

Short report on the 2012 financial year

Every year the pension fund issues a comprehensive annual report for the attention of the board of trustees and the supervisory bodies, which can also be accessed via our internet site (www.pkalcan.ch). This short report summarises the most important points in the annual report.

Annual review

2011 started quite well with a continued recovery in share prices. However, the earthquake and tsunami in Japan destroyed the positive results of the first two months. In the second quarter there was a modest recovery which tipped into a significant decline from June onwards. The weakness of all other currencies vis à vis the Swiss franc had a negative impact on all foreign investments and also, indirectly, on the large Swiss companies in the Pictet mandate. However, this was compensated in the pension fund by the existing exchange rate hedging. This negative trend worsened considerably in Q3 due to the euro crisis, which had a severely dampening impact on all the capital markets worldwide. The SNB's decision to peg the Swiss franc against the euro led to an immediate recovery of all the currencies in September, but the equity markets continued to decline. The heavy losses on equities and international real estate investments could not be offset by the pleasing recovery in Q4. Furthermore, various positions had to be sold during Q4 in order to ensure the needed liquidity for the partial liquidation at the end of the year. Pleasing results were posted once again by direct real estate investments in Switzerland as well as for inflation-protected bonds. As at 31 December 2011, for the first time two valuations of direct real estate investments were carried out. As a consequence, the board of trustees decided to take the average of these two valuations as the basis for the recognition in the accounts.

Looking at the year as a whole, the foreign exchange hedging had little influence on the results compared to previous year.

At -1.11% (previous year 6.09%) the performance of the whole portfolio for 2011 is far below the necessary target yield, which is why the funding ratio has sunk by 4.8 percentage points year on year to 93.5% (previous year 98.3%), despite the ongoing financial restructuring measures amounting to CHF 5.6 million and the continued reduction interest rate for the active insured of some CHF 5.7 million.

News from the board of trustees

In February the board of trustees was reconstituted. With a total of 12 members the largest affiliated companies have all been represented on the board, in particular also those companies that no longer form part of the Rio Tinto Group. During the same meeting the Contribution Agreement concluded with Alcan Holdings Switzerland AG was also ratified unanimously by the board of trustees. Based on this Contribution Agreement, a first retroactive payment to the pension fund will be made in 2012 for the shortfall in 2011.

In its further meetings the board of trustees dealt with the creation of a new group foundation, which would have enabled all the companies to remain in one joint employee benefit institution. However, by June it became clear that not enough companies could decide in favour of this solution. Therefore, the board of trustees unanimously decided in June that the affiliation agreements with all the companies no longer belonging to the Rio Tinto Group should be cancelled at the end of 2011.

Moreover, in several meetings it discussed the consequences of the different partial liquidations. In order to ensure the equal treatment of all the beneficiaries a solution had to be found that would do justice both to those beneficiaries who were being forced to leave and to those remaining and that would protect interests of all stakeholders as far as possible. Despite these efforts and the existing Contribution Agreement, five complaints were made against the partial liquidation for Amcor and the proposed distribution plan. The board of trustees rejected all these complaints. An objection against this negative response was submitted to the Office for the Occupational Benefit Scheme and Foundations for the Canton of Zurich by one pension recipient. This request for review was still pending at the end of the year.

A further important task for the former board of trustees was seen to be the preparations for the election of the new board of trustees of the pension fund. It was unanimously decided that the pension recipients should be represented with full entitlements on the new board of trustees. We are pleased to report that this view was confirmed by the active insured.

The new board of trustees for the pension fund for the period of office 2012 - 2015 is therefore comprised as follows:

Markus Hofer (ER representative, Chairman)	Arthur Ruesch (EE representative, Vice-Chairman)*
Thomas Lengacher (ER representative)	Rolf Würgler (EE representative)*
Oliver Wolfensberger (ER representative)	Roger Anselmi (EE representative)

* Messrs A. Ruesch and R. Würgler were elected by the employees as retiree representatives in the board of trustees after two seats were transferred from the employee representatives to the pension recipients.

