

Management report

for the 2022 financial year

2

Basic principles of the company

- 2 Establishment, purpose and business model of the RAG-Stiftung
- 2 Responsibilities of the RAG-Stiftung's management bodies
- 2 Changes to the RAG-Stiftung's management bodies
- 4 Investment portfolio

7

Investment report

- 7 Overall statement on the course of business
- 8 Economic conditions
- 15 Development of the investment companies
- 20 Earnings position
- 22 Financial position
- 25 Net assets

28

Significant non-financial matters

- 28 Employees
- 28 Occupational health and safety

29

Risks and opportunities report

38

Outlook

- 38 Global economic outlook
- 40 Outlook for the company

Basic principles of the company

Establishment, purpose and business model of the RAG-Stiftung

On the basis of the agreements on coal policy, the RAG-Stiftung was established on 26 June 2007 with an endowment capital of EUR 2.0 million as a legally capable foundation under civil law with its headquarters in Essen. Guided by the principles of corporate responsibility, its mandate is to manage the transition process in German coal mining until the end of 2018 and, beyond this, to ensure the further development of what is now the Evonik Group (Evonik).

The RAG-Stiftung's objective lies in the transition, management and support of the German coal mining industry bundled in the RAG Group, subject to the legal and other conditions for the socially responsible discontinuation of subsidised coal mining in Germany. This also involves support within RAG for the elimination and avoidance of subsequent consequences of coal mining on the environment and nature within the scope of the legal obligations. A further purpose of the RAG-Stiftung is the promotion of education, science and culture in connection with German coal mining in the mining regions of North Rhine-Westphalia and Saarland.

The RAG-Stiftung's business model aims to ensure the financing of perpetual obligations of RAG's coal mining activities with proceeds from the sale and reinvestment of shares in Evonik Industries AG, with dividends from Evonik Industries AG and other investment income, and with revenue generated from diverse financial assets. In accordance with this business model, our primary objective is to finance the cash outflow, which has increased with the respective inflation rate since 2019, for the sustainable financing of perpetual obligations from investment income and financial assets.

Responsibilities of the RAG-Stiftung's management bodies

According to the articles of association, the Board of Trustees monitors the Foundation's Board of Executives in its management of the RAG-Stiftung's operations.

The Foundation's Board of Executives manages the RAG-Stiftung's business operations and is its legal and extrajudicial representative. The Foundation's Board of Executives manages the RAG-Stiftung on its own responsibility according to the Foundation's purpose and articles of association.

Changes to the RAG-Stiftung's management bodies

The following were ex officio members of the RAG-Stiftung's Board of Trustees in 2022:

- Anke Rehlinger, Member of State Parliament and Minister President of the State of Saarland (since 25 April 2022)
- Tobias Hans, Member of State Parliament and Minister President of the State of Saarland (until 25 April 2022)
- Dr Robert Habeck, Member of the German Parliament and Federal Minister for Economic Affairs and Climate Action
- Christian Lindner, Member of the German Parliament and Federal Minister of Finance
- Michael Vassiliadis, Chairman of the IG BCE
- Hendrik Wüst, Member of State Parliament and Minister President of the State of North Rhine-Westphalia

The group of other members of the Board of Trustees comprises:

- Martin Albers, Chairman of the Working Group of Works Councils in the RAG-Stiftung and Chairman of the General Works Council at Evonik Industries AG
- Dr Burckhard Bergmann, member of various supervisory boards (until 14 October 2022)

- Dr Jürgen Großmann, Shareholder of Georgsmarienhütte Holding GmbH (until 14 October 2022, Chairman of the Board of Trustees of the RAG-Stiftung until 14 October 2022)
- Professor Norbert Lammert, former President of the German Parliament, Chairman of the Konrad-Adenauer-Stiftung (until 4 April 2022)
- Annemarie Lütkes, former State Minister (since 10 November 2022)
- Heiko Maas, Member of the German Parliament and former Federal Foreign Minister
- Hildegard Müller, President of the German Association of the Automotive Industry
- Thomas Kufen, Mayor of the City of Essen
- Reiner Priggen, Chairman of the Board of the NRW State Association for Renewable Energy (since 10 November 2022)
- Armin Laschet, Member of the German Parliament and former Minister President of the State of North Rhine-Westphalia (since 5 April 2022), Chairman of the Board of Trustees of the RAG-Stiftung (since 28 November 2022)
- Dr Andreas Reichel, Chairman of the Board of Management of STEAG GmbH

