



2016 Annual Report



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FOREWORD

Report by the Chairman of the Board of Trustees on the thirteenth business year 2016 of the Swissport Company Pension Fund Foundation (Personalvorsorge Swissport / PVS).

The situation looks bright, PVS is among the top most successful pension funds

The investment year 2016 was once again dominated by the national banks, which continued their attempt to stimulate the economy with low interest rates and an accommodating monetary policy. Interest rates reached new record lows in the first half of the year. In addition to the -0.75% p.a. interest rate on cash introduced by the Swiss National Bank at the beginning of 2015, bond rates also started to slide into negative territory from mid-2016.

This course of events is extremely challenging for all investors. In the past, the accumulated capital of pensioners, whose pensions are guaranteed, was usually invested in safe Swiss bonds. Were this to be implemented to the same degree today, a pension fund would have to apply an actuarial interest rate close to 0%, which would have the effect of reducing the conversion factors (which are currently the ubiquitous topic of discussion in the media) yet further by a significant amount.

It goes without saying that this is not the objective of the PVS. We were pleased to note that Swiss interest rates rose again to 0.2% at the end of 2016 (the "Trump effect"). Like all pension funds, we hope that the rise in interest rates will continue over the coming years. Pensions could then again be financed more from the actuarial reserves set aside for pensions and the PVS will not need to resort so much to transfers from active insurees.

The presidential election in America set the stage with pronounced effects on equity returns. In 2016, the Obama government actively strived to conclude many of the proceedings initiated against banks by imposing large fines. The two major Swiss banks, UBS and Credit Suisse, were caught up in these events, and in 2016 had to contend with a fall in their share prices of 18% and 32% respectively. The pharmaceutical industry also had to defend itself in discussions in the USA about the constantly rising cost of medicines, and in 2016 the Novartis share price fell by 14% and that of Roche by 15%.

After about 30 years of falling interest rates, bond markets now appear to have reached a turning point. However positive rising interest rates may be in the long term, losses have to be expected on bond holdings in the medium to long term, because if a new bond were to offer a 1% annual yield in future, it would drastically lower the appeal of bonds currently held by the PVS that deliver an annual yield of 0.2%.

Since the financial crisis, the measures taken by national banks have reduced interest rates around the world, pushing up the valuations of equities, real estate and bonds and holding out the promise of eight more or less prosperous years.

In this very dramatic investment year 2016, the average total performance of Swiss pension funds was in the region of 3% to 3.9%, depending on the index used.

The last financial year was a very encouraging one for the PVS. The return on investments was 5.25% (previous year: 0.49%). According to the published comparisons by Swisssanto Vorsorge AG, the return of the PVS is therefore in the top 2% to 4% of the best pension funds in 2016.

The Swiss Market Index (SMI), which comprises the 20 largest shares on the Swiss stock exchange, lost ground of 6.78% in 2016. It reached a high of 8,701 points at the beginning of 2016, having experienced its lowest point in February 2016 of 7,496 points. The SMI reached its historical all-time high of 9,531 points in

the early summer of 2007. By way of reminder: the SMI does not include dividends paid out. If these are taken into account, its return for 2016 is just minus 3.02%.

Turning to our funding ratio: after crediting interest of 2% to all retirement savings, and taking into account the reduction in the actuarial interest rate from 3% to 2.5%, our funding ratio stood at 114.2% as at 31 December 2016 (previous year: 113.3%). The change in the actuarial basis, especially the reduction in the actuarial interest rate*, increases pension assets by approx. CHF 16 million, which (alone) results in a reduction in the funding ratio of some 2%.

* Because of the record low interest rates, we expect lower investment income in future. We therefore have to set aside more money today in order to be able to continue to pay the assured benefits in future when investment income is lower.

The target value for the fluctuation reserve is 18.3% of pension liabilities and actuarial reserves. At the end of 2016, the available fluctuation reserve totalled around CHF 100 million, which corresponds to 78% of the target value.

Board of Trustees

General elections were held for the term of office from 1 July 2016 to 30 June 2019.

Margrit Coimbra, the previous employee representative for the Zurich operations, was automatically re-elected. She continues to serve as Deputy Chairman.

Ralf Müller, the previous employee representative for the Geneva operations, was automatically re-elected. He will now also be a member of the Investments Committee.

René Meier was elected as the new employee representative for the Basel operations. Unfortunately, he was obliged to step down on 31 January 2017 because of health reasons. Therefore elections for his successor will be held in spring 2017 at the Basel location.

The previous three employer representatives were confirmed in their office by the employer. Cordula Hofmann left the company at the end of August 2016. As her successor, the company appointed Heinz Giesen, Head HR Operations & Development, Swissport Zurich.

Peter Graf will step down as Chairman of the Board of Trustees with effect from 31 August 2017, and on 1 September 2017 will hand over the office to Roland Etter, who is currently the CEO of Swissport Finland.

Management of the PVS

We can continue to rely on the sound management and services of Elisabeth Müller, Managing Director of the PVS since June 2015, Urs Ackermann, Deputy Managing Director, and Christoph Bohren, minute-taker of the PVS since December 2015.

We can likewise continue to count on the support of Markus Bleisch, Customer Advisor since November 2009, Claudia Sommer, Customer Advisor since May 2009, and Reymond Früh, Head of Accounting since May 2010, all of whom work for Pension Fund Services AG.

We have a five-year contract with PFS running from 1 January 2015 to 31 December 2019.

Pension fund expert

Previously Mercer SA had been represented by Roland Guggenheim. He was succeeded in spring 2016 by André Tapernoux. The Board of Trustees would like to thank Roland Guggenheim sincerely for the six-and-a-half years of friendly collaboration.

Audit

KPMG has served as statutory auditor for the PVS since its founding. This office was put up for tender in late autumn 2016. At its meeting on 12 February 2016, the Board of Trustees passed a majority resolution in favour of continuing the collaboration with KPMG.

Contracts of affiliation

The founder-employer of the PVS is Swissport International AG, Opfikon ZH, (106 active beneficiaries), which founded the scheme in its Deed of Trust of 15 September 2003. The PVS also held affiliation agreements with the following eight companies and operations at the end of the year under review:

- Swissport Group Services GmbH, Baar ZG (52 active beneficiaries)
- Swissport International AG, Zurich operations (1,664 active beneficiaries)
- Swissport Baggage Sorting AG, Kloten ZH (164 active beneficiaries)
- Careport AG, Opfikon ZH (78 active beneficiaries)
- Swissport International AG, Basel operations (440 active beneficiaries)
- Swissport International AG, Geneva operations (947)
- GVAssistance S.A., Le Grand-Saconnex GE (59 active beneficiaries)
- PrivatPort S.A., Meyrin GE (13 active beneficiaries)

(= a total of 3,523 active beneficiaries as at 31 December 2016)

Swissport Group

Swissport International Ltd. serves around 835 customers in the aviation industry. Each year, the company provides ground-handling services for more than 230 million passengers and handles 4.3 million tons of cargo. With a workforce of around 62,000, Swissport operates at 280 locations in 48 countries across five continents, and generates consolidated revenue of EUR 2.7 billion (www.swissport.com).

Thirteenth financial year 2016

The PVS started the year on 1 January 2016 with 3,819 active beneficiaries and 548 pension recipients (not including recipients of child's pensions), actuarial reserves for active insureds of CHF 409 million, actuarial reserves for pensions of CHF 256 million and a funding ratio of 113.3%. It closed its 13th financial year on 31 December 2016 with 3,523 active beneficiaries and 610 pension recipients (not including recipients of child's pensions), actuarial reserves for active insureds of CHF 402 million and actuarial reserves for pensions of CHF 293 million, a funding ratio of 114.2%, annual interest on savings capital of 2% (previous year: 2%) applied to all pension liabilities and a performance for the year of 5.25%.

The PVS website at www.pv-swissport.ch provides all the latest news from the Board of Trustees, the scheme's regulations, forms, presentations, annual reports and an overview of the PVS organisation in German, French and English. Please visit our website regularly in order to keep yourself fully abreast of all developments.

Information events on the "2016 Annual Report", "New conversion factors", "Exercising voting rights", "Other regulatory changes", "Mortgages now also for third parties / for everyone", and "Outlook for 2016" were held at all three working locations in Basel, Geneva and Zurich (airport and head office at Flughafenstrasse 55 in Glattbrugg).

The PVS had no collective admissions or departures in 2014.

Actuarial appraisal

The following is a summary of the actuarial appraisal as at 31 December 2016, as presented by the accredited pensions actuary:

The PVS is a semi-autonomous occupational pension scheme. It has reinsured its risks for death and disability since 1 January 2011.

The risk insurance premium of 2.5% remained unchanged in 2016.

The number of active insurees declined by 8%, while the number of pension recipients increased by more than 10% compared to the previous year. The share of pension obligations in total pension liabilities and actuarial reserves increased further. The calculations were based on the new BVG 2015 actuarial data and the standard cross-sectional mortality table, and were projected to 2017. In the year under review, the actuarial interest rate was reduced from 3.0% to 2.5%.

The average age of insurees is 40.9 years, which is still relatively low compared with that of an average pension scheme (approx. 45).

Pension recipients are relatively young, with an average age of 67.0 as the scheme was only founded on 1 January 2004. Persons who took early retirement remained in the General Pension Scheme of the SAirGroup.

The actuarial reserves have been increased. These are reserves for pending claims and pension losses. As was the case in the previous year, the PVS pension process was negative in 2016, while the risk process was positive overall.

2016 annual result

The entry lump sum transfers paid in by joining insurees amounted to CHF 9.6 million (rounded) in 2016 (2015: CHF 11.3 million). At CHF 19.2 million, termination benefits paid out on leaving were below the previous year's level (CHF 20.0 million).

The PVS paid out CHF 15.0 million in retirement pensions in 2016 (CHF 13.5 million). Lump sum payments on retirement decreased to CHF 5.4 million in 2016 (CHF 8.8 million). The increase in retirement benefits is a result of the rise in the number of pensioners.

Interest on retirement savings capital stood at CHF 7.8 million in 2016 (CHF 8.0 million).

The number of insurees decreased by 296 (367). The number of retirement pension recipients rose to 532 (483), while the number of disability pension recipients rose to 49 (44) and spouse's pension recipients to 29 (21).

The savings contributions received exceeded the statutory benefits paid out, but the entry lump sum transfers paid in by those joining came to less than the lump sum payments on retirement. Unlike in the previous year, the PVS had a net capital outflow. Pension benefit obligations also increased slightly.

Asset management costs in the year under review were higher than in the previous year.

In accordance with the contract with PFS, the PVS's administrative expenses are based on a sliding scale. They amount to CHF 244 per capita (CHF 237), and include the costs of the accredited pension actuary, audit, translations and printed matter.

Investments

“The financial markets”

The year 2016 was marked by uncertainties, which frayed investors' nerves. It was dominated by uneven global growth and by many political events such as Brexit, the election in the USA and the various terror attacks. While the surprises in 2015 were mainly related to monetary policy, 2016 was a year of political upheavals.

Equity markets nosedived in the first two months of the year, primarily due to concerns about growth in China and the USA. It was no longer possible to fully exclude the possibility of a recession in the USA, but robust consumption thanks to falling oil prices prevented the worst from happening.

In June, the British voted in favour of exiting the EU, which came as a big surprise for many people. March and July featured the shocks of terrorist attacks in Brussels and Nice, and an attempted coup in Turkey. Then the US presidential election unsettled the markets until November. Investors reacted by adopting a cautious stance.

However, apart from concerns about growth at the beginning of the year, other events and uncertainties hardly affected equity markets. The markets took Brexit, Trump's election victory and the defeat of Matteo Renzi in the Italian referendum in their stride and very quickly recovered.

The large price adjustments in the first half-year resulting from growth concerns were ironed out again in the last quarter of 2016. In December, investors were so confident that the MSCI World and the Dow Jones achieved total annual returns of 5.3% and 13.7% respectively. In such an environment, real estate in particular proved to be a safe investment.

“The financial markets/impact on the PVS”

The Board of Trustees once again focussed much of its attention on investments in 2016, continually monitoring the events on the financial markets, analysing their impact on the PVS and implementing measures. The total annual performance of 5.25% was achieved as follows:

| | |
|--------------------|---------|
| In the 1st quarter | - 0.04% |
| In the 2nd quarter | + 1.60% |
| In the 3rd quarter | + 2.33% |
| In the 4th quarter | + 1.45% |

The investment performance of 5.25% was significantly higher than the previous year's figure of 0.49%. This means that

- Nominal values with a performance of 3.5% were considerably higher than the previous year's performance of -2.5%. Specifically, emerging market bonds made a major contribution to the improvement in the result with a return of 10.1% (previous year: -14.6%). The strong performance of Welt IFL bonds also contributed.
- With a performance of 6.3%, equities significantly exceeded their -1.3% performance of the previous year, with emerging market equities making a substantial contribution to the improved result, with a return of 12.9% (previous year: -13.8%). Another contributing factor was the strong performance of Equities North America and sustainable equities.