Thanks

On behalf of the new board of trustees we would like to offer particular thanks to the trustees, who are either retiring or stepping down, for the commitment they have shown in their work. The past year was full of different, complex tasks always taking into account the many and varied interests of all the beneficiaries.

The board of trustees would also like to thank the executive management and the administrative employees of the pension fund. Due to the change in executive management at the end of September the past year posed a particular challenge that was met with a high level of professionalism and commitment.

Balance sheet

	2012	2011
Assets		
Short-term deposits	124,459,078.81	327,172,355.41
Mortgages	47,202,252.75	59,394,966.55
Bonds	135,862,421.88	131,045,719.56
Equities	330,404,486.13	269,072,750.31
Alternative investments	95,616.93	60,879,683.64
Real estate	330,920,000.00	345,084,758.95
Total equities	968,943,856.50	1,192,650,234.42

	2012	2011
Liabilities		
External debts	68,113,252.02	362,419,294.99
Employer contribution reserves	12,193,738.45	5,558,633.54
Non-technical reserves	23,604,290.00	10,391,300.00
Pension capital active insured	35,985,079.00	38,853,142.00
Pension capital pension recipients	698,232,600.00	732,963,600.00
Technical reserves	90,728,900.00	99,347,900.00
Fluctuation reserve	40,085,997.03	0.00
Cover shortage / disposable assets	-0.00	-56,883,636.11
Total liabilities	968,943,856.50	1,192,650,234.42

Funding ratio at end of year: **104.9%** **93.5%**

Operating statement

	2012	2011
Contributions and deposits	14,190,213.05	42,251,681.00
Vested benefits brought into the fund on joining	3,781,274.94	6,371,841.26
Benefits according to the regulations	-68,408,968.75	-78,099,644.69
Termination benefits	-7,110,677.89	-369,167,718.55
Release (+) /creation (-) of pension capital, technical reserves and contribution reserves	39,582,958.09	383,999,115.85
Income from reinsurance supplementary fund	24,000.00	138,300.00
Insurance expense	-58,508.85	-162,749.40
Net investment result	118,832,461.69	-17,456,467.01
Asset management expense	-2,453,786.14	-2,329,746.32
Administration expense	-1,409,333.00	-1,715,867.80
Release/creation of fluctuation reserve	-40,085,997.03	0.00
Expense / Income surplus	56,883,636.11	-36,171,255.66

Notes to the balance sheet and operating statement

The valuation of the assets is carried out at the actual value, i.e. at fair value. Since 2010 the real estate values have no longer been measured gross but net of the deduction of the anticipated property gains taxes.

As in previous years, the valuation of the properties was carried out annually by the company Wüest & Partner. They used the discounted cash flow method for this. The average discount rate was 4.37%.