The Board of Trustees is currently chaired by Armin Laschet; Michael Vassiliadis is Deputy Chairman. There were no changes to the Board of Executives of the RAG-Stiftung. Its members are:

- Bernd Tönjes, Chairman of the Board of Executives
- Dr Jürgen-Johann Rupp, Chief Financial Officer
- Bärbel Bergerhoff-Wodopia, Chief Human Resources Officer, Education, Science, Culture

BOARD OF TRUSTEES AND BOARD OF EXECUTIVES OF THE RAG-STIFTUNG

BOARD OF TRUSTEES

Chairpersons

Armin Laschet
Michael Vassiliadis (Deputy)



Hendrik Wüst

Armin Laschet
Thomas Kufen
Annemarie Lütkes
Hildegard Müller



Christian Lindner

Dr Robert Habeck
Reiner Priggen
Dr Andreas Reichel



Anke Rehlinger

Heiko Maas



Michael Vassiliadis

Martin Albers

BOARD OF EXECUTIVES

Chairman of the Board of Executives

Bernd Tönjes

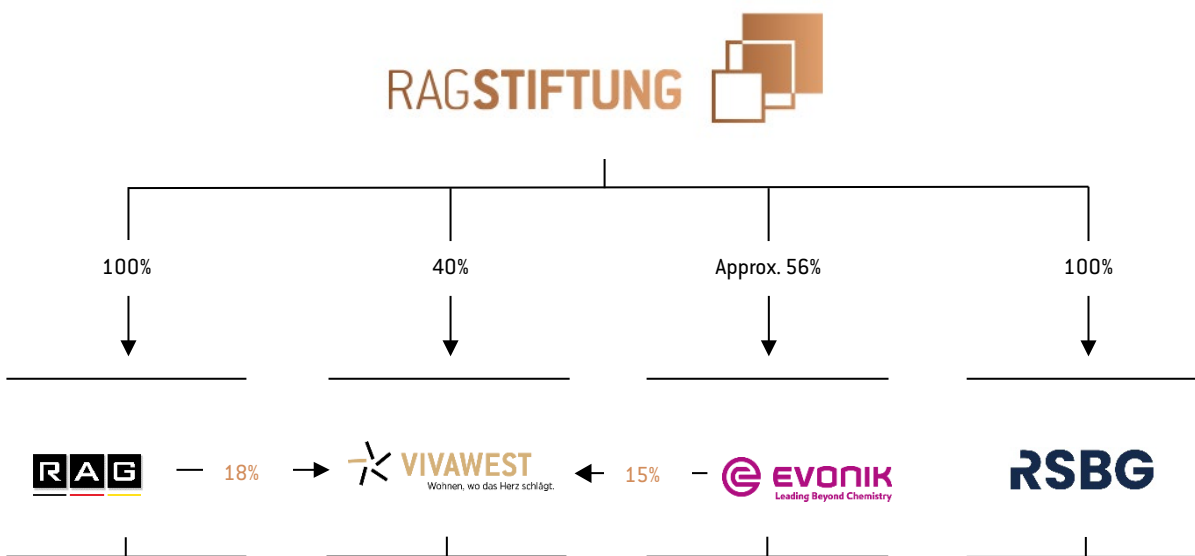
Chief Financial Officer

Dr Jürgen-Johann Rupp

Chief Human Resources Officer, Education, Science, Culture

Bärbel Bergerhoff-Wodopia

RAG-STIFTUNG: STRATEGIC HOLDINGS



Investment portfolio

The RAG-Stiftung’s strategic holdings are RAG Aktiengesellschaft (RAG), Essen; Evonik Industries AG, Essen; Vivawest GmbH (Vivawest), Gelsenkirchen; and RSBG SE, Essen.

The RAG-Stiftung holds all direct shares in RAG. Coal mining in Germany was the RAG Group’s primary business activity. Following the scheduled cessation of active mining in December 2018, the company’s focus has been on processing the residual pollution and perpetual obligations from mining.

