

To all active insured
To Pensioners
To employers: EFG SA, EFG AM SA,
EFG International, Dreieck SA, Finnat SA,
Patrimony 1873 SA

Lugano, 07 May 2019

2018 Annual Financial Statements

Dear Sir/Madam

The Board of “Fondazione di previdenza EFG SA” (“Fondazione”) and the Board of “Fondo Complementare di Previdenza EFG SA” (“Fondo”) (“Fondazioni”) approved the 2018 annual financial statements during the meetings of April 15th, 2019.

2018 was a highly unfavourable year for the financial markets. The year closed with a negative performance of the asset management of **-3.04% for Fondazione and of -3.84% for Fondo**. As a direct consequence of the negative financial results and the demographic structure of the Fondazioni with a negative trend that will last in the future, the **coverage ratio** has undergone a significant reduction, reaching at the end of 2018 **98.4% for the Fondazione and 100.5% for the Fondo**.

Projections of the coverage ratio for the coming years unfortunately predict a steady decrease, considering the increasing longevity of the pensioners, the presumably limited hiring of new employees, as well as the strong likelihood that the financial markets will continue to be characterized in the coming years by high volatility, combined with low interest rates.

Summary of “Key figures”	Fondazione	Fondo
Coverage Ratio	98.4%	100.50%
Technical Rate (advice by Chamber of Pension Actuaries = 2.00%)	2.25%	2.25%
Net income from investments	-3.04%	-3.84%
Net Pension assets	CHF 891.8 mio	CHF 165.3 mio
Pension liabilities and actuarial provisions	CHF 906.1 mio	CHF 164.4 mio

During the meeting held on 30 January 2019, the Foundation Boards, acknowledging the worsening of the coverage ratio, set up a joint Work Group with the task of developing recapitalisation measures and an implementation plan.

The measures will have to be based on the regulatory provisions and take account of the specific situation of the Foundation, in particular of the composition of its asset and its commitments, of the pension plans, of the demographic structure as well as the foreseeable development of the number of employees and pensioners. They will have to be proportional and adequate for the extent of the deficit, and will also have to be integrated within a balanced global concept.

As a first, immediate measure, the Foundation Boards unanimously decided not to remunerate retirement savings of the active employees in 2019.

The main other forms of recapitalisation that can be applied, also described in Chapter V, Art. 30 of the Pension Fund Regulations of the Fondazioni, are as follows:

- Adjustment of financing (savings and risk contributions) and of obligations (such as the Conversion Rate, expected benefits for the widows and children of retirees) that are in excess of obligations pursuant to the LPP.
- Requiring the employers and employees to pay a recapitalisation contribution for a limited period of time. The employer's contribution must be at least equal to the amount contributed by the employees.
- Changing the investment strategy to respond more adequately to the financial risk capacity.

We will take care to inform you periodically, also through special meetings, with regard to the measures taken to absorb the deficit and the status of their implementation. We think it is important to assure you, however, that there are not any problems with regard to the short/medium-term liquidity of the Fondazioni, which are able to meet their commitments. The recapitalisation measures are being taken in order to guarantee their equilibrium in the long term, keeping them in a more solid economic situation within 5 / 7 years.

The 2018 annual financial statements were presented by the respective Boards to the Delegates' Meetings, during the sessions of 6 May 2019. They are available to all active insured and pensioners, following the policy of transparent, timely and capillary communication that the Fondazioni have built over the years. The annual financial statements are available in Italian and English, to all *active insured* on the corporate portal (HR / Pension Fund / Fondazioni di Previdenza EFG SA / Annual Reports), while *pensioners* may obtain it via the following link: <http://efginternational.tinext.net/en/fondazioneprev>.

Best Regards



Massimo Antonini
Chairman of the Board
Fondazioni EFG SA



Michele Casartelli
Foundation Manager
Fondazioni EFG SA

C.p.c.:

- Autorità di Vigilanza sulle Fondazioni e LPP della Svizzera orientale (Authority on Foundations and LPP of Eastern Switzerland), Piazza Stazione 4a, 6602 Muralto
- Ernst & Young SA, Corso Elvezia 9, 6901 Lugano
- Willis Towers Watson, Talstrasse 62, 8021 Zürich