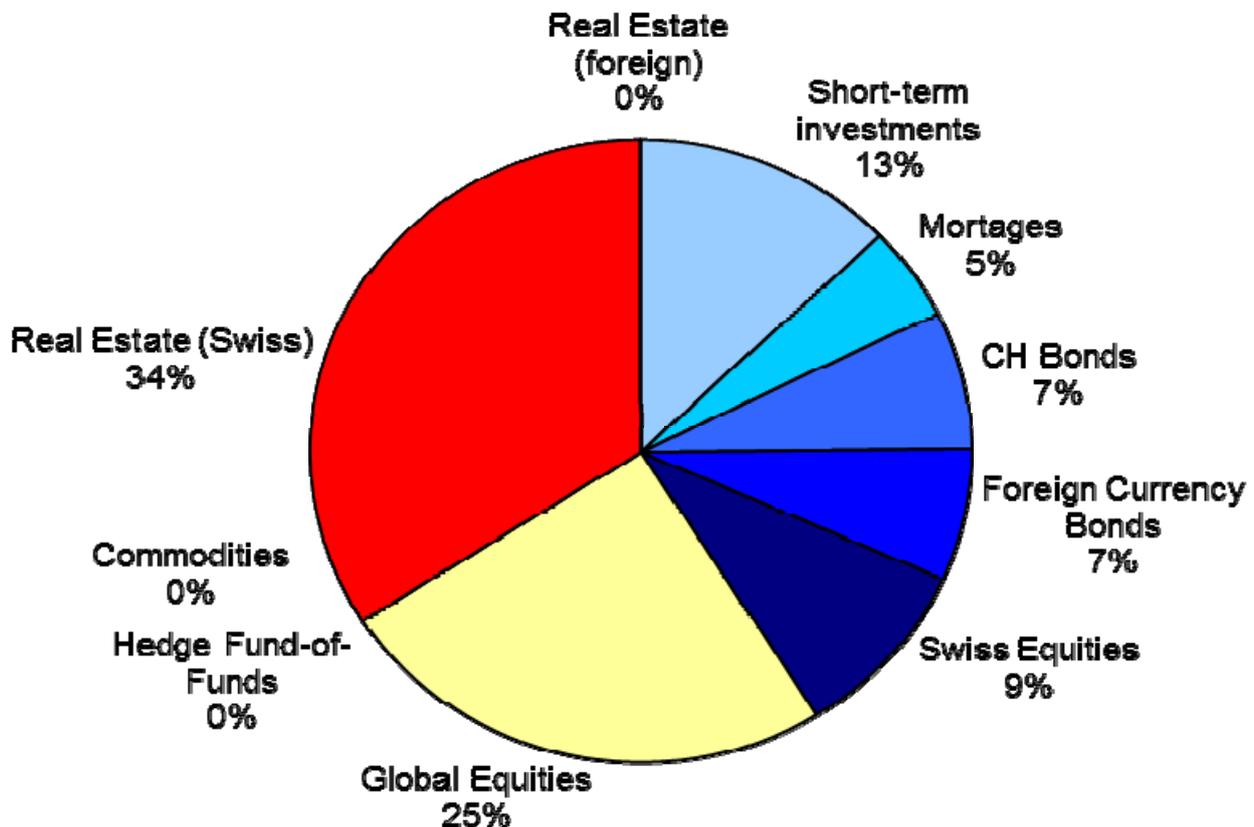
In 2011 the properties were also valued by the company IAZI. IAZI also used the discounted cash flow method. The average discount rate was 4.89%.

The average of these two results was recognised in the accounts.

The pension capital of the active insured and the pension recipients was valued according to the BVG 2005 actuarial table and a technical interest rate of 3.5%. The purpose of the technical reserves is to cushion the risk fluctuations for the death, disability and age risks and to lessen the effect of the constantly rising life expectancy.

The target level of the fluctuation reserve is CHF 140.7 million. Until the fund once again has a funding ratio of 100% it will not be possible to create any fluctuation reserves.

Investments according to asset class as at the end of 2012



Pension fund bodies in 2012

Board of trustees

Employer representatives

Markus Hofer, Rudolfstetten AG, President
 Thomas Lengacher, Döttingen AG
 Oliver Wolfensberger, London UK

Insured representatives

Arthur Rüesch, Baltschieder VS, Vice-President*
 Rolf Würigler, Zürichl*
 Roger Anselmi, Adliswil ZH

**Pension recipient representatives*

Investment committee

Robin Smith, Rio Tinto, London, Chairman
 Michael Wrobel, Rio Tinto, London

Thomas Lengacher, Döttingen AG
 Bruno Böhm, Zürich*

Advisory members

Urs Peter Fischer, Investment Advisor, Zollikerger

Head Office Representative

Rico Bräm, Zürich

Auditors

KPMG AG, Zurich

Actuarial experts

LCP Libera AG, Zurich

Head office

Bellerivestrasse 28, Zurich

Information about the portfolio of insured

Active insured	2012	2011
Portfolio as at 1 January	129	2,158
Entries	5	204
Departures	-14	-2,144
Retirements	-3	-72
Disability cases	0	-1
Deaths	0	-4
New contribution-free insurance	0	2
Cancelled contribution-free insurance	-3	-14
Portfolio as at 31 December	114	129
Pension recipients	2012	2011
Portfolio as at 1 January	2,762	2,755
Change in old-age pensioners	-61	16
Change in persons receiving a disability pension	-11	-12
Change in persons receiving a surviving spouse's pension	-6	4
Change in persons receiving a child's pension	-13	-1
Portfolio as at 31 December	2,671	2,762