- Real estate once again achieved an excellent result of 5.8%. It was, however, slightly down on the previous year (7.5%).

The Board of Trustees addressed the weightings of the various investment categories at its meeting in September. In October and November, the Investments Committee and Board of Trustees subsequently prepared the implementation, which head office immediately executed:

- Investments were made in corporate foreign currency bonds ex CH at the expense of IFL bonds.
- The sustainable Henderson investment was sold and an equivalent albeit more favourably priced investment of Swisscanto was acquired.

Every reasonable opportunity was used to expand or improve the position in the real estate investment category. Further units were consequently acquired in investment trusts Turidomus, Adimora and Swiss Prime. This was in addition to realising the large premium on real estate fund CS 1A Immo PK and continuously scaling back the position.

“Strategic asset allocation (SAA), foreign currency risk and fluctuation reserve”

- On 20 September 2016, the Board of Trustees discussed at a one-day workshop the new investment strategy (SAA) proposed by the Investments Committee in collaboration with Markus Schneider. On 11 November 2016, the Board of Trustees approved the new investment strategy and applied it with effect from 1 December 2016. On the same day it approved its implementation. The Board of Trustees unanimously decided to
 - a. transfer a portion of CHF bonds to CHF domestic bonds and to expand the corporate foreign currency bonds position at the expense of global IFL bonds
 - b. slightly increase the mortgage portfolio
 - c. transfer a portion of CH equities to CH S&M Caps, and to slightly reduce the equity portfolio at the expense of Equities Europe, North America and emerging market equities.
- The level of the fluctuation reserve was also reviewed as part of the SAA adjustments. It is determined based on the financial-economic method. It is calculated with a three-year time frame and a 98% security level and amounts to 18.3% of the obligations of the PVS.

Funding ratio

Details of the overall allocation of the PVS assets and the current funding ratio are provided monthly on our website www.pv-swissport.ch under “Performance”. The reports are updated on the 20th of each month. As at 31 December 2016, the funding ratio was 114.2% (previous year: 113.3%).

Cash flow

In 2016, the inflow from contributions and entry lump sum transfers was again lower than the outflow for benefits and early withdrawals. The total cash flows stipulated in the plan regulations were negative as a result of the continuous rise in the number of pension recipients. As at 31 December 2016, there were 610 pension recipients (not including recipients of child’s pensions) compared to 3,523 active insurees, which equates to a ratio of approx. 1:6 (previous year: 1:7).

Determination of interest rates

Interest paid on retirement savings in 2016

At its meeting on 11 November 2016, the Board of Trustees slightly adjusted its formula for determining interest. This can be found in Appendix III of the investment regulations.

On 26 October 2016, the Federal Council lowered the minimum interest rate for mandatory occupational pensions from 1.25% to 1.0% with effect from 1 January 2017. This minimum rate is not binding on non-mandatory retirement savings.

It is very important to the Board of Trustees that active insurees receive a reasonable share of income. It therefore decided on 11 November 2016 to (again) pay interest of 2.0% on all retirement savings, which it considered to be permissible in light of the Foundation's economic situation

Determination of the interest rate payable in 2016

The Board of Trustees will decide at the end of 2017 on the interest rate applicable in 2017. It has once again chosen to proceed in this way as it is impossible to make reliable predictions of developments on the "third contributor", i.e. the financial markets.

2017 interest rate for intra-year events

As in 2004–2007 and in 2009–2016, the PVS will not add any interest to any amounts withdrawn from the scheme by insurees leaving or retiring in the course of 2016. Any interest paid on such amounts at a later date will be based on the interest rate applicable to retirement savings for 2017.

Projected interest rate from 2017

The projected interest rate, which remains unchanged at 1.5%, is used for the projection of future benefits found on your statement of benefits under "projected benefits" (for retirement, disability and death).

Pension adjustments for 2017

The Board of Trustees will not be increasing pensions from 1 January 2017. This decision is based on the current funding ratio and the fact that the fluctuation reserve is below the level required.

Currently, pension recipients receive the actuarial interest rate of 2.5% on their actuarial reserves plus an additional 0.5%.

Furthermore, due to the reduction in the actuarial interest rate, pensioners' capital increased by several million in 2016. This is necessary in order to finance pledged fixed and life-long pensions against expected lower returns in the future.

This is also confirmed by the unequal generational balance sheet, which as at 31 December 2016 indicated a net balance (transfer amount) of around CHF 17.0 million in favour of pensioners at the expense of active insurees. The calculation of the transfer amount took only the last 10 years into account.

The equal treatment of all beneficiaries is a legal requirement and also reflects the intention of the Board of Trustees. This will be achieved if we work towards a balance between the generations. At its meeting on 15 September 2015, the Board of Trustees confirmed the applicable rule for the participation of pensioners in surplus income of the PVS, whereby pension recipients only participate in surplus income if there is a balance between the generations. There must be no long-term, unbalanced cross-subsidisation of pension recipients by active insurees.

By way of a reminder: pensioners enjoy a life-long, guaranteed pension that can only be assured via a prescribed interest rate on their actuarial reserves. This is set against an interest rate on the savings capital of active insurees that is variable and changes annually. This variable interest rate has been lower in every year since 2004, with the exception of 2014.

Participation of pension recipients in any surplus income

As pensions are fully funded under the BVG funded system, in contrast to the AHV system, which operates on a pay-as-you-go basis, there are no automatic pension increases during the term of the pensions. The accumulated retirement savings capital is consumed during the period of payment of the pensions. Together with the returns generated on investments (prescribed interest rate), this capital must be sufficient to fund the pensions during their entire term.

The only possibility is that in years with strong investment performance, pensioners could be allowed to participate in the surplus income in the form of one-off payments provided there is a generational balance and a higher interest rate than the BVG minimum rate is credited to assets.

Risk insurance premium unchanged

At its meeting on 23 November 2010, the Board of Trustees opted to reduce the risk insurance premium from 3.5% to 2.5%. This premium for the benefits payable by the PVS in the event of disability and death is split equally between the insurees and the employer. For insurees this means that since January 2011 a risk insurance premium of only 1.25% (previously: 1.75%) of the insured salary has been deducted from their monthly salary.

Swissport Health Management

The Board of Trustees has agreed that the work performed by Health Management is extremely valuable for insurees, the PVS and the employer. At its meeting in September 2015, the Board of Trustees therefore decided to continue paying its current annual benefit payment to Swissport International AG in the amount of CHF 275,000 for 2016 through 2018.

The number of cases that had to be attended to by Health Management increased significantly in 2016. A total of 293 cases had to be attended to, with the number of cases needing attention increasing at all locations. While a slight increase was recorded at the Zurich location, the increase at the Basel and Geneva locations was rather high. At the same time, the number of reintegrations increased at the Basel and Zurich locations, while it declined slightly at the Geneva location. There is an indication that the number of disabled is rising.

Reinsurance of risks at PKRück for six years

Since 1 January 2011, the PVS has fully reinsured its risks for death and disability with life insurer PKRück. The existing insurance agreement was concluded for a period of six years.

This has now been extended for a further three years subject to significantly better conditions. The new insurance premium is 16.6% lower than before.

There is a close interconnection between the reinsurance of risks, our risk insurance premium and Health Management.

Evidence of survival of our pension recipients

The last time pensioners were required to provide evidence of survival was in 2011. Pensioners living in Switzerland can furnish this evidence via the AHV. Pensioners living abroad once again did this in writing during the course of the year under review. The PVS has thus ensured that benefits are not being paid out unjustly. The PVS will continue to request evidence of survival at regular intervals in future.

PVS asset management costs are below average

A study published by the Federal Social Insurance Office in the early summer of 2011 concluded that asset management fees cost Swiss occupational pension funds 0.56% of total pension fund assets. These costs fluctuate between 0.15% and 1.86% of assets, depending on the fund in question. The 16th Swisscanto survey of Swiss pension funds, which was carried out in 2016 for the year 2015, confirmed this approximate range with a figure of 0.51%.

The BVK, according to its own statement, posted record low asset management fees of 0.18% in 2016. With total insurees of 115,000, the BVK is the biggest pension fund in Switzerland.

Total asset management costs at the PVS were around CHF 1.6 million in 2016 (previous year: CHF 1.5 million) and amounted to 0.20% (previous year: approx. 0.20%) of total fund assets. If reimbursed fees are deducted, the figure is 0.19% (previous year: 0.17%) of total fund assets. These relatively low costs were generated as a result of favourable conditions from the investment group purchasing organisation of PFS.

Administration costs also low at the PVS

Pillar 2 administration costs totalled around CHF 391 per insuree and year in 2009, not including the above-mentioned asset management outlay. According to a study, it would be possible to reduce this expenditure only by simplifying processes significantly.

The 16th Swisscanto survey of Swiss pension funds, which was conducted in 2016 for the year 2015, revealed average administration costs of CHF 331 among private-law autonomous pension funds.

At the PVS, the figures are as follows: CHF 306 in 2009, CHF 294 in 2010, CHF 286 in 2011, CHF 275 in 2012, CHF 255 in 2013, CHF 247 in 2014, CHF 237 in 2015 and CHF 244 in 2016.

In 2016, additional expenses were incurred for the "Asset liability management study (ALM)" and for the "Adjustment of conversion factors".

Tasks of the principal governing body of the PVS – internal control system

The Board of Trustees must ensure that an internal control system is in place that is suited to the size and complexity of the PVS.

PFS, as the company responsible for the administration of the PVS, has been carrying out internal controls since its foundation in 2001 and has continually expanded these in recent years in collaboration with the statutory auditor. The statutory auditor must check that an internal control system is in place and confirm its adequacy to the PVS on an annual basis.

Head office provides the Board of Trustees with a report at least once a year on the further development and implementation of internal controls. It did this most recently on 11 May 2016, at our 71st Board of Trustees meeting in Winterthur.

Strategy and objectives of the Swissport occupational pension scheme

The greatest challenges ahead for the scheme are the need to invest its assets safely and profitably, and the demographic changes within society (in particular ever-increasing life expectancy).

As regards investment, the Board of Trustees places great value on diversification across geographical regions and investment categories, while avoiding actively managed, more complex and less transparent investment categories.

In connection with this topic, the Board of Trustees carried out an asset liability management study (ALM) with the company c-alm in the year under review. The comprehensive study provided us with answers to the following questions:

- What is the Foundation's current financial situation?
- What is the cost of the benefits that need to be financed?
- How is our financing ability impacted by external shocks?

The study also helped us to obtain greater clarity with regard to the risk profile, target return, performance objectives and the actuarial interest rate.

The study was also helpful in our definition of the investment strategy and new conversion factors and in answering the question of whether or not reinsuring the risks of death and disability continues to make sense.

The pension fund expert created a new planning tool called "PVS Cockpit". It can be compared to the financial planning of a company or a political community where certain rough assumptions are also made, which then – after being discussed and decided on in the responsible committees – are fed into the respective detailed planning / budgets / decisions over the following years.

Adjustment of the conversion factors

In Insuree Update No. 38 dated 29 March 2016, we advised our insurees as follows:

In our "Projects for the first half of 2016" published in Information Update No. 37 dated 1 December 2015, we announced our intention to conduct an asset liability management study (ALM) in order to examine the financial sustainability of our benefits.

At the last (70th) meeting of the Board of Trustees on 12 February 2016, we launched the ALM study and looked at trends in life expectancy over the last five years.

The study will deliver valuable results in several stages, particularly with regard to the conversion factors to be applied in the future. The decisions regarding the conversion factors will be taken at the 72nd meeting of the Board of Trustees to be held on 20 June 2016 and then communicated on a broad basis.

However, it is clear even at this stage that a reduction in the conversion factors is unavoidable.

Below is more detailed information on the topics "Conversion factors", "Life expectancy" and "Actuarial interest rate".

In light of the continuing rise in life expectancy and the trends in the capital markets, it is crucial for the future of occupational pensions that the conversion factor is viable in both actuarial and financial terms.

The PVS is a funded pension scheme.

That certain generations of pensioners are favoured over others clearly runs counter to the principles of Pillar 2. And, since funded systems do not provide for a redistribution of the accrued capital, the conversion factors currently in use will have to be adjusted.

The Board of Trustees will need to look at options for addressing the current inequality in terms of the interest rate payable on retirement savings capital or via an increase in pension benefits.

Despite all these necessary adjustments, the Board of Trustees of the PVS will do its utmost to ensure that you, the beneficiaries, continue to receive benefits that compare favourably with the minimum statutory requirements. Potential cushioning measures will be examined in the course of the ALM study.

In parallel to the Insuree Update No. 38, in the period March to April 2016, we notified all our HR representatives, HR offices and managers on the subject at all locations by means of the presentation uploaded on our homepage: "Information on the adjustment of conversion factors, March 2016".

In Insuree Update No. 40 dated 24 June 2016, we advised our insurees of our decisions as follows:

At its meeting on 20 June 2016, the Board of Trustees approved the conversion factors to be applied from 1 January 2018. In Insuree Update No. 39 dated 25 May 2016, we announced that the 72nd meeting of the Board of Trustees on 20 June 2016 would define the new conversion factors, which would then be widely publicised. This Insuree Update and the scheduled information events meet that commitment.