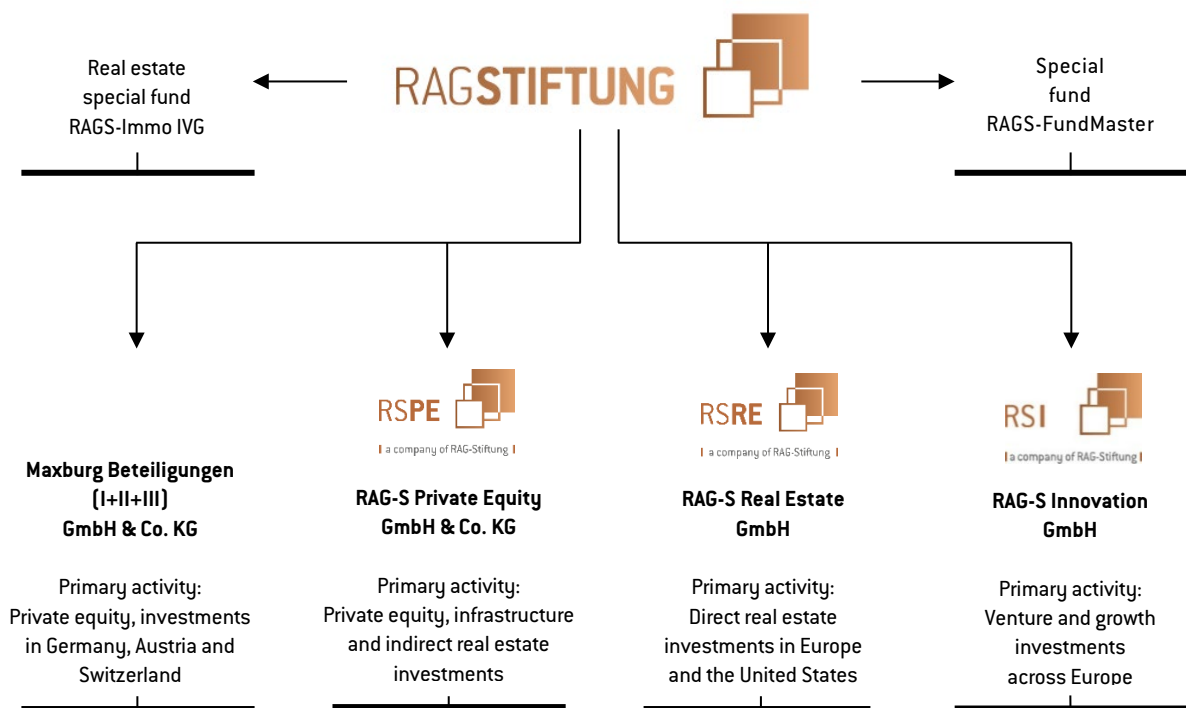
On 31 December 2022, the RAG-Stiftung directly held approximately 56% (31 December 2021: around 57%) of the shares in Evonik Industries AG, of which around 31% are being held for sale. Evonik Industries AG is the holding company of the global Evonik Group, which focuses on speciality chemicals.

The RAG-Stiftung continued to have a direct holding of 40% in Vivawest in 2022. A further 18.2% is held by RAG and 15% by Evonik. With around 119,000 apartments in its portfolio, Vivawest is a large housing provider in Germany.

RSBG SE is a traditional holding company. The RAG-Stiftung continues to hold 100% of the shares. The investment strategy of RSBG SE is to further expand the company as a holding company that acquires minority or majority holdings in specialised medium-sized engineering, automation and industrial service companies. The investment objective is to generate ongoing income and increase the value of the invested capital over the medium and long term.

Various investment vehicles are used for the RAG-Stiftung's financial assets:

VEHICLES OF THE RAG-STIFTUNG FOR CAPITAL INVESTMENTS



In the **RAGS-FundMaster** special fund managed by the capital management company Deka Investment GmbH, assets with a market value of approximately EUR 4.1 billion are administered by external managers, each with their own specific investment mandate. The majority of the special fund is invested in liquid assets (liquid return portfolio). There are mandates issued to manage global government bonds, international corporate bonds from Europe, the United States and emerging markets, and global and European shares. There is also one mandate for global inflation-linked bonds and another mandate for high-yield bonds. A small portion, the illiquid return portfolio, combines the aim of protecting against inflation with achieving returns above the money market interest rate. It includes investments in commercial real estate, which are performed as indirect investments via special funds.

In addition, European real estate investments are made in the **special real estate fund RAGS-Immo IVG** managed by PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, and European and American direct investments are made in **RAG-S Real Estate GmbH (RSRE)**. **RAG-S Innovation GmbH (RSI)** invests in private debt investments through a Luxembourg-based vehicle (**RAG-S Lending S.C.S, SICAV-RAIF**).

