

International Accounting

Discount rate as of 31 July 2019 at 0.95 %

Discount rates continue their decline

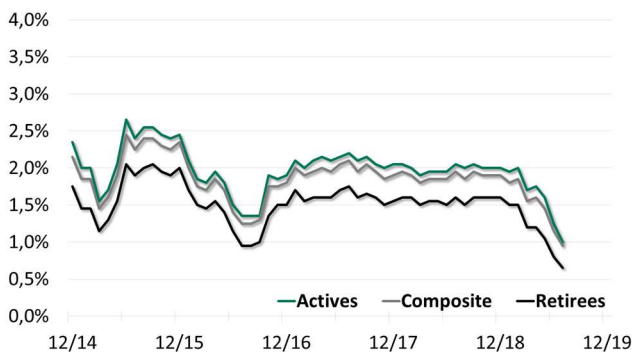
The discount rates for the measurement of pension obligations according to international standards (IAS19.83 and FASB ASC 715-30-35-432 respectively) for actives and retirees amount to

Date	2018			2019	
	30.09	31.12	31.03	30.06	31.07
Actives	2,05%	2,00%	1,70%	1,25%	1,00%
Retirees	1,60%	1,60%	1,20%	0,80%	0,65%
Composite	1,95%	1,90%	1,55%	1,15%	0,95%

The discount rate is based on the yields of high quality corporate bonds at the measurement date. The term of the corporate bonds shall be consistent with the estimated term of the pension obligation.

The discount rate development of the past four years is shown in the following chart:

Historical Discount Rates



Methodology

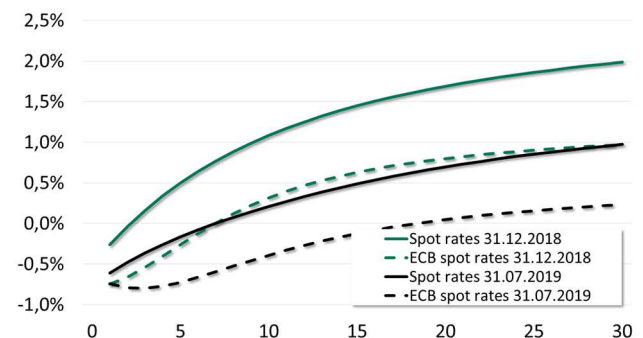
The discount rate applicable is calculated as a single discount rate for a representative pension plan, leading to identical measurement results as the yield curve (spot rates). The latter is determined with regards to Euro Corporate Bonds provided by Bloomberg with a minimum AA-rating at the balance sheet date by at least one of the rating agencies Fitch, Standard & Poor's or Moody's (5A approach).

The Svensson method, a Nelson-Siegel type function, is applied for interpolation and extrapolation purposes. No adjustment is carried out on the corporate bonds taken into account and only information concerning the spot rates, deductible from the corporate bonds, are applied. In particular, no explicit assumptions are made on the extrapolation concerning long durations.

Spot Rates

In detail, the spot rates for high quality corporate bonds (and in comparison: Eurozone government bonds) are as follows:

Spot rates for government bonds (issued by the ECB) and corporate bonds AA/AAA



We are pleased to support you on any effects the discount rate has on your pension plans as well as on any questions connected to this issue.

HEUBECK AG
Gustav-Heinemann-Ufer 72 a
50968 Köln

For more information
visit www.heubeck.de or