New conversion factors applicable from 1 January 2018

In a majority vote at the meeting on 20 June 2016, the Board of Trustees agreed to reduce the actuarial interest rate from its current level of 3% to 2.50% and adjust the conversion factors for retirement pensions accordingly with effect from 1 January 2018. The findings of the asset liability management (ALM) study revealed that the agreed measures are essential for the long-term stability of Personalvorsorge Swissport / PVS and to guarantee our benefit commitments.

The new conversion factors set out in Appendix I to the Pension Scheme Regulations will apply to all retirements starting on or after 1 December 2017 with pensions starting from 1 January 2018. The conversion factors are based on the BVG 2015 actuarial tables and an actuarial interest rate of 2.50%.

Where the new conversion factors are applied to an insuree with

- a) a spouse or long-term partner who is also insured to the value of 70% of the retirement pension, the retirement pension on retirement at 63 will be reduced by 6.8%.
- b) no insured spouse or long-term partner, the retirement pension on retirement at 63 will be reduced by 6.5%.

In order to benefit from the current conversion rates, an insuree must retire no later than 30 November 2017 with a pension start date of 1 December 2017 at the latest.

The Board of Trustees is aware that the decision taken on 20 June 2016 will have significant repercussions for many beneficiaries. The Board has therefore agreed on the following cushioning measures:

Beneficiaries due to retire in the near future

A transition period of 18 months will apply to beneficiaries who are due to retire in the near future. During the transition period, beneficiaries will still be able to retire under the old conditions.

Cushioning measures for individuals born in 1960, 1959, 1958, 1957, 1956 or 1955

The transitional arrangements set out in Appendix I to the Pension Scheme Regulations will determine the conversion factors applied from 1 January 2018 to individuals born in 1960 or before.

In the case of conversion factors applied where

- a) a spouse or long-term partner is also insured to the value of 70% of the retirement pension, the retirement pension on retirement at 63 will be reduced by 4.5%.
- b) no spouse or long-term partner is insured, the retirement pension on retirement at 63 will be reduced by 4.3%.

These rules should cushion the medium-term impact of the reduction for this age group.

Special provision for beneficiaries with nightwork credits or shift-based leave

The existing conversion factors will still apply to all employees with nightwork credits after 1 December 2017, provided that the corresponding agreement on retirement with nightwork credits is agreed irrevocably and in writing with the employer by 30 November 2017 and that the employee begins taking the relevant nightwork credits no later than 1 December 2017.

The Board of Trustees has introduced these measures with a view to reducing the impact on older beneficiaries.

All insurees, but particularly younger insurees, also have the option of taking action to offset the reduction in their retirement pension. For example, transferring to the Standard Plus pension plan will increase the savings rate, thereby increasing the retirement savings that will be converted into a pension at the conversion rate. The next opportunity for moving to the Standard Plus pension plan is on 1 January 2017.

Additional review of 2016 by the Chairman

The major (and especially the more “wide-ranging”) business activities are planned for the coming years as follows:

- From 2016 to 2018: continuing our support of Health Management.
- From 2016: continuing our collaboration with KPMG (audit mandate).
- From 2015 to 2019: renewal of our service agreement with PFS AG.
- From 2018 to (planned) 2022: new conversion factors on the basis of an actuarial interest rate of 2.5%.
- From 2018 to 2020: renewal of our agreement with PKRück concerning “Reinsuring the risks of disability and death”.

We have revised our Organisational Regulations, Investment Regulations, Reinsurance Regulations and the Pension Scheme Regulations.

The PVS archive consisting of 50 folders was moved from the SILU housing cooperative in Bassersdorf to the archive of Swissport International AG at Flughofstrasse 57 in Glattbrugg.

The launch of the simulation tools PKS.live went well – it is working as planned.

Media reports to be discontinued with effect from 15 December 2016.

For the first time, as at 31 August 2016, we crossed slightly over the “threshold of CHF 800 million” in assets (CHF 802,634,405).

The 2016 Complementa Risk Check-Up has confirmed that the PVS is in the “green” zone. In detail:

- The funding ratio of the PVS corresponds approximately to the average for other pension funds of a similar size. Complementa assesses the risk-bearing capacity of Personalvorsorge Swissport as adequate.
- Complementa considers the asset allocation to be within the standard range.
- The return comparison with other pension funds shows a slight underperformance.
- The cash flow situation is assessed as stable compared to other pension funds.
- Complementa assigned us an A++ rating.

New: mortgages now available for third parties. At a meeting on 11 May 2016, we agreed to also offer mortgages to third parties. As a result, the existing restrictions on beneficiary mortgages for individuals who

leave the PVS no longer apply. Moreover, we wish to push this vehicle by using “external procurement” until it achieves the goal of our SAA.

Day-to-day operations are proceeding well, and we always keep accurate and detailed minutes.

Outlook for financial year 2016

Minor reduction / decrease in the “Standard Plus” pension plan

On 1 January 2017, a total of 606 beneficiaries (= 15.57% of all those entitled) had opted for the “Standard Plus” pension plan, which features an employee contribution of 9% (instead of 6% under the “Standard” plan). On 1 January 2016, there were 621 beneficiaries, i.e. 16.47%. For the first time ever, fewer insurees opted for the “Standard Plus” plan than in the previous year. The reason for this is the increase in the number of hourly wage earners at the PVS.

Current performance

The PVS achieved a performance of 3.90% on its assets in the period until the end of April 2017.

A word of thanks

I wish to thank our founder-employer, my fellow trustees, our Managing Director, customer advisors, accountant, accredited pension actuary, statutory auditor, investment controller and the PFS for their consistently committed, thorough and professional work on behalf of the PVS.

Sincerely
Peter Graf
Chairman of the Board of Trustees

2016 FINANCIAL STATEMENTS

| Balance sheet | Index Note | 31.12.2016 CHF | 31.12.2015 CHF |
|--|---------------|--------------------|--------------------|
| ASSETS | | | |
| Investments | 6.4 | 804,674,217 | 765,972,414 |
| Liquidity and money market investments | | 8,036,732 | 24,808,768 |
| Receivables from employer | 6.9 | 2,425,961 | 2,431,614 |
| Other receivables | 7.1.1 | 3,070,736 | 3,241,585 |
| CHF bonds | | 109,353,057 | 108,174,062 |
| Global IFL bonds hedged | | 0 | 40,056,643 |
| Foreign currency bonds, rest of world | | 29,677,252 | 29,089,007 |
| Foreign currency bonds, Corp ex CH | | 47,591,789 | 0 |
| Emerging market bonds | 6.4.1 | 32,589,557 | 29,597,619 |
| Mortgage loans | | 24,840,500 | 23,782,500 |
| Equities Switzerland | | 77,100,487 | 70,675,138 |
| Equities Europe (incl. currency hedges) | | 23,815,047 | 23,371,860 |
| Equities North America (incl. currency hedges) | | 42,703,499 | 37,552,283 |
| Equities Pacific (incl. currency hedges) | | 25,881,152 | 24,255,586 |
| Equities (sustainable) (incl. currency hedges) | | 89,048,359 | 82,197,798 |
| Equities emerging markets | | 40,992,751 | 36,652,292 |
| Real estate Switzerland | 6.7.1 | 247,547,338 | 230,085,659 |
| Prepaid expenses and accrued income | 7.1.2 | 8,284,631 | 7,540,482 |
| TOTAL ASSETS | | 812,958,848 | 773,512,896 |
| LIABILITIES | | | |
| Liabilities | | 7,011,085 | 5,762,101 |
| Termination benefits | | 6,178,645 | 4,309,554 |
| Capital payments | | 768,838 | 1,411,720 |
| Other liabilities | 7.1.3 | 63,602 | 40,827 |
| Accrued expenses and deferred income | 7.1.4 | 713,795 | 238,568 |
| Pension liabilities and actuarial reserves | | 704,922,789 | 677,565,364 |
| Active participants' liabilities | 5.2 | 401,645,881 | 408,544,218 |
| Pensioners' liabilities | 5.4 | 292,814,607 | 255,652,708 |
| Actuarial reserves | 5.5 | 10,462,301 | 13,368,438 |
| Fluctuation reserve | 6.3 | 100,311,179 | 89,946,863 |
| Dotation capital, non-committed funds, underfunding | | 0 | 0 |
| TOTAL LIABILITIES | | 812,958,848 | 773,512,896 |

| | Index Note | 2016 CHF | 2015 CHF |
|---|---------------|--------------------|--------------------|
| Ordinary and other contributions and transfers-in | | 31,037,204 | 29,811,817 |
| Employees' savings contributions | | 10,516,723 | 10,305,605 |
| Employer's savings contributions | | 14,561,995 | 14,297,035 |
| Employee risk insurance premiums | | 2,214,965 | 2,175,418 |
| Employer risk insurance premiums | | 2,224,891 | 2,195,239 |
| One-time payments and purchase amounts | 7.2.1 | 1,518,630 | 838,520 |
| Entry lump sum transfers | | 9,649,760 | 11,324,516 |
| Termination benefit transfers | | 8,800,178 | 8,446,198 |
| Reimbursement of withdrawals for home ownership/divorce | 7.2.2 | 849,582 | 2,878,318 |
| INFLOW FROM CONTRIBUTIONS AND ENTRY LUMP SUM TRANSFERS | | 40,686,964 | 41,136,333 |
| Regulatory benefits | | -22,269,535 | -23,977,887 |
| Retirement pensions | | -14,969,146 | -13,460,229 |
| Survivor pensions | | -560,937 | -462,400 |
| Disability pensions | | -686,893 | -655,141 |
| Pensions for dependent children | 7.2.3 | -258,302 | -224,542 |
| Lump sum payments on retirement | | -5,370,573 | -8,779,424 |
| Lump sum payments on death/disability | | -423,684 | -396,151 |
| Termination benefits | | -19,226,379 | -19,988,833 |
| Termination benefits for leavers | | -17,474,740 | -18,254,954 |
| Withdrawals for encouragement of home ownership/divorce | 7.2.4 | -1,751,639 | -1,733,879 |
| OUTFLOW FOR BENEFITS AND WITHDRAWALS | | -41,495,914 | -43,966,720 |
| Changes in pension liability, actuarial reserves and contribution reserves | | -27,357,425 | -10,800,551 |
| Decrease in active participants' liabilities | 5.2 | 14,702,642 | 23,084,324 |
| Increase in pensioners' liabilities | 5.4 | -37,161,899 | -25,537,419 |
| Decrease / increase in actuarial reserves | 5.5 | 2,906,137 | -351,496 |
| Interest on retirement savings capital | 5.2 | -7,804,305 | -7,995,960 |
| Income from insurance benefits | | 2,083,846 | 978,448 |
| Insurance expenses | | -2,012,286 | -2,023,168 |
| Risk premiums | | -1,642,815 | -1,660,246 |
| Cost premiums | | -251,374 | -245,215 |
| Contributions to Security Fund BVG / LPP | | -118,097 | -117,707 |
| NET RESULT OF INSURANCE ACTIVITIES | | -28,094,815 | -14,675,658 |

| | Index Note | 2016 CHF | 2015 CHF |
|---|---------------|--------------------|--------------------|
| Net return on investments | 6.7 | 39,825,995 | 3,183,798 |
| Income from liquid funds and money market investments | | 243,166 | -11,788 |
| Income from CHF bonds | | 1,623,201 | 2,228,690 |
| Income from global IFL bonds hedged | | 3,032,646 | -1,199,084 |
| Income from foreign currency bonds, rest of world | | 979,318 | -3,003,633 |
| Income from foreign currency bonds, Corp ex CH | | -8,211 | 0 |
| Income from emerging market bonds | | 3,337,387 | -4,391,063 |
| Income from mortgage loans | | 341,069 | 359,306 |
| Income from Equities Switzerland | | 1,933,131 | 3,701,217 |
| Income from Equities Europe (incl. currency hedges) | | 646,687 | -737,288 |
| Income from Equities North America (incl. currency hedges) | | 4,209,219 | -283,961 |
| Income from Equities Pacific (incl. currency hedges) | | 717,444 | 565,976 |
| Income from Equities (sustainable) (incl. currency hedges) | | 5,099,497 | -1,721,031 |
| Income from Equities emerging markets | | 4,706,911 | -4,964,619 |
| Income from commodities (incl. currency hedges) | | 0 | -2,648,485 |
| Income from real estate Switzerland | 6.7.1 | 14,595,385 | 16,808,490 |
| Investment management costs | 6.8 | -1,582,054 | -1,463,963 |
| Interest on termination benefits | | -48,801 | -54,966 |
| Other income | | 9,933 | 10,100 |
| Other expenses | 7.2.5 | -297,000 | -297,000 |
| Administrative expenses | 7.2.6 | -1,079,797 | -934,940 |
| General administration | | -966,333 | -838,652 |
| Auditor and actuary | | -94,720 | -77,394 |
| Supervisory authorities | | -18,744 | -18,894 |
| INCOME SURPLUS / EXPENSE SURPLUS BEFORE ADDING TO OR RELEASING FROM RESERVES FOR FLUCTUATIONS IN ASSET VALUE | | 10,364,316 | -12,713,700 |
| Decrease / increase in reserves for fluctuations in asset value | 6.3 | -10,364,316 | 12,713,700 |
| INCOME SURPLUS / EXPENSE SURPLUS | | 0 | 0 |

NOTES

1 General information and organisation

1.1 Legal form and objective

The Swissport Employee Pension Scheme ("Personalvorsorge Swissport" or PVS) is a trust established by Swissport International AG in accordance with Article 80ff. of the Swiss Civil Code (ZGB), Article 331 of the Swiss Code of Obligations (OR) and Article 48, para. 2 of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefit Plans (BVG). The Foundation has its legal domicile at the head office of Swissport International AG in Opfikon, Switzerland, and is subject to legal supervision.

