.

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 March 2013 and applicable as from December 2012.

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 Board's composition must meet the criteria specified in the so called Plan of Expertise (*Deskundigheids Plan*) of Mars Pension Fund. The Pension Board shall pass resolutions by a simple majority vote, unless the Articles of Association (*Statuten*) provide otherwise. Each Pension Board Member can authorize another Pension Board Member in writing to represent him during a Pension Board meeting (including the authority to vote). A Pension Board Member can represent not more than one other Pension Board Member. Valid resolutions may only pass if at least six Pension Board Members are present or represented at the meeting of which three employer representatives and three employee representatives.

Unless explicitly mentioned differently all amounts are in thousands of euros

As of 31 December 2012 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 Mars 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	Technology Manager Bars Global Scale Team	2003	2013
Mr. J. van Lith	Board member	Secretary Works Council	2003	2015
Mrs. M. de Mars	Board member	Global Finance Controller, Mars Global Food & Drinks	1988	2014

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 normally appointed for a 3 years period, except in 2012. In 2012 the term of all three Pension Board members on behalf of members ended and the Pension Board decided this was undesirable because of the continuity risk. The Pension Board decided to three different terms for the three reappointed Pension Board members, so the termination of the period rotates:
- Mr. W. Van de Laar: 1 year
- Mr. J van Lith: 3 years
- Mrs. M. de Mars: 2 years

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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	Director
Mr. F. Nieuwland	EMEA Investments & Funding Manager

2.3.3 Pension Office

The Pension Board has delegated the operational duties to the Pension Office, which is led by a director. 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;
- Preparing recommendations to the Board with help of the Pensions Office and the Fund's advisors.
- 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 agreed between the Fund and the ETBC. 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	Director
Mrs. H. Bakermans	Pension Fund Services Manager
Mr. F. Nieuwland	Investments & Funding Manager
Mrs. S. Tonnaer	Benefits Manager

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 2012 the Supervisory Board consists of:

Name	Job title	Year of stepping down	On behalf of
Mr. I. Langer	Benefits Director S&F	2013	Employer
Mrs. W. Boot	S&F Divisional Head	2015	Employees
Mr. H. Faassen	Self Employed	2014	Retirees

In 2012 Mr. T. Hoogenboom left Mars and Mrs. W. Boot took his role in the Supervisory Board after an election procedure.

2.3.5 Administration

The Mars Pension Fund's member administration and the investment administration of the Associate Selection Plan of Plan 2004 have been outsourced to Lohoff & Partner GmbH in Isernhagen, Germany. The Pension Office has agreed a contract and has defined processes and deliverables. The financial administration and payroll are outsourced to ACS HR Solutions (a Xerox company) in Capelle aan den IJssel. The Fund has agreed contracts and Service Level Agreements with both ACS and Lohoff & Partner GmbH. Furthermore Lohoff & Partner GmbH provides a quarterly SLA report (administration report) and the annual ISAE 3402 report. ACS HR Solutions provides input for the quarterly SLA report and delivers monthly overviews regarding cash flow.

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 Investment Committee and the Advisory Committee Investment Structure ASP. Committee members are appointed by the Pension Board.

As from January 2012 the European Investment Committees have been harmonised. MPF's Investment Committee currently has the same members as the other six Investment Committees in Europe. The 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 2012 the Investment Committee was composed of the following members:

Name	Job title	Details
Mr. W. van Ettinger	Self employed	Also Chairman of the Pension Board
Mr. R. Lottermann	Retiree. Before: President Asia Pacific.	
Mr. A. Parton	VP Supply Chain Mars Chocolate Europe	
Mr. J. Price	Retiree. Before: VP Operations Europe Mars Petcare and Main Meal Food.	
Mr. W. Rigler	S&F Staff Officer Western Europe	
Mr. D. Szente	Chief Investment Officer	Chairman

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

On 31 December 2012 the Advisory 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	Director	2013	Company representative
Mr. B. Kanis	Barline Senior Technologist	2015	Member representative
Mr. R. van de Langenberg	Senior Associate Internal Audit EMEA	2015	Company representative
Vacancy			Member representative

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At the end of 2012 there were 3 possible candidates for the vacancy identified.

2.3.7 Investment Managers

The main investments managers, by value, are PIMCO, GMO, Marathon, Stone Harbor, Neuberger Berman, Lasalle IM and Arrowstreet. The investment manager for the Associate Selection Plan is Vanguard. All available funds for investment by members are index funds.

2.3.8 External advisors

Where necessary the Pension Fund and Board use outside consultants in carrying out its 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	Secor, 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 2012

Calendar year 2012 ended on a favourable note for risky assets including equities, high yield bonds and emerging market bonds. The strong returns were also accompanied by volatility with continued uncertainty in the European periphery, the negative impacts of austerity in the UK economy, political tension in the United States, and concerns about the sustainability of the strength exhibited at yearend in China.

In 2012, the major equity indices have achieved very acceptable gains – the UK 6.5%, the US 12.5%, Europe 13.5%, Japan 10%, Hong Kong 22%. Asian equity markets, except for China, once again delivered the best returns for global investors. Government bond yields have moved lower adding some capital gains to the ever-lower income yields, while corporate and peripheral Euro zone government bonds made more substantial gains as credit risk perceptions declined and equity markets rose.

Sterling has been the strongest of the world's major currencies, gaining 2% against the Euro, 4% against the dollar and 13% against the yen. With the very substantial proportion of UK stock market earnings generated overseas, this currency strength accounts for the slightly weaker performance of the UK market in 2012. The best performing currency was however gold which is 7.5% higher in dollars, and 3.5% higher in sterling.

Throughout the year, economic growth in Europe, Japan and China has consistently been low to negative, with Europe and Japan slipping back into double-dip recessions. Forecasts of company profits globally have ended 6% lower than the levels expected at the start of the year, and European profits much worse than this.

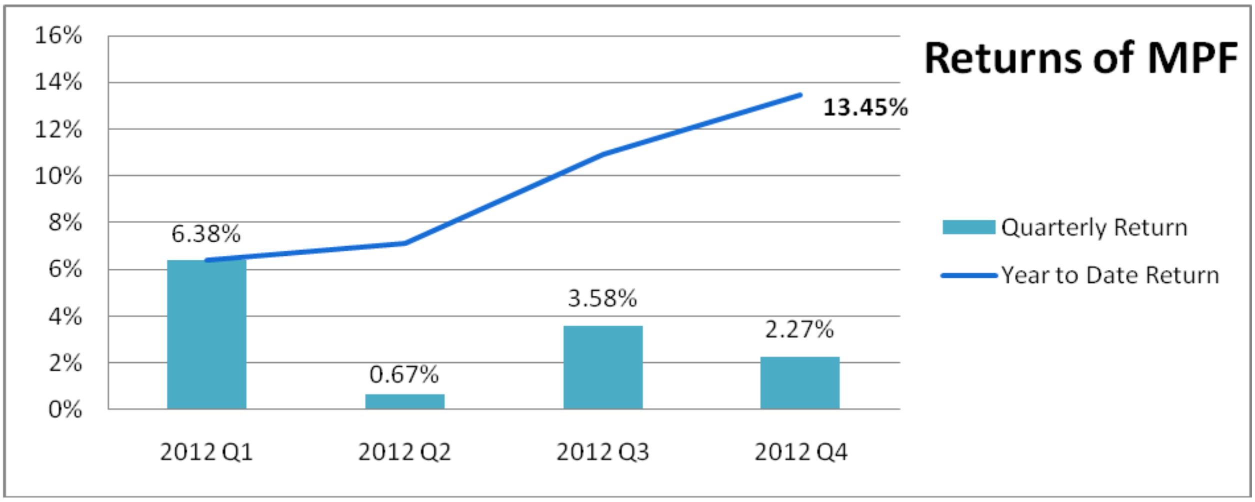
The most significant factor in this year's good returns is that last December there was fear in markets that the problems in the periphery would be too much for Europe to deal with. Stock markets thus began this year a little depressed, but rallied quickly in the first quarter after the announcement of two Long Term Repurchase Operations ("LTRO") by ECB President Mario Draghi. After this strong first quarter, markets then gave back the gains in the second quarter as the impact of the extra LTRO liquidity faded and the global economic data started to fall short of expectations. The Greek election managed to deliver a coalition majority in favour of the bailout and austerity program agreed with the EU and the IMF. However the economic and fiscal situation in Spain was deteriorating rapidly over the summer, once again calling into question the survival of the euro.

Since the late summer, it has been the policy actions of the ECB and the Federal Reserve that drove the markets higher, even as the economic news across Europe, the US, Japan and China continued to disappoint.

Thus the fear in financial markets, and consequent low prices, at the beginning of 2012, has given rise to the healthy returns from many investments over the year. The transition from that fear to the more current sense of complacency, together with the poorer performance of the global economy and corporate profits, means that markets begin 2013 at more expensive levels, perhaps leaving less scope for another year of double digits returns.

3.2 Return of MPF

The investment portfolio of the Pension Fund has realised a performance of 13.5% in 2012. In the first half of the year the performance was +7.1% and in the second half the performance came out at 5.9%. The benchmark return for 2012 was 12.22%, thereby the plan achieved an outperformance of 1.2%.



Stichting Mars Pensioenfonds has a well diversified portfolio with investments in public and alternative asset categories and has strategies in place to hedge the interest rate and currency risks. Further details to the fund strategy and performance are provided in section 8.

3.3 Costs

The Federation of Dutch Pension Funds has made some recommendations about how execution costs should be published. The costs to run the Pension Fund can be split into execution-and administration costs and investments related costs.

3.3.1 Execution- and administration costs

The execution- and administration costs are specified in the Annual Accounts (11.7 Notes to the profit and loss account – note 27.

This table shows the total and costs per member of the execution- and administration costs:

	2012	2011
Execution- and administration costs	1,874	2,310
Costs per member[1]	0.77	1.06

These costs include both the ongoing costs as well as the project costs. In 2012 an improvement project for the member administration has started, concerning process automation and standardisation.

As we have a high standard on member administration and communication we are aware MPF has relative high costs. The Pension Board will continue to monitor the costs and will engage in the CEM benchmark for an annual analysis for the 2012 costs.

[1] Calculation of the costs per member is based on a number of 2,426 active members and retirees (2011:2,187)

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3.3.2 Investments costs

MPF has in 2012, together with the appointed investment managers, constructed a specification of all investment related costs. Also, a benchmark exercise has been completed with CEM Benchmarking Inc. This company's benchmarking methodology is recommended by the Federation of Dutch Pension Funds.