The RAG-Stiftung's international private equity, infrastructure activities and other non-European real estate investments are pooled in **RAG-S Private Equity GmbH & Co. KG (RSPE)**. With investments in the private equity asset class, the RAG-Stiftung decides on investments in funds administered by external managers. Critical factors for success in these cases include selection of the managers, sufficient diversification across different managers and various investment styles and, above all, diversification across various fund ages (vintage years). Decisions on investment in companies or other funds are made exclusively by the manager. Infrastructure and real estate activities of the RAG-Stiftung that are unsuitable for special funds are also held in the KG.

Maxburg Beteiligungen GmbH & Co. KG and the almost identically structured **Maxburg Beteiligungen II GmbH & Co. KG** and **Maxburg Beteiligungen III GmbH & Co. KG** ("Maxburg KG") are also private equity funds which were set up exclusively for the RAG-Stiftung. Decisions on investments are made by an investment committee which cannot decide against the votes of the RAG-Stiftung, with the exception of disposals. Maxburg Capital Partners GmbH manages Maxburg KG. It identifies and assesses potential investment projects and prepares decisions on acquisition and possible disposal. Following a positive decision by Maxburg KG's investment committee, Maxburg Capital Partners GmbH also carries out the acquisition and possible disposal of investments. Furthermore, risk management is carried out by Maxburg Capital Partners GmbH.

Investment report

Overall statement on the course of business

2022 was a challenging year for the RAG-Stiftung. The repercussions of the war between Russia and Ukraine and the ongoing coronavirus pandemic, high inflation and the turnaround in interest rates posed significant challenges. Nevertheless, we fulfilled our primary task, which was to secure the capital stock to finance the perpetual obligations.

The RAG-Stiftung worked as efficiently as in previous years, meeting the budget in administrative expenditure.

CENTRAL KEY PERFORMANCE INDICATORS: FORECAST AND ACTUAL VALUES

In EUR million

	2022	Forecast for 2022	2021
Financial performance indicators			
Net profit for the year	0	Stable	0
Addition to provision for perpetual obligations	347	Approx. 260	665

The addition to the provision for perpetual obligations, which was higher than the original forecast for 2022, was based chiefly on three factors that exceeded projections: higher operating income from the sale of securities, income from equity interests – particularly RSPE and RSRE – and a higher dividend distribution from the RAGS-FundMaster and RAGS Immo IVG special funds, which is reflected in the income from securities. In addition, lower expenses from profit-and-loss transfer agreements enabled higher additions to the provisions for perpetual obligations.

Negative development of our capital investments

Capital investments in the RAGS-FundMaster special fund performed negatively overall due to the challenging economic environment towards the end of 2022:

The RAGS-FundMaster closed 2022 with a loss of 11.97%. In addition to the negative returns on the stock market, this was also due to the sharp rise in interest rates, which had a negative impact on bond mandates. Global government bond mandates fell by 16.85% and 18.30% respectively; that was attributable to the actions of central banks. The Fed raised its interest rates to a range of 4.25% to 4.5%, and the European Central Bank ECB increased its main refinancing operations rate to 2.50% in four increments. The inflation-linked bond mandate fell by 10.48%. The European Corporate bond mandates dropped by 15.36% and 13.24% respectively. The US Corporate mandate fell by 15.70%. The Global High-Yield mandate and Emerging Markets declined by 12.21% and 1.90% respectively. The Credit Liquide mandate closed the year 23.65% lower. Strong uncertainty on the capital markets due to high inflation and the war in Ukraine also caused stock markets prices to fall sharply.

Whereas the European Equity mandate lost 11.01%, the Global Equity mandate fell by 13.63%. The higher financing costs for real estate shares meant that REITs also came under pressure; the Global REITs mandate declined by 25.77%. The Tactical Investments closed the year 2.31% down. The RAGS-QK mandate, which includes various actively trading real estate funds, performed more pleasingly, gaining 5.18% in the course of the year.

Our illiquid private equity companies also performed positively during the year.

Economic conditions

The worldwide fight against inflation, Russia's war in Ukraine and a resurgence of COVID-19 in China weighed on global economic activity in 2022.

Russia's invasion of Ukraine destabilised the global economy. In addition to the senseless destruction of lives and livelihoods, it sparked a severe energy crisis in Europe that dramatically increased the cost of living and hampered economic activity. The conflict also caused sharp volatility in gas, energy and food markets, resulting in serious consequences for low-income households.

Persistent and growing inflationary pressures triggered rapid and synchronous monetary tightening, accompanied by a sharp appreciation of the US dollar against most other currencies.