The objective of the PVS is to provide an occupational pension scheme within the framework of the BVG and its implementation provisions to insure the personnel of Swissport International AG and further companies closely linked thereto in business or financial terms, their next of kin and their survivors against the economic consequences of old age, disability and death.

1.2 BVG / LPP registration and registration with the Security Fund

The PVS was entered in the Register of Occupational Pension Schemes of the Canton of Zurich (under register number ZH 1377) on 1 January 2004, as attested by the corresponding official confirmation thereof dated 24 February 2004. The pension fund is subject to the Swiss Vesting in Pension Plans Act (FZG) and is thus affiliated with the Security Fund.

1.3 Deed of trust and regulations

The PVS was established through a public deed of trust dated 15 September 2003 and was entered in the Commercial Register of the Canton of Zurich on 14 November 2003.

Details of the regulations

| Regulations | Adopted on | Effective |
|--|------------------|------------------|
| Pension Scheme Regulations | 20 June 2016 | 1 September 2016 |
| Regulations on Provisions and Reserves | 19 2016 | 1 September 2016 |
| Organisational Regulations | 10 May 2012 | 1 April 2016 |
| Election Regulations | 27 June 2014 | 1 July 2014 |
| Investment Regulations | 11 November 2016 | 1 December 2016 |
| Partial Liquidation Regulations | 24 November 2009 | 25 February 2010 |

1.4 Supreme body, management and signatory authority

As at 31 December 2016, the Board of Trustees comprised the following members:

| Employer's representatives | | Employees' representatives/ Term of office 1 July 2016 – 30 June 2019 | |
|--------------------------------|-----------|--|------------------|
| Peter Graf | Chairman* | Margrit Coimbra | Deputy Chairman* |
| Heinrich-Josef Giesen | Member* | René Meier | Member* |
| Eva-Maria Kerner ¹⁾ | Member* | Ralf Müller ¹⁾ | Member* |

¹⁾ Member of the Investments Committee

Operational management

| | | | |
|------------------|---------------------------|------------------|--------------------|
| Elisabeth Müller | Managing Director* | Claudia Sommer | Customer Advisor |
| Reymond Früh | Head of Accounting* | Markus Bleisch | Customer Advisor |
| Urs Ackermann | Deputy Managing Director* | Christoph Bohren | Management Support |

* Collective signatory authority (two signatures required)

1.5 Experts, statutory auditor, advisors, supervisory authority

Accredited pension actuary

André Tapernoux, Mercer (Switzerland) SA, Tessinerplatz 5, 8027 Zurich

Statutory auditor

KPMG AG, Badenerstrasse 172, 8004 Zurich

Investment controller

Markus Schneider, PensionTools GmbH, Galtbergstrasse 1A, 8625 Gossau

Supervisory authority

The Supervisory Authority for Pensions and Trusts of the Canton of Zurich (BVS), Neumühlequai 10, 8090 Zurich

1.6 Affiliated employers

The following companies with close business and financial links to founder-employer Swissport International AG are also affiliated to the PVS:

Swissport International AG, Zurich operations, Zurich Airport, Canton of Zurich

Swissport International AG, Basel operations, Basel Airport, Canton of Basel-Stadt

Swissport International AG, Geneva operations, Geneva Airport, Canton of Geneva

Swissport Baggage Sorting AG, Kloten, Canton of Zurich

PrivatPort S.A., Meyrin, Canton of Geneva

Swissport Group Services GmbH, Baar, Canton of Zug

Careport AG, Opfikon, Canton of Zurich

GVAssistance S.A., Le Grand-Saconnex, Canton of Geneva

No new employers joined the PVS in 2014; nor did any existing employers leave the scheme.

2 Active participants and pensioners

2.1 Active participants

| | Swissport International | | Swissport Zurich | | Swissport Basel | |
|--|-------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 91 | 84 | 1,782 | 1,678 | 476 | 422 |
| Joined | 29 | 24 | 170 | 454 | 12 | 107 |
| Left | 13 | 14 | 249 | 310 | 44 | 45 |
| Retired | 1 | 3 | 35 | 38 | 4 | 8 |
| Newly disabled | 0 | 0 | 3 | 0 | 0 | 0 |
| Deaths | 0 | 0 | 1 | 2 | 0 | 0 |
| At 31 December | 106 | 91 | 1,664 | 1,782 | 440 | 476 |
| of whom risk insurance only | 2 | 2 | 145 | 185 | 26 | 38 |
| Retirement savings at 31 December | 27,801,339 | 24,783,519 | 195,125,886 | 203,846,053 | 42,544,052 | 41,632,145 |
| of which BVG retirement savings at 31 December | 6,932,003 | 6,414,013 | 82,784,658 | 84,134,369 | 15,765,772 | 15,003,108 |

| | Swissport Geneva | | Swissport Baggage Sorting | | PrivatPort | |
|--|-------------------|--------------------|---------------------------|-------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 1,074 | 931 | 205 | 176 | 9 | 9 |
| Joined | 36 | 278 | 1 | 66 | 4 | 0 |
| Left | 133 | 113 | 40 | 30 | 0 | 0 |
| Retired | 28 | 22 | 0 | 7 | 0 | 0 |
| Newly disabled | 2 | 0 | 0 | 0 | 0 | 0 |
| Died | 0 | 0 | 2 | 0 | 0 | 0 |
| At 31 December | 947 | 1,074 | 164 | 205 | 13 | 9 |
| of whom risk insurance only | 67 | 128 | 10 | 28 | 1 | 0 |
| Retirement savings at 31 December | 93,221,497 | 101,054,913 | 19,373,255 | 18,528,929 | 1,239,684 | 1,118,398 |
| of which BVG retirement savings at 31 December | 38,735,148 | 40,982,537 | 9,525,489 | 8,940,301 | 512,173 | 456,530 |

| | Swissport Group Services GmbH | | Careport AG | | GVAssistance S.A. | |
|--|-------------------------------|------------------|------------------|------------------|-------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 31 | 20 | 87 | 79 | 64 | 53 |
| Joined | 25 | 17 | 3 | 19 | 1 | 14 |
| Left | 4 | 6 | 12 | 9 | 5 | 3 |
| Retired | 0 | 0 | 0 | 2 | 1 | 0 |
| Newly disabled | 0 | 0 | 0 | 0 | 0 | 0 |
| Died | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 31 December | 52 | 31 | 78 | 87 | 59 | 64 |
| of whom risk insurance only | 1 | 1 | 4 | 7 | 3 | 5 |
| Retirement savings at 31 December | 7,481,551 | 3,567,842 | 8,011,622 | 7,453,003 | 6,846,994 | 6,559,416 |
| of which BVG retirement savings at 31 December | 2,235,833 | 1,064,322 | 3,569,122 | 3,279,450 | 3,102,263 | 2,972,275 |

| | Total PVS | | Change over previous year |
|--|--------------------|--------------------|---------------------------|
| | 2016 | 2015 | |
| At 1 January | 3,819 | 3,452 | 367 |
| Joined | 281 | 979 | -698 |
| Left | 500 | 530 | -30 |
| Retired | 69 | 80 | -11 |
| Newly disabled | 5 | 0 | 5 |
| Deaths | 3 | 2 | 1 |
| At 31 December | 3,523 | 3,819 | -296 |
| of whom risk insurance only | 259 | 394 | -131 |
| Retirement savings at 31 December | 401,645,881 | 408,544,218 | -6,898,337 |
| of which BVG retirement savings at 31 December | 163,162,461 | 163,246,905 | -84,444 |

| Active insurees by BVG age at 31 December | Women | | Men | | Total | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| 18–24 | 119 | 173 | 140 | 221 | 259 | 394 |
| 25–34 | 340 | 364 | 636 | 704 | 976 | 1,068 |
| 35–44 | 329 | 361 | 609 | 608 | 938 | 969 |
| 45–54 | 363 | 386 | 544 | 561 | 907 | 947 |
| 55–65 | 202 | 194 | 241 | 247 | 443 | 441 |
| Total | 1,353 | 1,478 | 2,170 | 2,341 | 3,523 | 3,819 |

The average age of all active insurees is 40.4 years (previous year: 39.4).

2.2 Pensioners

| Pension type – portfolio | Women | | Men | | Total | |
|---------------------------------|------------|------------|------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Retirement pensions | 194 | 173 | 338 | 310 | 532 | 483 |
| Disability pensions | 21 | 21 | 28 | 23 | 49 | 44 |
| Spouse's pensions | 24 | 19 | 5 | 2 | 29 | 21 |
| Pensions for dependent children | 21 | 20 | 32 | 27 | 53 | 47 |
| Total | 260 | 233 | 403 | 362 | 663 | 595 |

| Pension type – development | Total | Change | | Total |
|---------------------------------|------------|-----------|-----------|------------|
| | 31.12.2016 | New | Left | 31.12.2015 |
| Retirement pensions | 532 | 53 | 4 | 483 |
| Disability pensions | 49 | 7 | 2 | 44 |
| Spouse's pensions | 29 | 8 | 0 | 21 |
| Pensions for dependent children | 53 | 15 | 9 | 47 |
| Total | 663 | 83 | 15 | 595 |

3 Implementation of objectives

3.1 Characteristics of the pension plan

The PVS Pension Scheme Regulations consist of two elements: the Benefit Regulations and the pension plans. The Benefit Regulations are applicable to all PVS beneficiaries. These regulations lay down the general terms and conditions under which benefits are granted, the scheme's funding principles, the type and amount of benefits awarded and further general provisions.

Benefit Regulations

All employees who fall under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefit Plans (BVG) are admitted to the PVS. Employees are also permitted to remain within the PVS as external insurees after they have left a PVS-affiliated company under certain conditions specified in an appendix to the Benefit Regulations.

The benefits awarded under the PVS are based on defined contributions.

A PVS insuree becomes entitled to regular PVS retirement pension benefits upon reaching the age of 63. PVS retirement benefits may also be drawn before this time, up to five years at the earliest before the regular retirement age. Retirement benefits may be drawn in the form of a lump sum capital payment, a life-long retirement pension or a combination of the two. The conversion rates used to convert savings into retirement pensions vary according to the beneficiary's age and marital status.

The annual PVS disability pension amounts to 5.7% of the insuree's projected retirement savings on their 63rd birthday; the projection is based on an interest rate of 1.25%.

The annual PVS spouse's pension amounts to 70% of the insuree's retirement or full disability pension. Insurees who have entered into a registered partnership enjoy the same benefits and entitlements as married insurees. The PVS will, upon written request, pay benefits equivalent to a spouse's pension to the surviving long-time partner of a deceased employee, provided that the conditions laid down in the regulations are met. Should an unmarried active insuree die without designating a partner, a lump sum payment will be made amounting to the insuree's total retirement savings at the time of death.

The orphan's and child's pension for children of disability pension recipients is 10% of the insuree's last insured salary, or 15% in the case of orphans where both parents are deceased. The child's pension for children of retirement pension recipients amounts to 10% of the insuree's last insured salary, up to a maximum of CHF 5,400 a year.

Pension plans

The PVS's pension plans specify the salary insured under the PVS and the distribution of contributions and premiums between the employer and the employee for basic and supplementary occupational pension provision.

All employees who fall under the BVG are admitted to the PVS's Basic Pension Plan.

The Supplementary Pension Plan is provided for all management personnel with individual contracts of employment whose annual salary (including year-end bonuses) exceeds 7.5 times the minimum AHV state retirement pension. For part-time employees, this threshold is reduced in proportion to their degree of employment.

Under both pension plans, insurees can opt for a higher employee contribution.

The following pension plans exist (each in Basic and Supplementary versions):

- The Standard and Standard Plus pension plans for all Swissport companies in Switzerland (excluding Swissport Baggage Sorting AG)
- The Standard and Standard Plus pension plans for Swissport Baggage Sorting AG

Insurees under the Standard Pension Plan pay a savings contribution of 6% (7% in the case of Swissport Baggage Sorting AG) of their insured salary; those under the Standard Plus pension plan pay a corresponding contribution of 9%. Under both plans, the employer pays a saving contribution of 9% (8% in the case of Swissport Baggage Sorting AG) of the insured salary.