The table below shows the investment related costs incurred by the Pension Fund in 2012:

Investment related costs	Costs outside the funds	Costs inside the funds	Total costs
	in bps.	in bps.	in bps.
Management fees	0.26%	0.32%	0.58%
Advisory fees	0.16%	0.00%	0.16%
Other fees	0.06%	0.07%	0.12%
Performance fees	0.00%	0.02%	0.02%
Total	**0.48%**	**0.40%**	**0.88%**
Benchmark			**0.63%**
Difference vs Benchmark			**0.25%**

It includes all direct costs (invoices paid by the Pension Fund) as well as all costs charged indirectly through the Funds that the Pension Fund invests in. It includes costs related to Management fees, Custody fees, legal fees, administrative / audit costs.[1]
This table excludes transaction costs. These costs are invisible for the Pension Fund and generally not yet recorded and available within the industry. Transaction costs are difficult to uncover, but MPF will work with the IM's to be able to disclose reasonable estimates for the 2013 annual accounts For the so called second-layer costs within Fund of Funds structures (costs charged to the underlying funds) a proxy has been included based on the guidance of CEM.
The total investment related costs in 2012 are 88 bps. The Benchmark from the CEM exercise on 2011 data was 63bps. The outcome of the CEM exercise based on 2012 data, which will provide a new benchmark, will be completed in August 2013, however it can be assumed that the costs structure is reasonably stable across the years.
It can be concluded that the Pension Fund has a high investment costs structure, however one should always consider this together with the investment performance of the Pension Fund. In 2012 the Pension Fund has outperformed the benchmark by 1.2%. Over the last 10 years the Pension fund has added 1.7% annually relative to its strategic benchmark.

The relatively high investment costs can be explained by the way the Pension Fund has structured the investment policy, organisation and approach:

- The assets of the Pension Fund are 100% externally and actively managed, which is the most costly solution, which is assumed to provide the highest outperformance.
- The Pension Fund has a high allocation to risky assets as well as alternative investments, which are assumed to provide the highest return and these managers generally charge higher fees.
- The Pension Fund has a relatively small internal team and pays relatively high fees to obtain strategic advice.

The Pension Board will continue to monitor the costs and will engage CEM for an annual analysis for the coming years.

[1] Directly invoiced investment related costs are specified in the Annual Accounts (chapter 11.7, note 22).

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3.4 Pensions

During 2012 the liabilities have increased by 9.2% to EUR 878.9 million. This is mainly caused by a decrease in the yield curve (RTS) and the change of mortality assumptions 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:

	2012	2011	2010
Old plan rules[1]	43	52	52
Plan 2004	516	272	274
Plan 2006	830	884	915
Sum of total	**1,389**	**1,208**	**1,241**

For the members in Plan 2006 the pensions in payment and deferred rights were increased as per 1 January 2012 by 0.29%. The reference price inflation for this period was 2.69%, the Wage index for this period was 1.65% and the Funding Ratio was below the Legally Required Solvency Ratio at year-end 2011. This means that the indexation granted was not equal to the ambition of the Pension Fund, which results in an outstanding catch-up indexation of 1.73%.

For the active members in Plan 2004 the (annualised) interest on the ARP was 5.71% for the period 1 January 2012 until 30 June 2012 and 5.47% for the second half of 2012. 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 2011 and per end of June 2012 were both lower than the Legally Required Solvency Ratio for that particular month, so the interest for deferred members was not equal to the interest for the active members during 2012, but equal to 1.01% for the first half of 2012 and 0.02% for the second half of 2012.

3.5 Actuarial

In this section we summarize the actuarial report.

Financial position	31 December 2012	31 December 2011
Market Value of Assets	985,099	880,313
Actuarial Accrued Liabilities at the risk of the pension fund	878,869	805,157
Actuarial Accrued Liabilities at the risk of the members	7,714	5,132
Actual Funding Ratio	112.1%	109.3%
Legally Required Solvency Ratio	125.2%	126.0%
Legally Required Minimum Solvency Ratio	104.2%	104.2%

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

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During the financial year 2012 the Actuarial Accrued Liabilities (AAL) at risk of the pension fund increased with 73,712. Important reasons for this are the yield curve change (increase of AAL of 55,684, including effect UFR) and the change in mortality assumptions (increase of AAL of 16,363). The Market Value of Assets increased by 104,786 during 2012.

The profit and loss account (P/L) shows a positive result of 31,074 leading to the own funds increasing from 75,156 to 106,230 in 2012.

The Funding Ratio increased during 2012 from 109.3% to 112.1%. Since July 2011 there is a reserve deficit.

The cost covering contribution on market value is determined at 26,738. The smoothened cost covering contribution equals 15,954. The actual contribution was 19,978.
For more information please see Chapter 9.

According to the judgment of the certifying actuary the financial position of Stichting Mars Pensioenfonds is not sufficient.

3.6 Funding Ratio

In the first half of 2012 the Funding Ratio decreased due to the decreased interest rate. In June 2012 the funding ratio was 104.0%, which is below the Minimum Legally Required Solvency Ratio of 104.2%. DNB agreed that no short-term recovery plan was needed, since as of July 2012 the funding ratio was increased and higher than the Minimum Legally Required Solvency Ratio again. As of the introduction of the UFR per 30 September 2012, the funding ratio increased again. During 2012 the pension liabilities of the Mars Pension Fund increased in total by 9.2% to EUR 878.9 million. The assets have increased by 11.9% over 2012. At year-end 2012 the Funding Ratio was 112.1%. This was below the Legally Required Solvency Ratio of 125.2%, 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 73.8% as of year-end 2012. 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 plan rules of MPF it is our ambition to conditionally grant 75% of Dutch price inflation. The real funding ratio is 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 2009	136%	127%
End 2010	128%	128%
End 2011	109%	126%
End 2012	112%	125%

3.7 Recovery plan

In November 2008, the Funding Ratio (115%) was below the Legally Required Solvency Ratio (126%). In March 2009 a long term recovery plan was submitted to *DNB* and in September 2009 a revised one.

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. For MPF this has not been the case and at year-end 2012 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 2012.

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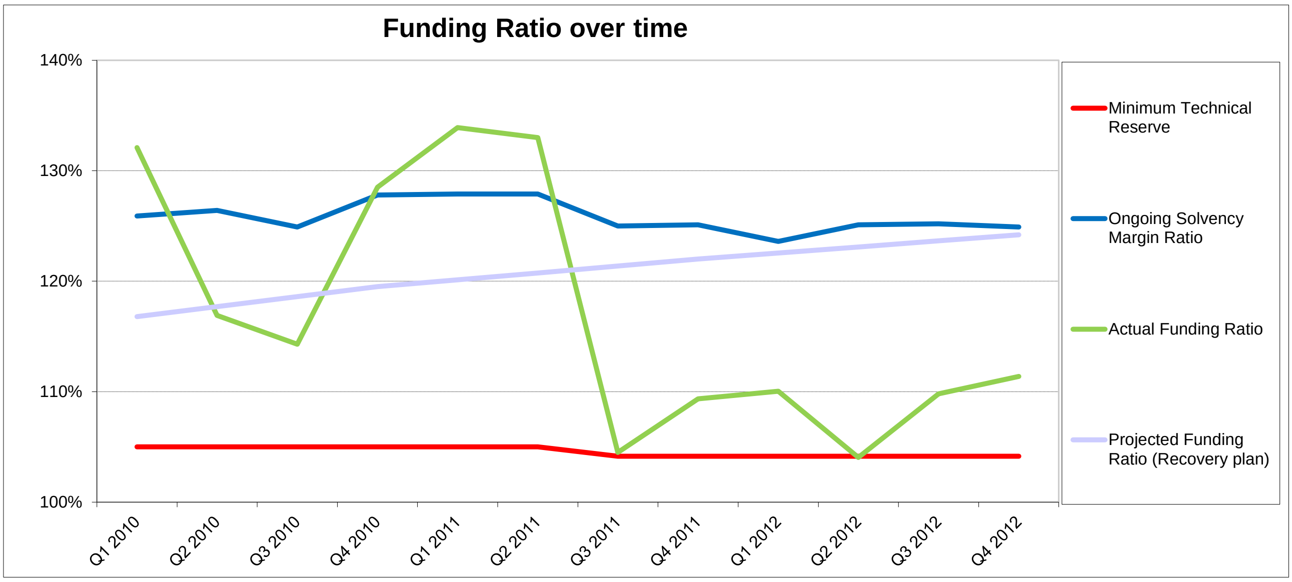
The Funding Ratio at year-end 2012 of 112.1% is lower than the expected funding ratio in the recovery plan of 124.2%, but higher than the expected funding ratio according to the 2011 evaluation of the recovery plan (111.9%). According to the 2012 evaluation of the recovery plan (Quarterly reports to DNB, K502) the Funding Ratio is expected to be higher than the Legally Required Solvency Ratio at the end of 2015.

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 sponsors 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 2011 was below the Legally Required Solvency Ratio the Pension Board decided to set the contribution for 2012 at the agreed maximum level of 25% of the pensionable salary sum of all active members. The smoothened cost covering contribution 2012 was below this 25%.

3.9 Supervision

There were no penalties from DNB received during 2012. 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

In 2012, the Dutch Minister of Social Affairs has presented a detailed overview and a proposal for legislation for the new governance models. As this remained a law proposal in 2012, the Pension Board has not decided in 2012 on the future of its governance model yet. This decision will be made when legislation is adopted, which is expected in 2013.

5.2 Investments

MPF is currently working on an ALM study to establish new policies for the foreseeable future. The study will, as usual, focus on the funding, indexation and investment policies and is planned to be finalised in the first half of 2013. The outcome of the ALM study will most likely lead to reallocations between the existing asset classes. A possible new addition to the investment policy could be an allocation to the Private Credit asset class.

In 2012, the LDI program has gone live, whereby MPF (partially) hedges its interest rate risk. The hedge will generally increase linearly with the relevant (real) interest rate. The specific interest rate environment and the development of the financial position of the Pension Fund will determine the LDI hedge movement in 2013. Also in 2012 MPF has included a tactical Tail Risk hedge in the portfolio to mitigate the risk of a negative tail Risk event, in principal for a one year period. The ongoing inclusion of a Tactical Tail Risk hedge as part of the portfolio is dependent on the macro economic developments and outlook.

The current Property allocation is still below the strategic target, but is expected to increase in 2013. The plan has seized a number of buying opportunities in 2012.