Despite these headwinds, real GDP at the end of the year was surprisingly strong in many economies, including the United States, the eurozone, and key emerging and developing economies. The reasons for these surprisingly positive developments were in many cases of a domestic nature: higher-than-anticipated private consumption and investment coupled with tight labour markets and unexpectedly high fiscal support. Private households spent more on services in particular to satisfy pent-up demand, in part by drawing down their savings. On the supply side, bottlenecks eased and transportation costs fell, reducing pressure on input prices and enabling an upturn in previously strained sectors such as the automotive industry. In addition, energy markets adjusted to the shock sooner than anticipated.

According to estimates by the World Economic Outlook compiled by the International Monetary Fund (IMF), the global economy grew by 3.4% overall (2021: 6.2%).

United States of America

According to the IMF, the United States economy grew by 2.0%. US growth remained stronger than expected as consumers drew down their savings (the personal saving rate was at its lowest level in more than 60 years, with the exception of July 2005) and benefited from a robust labour market. With headline inflation peaking in the United States and an acceleration in interest rate hikes by several central banks outside the United States, the US dollar weakened again since September 2022, but is still significantly stronger than it was a year ago.

Europe

European economic growth in 2022 was more resilient than expected in view of the war in Ukraine. This resilience was partly driven by government support amounting to around 1.2% of the European Union's GDP (net budgetary cost) for households and enterprises and by the buoyancy generated as economies reopened. Nevertheless, consumer confidence and business sentiment deteriorated over the year.

Gas prices fell more than anticipated in 2022 as more gas was imported through non-Russian pipelines and in the shape of liquefied natural gas. Moreover, demand for gas decreased due to an unusually warm winter. Inflation was around 10% or higher in several eurozone countries and the United Kingdom, putting a strain on household budgets. The acceleration of interest rate hikes by the Bank of England and the European Central Bank tightened financial conditions and cooled demand in the real estate sector and beyond.

China

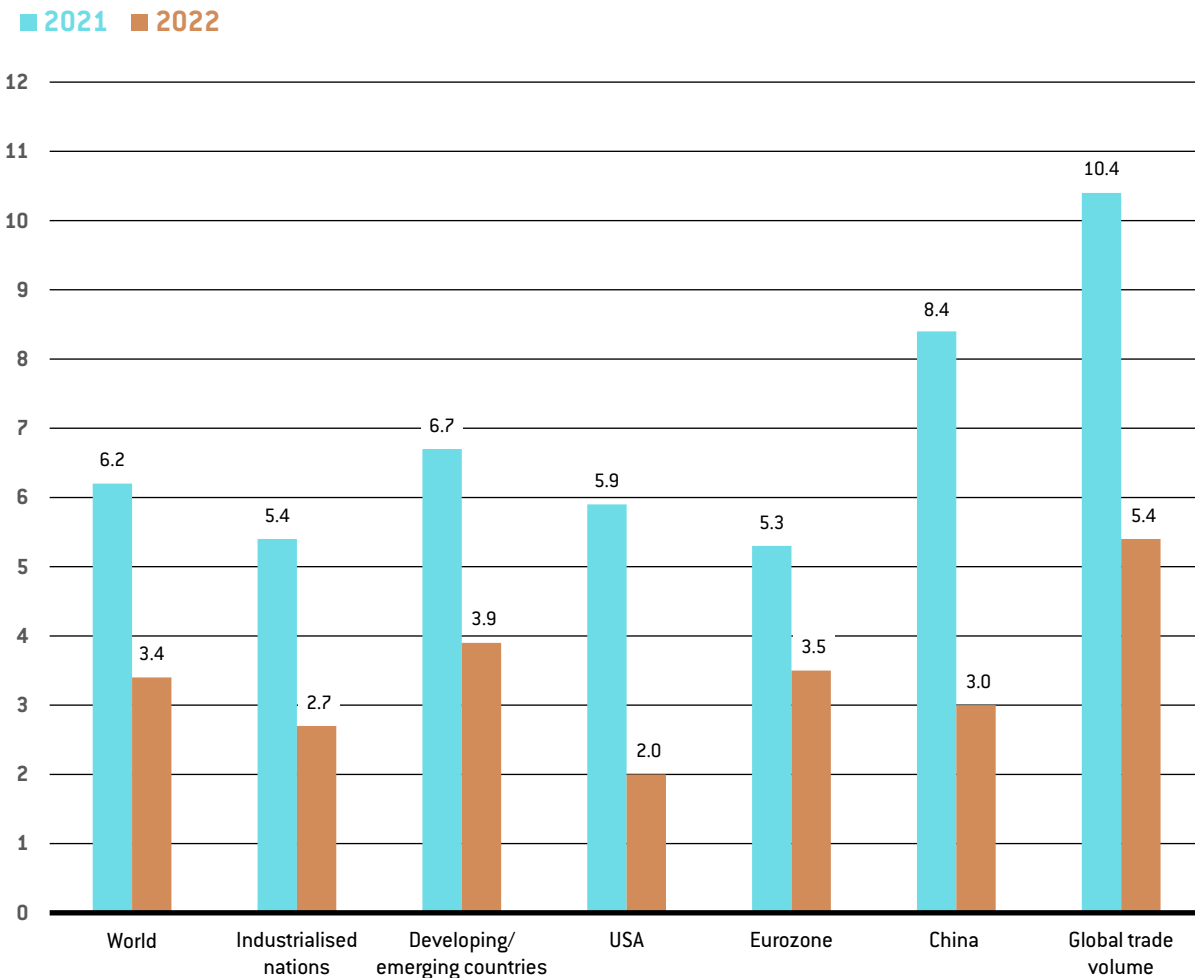
Economic activity in China slowed during the year due to several large COVID-19 outbreaks in Beijing and other densely populated regions. Renewed shutdowns accompanied the outbreaks until COVID-19 restrictions were relaxed in November and December, paving the way for a complete reopening. The authorities responded by easing monetary and fiscal policy further and by setting new vaccination targets for the elderly. Nevertheless, consumer and business sentiment remained subdued at the end of 2022. China's slowdown has had a negative impact on global trade growth and international commodity prices.