As of 1 January 2014, the savings contribution for insurees aged 25-34 whose place of work is Zurich, as well as for all Basic Plan insurees with an individual employment contract, is 2.8% for employees and 4.2% for the employer. For insurees working for Swissport Baggage Sorting AG, the rates are 3.25% and 3.75% respectively.

The insured salary for Basic Pension Plan purposes is the employee's salary including any year-end bonuses less the coordination amount. This coordination amount is 20% of the employee's salary, up to a maximum of 50% of the maximum AHV Swiss state retirement pension.

The insured salary for Supplementary Pension Plan purposes is the employee's salary including any year-end bonuses less the coordination amount of 7.5 times the minimum AHV Swiss state retirement pension. For part-time employees, this coordination amount is reduced in proportion to their degree of employment. Any salary components covered by the Supplementary Pension Plan are not covered by the Basic Pension Plan.

3.2 Funding and funding method

The retirement savings contributions under the Standard Plan correspond to 15% of the insured salary in the Basic Plan and 21% in the Supplementary Plan. Under the Standard Plus Plan, they amount to 18% (17% in the case of Swissport Baggage Sorting AG) in the Basic Plan and 24% in the Supplementary Plan.

For insurees aged 25-34 whose place of work is Zurich, as well as for all Basic Plan insurees with an individual employment contract, the retirement savings contributions for the Basic Plan in the Standard Plan are 7%; in the Standard Plus Plan they are 11.7% (11.25% in the case of Swissport Baggage Sorting AG).

The distribution of these contributions between employer and employee varies from plan to plan.

The risk insurance premium is 2.5% of the insured salary and is shared equally between employer and employee.

The cost of administering the scheme's assets and investments and the contributions to the Security Fund are borne by the PVS.

3.3 Further information on pension plan activities

The PVS has signed a service agreement with PFS Pension Fund Services AG for the administration and management of the scheme. The agreement was extended for a further five years on 10 February 2015 retroactively to 1 January 2015.

In accordance with a resolution of the Board of Trustees on 13 November 2015, pensions in payment have not been adjusted. This is due to the generational balance sheet, which shows a considerable bias towards pension recipients. At the Board of Trustees meeting on 15 and 16 September 2014, the fundamental decision was made to refrain from adjusting pensions in accordance with inflation until there is a generational balance.

4 Significant accounting policies and valuation methods, consistency

4.1 Statement of compliance with Swiss GAAP FER 26

The accounts of the PVS are prepared in accordance with the guidelines specified in Swiss GAAP FER 26, as amended on 1 January 2014.

4.2 Significant accounting policies and valuation methods

All accounting, reporting and valuation practices are in accordance with the relevant provisions of the Swiss Code of Obligations (OR) and the BVG. The annual financial statements consist of the balance sheet, the operative account and the notes thereto and provide a true and fair view of the scheme's actual financial situation as required by the legislation on occupational pension provision. The assets are valued in the financial statements as follows:

| Investment category | Valuation method |
|--|---|
| Nominal values | |
| Liquidity and money market investments | Nominal value / market value |
| Receivables | Nominal value minus required value adjustment |
| CHF bonds | Market value |
| Global IFL bonds | Market value |
| Foreign currency bonds, rest of world | Market value |
| Emerging market bonds | Market value |
| Mortgage loans | Nominal value minus required value adjustment |
| Equities | |
| Equities Switzerland | Market value |
| Equities Europe | Market value |
| Equities North America | Market value |
| Equities Pacific | Market value |
| Equities foreign (sustainable) | Market value |
| Equities emerging markets | Market value |
| Swiss real estate | Market value |

Assets held in foreign currencies are translated at year-end exchange rates, while foreign-currency income and expenditure are translated at the exchange rate prevailing on the date of the transaction.

4.3 Changes in accounting policy and in bookkeeping

There were no changes in the valuation principles used.

5 Actuarial risks / risk coverage / funding ratio

5.1 Type of risk coverage, reinsurance

On 12 January 2011, the PVS, a semi-autonomous pension fund, entered into a reinsurance agreement with "PKRück Lebensversicherung für die betriebliche Vorsorge AG", Vaduz, for the period 1 January 2011 to 31 December 2016. As at 1 January 2017, Personalvorsorge Swissport extended the contract for another three years. The PVS has thereby reinsured its risks for benefits on death and disability consistently since 1 January 2011. The annual premium for 2016 totalled CHF 1,894,189.

The reinsurance agreement features a profitsharing arrangement for surplus funds, which will be credited to the operating result.

The reinsured benefits for death and disability are transferred to the PVS in the form of cash payments. PKRück does not hold any actuarial reserves for pensions in payment on behalf of the PVS.

On 31 December 2015, the sum of CHF 743,439 was charged by PKRück for benefits in respect of the 2011-2013 accounting period and provisions totalling CHF 528,220 were created for claims not yet processed. In addition, there was a credit of CHF 1,271,659 from stop-loss cover. The final account will be drawn up after a term of three years and following the settlement of any claims that occur during this period. Any surplus funds will be subsequently distributed in accordance with the above paragraph.

| Accounting period 2011–2013 | 2015 CHF | 2014 CHF | 2013 CHF |
|---|-----------|---------------|------------------|
| Surplus funds at 1 January | 0 | 38,620 | 1,077,606 |
| Allocation to provision for the distribution of surplus funds | 0 | 0 | 533,290 |
| Withdrawal from provision for the distribution of surplus funds | -743,439 | -454,070 | -434,029 |
| Provision for claims not yet processed | -528,220 | 397,862 | -1,138,247 |
| Credit from stop-loss cover | 1,271,659 | 17,588 | 0 |
| Surplus funds at 31 December | 0 | 0 | 38,620 |

An update is not yet available for the 2011–2013 accounting period.

On 31 December 2015, CHF 525,145 was set aside in respect of **the 2014–2016 accounting period** in favour of any distribution of surplus funds. Provisions of PKRück for claims not yet processed totalling CHF 525,145 were charged to this provision. The final account will be drawn up after a term of three years and following the settlement of any claims that occur during this period. Any surplus funds will be subsequently distributed in accordance with the above paragraph.

| Accounting period 2014–2016 | 2015 CHF | 2014 CHF |
|---|-----------------|-----------------|
| Surplus funds at 1 January | 0 | 0 |
| Allocation to provision for the distribution of surplus funds | 525,145 | 520,460 |
| Withdrawal from provision for the distribution of surplus funds | 0 | 0 |
| Provision for claims not yet processed | -525,145 | -520,460 |
| Credit from stop-loss cover | 0 | 0 |
| Surplus funds at 31 December | 0 | 0 |

An update is not yet available for the 2014–2016 accounting period.

5.2 Performance of defined-contribution savings capital and interest earned thereon

| | 2016 CHF | 2015 CHF |
|--|---------------------|---------------------|
| Total savings of insurees at 1 January | 408,544,218 | 423,632,581 |
| Release of active insurees' actuarial capital | -14,702,642 | -23,084,324 |
| Employees' savings contributions | 10,516,723 | 10,305,605 |
| Employer's savings contributions | 14,561,995 | 14,297,035 |
| One-time payments and purchase amounts | 1,518,630 | 838,520 |
| Entry lump sum transfers | 8,800,178 | 8,446,198 |
| Reimbursements of withdrawals for home ownership/divorce | 849,582 | 2,878,318 |
| Transfer of retirement savings of IV pension recipients | 0 | 104,527 |
| Capital formation for payments pursuant to Art. 17 FZG | 84 | 0 |
| Termination benefits for leavers | -17,474,740 | -18,254,954 |
| Withdrawals for encouragement of home ownership/divorce | -1,751,639 | -1,733,879 |
| Capital released through lump sum payments on retirement | -5,370,573 | -8,779,424 |
| Capital released through lump sum payments on death/disability | -387,774 | -396,151 |
| Release due to retirement, death or disability | -25,965,110 | -30,790,120 |
| Interest on retirement savings capital | 7,804,305 | 7,995,960 |
| Total active participants' liabilities at 31 December | 401,645,881 | 408,544,218 |
| Interest rate on retirement savings pursuant to BVG | 1.25% | 1.75% |
| Interest rate on all retirement savings | 2.00% | 2.00% |

Under Article 7 of the PVS Benefit Regulations, the Board of Trustees may wait until the annual results for a particular year are available before setting the interest rate to be used for the payment of interest on active insurees' retirement savings for the year under review. For 2016, any payments or benefit calculations made in the course of the year were subject to interest at a rate of 0%. The final decision on the interest rate to be applied to retirement savings was taken at the Board of Trustees meeting on 13 November 2016, when a rate of 2.00% was set for all retirement savings.

5.3 Total retirement savings capital in accordance with the BVG

| | 31.12.2016 CHF | 31.12.2015 CHF |
|---------------------------------|---------------------------|---------------------------|
| Total retirement savings | 401,645,881 | 408,544,218 |
| of which BVG retirement savings | 163,162,461 | 163,246,905 |

The above amounts include the retirement savings of pending disability cases.

5.4 Development of actuarial reserves for pensioners

| | 2016 CHF | 2015 CHF |
|--|--------------------|--------------------|
| Actuarial reserves at 1 January | 255,652,708 | 230,115,290 |
| Increase in pensioners' liabilities | 37,161,899 | 25,537,419 |
| Creation through retirement, death and disability | 25,965,110 | 30,790,120 |
| Release through pension payments | -16,475,278 | -14,802,312 |
| Transfer from/to retirement savings capital of active insurees | 0 | -104,527 |
| Lump sum payments on death of pension recipient | -35,910 | 0 |
| Technical interest paid | 7,811,944 | 6,903,459 |
| Pension losses | 3,930,265 | 2,030,069 |
| Reversal of actuarial capital of pensioners for deaths | 0 | -349 |
| Creation of actuarial capital for disability/child's pensions | 0 | 1,034,245 |
| New principles and tech. interest rate | 16,136,633 | 0 |
| Actuarial loss (+) / profit (-) | -170,864 | -313,287 |
| Total pensioners' liabilities at 31 December | 292,814,607 | 255,652,708 |

The amount shown under "Creation through retirement, death and disability" corresponds to the savings capital of new pension recipients at the time the event occurs.

The following form of benefit was chosen for retirement, death and disability:

| Retirement, death and disability and form of benefit | 2016 | | 2015 | |
|--|------------|-----|------------|-----|
| | CHF | % | CHF | % |
| Retirement savings capital upon retirement, death and disability | 31,723,457 | | 39,965,695 | |
| of which pension | 25,965,110 | 82% | 30,790,120 | 77% |
| of which withdrawn as a lump sum payment | 5,758,347 | 18% | 9,175,575 | 23% |

The pension recipients' liabilities were distributed as follows among the various types of pensions at year-end:

| Pension recipients' liabilities | 31.12.2016 CHF | 31.12.2015 CHF | Change over previous year |
|--|--------------------|--------------------|------------------------------|
| Actuarial reserves for retirement pensions | 266,736,674 | 232,301,819 | 34,434,855 |
| Actuarial reserves for disability pensions | 12,931,779 | 12,742,426 | 189,353 |
| Actuarial reserves for spouse's/partner's pensions | 11,705,965 | 9,224,398 | 2,481,567 |
| Actuarial reserves for pensions for dependent children | 1,440,189 | 1,384,065 | 56,124 |
| Total pensioners' liabilities | 292,814,607 | 255,652,708 | 37,161,899 |

To ensure that annual decisions on adjustments to current pensions can be taken on a sound basis, the Board of Trustees has resolved to keep a 10-year generational balance sheet to quantify the accrued funds being transferred from active insurees to pension recipients at any given time. This will be done by taking the difference between the interest rate paid on active insurees' liabilities and the actuarial interest rate paid on pension recipients' liabilities (including a strengthening of longevity risk) and adding it to/subtracting it from the previous year's balance. Any further potential transfers between active insurees and pension recipients will not be recognised in this balance sheet.