The ETBC has started the execution of a comprehensive risk management project. The vision is that by the end of 2013, 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

The changes in fiscal legislation as from 1 January 2014 are clear. The sponsor has decided to make only the necessary changes to the Mars Pension Plans as from January 2014 in order to comply with the new legislation. The sponsor has communicated this to the Pension Board. A communication plan for the pension changes is developed to inform the participants in 2013.

As changes in 2015 have not yet been legislated, the sponsor has not made any decision regarding the pension plan designs as from 2015. The Pension Office and the Pension Board support the sponsor in this process and in informing the members timely. We expect significant changes as from 1 January 2015. Both the Pension Board and the Pension Office 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 2012 it is possible, but not likely, that we will be able to terminate the long-term recovery plan by the end of 2015. 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.

5.5 Pensions

In addition to the pension plans mentioned in paragraph 7.1 (plan 2006) and 7.2 (plan2004) there is the pension scheme of the industry wide pension Fund (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie), the BPF Sweets. Participation in BPF Sweets depends on the height of the pensionable salary. Because of the significant decrease of the salary ceiling of the Industry Wide Pension Fund, there was a significant increase of the members of Plan 2004. Also for a significant group of active members in Plan 2006 the BPF accrual stopped as a consequence of the decrease ceiling. All these members were given the choice to transfer their accrued pension rights from the Industry Wide Pension Fund to MPF. This transfer of value will take place in 2013. DNB has approved this transfer in April 2013. The total amount is not yet known as the process is not yet finished.

6 PENSION BOARD EXPERIENCES

The Pension Board had six physical meetings in 2012 (4 regular board meetings and 2 training days). 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 2012 Pension Board members have attended several 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. Van de Laar, Mr. Van Lith and Mrs. M. De Mars as representatives of the employees in the Pension Board were reappointed for a term of 1, 3 and 2 years respectively. The Supervisory Board member on behalf of members Mr. T. Hoogeboom left Mars in 2012, leaving a vacancy in the Supervisory Board. After the election procedure, Mrs. W. Boot was appointed in 2012 as Supervisory Board member on behalf of employees for a term of 3 years.

The Pension Board has formalised the Competency Teams. Pension Board members are appointed to areas of expertise defined by DNB. These Competency Teams have detailed knowledge of their area, and also manage the area in more detail and advice other Pension Board members on their topics. In 2012, the roles and responsibilities of the Competency Teams were finalised.

Topic	Scope	Pension Board Members
Legal	Pension Law Governance	Mrs. A. Bergknut Mrs. A. Poliquin
Actuarial	Actuarial Accrued Liability Contribution ALM / CA	Mr. J. van Bon Mr. W. van Ettinger
Investments	Strategic Assets Allocation	Mr. W. van Ettinger Mrs. M. de Mars
Administration	Member administration Financial administration Pensioners payroll	Mr. W. van de Laar Mr. P. den Hollander
Communication	Pension Communication	Mrs. A. Bergknut Mr. J. van Lith
Governance	Governance	Mrs. A. Poliquin Mr. W. van Ettinger
Outsourcing	Outsourcing	Mr. J. van Bon Mr. W. van Ettinger

Together with the sponsoring companies the Pension Board is trying to identify candidates that can fill the vacancies in the Committee Investment Structure ASP. Finding the right candidates who are willing to participate for a number of years in such a committee next to their daily work was challenging in the previous years. At the end of 2012 however, there were 3 interested candidates for the remaining vacancy. The Pension Board has decided to change the charter of the Advisory Committee Investment Structure ASP, allowing more than 2 members of Pension Plan 2004, as member representatives to join the Advice Committee Investment Structure ASP. This will be implemented in 2013.

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 Asset Liability Watch (ALW) was provided by Towers Watson. In the first half of 2012 the Funding Ratio decreased due to the decreased interest rate. In June 2012 the Funding Ratio was slightly below the Minimum Legally Required Solvency Ratio, which implies a funding deficit. However DNB confirmed by email at 23 August 2012 that no short term recovery plan was needed, since the funding ratio in July 2012 was increased and again above the Minimum Legally Required Solvency Ratio. As of the introduction of the UFR per 30 September 2012, the funding ratio increased again. With the Funding Ratio of 112.1% at 31 December 2012 the Funding Ratio is below the expected Funding Ratio in the long-term recovery plan (124.2%) but above the expected Funding Ratio in the 2011 evaluation of the recovery plan (111.9%). At year-end 2012 there still is a reserve deficit.

Funding and indexation 2012
In line with the funding and indexation policy of the Mars Pension Fund the Pension Board decided in its Board meeting of 30 January 2012 to grant an indexation of 0.29% effective 1 January 2012, which results in an outstanding indexation of 1.73%.
The contribution paid in 2012 was the maximum contribution of 25% of the salary bill of all active members. For 2013 the contribution is also 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, 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 to 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 2012 there were 1.4% of the members who have chosen for opting out with a total of 3% of the assets.

6.5 Administration

In 2012 most actions of the implementation of the member administration were completed. All historical divorces were implemented and now we are well prepared for the new requirements of the Pensioenregister which are due by the end of 2012. In 2012 an improvement project has started, concerning process automation and standardisation. This project will continue and be finalised in 2013.

6.6 Communication

During 2012 the existing communication strategy plan ended after a three years period. Together with the communication advisor (Towers Watson), the Pension Communication Committee has started to update the communication strategy which will be ready 2013.

During 2012 more than 40 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. A separate communication plan has been agreed in order to manage the expected changes in 2014/2015.

6.7 Legal

The attachments of Plan 2006 and 2000 with the conversion rates have been updated in 2012.
The ABTN (Administrative and Financial Agreement) has been updated with:

- Life expectancy rates and TW experience rate;
- Annual check and adjustment of the conversion rates Plan 2000 and 2006;
- The change of external advisor from Russell Investment Group to SECOR;
- The interim investment policy for 2013.

6.8 Governance Advisory Committee and Supervisory Board follow up

In 2011 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.

- Pension Board Continuity/Succession/[S]election
  In 2012, all 3 Pension Board members on behalf of members were due to stand down. The Pension Board acknowledged this to be a risk for succession, so decided to have different future terms for the Pension Board members on behalf of members: 1 year, 2 years and 3 years. All 3 Pension Board members continued their membership.
  Regarding the succession, the Pension Board has taken this to hart by having the Compliance Officer (Mrs. J. van de Broek) and the new Supervisory Board member (Mrs. W. Boot) trained. Both have expressed their interest to become a Pension Board member in the future. Part of the training is the possibility to join the walk in sessions (the monthly trainings sessions for the Pension Board starting in 2013).

  The Pension Board has also decided in 2012 to open the Advisory Committee Investment Committee for more than the current 4 members, as the turnover rate is high and because there are more possible new candidates. This gives members the opportunity to gain knowledge and experience in the pension matter.

  The election process of the Pension Board members on behalf of members was managed and documented in eShare; every step of this process was described and each step met was documented.

- Although there is an enhanced and professional Investment Committee the Pension Board remains responsible for the strategic investment decisions and risk management and control
  The Pension Board feels the structure of this Investment Committee works very well: the Investment Committee works according to their mandate. The Pension Board is well informed about the advices and decisions and advice of the Investment Committee in each Pension Board meeting. The Pension Board decided to invest in more training, in 2013 there will be a monthly walk in session. The topic depends on the need for information of the Pension Board; this can be investment related.

- Cost Transparency
  In 2012 MPF participated in the CEM benchmark on investment costs and administration costs of Dutch pension funds. This concerned the costs of 2011. The results will be discussed in the March

2013 meeting and decided will be if this benchmark provides enough information for next steps or that a more detailed report is needed for next year.

- Legislative Changes
  The Pension Board keeps well informed about the legislative changes and other recent developments; this is topic of every Pension Board meeting. The impact on the Mars pension plans are discussed during these meetings also. The plans of the sponsor for the changes in 2014 (not worked out in detail yet) are shared with the Pension Board. The relationship with the sponsor is good.

- Governance Model
  As legislation is not final yet, the Pension Board has not decided on a model yet. However, the demands on expertise of the current model are known and discussed.

According to the Law, the Governance Advisory Committee (Visitatiecommissie) should start from the end of this year to form their opinion on what the Pension Board has done over the year 2012. In 2012 the Pension Board discussed the Governance Advisory Committee process in several meetings and decided to wait with their decision for more clarity about the governance models, which is expected in July 2013.

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 2012: EUR 19,069.25
Employee contribution	0%
Normal retirement age	65
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.

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).

Unless explicitly mentioned differently all amounts are in thousands of euros

	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 13,062.00	EUR 13,062.00
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
Normal retirement age	65	65
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

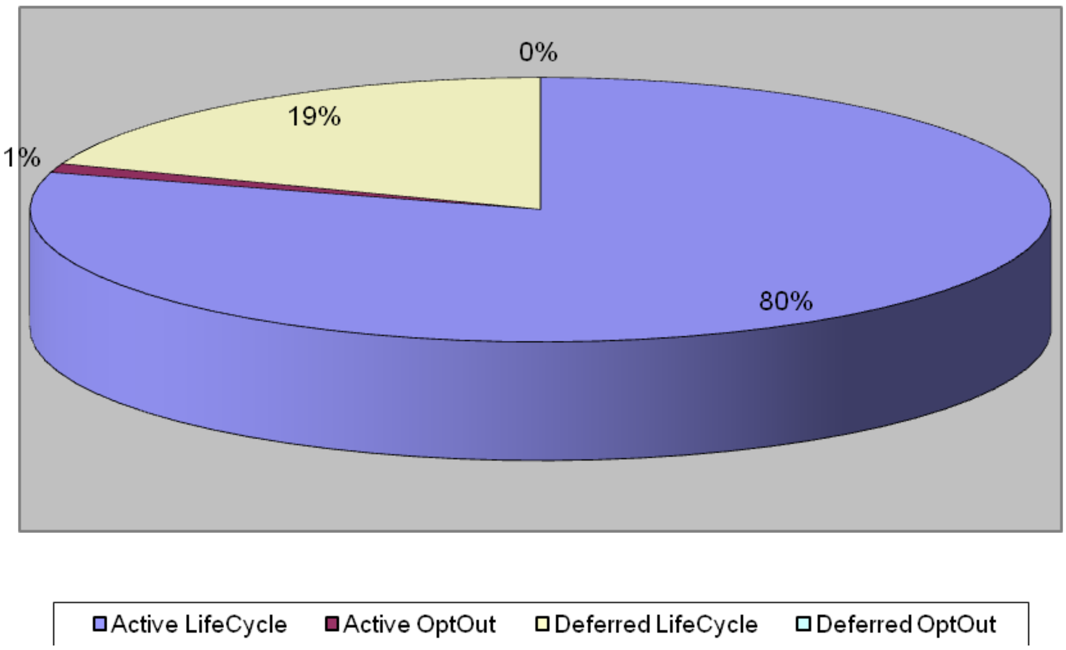
In 2012 there were no developments in legislation and regulation that had any impact on the existing pension schemes of the Mars Pension fund.

