

Change of strategy for pension assets to unburden Evonik's free cash flow

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- High pension funding ratio allows reimbursement from pension plan assets earlier than planned
- Sustained positive effect of around €100 million on operating cash flow from 2019
- No additional funding of pension plan assets necessary

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Essen. Evonik will start with the reimbursement from pension plan assets earlier than planned. Chief Financial Officer Ute Wolf says: “The good development of plan assets in recent years enables us to make a payout earlier than planned. This will have a sustained positive effect of around €100 million a year on our free cash flow, without the need for further funding of pension plan assets.”

Evonik Pensionstreuhand e.V. (CTA) was established in 2010 to reduce fluctuations in pension liabilities on the balance sheet. Until now, Evonik has made the associated pension payments directly. The original plan foresaw the CTA reimbursing Evonik from 2021. However, because of regular, voluntary funding of pension plan assets from 2011 to 2015 and the good performance of the capital invested, the fair value of the plan assets reached a funding ratio of around 70 percent at the end of 2018. Therefore, reimbursement can start two years earlier than originally planned.

The reimbursements will offset a large proportion of pension payments in the operating cash flow, so they will have a lasting positive effect on the free cash flow. The positive effect of around €100 million will be visible from fiscal 2019.

Even with this partial reimbursement of pension payments by the CTA, the funding ratio will likely remain at around 70 percent. Reimbursements and further increases in value will roughly balance each other out. Therefore, it will not be necessary to make further payments into pension plan assets, for example, out of divestment proceeds.

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