A negative generational balance sheet will indicate that the transfer of accumulated funds is in favour of pension recipients and will mean that current pensions cannot be increased until this transfer amount has been offset. According to the calculations of the PVS's accredited pension actuary, the generational balance sheet at 31 December 2016 was as follows:

| Year | Pension recipients' liabilities at 31 December in CHF | Active insurees' liabilities at 31 December in CHF | Generational accounting balance in CHF | Interest rate for active insurees | Actuarial interest rate for pension recipients plus additional 0.5% until 2011 |
|--------------|---|--|--|-----------------------------------|--|
| 2007 | 49,260,686 | 469,478,994 | -378,525 | 3.25% | 4.00% |
| 2008 | 70,396,137 | 444,490,046 | -895,093 | 2.75% | 4.00% |
| 2009 | 92,571,371 | 437,657,336 | -1,887,231 | 2.00% | 4.00% |
| 2010 | 110,524,307 | 457,528,902 | -2,285,975 | 2.00% | 4.00% |
| 2011 | 147,823,293 | 453,223,258 | -3,047,905 | 2.00% | 4.00% |
| 2012 | 180,850,752 | 437,032,050 | -2,351,976 | 1.75% | 3.00% |
| 2013 | 205,498,414 | 425,848,021 | -2,125,543 | 2.00% | 3.00% |
| 2014 | 230,115,290 | 423,632,581 | 1,662,098 | 3.75% | 3.00% |
| 2015 | 255,652,708 | 408,544,218 | -2,506,664 | 2.00% | 3.00% |
| 2016 | 292,814,607 | 401,594,159 | -3,003,346 | 2.00% | 3.00% |
| Total | | | -16,820,160 | | |

5.5 Composition of, development of and explanation regarding actuarial reserves

| Composition | 31.12.2016 CHF | 31.12.2015 CHF | Change over previous year |
|---|-------------------|-------------------|---------------------------|
| Actuarial reserves | | | |
| Provision for poss. future disability cases | 476,123 | 478,591 | -2,468 |
| Provision for special events | 0 | 4,483,824 | -4,483,824 |
| Provision for conversion rate | 9,986,178 | 8,406,023 | 1,580,155 |
| Total actuarial reserves | 10,462,301 | 13,368,438 | -2,906,137 |

The "provision for possible future disability cases" is calculated as the difference between the value of the present value of possible future disability benefits and the amount of termination benefits available for the disability case as at the balance sheet date. At present, the risks for death and disability are fully reinsured. This provision consequently only consists of risk cases that occurred prior to the conclusion of reinsurance cover.

The "provision for special events" serves to cushion future conversions to new technical bases and is increased each year by 0.5% of the actuarial reserves for pensions. The provision for special events was released because the actuarial interest rate was lowered in 2016.

The "provision for the conversion rate" covers the additional financing that may be required as a result of using conversion rates not specified in the regulations on an actuarial basis. The provision is created for persons who have reached the age of 55. For such persons, a provision is set aside to cover the expected financing requirement for their retirement at retirement age.

5.6 Conclusions of the last actuarial report

The latest actuarial appraisal of the PVS was conducted as at 31 December 2016. The accredited pension actuary confirmed therein that

- the pension fund provides assurance that it can fulfil its obligations as at the balance sheet date
- the provisions of the actuarial provisions applicable to the scheme's benefits and financing comply with the relevant legal requirements
- there is sufficient financing to cover actuarial risks
- Personalvorsorge Swissport uses the latest actuarial principles with an actuarial interest rate of 2.5%, which is higher than that recommended by the expert

5.7 Actuarial principles and other significant actuarial assumptions

The accounting principles are based on BVG 2015 actuarial data and the standard cross-sectional mortality table projected to 2017 (previous year: BVG 2010 actuarial data and the standard cross-sectional mortality table projected to 2016) at an actuarial interest rate of 2.5% (previous year: 3.0%). The calculations have been made in accordance with the Principles and Guidelines for Accredited Pension Actuaries of the SAA and the Swiss Chamber of Pension Actuaries according to the "closed-fund" principle.

5.8 Change in actuarial principles and assumptions

The Board of Trustees decided at its meeting on 20 June 2016 to reduce the actuarial interest rate from 3.0% to 2.5%. At the same time it decided to use the accounting principles based on BVG 2015 (standard cross-sectional mortality table) instead of those based on BVG 2010 actuarial data

5.9 Funded status under Art. 44 BVV2

| | 31.12.2016 CHF | 31.12.2015 CHF | Change over previous year |
|--|--------------------|--------------------|------------------------------|
| Total assets at market value | 812,958,848 | 773,512,896 | |
| Less liabilities | -7,011,085 | -5,762,101 | |
| Less accrued expenses and deferred income | -713,795 | -238,568 | |
| Non-committed assets (NCA) | 805,233,968 | 767,512,227 | 37,721,741 |
| Pension assets for active insured employees | 401,645,881 | 408,544,218 | |
| Pension assets for pensioners | 292,814,607 | 255,652,708 | |
| Technical provisions | 10,462,301 | 13,368,438 | |
| Pension assets required (PA) | 704,922,789 | 677,565,364 | 27,357,425 |
| Funding surplus as per Art. 44 para. 1 BVV2 (assets available less actuarial capital required) | 100,311,179 | 89,946,863 | 10,364,316 |
| Funding ratio as per Art. 44 para. 1 BVV2 (assets available x 100 divided by actuarial capital required) | 114.2% | 113.3% | |

The PVS's funding ratio as defined in Art. 44 para. 1 BVV2 stood at 114.2% as at 31 December 2016.

6 Notes on investments and on the net return on investments

6.1 Organisation of investment activities, investment advisor, investment manager and investment regulations

The PVS's Investment Regulations specify the assignment of responsibilities, authorities and control functions between the Board of Trustees and the Investments Committee.

Board of Trustees

The Board of Trustees is responsible for determining the PVS's investment strategy and the asset management institutions charged with its implementation. To ensure the constant supervision of these activities, the Board of Trustees appoints a two-member Investments Committee consisting of one employer's and one employees' representative.

Investments Committee

The Investments Committee is responsible for implementing and monitoring the PVS's investment strategy, ensuring that the weightings of the investment categories remain within the specified ranges and monitoring the activities of the portfolio managers and head office. The Investments Committee generally meets every two to three months.

| Category | Asset management mandated to | Portfolio manager |
|---------------------------------------|---|---------------------------|
| Money market investments | Syz AM (CH) Liquidity Mgmt – CHF | GAM Investment Management |
| CHF bonds | Syz AM (CH) Track – CHF Bonds | GAM Investment Management |
| | Syz AM (CH) Track Government Bonds | GAM Investment Management |
| | Swisscanto Bond Tot. Market Ind. Domestic | Zürcher Kantonalbank |
| Foreign currency bonds, Corp ex CH | Swisscanto Bond Corp World hedged CHF | Zürcher Kantonalbank |
| Foreign currency bonds, rest of world | CSIF Bond Aggr. Rest World Currency Index | Credit Suisse AG |
| Emerging market bonds | Lazard Emerging Markets Local Debt Fund | Lazard Asset Management |
| Mortgage loans | Mortgages granted to beneficiaries and to third parties | PFS Pension Fund Services |
| Equities Switzerland | CSIF Switzerland Total Market Index Blue | Credit Suisse AG |
| | Swisscanto Equity Small & Mid Caps | Zürcher Kantonalbank |
| Equities Europe | UBS (CH) IF Equities Europe Passive II I-X | UBS AG, Global Asset Mgmt |
| Equities North America | UBS (CH) IF 2 Equities USA Passive II I-X | UBS AG, Global Asset Mgmt |
| | UBS (CH) IF Equities Canada Passive II I-X | |
| Equities Pacific | UBS (CH) IF Equities Pacific (ex Japan) Passive II I-X | UBS AG, Global Asset Mgmt |
| | UBS (CH) IF Equities Japan Passive II I-X | |
| Equities emerging markets | Swisscanto Equity Emerging Markets | Zürcher Kantonalbank |
| Equities (sustainable) | Swisscanto IPF Index Equity World ex CH Responsible N | Zürcher Kantonalbank |
| Swiss real estate | Turidomus investment trust | Pensimo Management AG |
| | Adimora investment trust | Pensimo Management AG |
| | CS 1A Immo PK | Credit Suisse AG |
| | SPA Real Estate Switzerland | Swiss Prime Site Group AG |

In the year under review, new investments were made in “Turidomus Urban & Mixed-use investment group” and “Swisscanto Bond Corp World hedged CHF”. The investments in “CSIF I-L Bond World” and the “Henderson Global Care Growth Fund” have been sold.

The institutions mandated with management of the assets meet the requirements and procedure for admission stipulated by OPSC directive D-01/2014 Compliance with Art. 48f para. 2-5 BVV2 is assured. All asset administration institutions are authorised by FINMA or have a comparable authorisation in another country.

6.2 Extension of investment limits (Art. 50 para. 4 BVV 2) with a coherent statement of compliance regarding safety and risk diversification (Art. 50 para. 1-3 BVV 2)

The Board of Trustees must provide a coherent statement of compliance with Art. 50 para. 1-3 BVV2 each year in the notes to the annual financial statements. The maximum proportion of real estate of 30% prescribed by law is slightly exceeded.

| Investment category | 31.12.2016 CHF | % of total assets | SAA | Target range | Art. 55 BVV 2 | 31.12.2015 CHF | % of total assets |
|---------------------|--------------------|-------------------------|------------|-----------------|------------------|--------------------|-------------------------|
| Real estate | 247,547,338 | 30.8% | 33% | 28-38% | 30% | 230,085,659 | 30% |
| Swiss real estate | 247,547,338 | 30.8% | 33% | 28-38% | | 230,085,659 | 30% |

Provided the pension fund can coherently provide evidence of its compliance with sections 1-3 of the notes to the annual financial statements, it may extend the investment possibilities, based on its Regulations, in accordance with Articles 53 para.1-4, 54, 54a, 54b para. 1, 55, 56, 56a para. 1 and 5, and 57 para. 2 and 3.

According to the strategy indicated in Appendix I to the current Investment Regulations, there is a range for real estate ranging from a minimum of 28% to a maximum of 38%. In view of the current income situation, the Board of Trustees has consciously decided to exceed the limits indicated in BVV 2. The regular dividend payments from the investment trusts ensure, among other things, that the Foundation remains liquid. Rental income from real estate investments is above the currently valid actuarial interest rate of 2.5%. An ALM study produced by c-alm in 2016 confirmed the approach adopted by the Board of Trustees.

6.3 Target reserve for fluctuations in asset value and calculation of the reserve

Fluctuation reserves are intended to cushion a pension fund against fluctuations in the value of its investments, and to prevent it from becoming underfunded as a result of volatility.

The required target for the fluctuation reserve is calculated based on the financial-economic method. This involves the calculation of the fluctuation reserve based on the risk and return characteristics of the investment categories in the investment strategy, which – with sufficient certainty – results in a required minimum interest rate equal to the actuarial interest rate and coverage of investment costs. The target for the fluctuation reserve is expressed as a percentage of obligations.

It is based on a horizon of three years, a 98% security level, a 3.0% expected return from the investment strategy and an investment strategy risk of 5.0%. It stands at 18.3% of pension liabilities and technical provisions.

| Fluctuation reserve required | 2016 CHF | 2015 CHF | Change over previous year |
|--|--------------------|--------------------|------------------------------|
| Fluctuation reserve at 1 January | 89,946,863 | 102,660,563 | -12,713,700 |
| Withdrawal for / transfer from the operative account | 10,364,316 | -12,713,700 | 23,078,016 |
| Fluctuation reserve according to the balance sheet at 31 December | 100,311,179 | 89,946,863 | 10,364,316 |
| Fluctuation reserve required | 129,000,870 | 117,896,373 | 11,104,497 |
| Deficit in the fluctuation reserve | -28,689,691 | -27,949,510 | -740,181 |

6.4 Breakdown of investments into investment categories

| Investment category | 31.12.2016 CHF | % of total assets | SAA | Target range | Art. 55 BVV2 | 31.12.2015 CHF | % of total assets |
|--|--------------------|-------------------------|---------------|-----------------|-----------------|--------------------|-------------------------|
| Nominal values | 257,585,584 | 32.0% | 37% | 23-57% | 100% | 261,181,798 | 34.1% |
| Liquidity and money market investments | 8,036,732 | 1.0% | 2% | 0-10% | | 24,808,768 | 3.2% |
| Receivables | 5,496,697 | 0.7% | n/a | | | 5,673,199 | 0.7% |
| CHF bonds | 109,353,057 | 13.6% | 15% | 12-18% | | 108,174,062 | 14.1% |
| Global IFL bonds hedged | 0 | 0.0% | 0% | | | 40,056,643 | 5.2% |
| Foreign currency bonds, rest of world | 29,677,252 | 3.7% | 5% | 3-7% | | 29,089,007 | 3.8% |
| Foreign currency bonds, Corp ex CH | 47,591,789 | 5.9% | 6% | 4-8% | | 0 | 0.0% |
| Emerging market bonds | 32,589,557 | 4.1% | 4% | 2-6% | | 29,597,619 | 3.9% |
| Mortgage loans | 24,840,500 | 3.1% | 5% | 2-8% | | 23,782,500 | 3.1% |
| Equities | 299,541,295 | 37.2% | 30% | 19-42% | 50% | 274,704,957 | 35.9% |
| Equities Switzerland | 77,100,487 | 9.6% | 9% | 6-11% | | 70,675,138 | 9.2% |
| Equities Europe (incl. currency hedges) | 23,815,047 | 3.0% | 2% | 1-3% | | 23,371,860 | 3.1% |
| Equities North America (incl. currency hedges) | 42,703,499 | 5.3% | 3% | 2-6% | | 37,552,283 | 4.9% |
| Equities Pacific (incl. currency hedges) | 25,881,152 | 3.2% | 3% | 2-4% | | 24,255,586 | 3.2% |
| Equities (sustainable) (incl. currency hedges) | 89,048,359 | 11.1% | 10% | 7-12% | | 82,197,798 | 10.7% |
| Equities emerging markets | 40,992,751 | 5.1% | 3% | 1-6% | | 36,652,292 | 4.8% |
| Real estate | 247,547,338 | 30.8% | 33% | 28-38% | 30% | 230,085,659 | 30% |
| Swiss real estate | 247,547,338 | 30.8% | 33% | 28-38% | | 230,085,659 | 30% |
| Total investments | 804,674,217 | 100.0% | 100.0% | | | 765,972,414 | 100.0% |

SAA = strategic asset allocation (investment strategy)

| Foreign hedges | SAA weighting | Net share at 31.12.2016 | BVV2 limit | BVV2 Art. |
|--------------------------------------|---------------|----------------------------|------------|--------------|
| Foreign currencies (without hedging) | 15% | 16.8% | 30% | 55e |

The investment limits laid down in Arts. 54, 54a and 54b BVV2 were observed.

| Currency hedges | 31.12.2016 CHF | % of total assets | SAA | Target range | 31.12.2015 CHF | % of total assets |
|-----------------|--------------------|-------------------------|--------------|-------------------|-------------------|-------------------------|
| Total | 143,616,949 | 17.8% | 15.2% | 10.2-21.3% | 99,818,740 | 13.0% |
| EUR | 21,347,083 | 2.7% | 2.0% | 1.2-2.7% | 17,613,499 | 2.3% |
| USD | 86,504,498 | 10.8% | 9.0% | 6.2-13.0% | 63,980,645 | 8.4% |
| JPY | 23,256,385 | 2.9% | 2.9% | 2.0-3.8% | 18,224,596 | 2.4% |
| GBP | 12,508,983 | 1.6% | 1.3% | 0.8-1.8% | 0 | 0.0% |

As at 31 December 2016, there were no breaches of the target ranges.