7.4 Developments of the Membership

The development of the membership over 2012 is shown in the table below.

	Active [1]	Deferred	Old age pension	Partner pension	Orphans pension	Disability pension
Balance end 2011	1,208	1,166	724	223	15	8
New members	271					
Deferred	-34	34				
Disabled						
Retirement	-51	-19	70			
Decease	-5	-3	-19	9	9	
Surrender		-11	-1			
Transfer out		-8				
Other reason		-1		-3	2	
Balance mutations	181	-8	50	6	11	0
Balance end 2012	1,389	1,158	774	229	26	8

Investment choices members Plan 2004



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 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 2012 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 2011. We also show the interim policy as it will apply in 2013 and the actual asset allocation at the end of 2012.

Asset Category	LT Investment Policy	2013 interim policy	End 2012 Asset Allocation	Minimum	Maximum
Equities	**39.0%**	**42.7%**	**43.7%**	**25.0%**	**53.0%**
Developed Equities	32.0%	34.6%	35.7%	22.0%	42.0%
Emerging Market Equities	7.0%	8.1%	8.0%	3.0%	11.0%
Fixed Income	**30.0%**	**43.1%**	**37.7%**	**10.0%**	**64.9%**
High Quality Fixed Income	20.0%	32.9%	27.5%	10.0%	42.9%
High Yield Bonds	6.0%	6.0%	6.0%	0.0%	12.0%
Emerging Market Debt	4.0%	4.2%	4.2%	0.0%	10.0%
Alternatives	**31.0%**	**14.3%**	**14.3%**	**12.0%**	**50.0%**
Property	20.0%	5.3%	5.3%	10.0%	30.0%
Private Equity	6.0%	5.3%	5.3%	1.0%	11.0%
Hedge Funds	5.0%	3.7%	3.7%	1.0%	9.0%
Cash / Other	**0.0%**	**0.0%**	**4.4%**	**0.0%**	**5.0%**
Hedges					
Currency	85.00%	74.80%	73.50%	70.00%	100.00%
Interest Rate	50.00%	0.0%-50%	26.00%	0.00%	75.00%
Inflation	11.00%	0.0%-11%	0.00%	0.00%	75.00%

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 is still valid until a new investment policy will have been established after the ALM study of 2013.The interim policy for 2013 reflects the intended allocations for the year. From the table above one can see that the Pension Fund is still in the build-up phase with respect to its property and private equity allocation. Also, as mentioned earlier, the LDI program has started 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 collateral required for the LDI strategy is reflected in the actual asset allocation of cash per end of 2012. The results of the ALM Study and the Investment Strategy review indicate that the funded status volatility can be reduced from around 12% currently to 8% when a 50% interest rate hedge will be implemented.

Unless explicitly mentioned differently all amounts are in thousands of euros

8.2 Returns

The Pension Fund has realised a performance of 13.45% in 2012. The benchmark return for 2012 was 13.0%. The relative excess performance in 2012 therefore has been 0.45%. This small excess performance is attributable to a number of factors that will be elaborated upon below.

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

Category	Portfolio	Benchmark	Relative Performance
Property	-0.2%	9.6%	-9.8%
Public Equities	19.5%	14.8%	4.7%
Private Equities	0.0%	17.0%	-17.0%
Fixed Income	7.1%	8.2%	-1.1%
Hedgefunds	8.0%	5.2%	2.8%
Other[1]	4.9%	0.0%	4.9%
Total return mandate investments	**11.8%**	**11.3%**	**0.5%**
Plan Level Currency Hedge	0.4%	0.4%	0.0%
Plan Level LDI	1.2%	1.2%	0.0%
Total return (including overlays)	**13.5%**	**13.0%**	**0.5%**

The small property portfolio in the overall investment portfolio of the plan has experienced a decline in valuation and hence the negative return compared to a benchmark of -9.8%. Another negative contributor to the overall portfolio performance has been the private equity portfolio; the impact on the overall portfolio result however is small. Please take notice that both these alternative portfolios are measured against long term benchmarks, not taking account of current valuations in those markets. In 2013 a review will be conducted to determine appropriate market proxies. In contrast, the public equity portfolio has performed better than the benchmark. Notably selection effects within public equities in 2012 have been very good. Fixed income has been a detractor to overall performance. All these attribution elements, and more, have resulted in a small positive excess performance of 0.5%.
The table below presents the average asset class weights in 2012 plus the appropriate asset class benchmarks.

[1] Including cash & active currency managers

Unless explicitly mentioned differently all amounts are in thousands of euros

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

Asset Category	Benchmark	Average Portfolio weight	Average Policy Weight
US Equity	MSCI US (unhedged)	9.5%	9.9%
Emerging Markets	MSCI Emerging Markets (unhedged)	4.7%	5.5%
EAFE Equities	MSCI EAFE Index (unhedged)	9.5%	9.9%
Global Equity	MSCI All Country World Index (unhedged)	10.0%	9.8%
Global High Quality Fixed	Barclays Capital Global Aggregate ex JPY (EUR Hedged)	26.3%	30.8%
High Yield	BofA ML US High Yield Master II Index (H0A0) (EUR hedged)	7.2%	6.0%
Emerging Market Debt	50% JPM EMBI Global Index / 50% JPM GBI-EM Global Diversified Index (unhedged)	4.3%	4.0%
GMO Discretionary	80% MSCI ACWI & 20% JPMorgan Global Government Bond Index (unhedged)	11.4%	10.4%
Property	RPI (hedged in EUR) + 700 bps	4.8%	4.7%
Private Equity	MSCI World (unhedged) + 300 bps	3.7%	3.7%
Hedge Funds	3 Month US LIBOR + 5% (EUR Hedged)	5.4%	5.4%
Cash / Plan Level Overlays	LIBOR + 3%	3.3%	0.0%
Total	Total Plan Benchmark	100.0%	100.0%

In 2012 and the longer term, the Pension Fund outperformed relative to the benchmark, please see table below:

Year	Portfolio	Benchmark
2012	13.5%	13.0%
2011	0.0%	0.5%
2010	9.0%	8.2%
2009	22.4%	21.1%
2008	-20.5%	-23.3%
2007	5.9%	5.9%
2006	11.6%	11.5%
2005	25.2%	19.3%
2004	12.8%	11.1%
2003	15.7%	14.6%
2002	-13.1%	-16.1%
2001	-2.1%	-5.9%
Average last 5 years	3.8%	2.7%
Average last 10 years	8.8%	7.4%

Measured over a longer period of five and ten years, the average return for the Pension Fund lies above the strategic benchmark

Unless explicitly mentioned differently all amounts are in thousands of euros

9 ACTUARIAL SECTION

The actuarial analysis of the result 2012 is shown in the next table:

	2012		2011	
	EUR	EUR	EUR	EUR
Contributions and costs				
Employer contributions	15,758		10,419	
Employee contributions	1,579		1,092	
Accrual of benefits	-19,265		-15,069	
Contribution surcharge for costs	1,744		533	
Available for costs out of provision	514		505	
Execution and administration costs	-1,874		-2,310	
		-1,544		**-4,830**
Return and yield curve change				
Return on investments	113,599		-3,833	
Interest addition provision	-12,607		-9,179	
Yield curve change	-55,684		-107,211	
		45,308		**-120,223**
Other results				
Result on benefit transfers	42		124	
Result on other actuarial assumptions	2,351		3,451	
Change IBNR provision due to assumption change	1,480		-	
Other income	-		1	
Indexation	-1,429		-5,024	
Change in mortality assumptions	-16,363		-	
Corrections	1,249		2,261	
Other costs	-20		-	
		-12,690		**813**
		31,074		**-124,240**

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

	EUR
Cost covering contribution	26,738
Smoothened cost covering contribution	15,954
Actual contribution	19,978

Cost covering contribution (CCC)

The CCC is determined by using the interest rate term structure published by the DNB at the beginning of the year 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 risk profile. This is a surcharge for maintaining the required solvency buffers;
- A surcharge for costs for executing the pension plan, 2.3% of pensionable salaries.

Unless explicitly mentioned differently all amounts are in thousands of euros

Note that as of 2012 the cost loadings in the contribution are changed.

The CCC equals 26,738.

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 15,954.

Actual contribution

The actual contribution is agreed upon between the Pension Fund and the company in the Administrative & Financial Agreement. The actual employer 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 0.1% 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 1.4% of total pensionable salary for all pension plan members.

Due to the Funding Ratio at year-end 2011 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.

In 2012 the actual total contribution to the pension fund equals 19,978. This total actual contribution is less than the Cost Covering Contribution (market value) but more than the Smoothened Cost Covering Contribution. So, Mars Pension Fund met the requirements regarding the contribution for 2012.

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 MRSR 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 36,473. The minimum legally required solvency ratio amounts to 104.2% of the AAL at risk of the pension fund. The actual Funding Ratio equals 112.1%. 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 horizon. 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 the (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 221,903. The legally required solvency ratio amounts to 125.2% of the AAL at risk of the pension fund. The actual Funding Ratio equals 112.1%. 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 bylaws 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, pensioners and sponsors of Mars Pension Fund.

The Pension Board reviews the setting of policy, 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 as necessary to allow them to fulfill their job in the best manner.

The Supervisory Board in their report has considered the comments they made during past years and the corresponding responses from the Pension Fund Board. In addition the Supervisory Board has 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 Mars Pension Fund is proactive and engaged in the management of the Pension 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 Annual Report 2011

We note that The Pension Board has made good progress in its responses to the comments made by the Supervisory Board last year.

In particular we welcome the steps that have been taken to manage succession planning for Board Members with the implementation of different appointment terms and with the expansion of the membership of the ASP Investment Committee. We would ask the Pension Board to retain this as a focus as the complexity of Pension Board roles continues to grow.

We also welcome the ways of working that have been established with the Investment Committee and would like to congratulate the Pension Board for the implementation of enhanced training with the monthly Walk In training sessions.

The Supervisory Board feel these sessions work particularly well.