6.4.1 Mortgages

Mortgages are mortgage loans granted by the PVS to beneficiaries and to third parties. The PVS grants beneficiaries and third parties first mortgages on residential houses and apartments in Switzerland that are occupied by the borrower either all year or for their own vacation purposes. Mortgages can be obtained for up to 70% of the property's declared market value (or 65% for vacation homes), up to a maximum of CHF 1,500,000.

65% of the market value of the mortgage loan must be amortised upon retirement.

Should an insuree leave the PVS or elect to receive all their retirement benefits in the form of a lump sum payment, they may continue to maintain any PVS mortgage they hold according to the same terms and conditions. Should the property concerned be sold, the mortgage loan must be repaid on the date of the sale transaction.

The PVS offers variable-rate mortgages and 1 to 10-year fixed-rate mortgages. The interest rate on variable-rate PVS mortgages is set by the Board of Trustees on the basis of current market conditions, and amounted to 1.9% in 2016. The interest rates for 1 to 10-year fixed-rate mortgages are determined daily by the PVS on the basis of the mid-rate of the ZKB swap rates plus 1.15%.

The mortgage loan portfolio in 2016 was as follows:

| Mortgage loan statistics | 2016 CHF | 2015 CHF |
|-------------------------------|-------------------|-------------------|
| At 1 January | 23,782,500 | 23,794,500 |
| New mortgages | 2,444,000 | 390,000 |
| Mortgages terminated | -1,330,000 | -326,000 |
| Increases | | 240,000 |
| Amortisations | -56,000 | -316,000 |
| At 31 December | 24,840,500 | 23,782,500 |
| Of which fixed-rate mortgages | 22,752,000 | 21,614,000 |

| Borrowers by type | 2016 | 2015 |
|--------------------------|-------------|-------------|
| Active insurees | 21 | 26 |
| Pensioners | 40 | 35 |
| Former beneficiaries | 8 | 9 |
| Others | 1 | 0 |
| At 31 December | 70 | 70 |

| Average loan amount | 41.6% | 47.2% |
|----------------------------|--------------|--------------|
|----------------------------|--------------|--------------|

Former beneficiaries are those who, as permitted by the scheme's mortgage guidelines, continued to maintain their PVS mortgages after leaving the scheme or have elected to receive all their retirement benefits in the form of a lump sum payment.

6.5 Current (open) derivative financial instruments

In accordance with the current Investment Regulations, hedges are effected on assets held in foreign currencies. The following forward foreign exchange contracts were open on the balance sheet date:

| Forward foreign exchange contracts | Currency | Amount in local currency | Contractual forward rate/value in CHF | Current forward rate/value in CHF | Gain/loss at 31.12.2016 CHF |
|--|-----------------|---------------------------------|--|--|------------------------------------|
| Sale on 14 December 2017 | EUR | 11,100,000 | 1.0680 | 1.0674 | |
| | | | 11,854,245 | 11,847,631 | 6,614 |
| Sale on 14 December 2017 | EUR | 8,900,000 | 1.0680 | 1.0674 | |
| | | | 9,504,755 | 9,499,452 | 5,303 |
| Sale on 14 December 2017 | USD | 37,200,000 | 0.9873 | 0.9932 | |
| | | | 36,726,630 | 36,945,664 | -219,034 |
| Sale on 14 December 2017 | USD | 49,900,000 | 0.9873 | 0.9932 | |
| | | | 49,265,023 | 49,558,834 | -293,811 |
| Sale on 14 December 2017 | JPY | 1,800,000,000 | 0.008728 | 0.008678 | |
| | | | 15,709,500 | 15,619,960 | 89,540 |
| Sale on 14 December 2017 | JPY | 880,000,000 | 0.008728 | 0.008678 | |
| | | | 7,680,200 | 7,636,425 | 43,775 |
| Sale on 14 December 2017 | GBP | 5,600,000 | 1.2667 | 1.2385 | |
| | | | 7,093,520 | 6,935,674 | 157,846 |
| Sale on 14 December 2017 | GBP | 4,500,000 | 1.2667 | 1.2385 | |
| | | | 5,700,150 | 5,573,309 | 126,841 |
| Total open forward foreign exchange contracts at 31.12.2016 | | | 143,534,023 | 143,616,949 | -82,926 |

The above forward foreign exchange contracts are covered by investments in EUR equities, USD equities, JPY equities and sustainable equities and were concluded via Credit Suisse (as counterparty).

6.6 Market value and counterparties in securities lending

In accordance with the resolution of the Board of Trustees in 2009, the PVS transferred all investments into investments without securities lending during the course of 2010.

The only exception is the investment in "Swisscanto (CH) Index Bond Fund Total Market AAA-BBB Domestic CHF Class N", Swiss security no. 11704507, which permits securities lending within the fund. The fund statements are closed at the end of February. The fund manager has notified us that

bonds with a total value of CHF 10,114,776 were on loan as at 31 December 2016, corresponding to a lending ratio of 27.94%.

6.7 Notes on net return on investments

The income from investments is itemised in detail in the operative account. Further details are provided below.

6.7.1 Details of income from real estate

| | Income in CHF 2016 | Assets in CHF as at 31.12.2016 | Income in CHF 2015 | Assets in CHF as at 31.12.2015 |
|---|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| Turidomus investment trust | 11,866,190 | 204,946,905 | 12,872,624 | 188,695,824 |
| Casareal investment group | 7,988,770 | 117,072,484 | 9,183,622 | 112,974,486 |
| of which purchased | | | | 1,826,912 |
| Distribution | 3,890,772 | | 3,890,772 | |
| Change in net asset value | 4,097,998 | | 5,292,850 | |
| Proreal investment group | 3,826,677 | 81,069,073 | 3,689,002 | 75,721,338 |
| of which purchased | | 5,019,268 | | |
| Distribution | 3,498,210 | | 3,287,880 | |
| Change in net asset value | 328,467 | | 401,122 | |
| Urban & Mixed-use investment group | 50,743 | 6,805,348 | 0 | 0 |
| of which purchased | | 6,754,605 | | |
| Distribution | | | | |
| Change in net asset value | 50,743 | | | |
| Adimora investment trust | 909,776 | 11,896,276 | 684,403 | 9,987,813 |
| Omega investment group | | | | |
| of which purchased | | 1,361,252 | | 1,548,360 |
| Distribution | 362,565 | | 320,005 | |
| Change in net asset value | 547,211 | | 364,398 | |
| CS 1A Immo PK | 1,019,840 | 18,105,000 | 2,534,840 | 27,669,300 |
| of which sold / purchased | | -9,685,000 | | 7,604,100 |
| Real. Gain realised upon sale | 37,500 | | | |
| Distribution | 861,640 | | 965,640 | |
| Change in net asset value | 120,700 | | 1,569,200 | |
| Swiss Prime real estate investment trust SPA investment group | 72,407 | 12,599,157 | 16,722 | 3,732,722 |
| of which purchased | | 8,794,028 | | 3,716,000 |
| Distribution | | | | |
| Change in net asset value | 72,407 | | 16,722 | |
| Total real estate | 13,868,213 | 247,547,338 | 16,108,589 | 230,085,659 |
| TER costs recognised under income | 727,172 | | 699,901 | |
| Total net income from real estate in Switzerland as per operative account | 14,595,385 | | 16,808,490 | |

Real estate assets are indirect investments via the Turidomus, Adimora and Swiss Prime investment trusts as well as the Credit Suisse CS 1A Immo PK investment fund for institutional investors. The investments with Turidomus are divided into claims in the Casareal investment group (residential property), claims in the Proreal investment group (commercial property) and claims in the Urban & Mixed-use investment group. The income consists of the distributions paid for the year under review plus/minus the changes in the assessment of the net asset value of the claims.

6.7.2 Overall investment performance

According to our calculations, the overall investment performance by investment category was as follows:

| Net income from investment activities | 2016 CHF | Perform. in % | 2015 CHF | Perform. in % |
|--|---------------------|--------------------------|---------------------|--------------------------|
| Nominal values | 9,548,576 | 3.5% | -6,017,572 | -2.5% |
| Liquidity and money market investments | 243,166 | 1.3% | -11,788 | -0.8% |
| CHF bonds | 1,623,201 | 1.5% | 2,228,690 | 2.1% |
| Global IFL bonds hedged | 3,032,646 | 7.6% | -1,199,084 | -2.9% |
| Foreign currency bonds, rest of world | 979,318 | 3.4% | -3,003,633 | -9.3% |
| Foreign currency bonds, Corp ex CH | -8,211 | 0.0% | 0 | - |
| Emerging market bonds | 3,337,387 | 10.1% | -4,391,063 | -14.6% |
| Mortgage loans | 341,069 | 1.4% | 359,306 | 1.5% |
| Equities | 17,312,889 | 6.3% | -3,439,706 | -1.3% |
| Equities Switzerland | 1,933,131 | 2.7% | 3,701,217 | 6.0% |
| Equities Europe (incl. currency hedges) | 646,687 | 2.9% | -737,288 | -3.0% |
| Equities North America (incl. currency hedges) | 4,209,219 | 11.3% | -283,961 | -0.7% |
| Equities Pacific (incl. currency hedges) | 717,444 | 3.0% | 565,976 | 2.4% |
| Equities (sustainable) (incl. currency hedges) | 5,099,497 | 6.4% | -1,721,031 | -2.3% |
| Equities emerging markets | 4,706,911 | 12.9% | -4,964,619 | -13.8% |
| Non-traditional investments | 0 | - | -2,648,485 | -12.2% |
| Commodities (incl. currency hedges) | 0 | - | -2,648,485 | -12.2% |
| Real estate | 14,595,385 | 5.8% | 16,808,490 | 7.5% |
| Swiss real estate | 14,595,385 | 5.8% | 16,808,490 | 7.5% |
| Total net income from investments | 41,456,850 | 5.3% | 4,702,727 | 0.5% |

The performance was calculated using the time-weighted return (TWR) method and is reported net (i.e. after deduction of the costs of indirect investments).

6.8 Notes on asset management costs

| Investment management costs | 2016 CHF | 2015 CHF | Change over previous year |
|---|---------------------|---------------------|--------------------------------------|
| Securities accounting costs | 19,872 | 19,872 | 0 |
| Investment advisory fees | 87,072 | 48,636 | 38,436 |
| Management fees for mortgages to beneficiaries | 26,416 | 25,711 | 705 |
| Bank charges for collective investments | 0 | 12,140 | -12,140 |
| Bank charges for direct investments | 1,603 | 1,085 | 518 |
| Stamp duty on collective investments | 7,292 | 12,507 | -5,215 |
| Transaction costs for collective investments | 16,259 | 14,864 | 1,395 |
| Custodian fees/management fees for collective investments | 310,829 | 300,592 | 10,237 |
| Key cost figures for collective investments | 1,112,711 | 1,028,556 | 84,155 |
| Total investment management costs | 1,582,054 | 1,463,963 | 118,091 |

| Reported investment management costs | 2016 CHF | 2015 CHF |
|--|---------------------|---------------------|
| Asset management costs posted directly to the operative account | 469,343 | 435,407 |
| Total of all key cost figures recorded in the operative account for collective investments, in CHF | 1,112,711 | 1,028,556 |
| Total asset management costs recognised in the operative account | 1,582,054 | 1,463,963 |
| Total asset management costs recognised in the operative account as a percentage of cost-transparent investments | 0.20% | 0.20% |

Transparent collective investments

| Provider and product name | Market value 31.12.2016 CHF | TER in % | TER in CHF |
|--|--|---------------------|-----------------------|
| Swiss & Global; Syz AM (CH) Liquidity Mgmt CHF | 2,322,173 | 0.10% | 2,322 |
| Swiss & Global; Syz AM (CH) Track – CHF Bonds | 52,455,375 | 0.04% | 20,982 |
| Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds | 20,695,904 | 0.08% | 16,557 |
| Lazard Asset Management Schweiz AG; Lazard Emerging Markets Local Debt Fund Inst. Class USD | 32,589,557 | 1.06% | 345,449 |
| UBS (CH) IF – Equities Canada Passive II | 2,304,702 | 0.01% | 230 |
| Pensimo; Adimora investment trust – Omega | 11,896,276 | 0.43% | 51,154 |
| Pensimo; Turidomus investment trust – Casareal | 117,072,484 | 0.27% | 316,096 |
| Pensimo; Turidomus investment trust – Proreal | 81,069,073 | 0.17% | 137,817 |
| Pensimo; Turidomus investment trust – Urban & Mixed-use | 6,805,349 | 0.53% | 36,068 |
| Credit Suisse 1a Immo PK | 18,105,000 | 0.61% | 110,441 |
| Swiss Prime Site Group; SPA Real Estate Switzerland | 12,599,157 | 0.60% | 75,595 |
| Total cost of transparent collective investments | | | 1,112,711 |

The TER costs are gross, i.e. no allowance is made for reimbursements. The following reimbursements accrued in 2015:

| Provider and product name | Reimbursement | |
|---|---------------|----------------|
| | 2016 CHF | 2015 CHF |
| Swiss & Global; Syz AM (CH) Track – CHF Bonds | 18,558 | 75,058 |
| Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds | 6,874 | 26,714 |
| Henderson Global Care Growth Fund | 49,039 | 60,986 |
| Pictet CH Solutions – Global Commodities Diversified -J | 0 | 6,569 |
| Pictet CH Solutions – Global Commodities -J | 0 | 14,262 |
| Total | 74,471 | 183,589 |

Allowing for these reimbursements, asset management costs decline to CHF 1,507,583 (previous year: 1,280,374) and amount to 0.19% (previous year: 0.17%) of cost-transparent investments.

The cost transparency ratio is 100% (previous year: 96.14%)

Additional collective investments with CS, UBS and ZKB are made in the Z, I-X and N Class funds without any inherent costs (fees charged separately).

6.9 Notes on investments with the employer

| Receivables from employer | 31.12.2016 CHF | 31.12.2015 CHF | Change over previous year |
|---|------------------|------------------|---------------------------|
| Swissport International AG | 262,460 | 223,280 | 39,180 |
| Swissport International AG, Zurich operations | 998,511 | 1,040,776 | -42,265 |
| Swissport International AG, Basel operations | 241,903 | 250,775 | -8,872 |
| Swissport International AG, Geneva operations | 617,975 | 663,452 | -45,477 |
| Swissport Baggage Sorting AG | 103,729 | 107,346 | -3,617 |
| PrivatPort S.A. | 13,682 | 8,053 | 5,629 |
| Swissport Group Services GmbH | 101,189 | 53,829 | 47,360 |
| Careport AG | 48,338 | 45,807 | 2,531 |
| GVAssistance S.A. | 38,174 | 38,296 | -122 |
| Total receivables from employer | 2,425,961 | 2,431,614 | -5,653 |

The item "Receivables from employer" includes the contributions calculated for the affiliated employers for the month of December 2016. The contributions were paid in full in January 2017.

7 Notes on other balance sheet and operative account positions

7.1 Balance sheet

Assets

7.1.1 Receivables from third parties

| | 31.12.2016 CHF | 31.12.2015 CHF |
|--|-------------------|-------------------|
| Refundable withholding tax | 3,061,388 | 3,239,387 |
| Outstanding interest on mortgage loans | 9,348 | 2,198 |
| Total receivables | 3,070,736 | 3,241,585 |

7.1.2 Prepayments and accrued income

| | 31.12.2016 CHF | 31.12.2015 CHF |
|---|-------------------|-------------------|
| PKRück remaining premium balance | 57,140 | 0 |
| PKRück total claims balance | 468,144 | 0 |
| Turidomus Casareal dividend | 3,890,772 | 3,890,772 |
| Turidomus Proreal dividend | 3,498,210 | 3,287,880 |
| Adimora Omega dividend | 362,565 | 320,005 |
| Other income from investments | 7,800 | 40,100 |
| Other | 0 | 1,725 |
| Total prepayments and accrued income | 8,284,631 | 7,540,482 |

Liabilities

7.1.3 Other liabilities

This item includes various invoices for the financial year which were paid in 2017.

7.1.4 Accrued liabilities and deferred income

“Accrued liabilities and deferred income” mainly consist of the contribution paid to the Security Fund, a demand for repayment of reinsurance claim, outstanding management fees, provisions for the fees of the supervisory authority (OPSC), and expenses for the statutory auditor’s and accredited pension actuary’s reports for the reporting year.

7.2 Operative account

7.2.1 One-time payments and purchase amounts

| | 2016 CHF | 2015 CHF | Change over previous year |
|---|------------------|----------------|------------------------------|
| Employees, voluntary deposits | 1,501,130 | 838,520 | 662,610 |
| Employer’s deposits | 17,500 | 0 | 17,500 |
| Total one-time payments and purchase amounts | 1,518,630 | 838,520 | 680,110 |

7.2.2 Reimbursements of withdrawals for home ownership/divorce

| | 2016 | 2015 | Change over |
|---|----------------|------------------|----------------------|
| | CHF | CHF | previous year |
| Voluntary repayments of home ownership withdrawals | 123,600 | 497,594 | -373,994 |
| Amounts received through divorce settlements | 513,982 | 2,325,724 | -1,811,742 |
| Voluntary repayments of assignments on divorce | 212,000 | 55,000 | 157,000 |
| Total reimbursements of withdrawals for home ownership/divorce | 849,582 | 2,878,318 | -2,028,736 |

Voluntary repayments of home financing withdrawals were made by 4 (previous year: 9) insurees. A total of 3 insurees (previous year: 15) received amounts from the occupational retirement savings of their former spouses, which were paid into their retirement savings accounts as part of divorce settlements. In addition, 4 (previous year: 1) insurees made voluntary repayments of assignments on divorce.

7.2.3 Child's pensions

| | 2016 | 2015 | Change over |
|---|----------------|----------------|----------------------|
| | CHF | CHF | previous year |
| Pensions for dependent children of pensioners | 109,892 | 131,415 | -21,523 |
| Orphan's pensions | 43,445 | 43,174 | 271 |
| Pensions for dependent children of disabled persons | 104,965 | 49,953 | 55,012 |
| Total pensions for dependent children | 258,302 | 224,542 | 33,760 |

7.2.4 Withdrawals for encouragement of home ownership/divorce

| | 2016 | 2015 | Change over |
|--|------------------|------------------|----------------------|
| | CHF | CHF | previous year |
| Withdrawals for home ownership | 949,681 | 896,100 | 53,581 |
| Retirement savings transferred out as part of divorce settlements | 801,958 | 837,779 | -35,821 |
| Total withdrawals for encouragement of home ownership/divorce | 1,751,639 | 1,733,879 | 17,760 |

A total of 21 insurees (previous year: 12) made use of the option of using their PVS retirement savings for home financing purposes. The withdrawal for home ownership was CHF 45,223 (previous year: CHF 74,675).

A total of 8 insurees (previous year: 9) transferred part of their occupational retirement savings to the occupational pension schemes of their former spouses as part of divorce settlements.

7.2.5 Other expenses

The "Contribution to Swissport Health Management" item includes the PVS's share of the expenditure incurred in the health management activities of affiliated employers. In accordance with a resolution by the Board of Trustees of 12 July 2007, the PVS contributes CHF 225,000 a year towards the employers' health management expenses, subject to the following conditions:

- The employers affiliated to the PVS commit themselves to at least equivalent expenditure.
- The employers' health management units draw up an implementation plan for the use of the PVS's contribution.

The contribution commitment was increased as at 1 January 2013 to CHF 275,000 excluding VAT and at the same time scheduled until 31 December 2015. In September 2015, it was extended for an additional three years from 1 January 2016.

7.2.6 Administrative expenses

| | 2016 CHF | 2015 CHF | Change over previous year |
|--|------------------|----------------|------------------------------|
| Auditors' fees | 34,790 | 41,753 | -6,963 |
| Actuary's fees | 59,930 | 35,641 | 24,289 |
| Compensation, expenses and training of the Board of Trustees | 77,623 | 65,691 | 11,932 |
| PFS AG administrative expenses | 818,591 | 723,222 | 95,369 |
| Translation and printing expenses | 56,878 | 36,416 | 20,462 |
| Pensioners' seminar expenses | 9,190 | 9,300 | -110 |
| Supervisory authority fees | 18,744 | 18,894 | -150 |
| Other administrative expenses | 4,051 | 4,023 | 28 |
| Total administrative expenses | 1,079,797 | 934,940 | 144,857 |

Based on the 4,420 (previous year: 3,949) active insureds and pensioners (not including child's pensions), as at 1 January 2016, administrative expenses totalled CHF 244 per beneficiary (previous year: CHF 237).

8 Supervisory authority requirements

The PVS is not currently subject to any specific stipulations of the supervisory authority. Comments and remarks made by the supervisory authority were taken into account in this year's financial statements.

9 Further information regarding the financial situation

9.1 Retrocessions

In the year under review, PVS requested that its external asset managers provide information on retrocessions received or paid as part of its duty of accountability and the duty of delivery in accordance with Art. 400, para. 1 of the Swiss Code of Obligations, the provisions concerning the handover of pecuniary gains under Art. 48k of BVV2 (Swiss Federal Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans), as well as the internal rulings of the Swiss Federal Supreme Court (most recent Swiss Federal Supreme Court rulings BGE 4A_127/2012 and 4A_141/2012 dated 29 October 2012).

In the year under review, the external asset managers did not declare any retrocessions.

9.2 Pledged assets

The PVS maintains a limited CHF 20,000,000 credit facility agreement to cover the margins on forward foreign exchange contracts concluded via Credit Suisse. All the PVS's assets deposited with Credit Suisse are pledged in order to secure the credit limit.

9.3 Audit by the Swiss Federal Tax Administration – Demand for repayment of withholding tax on SSgA's MSCI Switzerland Equities CTF.

The PVS received a letter from the Swiss Federal Tax Administration dated 25 November 2010. This demanded the repayment of withholding tax for the years 2007 and 2008 that PVS had reclaimed on Equities Switzerland within the MSCI Switzerland Equities CTF.

The PVS repaid withholding tax of CHF 42,276.84 for the years 2007 and 2008. In a letter dated 22 December 2010 to the Swiss Federal Tax Administration (SFTA), the PVS stated that it had repaid the reclaimed withholding tax for 2007 and 2008 in order to avoid any interest penalties and benefit from the payment of interest. It also wrote that the payment did not represent recognition of the demand made by the SFTA and that the PVS reserves the right to reclaim this withholding tax again within the three-year deadline using Form 25.

The PVS also requested that the SFTA issue a formal order as provided for by Art. 42 of the Swiss Federal Law on Withholding Tax for the repayment of withholding tax for the years 2007 and 2008.

In a letter dated 26 January 2011, the SFTA advised us that a number of pension funds were in the same position and a test case was being taken against one particular scheme. The PVS would be kept informed of the outcome of this legal action. The courts have yet to reach a final decision and no formal demand has yet been received from the SFTA.

The PVS has also asserted its right to demand reimbursement of withholding tax in the amount of CHF 70,831.26 for 2009, CHF 179,554.30 for 2010, CHF 23,366.00 for 2011, CHF 20,533.33 for 2012 and CHF 24,211.55 for 2013, but has agreed for reimbursement to be suspended until the matter has been clarified.

The Swiss Federal Supreme Court passed a decision on a similar case on 7 March 2017. The Foundation is now considering what course of action to take next.

10 Events subsequent to the balance sheet date

None.

Peter Graf
Chairman of the Board of Trustees

Margrit Coimbra
Deputy Chairman of the Board of Trustees

Personalvorsorge Swissport, Opfikon**Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of Personalvorsorge Swissport, which comprise the balance sheet, operating account and notes for the year ended 31 December 2016.

Foundation Board's responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the expert in occupational benefits

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with Article 52e paragraph 1 of the Occupational Pensions Act (OPA) and Article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control relevant to the entity's preparation 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2016 comply with Swiss law and with the foundation's deed of formation and the regulations.

Reporting on the basis of legal and other requirements

We confirm that we meet the legal requirements on licensing (Article 52b OPA) and independence (Article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by Article 52c paragraph 1 OPA and Article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements;
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal and statutory requirements have been met.

We recommend that the financial statements submitted to you be approved.

KPMG AG

Kurt Gysin
Licensed Audit Expert
Auditor in charge

Markus Kuhn
Licensed Audit Expert

Zurich, 29 May 2017