With regard to the findings of the Supervisory Board on the draft Annual Report 2012

The Supervisory Board would like the Pension Board to consider the following areas in 2013.

Firstly we have noted the actions that the Pension Board are taking in response to already announced legislative change and that additional substantive change is expected in the future. We ask that the Pension Board concentrates hard on ensuring that its administrator is well placed to deal with the complexity that such legislative change will cause to the administration of the plans.

Secondly we have noted that the membership of Plan 2004 is increasing caused by the significant decrease of the salary ceiling of the Industry Wide Pension Fund (Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie) for Mars as from 1 January 2012. Also for a significant group of active members in Plan 2006 the BPF accrual stopped as a consequence of the decreased ceiling. We noted that for many Associates the Industry Wide Pension Fund will transfer their accrued rights and we ask that the Board is mindful to ensure that any additional liability assumed by the Pension Fund is matched by an appropriately determined level of additional assets.

As in previous years we ask that the Pension Board continues to question whether the existing governance model is appropriate for the future and decide what a workable governance model would be, taking into account the time Pension Board members have available for their membership and the growing complexity.

We also ask the Pension Board to continue to evaluate that the existing complex approach to investments offers appropriate value for money and is manageable by the Pension Board and its designated committees.

Finally we would encourage the Pension Board to seek opportunities to share best practice with any other governance boards operated by the sponsoring employer to see if there are any opportunities for learning.

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

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:

With regard to the Annual Report 2011

- Pension Board Continuity/Succession – The Pension Board notes that the steps it has taken in this area related to the Pension Board appointment terms and to one of its committees are appreciated. Also the Supervisory Board and the Compliance Officer appointments are part of our succession strategy. We realise that we will have to remain focussed at this subject with more changes ahead in the coming years.
- Investment Committee — 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. The monthly Walk In sessions organized for the Pension Board and Supervisory Board and Compliance Officer seem a good means to further work on investment knowledge and other key topics.

With regard to the Annual Report 2012

- Administration of Legislative Changes — The Pension Board agrees this point whole-heartedly and has already started taking measures to seriously review the capabilities and performance of the current. Many changes are still not entirely clear and not yet law, but we have to be prepared to deal with them effectively and efficiently.

- Industry Wide Fund — The Pension Board is aware of this development and realizes that the Mars Fund and Industry Wide Fund are complementary to each other. The change was well communicated to those members involved. DNB was informed about this transfer as approval of DNB is needed. DNB wanted to know what the effect of this transfer would be on the financial situation of Mars Pension Fund. The actuary of Mars Pension Fund was consulted and DNB was informed about the following effects:
    - Plan 2006: the actuarial assumptions used to calculate the transferred value differ from the actuarial assumptions used by MPF, so the transfer has a negative result. However, this transferred value is very small compared to the total assets, so the impact on the funding ratio is very small.
    - Plan 2004: no effect for the ASP part. A minor effect on the funding ratio for ARP.

  In 2013, DNB has approved of this transfer of value.
- 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 and available time of Pension Board members- which is limited- into account.
- Investment Complexity - The Pension Board will continue to evaluate that the existing complex approach to investments offers appropriate value for money and is manageable by the Pension Board. It is realized that our investment policies aim at a very diversified portfolio of investments and appropriate state of the art risk management instruments, which require the utmost of the Pension Board in terms of adequate levels of expertise. The Walk In sessions are one instrument to tackle this.
- Best Practice – The Pension Board would take the suggestion to heart to seek opportunities to share best practice with other governance boards to see if there are any opportunities for learning.

Veghel, 17 June 2013

The Pension Board

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

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ANNUAL ACCOUNTS

Unless explicitly mentioned differently all amounts are in thousands of euros

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

Assets		31-12-2012		31-12-2011	
Investments for risk Pension Fund	1[1]				
Real Estate	2	52,339		25,919	
Equities	3	464,478		403,197	
Bonds	4	387,924		360,494	
Other financial investments	5	62,616		98,303	
Derivatives	6	31,553		5,113	
			998,910		893,026
Investments for risk members					
Investments for risk members	7		7,714		5,132
Other receivables	8		2,970		739
Cash	9		3,955		3,360
			1,013,549		**902,257**
Liabilities					
Reserves					
Foundation capital	10		-		-
General reserve	11		106,230		75,156
Technical provisions					
Technical liabilities at the risk of the Pension fund	12	878,033		802,939	
Provision for future disability	13	836		2,218	
			878,869		805,157
Technical liabilities at the risk of the members	14		7,714		5,132
Short term liabilities					
Taxes and premiums social security	15	731		704	
Other liabilities	16	20,005		16,108	
			20,736		16,812
			1,013,549		**902,257**

[1] The reference numbers refer to the corresponding numbers in the notes to 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		2012		2011	
Investment result for risk Pension Fund	17[1]	122,675		553	
Contributions	18	19,978		12,442	
			141,135		12,995
Results for the account and risk of the members (ASP)					
Contributions	19	1,579		1,092	
Investment results		922		-440	
Transfers of pension rights	20	89		21	
Administration costs		-8		-5	
			2,582		668
Other income	21		-		1
Total income			**143,717**		**13,664**
Expenses					
Costs asset management	22		9,076		4,386
Benefits payment	23		25,350		25,163
Change pension provision	24		75,094		104,715
Change provision for future disability	25		-1,382		184
Change provision for the account and risk of the members	26		2,582		668
Execution- and administration costs	27		1,874		2,310
Premiums reinsurance	28		40		37
Transfers of pension rights for risk fund	29		-11		441
Other expenses	30		20		-
Total expenses			**112,643**		**137,904**
Result			**31,074**		**-124,240**

[1] The reference numbers refer to the corresponding numbers in the notes to the Profit and Loss Account.

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	2012		2011	
Contributions received	15,305		14,506	
Received as a result of transfer of rights	161		95	
Benefits payments paid	-25,888		-25,820	
Paid as a result of transfer of rights	-161		-550	
Paid execution and administration costs	-1,974		-2,247	
Paid contribution reinsurance	-40		-37	
Total cash flow from pension activities	.	**-12,597**		**-14,053**
Cash flow from investment activities				
Sale and redemption of investments	139,334		169,547	
Received direct investment returns	5,302		1,520	
Purchase investments	-175,116		-146,983	
Paid costs asset managers	-6,287		-4,629	
Other amounts received	27,639		21,926	
Other amounts paid	-1,707		-696	
Total cash flow from investment activities		**-10,835**		**40,685**
Net cash flow		**-23,432**		**26,632**
Exchange and conversion difference on cash		77		-351
Mutation cash		**-23,355**		**26,281**
The total mutation in cash position is as follows:				
Balance per January 1st		32,154		5,874
Mutation cash		-23,355		26,280
Balance per December 31st		**8,799**		**32,154**
This cash is presented in the balance sheet per December 31st as:				
Included in fixed income investments[1]		2,620		-
Presented as other financial investments[2]		2,224		28,794
Presented as Cash in Balance sheet		3,955		3,360
Total cash balance		**8,799**		**32,154**

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

[1] This cash position is presented in 2012 as Fixed Income as a result of the presentation change that is described in 11.5 Notes to the balance sheet. In 2011 this is presented as other financial investments. investments

[2] This includes cash available for investments in Mars Real Estates Investments of 2,224 and cash available for fixed income investments of 26,630.

Unless explicitly mentioned differently all amounts are in thousands of euros

11.4 Accounting policies

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 also being valued at fair value.

Comparison with prior year
The accounting policies are consistent with those applied during the prior year, with the exception of the estimation changes as described under "Estimation changes"

Estimation changes
In 2012 the following estimation changes occurred:

- **Change of mortality assumptions**
  On 10 September 2012, the Dutch Actuarial Association (AG) published a new mortality table (AG Projection Table 2012-2062. It appears that the long-term trend, and therefore the life expectancy, compared to the previous table (2010-2060) is further increased. The revised AG projection table leads for the Pension Fund to an increase of the AAL of 1.0% based on the situation at the end of 2012 (before the change in yield curve).

  In addition, after the appearance of the new AG Projection Table the Pension Fund has decided to determine a fund specific experience rating using the Towers Watson 2012 model which is based on the following characteristics: age, gender, income and sector. For the Pension Fund the change in mortality experience leads to an additional increase of the AAL of 1.0% at the end of 2012 (before the change in yield curve).

  In the reconciliation of the AAL the impact of the change in mortality assumptions is together taken into account in the event 'Change of mortality assumptions'.

- **Change of method interest rate term structure (RTS)**
  In the financial statements at year-end 2012, the basis for the calculation of the liabilities changed into a DNB term structure at the end of 2012 which uses an Ultimate Forward Rate (UFR) approach.

  The UFR approach implies that the interest forward rates for very long maturities are moving to an agreed level (4.2% as from maturity 60). For maturities up to and including 20 years, the interest rates are entirely derived from market information. For maturities longer than 20 years the market based interest rates are taken into account with decreasing weight in the calculation of the interest rates (the longer the maturities, the higher the weighting of the UFR). Furthermore, the three-month average, which was introduced as of year-end 2011, is still maintained.

  The impact of the introduction of the UFR is at the end of 2012 a reduction of the AAL by approximately 2.9%. In the reconciliation of the AAL the impact of the UFR is taken into account in the event 'Yield curve change'.

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. Intercompany transactions and balances in this annual report are established "at arm's length"

Accounting policies for assets and liabilities

Recording of assets and liabilities
An asset is recognised in the balance sheet when it is probable that future economic benefits will flow to the pension fund and its value can reliable be established.
A liability is recognised in the balance sheet when it is probable that the settlement thereof will be accompanied by an outflow of resources and the extent of the amount can be determined reliable.

Foreign currency
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
All investments are at the free disposal of the pension fund. There are no investments in the contributing companies.

Real estate investments are direct investments in property. Real estate investments are initially valued at cost value; subsequent valuation is done at fair value, being the market value. Market Value is partly based on available market data and is compiled by external appraisers. 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.

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 based upon models using observable input. 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 as 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 2012.

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 cash-flows, based on the unconditional pension entitlements as at the balance sheet date. The unconditional pension entitlements include the accrued pension entitlements.

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 Projection Table 2012-2062 male mortality table as published by the Dutch Actuarial Association
- For experience rating the mortality rates are adjusted with fund specific correction factors based on the Towers Watson 2012 experience rates model.

Actuarial interest rate
Term structure of interest rates, published by DNB, applicable as at the calculation date. For all calculations at year-end 2012, the UFR is used as this is the prescribed term structure of DNB as of September 2012.

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 set equal to the risk premium for disability as used in determination of the cost covering contribution (0.53% of the salary sum of the 2006 pension plan + 5.5% of the sum of the ARP and ASP contribution).

Other assets and liabilities
The other assets and liabilities are stated at the fair value of the consideration – this is typically the acquisition price – less any provisions deemed necessary. The book value of the liabilities approximates the fair value. Other assets and liabilities are all due/to be settled within one year.

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.

Accounting policies for results

General
Income is recognised in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen which value can reliably be determined. Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen which value can reliably be determined.

Change in accounting policies for results
In 2012 all income and expenses from Mars Real Estates investments in the consolidated profit and loss account are considered as results relating to investments in real estates. The comparing figures of 2011 are adjusted in accordance with this change.

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. In the profit and loss account, the income and losses are assigned to the reporting year to which they apply. All direct and indirect investment results are directly presented under the income statement. The investments costs are presented separately.

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 reinsurance on a stop-loss basis in order to insure the risk of death-in-service and disability-in-service. In 2012, no amounts can be claimed.

Cash flow report

The movements presented in the cash flow report are the movements in cash on the current account, the investment accounts of the Pension Fund as well as the movements in the cash accounts of Mars Real Estates Investments.

In the annual accounts of 2011 the cash of MREI was presented as other financial investments and was not included in the cash flow report. In 2012 the cash movements of MREI are included in the cash flow report, the Cash balances of MREI of 2224 (2011: 2.061) are presented as cash available for investments. We adjusted the comparing figures of 2011 and also included the cash movements of MREI.

As a result of the described presentation change in paragraph 11.6 “Investments for risk pension fund” in 2012 the cash position of the investments accounts are presented as fixed Income and amounts 2,620. This is in line with the latest insights and recommendations of the Dutch federal bank. In 2011 this cash balance is presented as cash available for investments in the category “Other financial investments” and amounted 26,630 and is not adjusted.

The balance of the cash on the current accounts of Mars Pension Fund is presented separately under assets.

11.5 Notes to the Balance Sheet

1 Investments for risk Pension Fund

Presentation changes
In 2012 the custodian used an improved method for allocating the investments to asset categories. This resulted in a more detailed allocation of each individual investment to an asset category.
This new presentation is based on the "Look-through" approach were allocation is determined by the underlying investments in investment funds.

It was technically not completely possible to adjust the comparing figures of 2011. This results in a reclassification on the opening balance in the movement schedules of 2012.

Only for the hedge funds the comparing figures of 2011 are adjusted. The reason for this exception is that a movement schedule for the hedge funds is added as a sub-category of the other investments. The hedge funds were allocated as equity in 2011.

Fair value hierarchy
The following table summarises the valuation of investments by level within fair value hierarchy as of December 31, 2012. Derivatives are shown net of Assets/Liabilities. The derivative liability amounts 15,700 and when this is excluded, the total asset value is 998,910 as presented in the consolidated balance sheet in paragraph 11.1.

Asset Category	Level I	Level II	Level III	Total
Real Estate	809	0	51,530	52,339
Equities	76,905	350,670	36,903	464,478
Fixed Income	40,077	347,317	530	387,924
Hedge Funds	-	-	52,675	52,675
Other Financial Investments	9,941	-	-	9,941
Derivatives (Assets & Liabilities)	-	15,853	-	15,853
Total	**127,732**	**713,840**	**141,638**	**983,210**

2 Real Estate

	2012	2011
Balance per January 1st	25,919	8,579
Reclassification	414	-
Purchases	27,526	19,199
Sales	-202	-
Valuation changes	-2,135	-2,338
Other	817	479
Balance per December 31st	**52,339**	**25,919**

3 Equities[1]

	2012	2011
Balance per January 1st	403,197	427,360
Reclassification	3,537	-
Purchases	160,786	53.859
Sales	-118,551	-67.166
Valuation changes	15,509	-10.856
Balance per December 31st	**464,478**	**403,197**

[1] Including Private Equity, Excluding Convertible Bonds.

Unless explicitly mentioned differently all amounts are in thousands of euros

4 Bonds[1]

	2012	2011
Balance per January 1st	360,494	382,488
Reclassification[2]	36,129	-
Purchases	3,038,173	368,964
Sales	3,063,465	-402,563
Valuation changes	16,593	12,360
Other	-	-755
Balance per December 31st	**387,924**	**360,494**

5 Other financial investments

	31-12-2012	31-12-2011
Hedge Funds	52,675	48,024
Cash available for investments	2,224	28,791
Other financial investments	7,717	21,488
Total	**62,616**	**98,303**

The cash in Mars Real Estates Investments B.V. is presented as “Cash available for investments”. The comparing figures for 2011 were adjusted in accordance with this presentation and 2,161 is deducted from “Other financial investments”.

Hedge funds

	2012	2011
Balance per January 1st	48,024	46,592
Purchases	776	49,122
Sales	0	-46,067
Valuation changes	3,876	-1,623
Balance per December 31st	**52,675**	**48,024**

6 Derivatives

	31-12-2012	31-12-2011
Derivatives	**31,553**	**5,113**

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”.

7 Investments for risk members

	2012	2011
Balance per January 1st	5,132	4,464
Contributions	1,579	1,092
Total value of transfers of rights	89	21
Valuation changes	922	-440
Other	-8	-5
Balance per December 31st	**7,714**	**5,132**

[1] 2012: Excluding Cash. Including Convertible Bonds, 2011: Including Cash. Including Convertible Bonds

Unless explicitly mentioned differently all amounts are in thousands of euros

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.

8 Other receivables

	31-12-2012	31-12-2011
Contributions from employer	2,298	-
Other receivables	662	734
Prepaid expenses	10	5
Total	**2,970**	**739**

9 Cash and cash equivalents

	31-12-2012	31-12-2011
Rabobank	3,955	3,359
Royal Bank of Scotland	-	1
Total	**3,955**	**3,360**

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

10 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.

11 General reserve

	2012	2011
Balance per January 1st	75,156	199.396
Add (Less) result for the year	31,074	-124,240
Balance per December 31st	**106,230**	**75,156**

The minimum regulatory own funds, 4.2% of the actuarial accrued liabilities at the risk of the pension fund, is 36,473. The regulatory own funds amount to 221,903 and are equal to 25.2% of the actuarial accrued liabilities at the risk of the pension fund. The present own funds are higher than the minimum regulatory own funds.

The following table shows the regulatory own funds, minimum regulatory own funds and present own funds per December 31st, 2012.

Balance per December 31st, 2012		Funding Ratio
Present own funds	106,230	112.1%
Minimum regulatory own funds	36,473	104.2%
Regulatory own funds	221,903	125.2%

The funding ratio is calculated by:
Assets divided by AAL at risk of the pension fund (including IBNR provision). The assets are determined by adding the general reserve to the AAL at risk of the pension fund (including the IBNR provision). The short term liabilities are not taken into account in the assets. There are no subordinated loans and/or special reserves.

In September 2009 a (revised) recovery plan was submitted to DNB. Since November 2008 the Funding Ratio has not been above the Legally Required Solvency Ratio for 3 quarters in a row. At year-end 2012

Unless explicitly mentioned differently all amounts are in thousands of euros

MPF is still in a reserve deficit. This means that the long-term recovery plan is still applicable at year-end 2012.Following the 2012 evaluation of the recovery plan it is expected that at the end of 2015 the fund will be out of reserve deficit.

12 Actuarial Accrued Liabilities at the risk of the Pension Fund

	2012	2011
Provision for pension liabilities per January 1st	**802,939**	**698,224**
Interest	12,607	9,179
Indexation to the account of the pension fund	1,429	5,024
Accrual of benefits	17,686	13,977
Mortality	-333	-1,767
Other actuarial and technical assumptions (retirement)	-1,502	-1,143
Disability / rehabilitation	397	822
Individual transfer value (balance)	30	-551
Benefit payments (incl. surrender value)	-25,504	-25,271
Available for costs	-514	-505
Yield curve change	55,684	107,211
Corrections	-1,249	-2,261
Change of mortality assumptions	16,363	0
Total change	**75,094**	**104,715**
Provisions for pension liabilities per December 31st	**878,033**	**802,939**

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.

	31-12-2012	31-12-2011
Actives	377,713	365,333
Deferred participants	119,957	107,230
Pensioners	406,538	355,865
Sub-total	904,208	828,428
Minus: Industry wide Pension Fund	-26,175	-25,489
Total	**878,033**	**802,939**

For more information about the deduction of the liabilities of the Industry wide Pension Fund with an amount of 26,175 (2011: 25,489) is referred to paragraph 7.1.

13 IBNR provision for future disability

	2012	2011
Balance per January 1st	2,218	2,034
Incidental change due to change of cost loading	-1,480	n.a.
Regular change	98	184
Balance per December 31st	**836**	**2,218**

The IBNR provision for future disability at the end of the financial year 2012 is set equal to twice the yearly risk premium for disability. Due to the change in cost loading, the change of IBNR provision during 2012 is divided into two parts. One part due to the change of cost loading, which will be taken into account in the incidental changes in provision, and one part as the change due to change in salary sum, which will be taken into account in the result on disability. The result on disability is due to this method based on the new assumptions.

Unless explicitly mentioned differently all amounts are in thousands of euros

14 Technical liabilities at the risk of the members

	2012	2011
Balance per January 1st	5,132	4,464
Contributions	1,579	1,092
Transfer values balance	89	-440
Valuation changes	922	21
Other	-8	-5
Balance per December 31st	**7,714**	**5,132**

15 Taxes and premiums social security

	31-12-2012	31-12-2011
Wage tax and premiums social security	**731**	**704**

16 Other liabilities

	31-12-2012	31-12-2011
Derivatives	15,700	11,881
Accrued expenses and other liabilities	4,305	3,434
Contribution to employer	-	793
Total	**20,005**	**16,108**

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”.

Rights and obligations not included in the balance sheet
With respect to the investments in private equity, MPF has an off-balance sheet commitment of EUR 79.5 million to PEM to invest in EFFEM Funds. Non-compliance can lead to the charging of interest as well as legal- and other collection costs.

For the Financial- and benefits payments administration a 3 year contract is agreed with ACS HR solutions. This contract expires on 1st January 2016 and an annual fixed fee of EUR 78.000 is agreed. The agreement has a 6 months notice.

11.6 Risk Management and Derivatives

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 adapt 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. The specifications provided with each of those risks will be based on the Investment Assets whereby derivatives are shown net of Assets/Liabilities, which totals an amount of EUR 983.210. If the derivative liability in height of EUR 15,700 is excluded, the total asset value will be EUR 998,910.

11.6.2 Interest rate risk

Unless explicitly mentioned differently all amounts are in thousands of euros

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	31-12-2012	31-12-2011
	YRS	YRS
Fixed Income Duration (excluding derivatives)	4.5	4.0
Fixed Income Duration (including derivatives)	7.2	5.4
Duration of the (nominal) pension liabilities	17.2	17.7

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. Since rates have fallen (30 year swap rates fell about 34bps in 2012), duration has increased year over year (i.e. interest rate sensitivity increases in lower rate environments) as there were no structural changes in the liability (e.g. new cash flows provided by actuary).

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. The Pension Board and its Investment Committee have carefully implemented the necessary infrastructure to enable this interest rate hedging procedure. This hedging process has gone live as of January 1st 2012. The strategic level of the interest rate hedge will be 50% of the assets. Per the end of 2012 the hedge level was still small, 12.5% of the assets, in line with the dynamic procedures and the interest rate levels per end 2012.

The Pension Fund's fixed income portfolio can be divided into the following subcategories:

Asset Categories	2012		2011	
		%		%
Government Bonds	52,299	13.5	80,707	19.4
Index-linked Bonds	-	-	176	-
Mortgages and MBS	-	-	13,512	3.2
Credits	166,354	42.8	225,614	54.1
Investment Funds	129,052	33.3	43,147	10.3
Cash and cash-like instruments	40,219	10.4	54,323	13.0
Total	**387,924**	**100.0**	**417,479**	**100.0**

11.6.3 Currency risk

At the end of 2012, about 79.7% (2011 75.0%) of the investment portfolio has been invested outside of the Euro zone. The actual EUR (look-through) exposure of the total portfolio before and after hedging was respectively 51.5 % and 73.5% at the end of 2012. The total net market value of the outstanding currency forward contracts at the end of the year was EUR 4.7m.

Unless explicitly mentioned differently all amounts are in thousands of euros

The look-through currency exposure before and after plan level hedging can be specified as follows:

Currencies			31-12-2012	31-12-2011
	Before Hedging	Currency Derivatives	Net position after hedging	Net position after hedging
Euro	506,135	216,580	722,715	719,000
British pound	38,502	-21,176	17,325	-15,779
Japanese yen	39,472	-21,542	17,930	7,788
US Dollar	241,894	-155,768	86,126	63,079
Other	157,209	-18,094	139,115	109,492
Total	**983,210**		**983,210**	**883,580**

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 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:

Equity - Regions	31-12-2012	31-12-2011
Mature markets	324,555	308,504
Emerging Markets	103,028	64,125
Private Equity	36,895	30,568
Total	**464,478**	**403,197**

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 honoring their obligations under the transaction within pre-agreed time limits, and this inability to honor the obligations leads to a financial loss for the Pension Fund.

Unless explicitly mentioned differently all amounts are in thousands of euros

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 program. 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.

The table below presents the Pension Fund's fixed income investments divided by sector

Fixed Income - Sector	31-12-2012	31-12-2011
Government institutions	69,576	53,757
Financial institutions	42,331	9,476
Trade and Industrial institutions	218,687	244,142
Other institutions	57,330	53,120
Total	**387,924**	**360,494**

The regional split is given below:

Fixed Income - Regions	31-12-2012	31-12-2011
Mature markets	375,598	342,694
BRIC[1] countries	1,598	2,700
Other emerging markets	10,728	15,100
Total	**387,924**	**360,494**

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

Credting Rating	31-12-2012	31-12-2011
AAA	43,552	74,500
AA	45,088	28,000
A	43,739	42,500
BBB	90,895	58,300
Lower than BBB	96,079	42,100
No rating	68,571	115,094
Total	**387,924**	**360,494**

An additional insight in rating is achieved compared to 2011. Fixed Income securities that have no rating in the BNYM system are short term investment vehicles, repurchase agreements, collateral cash and specific to the Stone Harbor mandate; purchase contracts for Fanny Mae mortgage pools which if held to settlement would deliver AAA rated mortgage backed securities. The increase in Fixed Income securities with rating BBB or lower than BBB compared to 2011 is a result of changing market conditions with yields at all time low, and investment managers seeking for opportunities in that market. The investments by Stone Harbor and Pimco in those lower rating Fixed Income securities are compliant to their investment guidelines. At the end of 2011 and 2012 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.

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

[1] Brasil, Russia, India & China

Unless explicitly mentioned differently all amounts are in thousands of euros

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 2012 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 2012 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 2012 ALM study, MPF has implemented 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 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 tables below show the derivative positions in millions of euros in the Pension Fund as per December 31:

		Value as per December 31, 2012		
Type of contract	**Expiry Date**	**Notional Values**	**Market Value assets**	**Market Value liabilities**
Futures	Various	81.9	0.3	0.1
Currency Forward contracts[1]	Various	839.3	11.3	1.3
Options	Various	25.1	0.1	0.1
Interest Rate Swaps	Various	5,366.7	19.7	13.9
Credit Default Swaps	Various	23.0	0.1	0.3
Total		**6,336.1**	**31.5**	**15.7**

		Value as per December 31, 2011		
Type of contract	**Expiry Date**	**Notional Values**	**Market Value assets**	**Market Value liabilities**
Futures	Various	63.0	1.1	-
Currency Forward contracts[2]	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.
[2] 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.

11.7 Notes to the Profit and Loss Account

17 Investment results for risk Pension Fund

	2012	2011
Real estate	5,686	-887
Equities	42,525	-8,287
Bonds	34,084	25,514
Cash	13,087	-15,780
Other	27.293	-7
Total	**122,675**	**553**

	Direct turnovers	Indirect turnovers	2012	2011
Real estate	5,374	312	5,686	-887
Equities	13,765	28,760	42,525	-8,287
Bonds	7,193	26,891	34,084	25,514
Cash	1,413	11,674	13,087	-15,780
Other	-248	27,541	27,293	-7
Total	**27,497**	**95,178**	**122,675**	**553**

18 Contributions

More detailed explanation of the (smoothened) cost covering contribution ((S)CCC) and actual contribution:
The actual employer contribution amounts to 25% of the pensionable salaries reduced with the premium contributions of the employer to BPF. The actual premium amounts to 19,978.The cost covering contribution respectively the smoothened cost covering contribution amount to respectively 26,738 and 15,954.

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

	2012	2011
Cost covering contribution	26,738	21,374
Smoothened contribution	15,954	13,917
Actual contribution	19,978	13,520

The actual premium is excluding the FVP contributions (61) and including the premium contribution for participants account and risk (1,579), as mentioned in note 19.

The costs covering contribution is composed as follows:

	2012	2011
Unconditional accrual	20,162	16,545
Solvency surcharge	4,832	4,296
Surcharge for administration costs	1,744	533
Total	**26,738**	**21,374**

For more information is referred to chapter 9 “Actuarial section” of this report

Unless explicitly mentioned differently all amounts are in thousands of euros

19 Contributions for the account and risk members

	2012	2011
Obligatory employee contribution	601	454
Voluntary employee contribution	489	319
Employer contribution	489	319
Total contribution	**1,597**	**1,092**

20 Transfers of pension rights for the account and risk members

	2012	2011
Incoming transfer values ASP	180	128
Outgoing transfer values ASP	-91	-107
Total	**89**	**21**

21 Other income

	2012	2011
Other	-	1
Total	**-**	**1**

22 Costs asset management

	2012	2011
Management fee external asset managers	3,792	3,181
Operating costs real estate	4,764	705
Custody fee	305	269
Value added tax on costs foreign asset managers	119	123
Other investment related costs	96	108
Total	**9,076**	**4,386**

23 Benefits payment

	2012	2011
Retirement pension	21,823	21,871
Partner pension	3,120	2,891
Disability pension	348	353
Orphan pension	59	48
Total	**25,350**	**25,163**

24 Change pension provision

	2012	2011
Change provision	**75,095**	**104,715**

For more details we refer to the notes under reference number 12.

25 Change provision for future disability

	2012	2011
Provision change for future disability	**-1,382**	**184**

For more details we refer to the notes under reference number 13.

Unless explicitly mentioned differently all amounts are in thousands of euros

26 Change provision for the account and risk of members

	2012	2011
Provision change for the account and risk of members	**2,582**	**668**

For more details we refer to the notes under reference number 14.

27 Execution- and administration cost

	2012	2011
Administration costs	744	1,071
Actuarial (advising)	364	375
Advisory costs	168	301
Cross charges from the employer	144	130
Governance costs	196	97
Audit and advisory services	91	111
Communication costs	87	135
Contributions	47	51
Actuarial (certifying)	26	26
Other costs	7	13
Total	**1,874**	**2,310**

In 2012 the classification of the Execution- and administration cost has changed and several categories were added. This format is more in line with the recommendations of the Pension Federation and guideline for the presentation of Execution- and administration costs in the annual financial statements. The comparing figures for 2011 have been adjusted accordingly.

Audit and advisory services

2012	PwC Accountants	Other PwC network	Total PwC
Audit annual accounts	57	-	57
Other auditing services	-	-	-
Tax advisory		-	-
Other non-auditing services	34	-	34
Total	**91**	**-**	**91**

In the amount for audit annual accounts an amount of EUR 11K is included for the audit of the investments executed by PwC UK. The audit fee 2012 for the investment audit includes a positive result of EUR 6 on the accrual 2011 for these costs. In the costs for other services in 2012 an amount of EUR 7K is included for the FVP audit, the rest relates to non-auditing services with an amount of EUR 27K.

2011	PwC Accountants	Other PwC network	Total PwC
Audit annual accounts	92	-	92
Other auditing services	-	-	-
Tax advisory	-	-	-
Other non-auditing services	19	-	19
Total	**111**	**-**	**111**

In the amount for audit annual accounts an amount of EUR 27K is included for the audit of the investments executed by PwC UK.

Unless explicitly mentioned differently all amounts are in thousands of euros

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 2012 no declaration of damages was applicable as the actual damage was lower than the priority of the contract which applied per 2012. The result on (risk)insurance is negative, 40 and contains the risk premium paid to the reinsurer. The real damage in 2012 was not more than the already mentioned priority, therefore no payment from the reinsurer was received.

29 Transfers of pension rights for risk fund

	2012	2011
Incoming transfer values	-170	-94
Outgoing transfer values	159	535
Total	**-11**	**441**

30 Other expenses

	2012	2011
ASP premium disability cases	15	-
Other	5	-
Total	**20**	**-**

General comments

As the Pension Fund does not employ any staff, there is no need to pay any salaries and social insurance charges. The work on behalf of the Pension Fund is performed by 3 employees (2011: 3 employees) who have an employment contract with Mars Nederland B.V. and have been seconded to Mars Pension fund. The costs related to this work are charged to Mars Pension fund.

The total remuneration paid to members of the Pension- and Supervisory Board for their membership in the Board is EUR 76 (2011: 75 in 2011).

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		31-12-2012			31-12-2011	
Investments for risk Pension Fund						
Real Estate	31	809			-	
Equities	3	464,478			403,197	
Bonds	4	387,924			360,494	
Other financial investments	32	60,392			96,142	
Derivatives	6	31,553			5,113	
			945,156			864,946
Investments for risk members						
Investments for risk members	7		7,714			5,132
Investments in subsidiaries	33		51,448			26,943
Other receivables	34		2,811			176
Cash	8		3,955			3,360
			1,011,084			**900,557**
Liabilities						
Reserves						
Foundation capital	9		-			-
General reserve	10		106,230			75,156
Technical provisions						
Technical liabilities at the risk of the Pension fund	11	878,033			802,939	
Provision for future disability	12	836			2,218	
			878,869			805,157
Technical liabilities at the risk of the members	13		7,714			5,132
Short term liabilities						
Taxes and premiums social security	14	731			704	
Other liabilities	33	17,540			14,408	
			18,271			15,112
			1,011,084			**900,557**

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		**2012**		**2011**	
Investment result for risk Pension Fund	36	118,969		1,909	
Contributions	17	18,460		12,442	
			137,429		14,351
Results for the account and risk of the members (ASP)					
Contributions	18	1,579		1092	
Investment results	19	922		21	
Balance transfer of rights	20	89		1,092	
Administration costs		-8		-5	
			2,582		668
Total income			**140,011**		**15,019**
Expenses					
Costs asset management	37	4,311		3,681	
Benefits payment	23	25,350		25,163	
Change pension provision	24	75,094		104,715	
Change provision for future disability	25	-1,382		184	
Change provision for the account and risk of the members	26	2,582		668	
Execution and administration costs	27	1,874		2,310	
Premiums reinsurance	28	40		37	
Balance transfer of rights for risk fund	29	-11		441	
Other expenses	30	20		-	
Total expenses			**107,878**		**137,199**
Result Mars Pension Fund			**32,133**		**-122.180**
Result participation in MREI			**-1,059**		**-2,060**
Total Result			**31,074**		**-124,240**

Unless explicitly mentioned differently all amounts are in thousands of euros

11.10 Accounting policies

General
The accounting policies used for the single balance sheet and profit and loss account are the same as those used for the consolidated financial statements of Mars Pension Fund.

Investments in subsidiaries
This is a 100% participating interest in Mars Real Estates Investments B.V. in Veghel. Participating interests are carried at net asset value, determined in accordance with the accounting policies used for the consolidated financial statements.

11.11 Notes to the single Balance Sheet

General
When the balance value presented on the single balance sheet equals the value presented on the consolidated balance sheet, this balance sheet item has the same reference number as shown on the consolidated balance sheet. Details for these balance sheet values can be found in paragraph 11.5 “Notes to the consolidated Balance Sheet”

31 Real Estate

	2012	2011
Balance per January 1st	-	-
Reclassification[2]	414	-
Purchases	321	-
Sales	-202	-
Valuation changes	275	-
Balance per December 31st	**808**	**-**

32 Other financial investments

	31-12-2012	31-12-2011
Hedge Funds	52.675	48.024
Cash available for investments	2.620	26.630
Other financial investments	5.097	21.488
Total	**60.392**	**96.142**

33 Investments in subsidiaries

In 2011 the investment in Mars Real Estates Investments B.V. (MREI) and loans to MREI were presented as non-current asset as part of the other financial assets. In 2012 both the capital investment as well as the loans is presented as Investments in subsidiaries. The comparing figures of 2011 are amended in accordance with this presentation change.

Unless explicitly mentioned differently all amounts are in thousands of euros

The development during the last two years of the participation in Mars Real Estates Investments B.V. can be specified as follows:

	Capital	Loans	Total value
2012			
Balance per January 1st	7,320	19,624	26,944
Additions	6,944	18,619	25,563
Result 2012	-1,059	-	-1,059
Balance per December 31st	**13,205**	**38,243**	**51,448**
2011			
Balance per January 1st	3,009	6,373	9.382
Additions in capital/loan 2012	6,371	13,250	20.706
Result	-2.060	-	-3.145
Balance per December 31st	**7.320**	**19.623**	**26.943**

The loans have an average interest rate of 5.19%. The final maturity date of the loans is November 2, 2015 and all loans are denominated in GBP. There are no particular warranties underlying the loan.

34 Other receivables

	31-12-2012	31-12-2011
Contribution from employer	2,298	-
Accrued Intrest Intercompany loan MREI	499	171
Prepaid expenses	10	-
Other receivables	4	5
Total	**2,811**	**176**

35 Other Liabilities

	31-12-2012	31-12-2011
Derivatives	15,700	11,881
Accrued expenses and other liabilities	1,840	1,734
Contribution to employer	-	793
Total	**17,540**	**14,408**

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 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

11.12 Notes to the single Profit and Loss Account

36 Investments results for risk Pension Fund

	2012	2011
Real estate	317	-
Equities	42,525	-8,287
Bonds	34,084	25,513
Cash	13,087	-15,311
Other Investment results	28,956	-7
Total	**118,969**	**1,908**

	Direct turnovers	Indirect turnovers	2012	2011
Real estate	6	312	317	-
Equities	13,765	28,760	42,525	-8,287
Bonds	7,193	26,891	34,084	25,513
Cash	1,413	11,674	13,087	-15,311
Other	1,415	27,541	28,956	-7
Total	**23,792**	**95,177**	**118,969**	**1,908**

37 Costs asset management

	2012	2011
Management fee external asset managers	3,791	3,181
Custody fee	305	269
Value added tax on costs foreign asset managers	119	123
Other investment related costs	96	108
Total	**4,311**	**3,681**

Veghel, 17 June 2013

The Pension Board,

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

Unless explicitly mentioned differently all amounts are in thousands of euros

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OTHER INFORMATION

12.1 Statutory Arrangement for the appropriation of result

In line with the Articles of Association the making of profit is not a target. The result of the profit and loss account will be brought in favour to or deducted from the general reserve.

Proposed appropriation of result

Proposed is to add the positive result of 2012 with an amount of EUR 31,074 to the general reserve. 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.

Subsequent events

The Pension Board has decided in the Pension Board meeting in January 2013 to grant a partial indexation of 0.60%. This decision was in accordance with the Administrative and Financial Agreement based on the Funding Ratio as per December 31, 2012.

12.2 Actuarial Statement

Assignment
The assignment to issue an Actuarial Statement, as referred to in the Pension Act in respect of the financial year 2012 was issued to Towers Watson Netherlands B.V. by Stichting Mars Pensioenfonds, established in Veghel.

Data
The data on which my audit was based were provided by and were compiled under the responsibility of the management board of the pension fund.

In testing the assets of the pension fund and in assessing its financial position, I have based my assessment on the financial data on which the annual accounts are based.

In accordance with the guidelines "Cooperation between the auditor and the actuary in relation to the auditing of reports by insurance institutions", the pension fund's auditor has informed me of his findings with regard to the reliability and completeness of the basic administrative data and other assumptions which are of importance to my assessment.

Activities
In carrying out the assignment, I have examined whether the provisions referred to in the Actuarial Report comply with Section 126 up to and including Section 140 of the Pension Act.

The basic administrative data provided by the pension fund and the findings of the auditor in relation to these are such that I have accepted these data as the point of departure for my assessment activities.

As part of the activities pertaining to the assignment:
I have, for instance, assessed whether the technical provisions, the minimum required net assets and the required net assets have been determined adequately; and
I have formed an opinion of the financial position of the pension fund.

My audit was carried out in such a way that it may be ascertained with a reasonable degree of certainty that the results do not contain any inaccuracies of material importance. I have formed an opinion on the probability with which the pension fund will be able to meet its liabilities incurred up until the balance sheet date, also taking into account the financial policy of the pension fund.

The activities described and the implementation thereof are in accordance with the applicable standards and common practice of the Dutch Actuarial Association and, in my view, provide a sound basis for my opinion.

Opinion
The technical provisions have been determined adequately. The net assets of the pension fund on the balance sheet date were lower than the statutory required net assets, but were not lower than the statutory minimum required net assets.

Measured in accordance with the statutory criteria with regard to the liabilities incurred up until the balance-sheet date, the pension fund has a reserve deficit.

Taking into account the above, I have satisfied myself that, viewed as a whole, the pension fund has complied with Sections 126 up to and including Section 140 of the Pension Act, with the exception of Section 132 (reserve deficit).

In my opinion, the financial position of Stichting Mars Pensioenfonds is not sufficient, due to the reserve deficit.

Apeldoorn, 17 June 2013

R. Kruijff AAG
attached to Towers Watson Netherlands B.V.

12.3 Auditors Report

Report on the financial statements

We have audited the accompanying financial statements 2012 of Stichting Mars Pensioenfonds, Veghel, which comprise the consolidated and company balance sheet as at 31 December 2012, 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.

Board of directors' responsibility
The board of directors 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. 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.

Auditors' 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 of directors, 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 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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 management 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 management 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, 17 June 2013
PricewaterhouseCoopers Accountants N.V.

drs. H.C. van der Rijst RA

12.4 Terminology

AAL	Accrued Actuarial Liabilty
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*
CCC	*Cost Covering Contribution*
CPI	*Consumenten Prijs Index*
CSA	Credit Support Annex
CTFR	Continuity Test Funding Ratio
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*
EMD	Emerging Market Debt
ETBC	European Treasury & Benefits Centre
FED	Federal Reserve Board
FTK	*Financieel Toetsingskader*
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.
MRSR	Minimum legally Required Solvency Ratio
OTC	Over The Counter
PCC	*Pensioen Communicatie Commissie*
RIG	Russel Investment Group
RSR	Required Solvency Ratio
RTS	*Rentetermijnstructuur*
SLA	Service Level Agreement
SCCC	Smoothened Cost Covering Contribution
UPO (Uniform Pension Overview)	Benefit Statement *(Uniform Pensioen Overzicht)*