Monetary policy

Global headline inflation peaked at the end of 2022. However, prices for fuels and other commodities declined again at the end of the year and reduced headline inflation, particularly in the United States, the eurozone and Latin America. Underlying (core) inflation did not however reach the forecast peak in most economies and remained well above pre-pandemic levels. This was partly due to second-round effects of earlier cost shocks and a tight labour market. These developments prompted central banks, particularly in the United States and the eurozone, to raise interest rates faster than expected. Financial markets responded very sensitively to inflation news, and the stock market remained volatile in anticipation of weaker interest rate hikes.

GDP GROWTH RATES, WORLD AND COUNTRIES FOR 2021 AND 2022

In %



Source: IMF, World Economic Outlook Update, January 2023

Industry situation of the strategic holding

Coal/mining

Since the end of subsidised German coal mining on 31 December 2018, RAG’s core business has encompassed the processing of residual pollution liabilities and perpetual obligations. It also includes implementation of the process of shutting down operations. This includes necessary closure plans in line with the provisions of the German Federal Mining Act (Bundesberggesetz – BBergG), according to which the concept of “extraction” also covers the activities that follow coal production. The economic framework for the company’s activities is formed by the principle of strict cost discipline, the German Hard Coal Financing Act (Steinkohlefinanzierungsgesetz – SteinkohleFinG), authorisations, coal guidelines and the approval procedures for the implementation of pit water management concepts.

Additional significant factors that affect the company’s success are the approval procedures for the implementation of pit water management concepts and the development of interest rates and prices on the market.

Speciality chemicals

There was a clear dichotomy in how the industry developed in 2022: Whereas the first half of the year was characterised by a significant rise in demand, the influence of inflation became increasingly visible in the second half and demand cooled off significantly. Overall, global industrial production nevertheless increased year-on-year, partly because supply chain disruptions caused by the pandemic declined in the course of the year and the high order backlogs were able to be worked off. Delivery periods fell sharply in the course of the year.

Customer demand at Evonik also grew in 2022. Demand for personal hygiene and care products was stable in 2022. Activity in the food and feed industry also remained virtually unchanged year over year in all regions. Production in automotive manufacturing and mechanical engineering increased in all regions apart from Europe. Demand in the construction sector was stable in the year as a whole in all regions with the exception of North America, where there was a significant decline.

The chemical industry's performance in 2022 varied very greatly from region to region. Global chemical production (excluding pharmaceuticals) increased by just under 2%. High energy and raw material costs led to a 5% contraction in production in the EU. In Germany in particular, there was a significant 10% drop in chemical production (excluding pharmaceuticals), driven mainly by a 16% slump in petrochemicals. Speciality chemicals fared somewhat better in Germany, but here too production volumes contracted by 9%. Growth of 4% was recorded in the United States and 6% in China.

Commodity prices initially rose sharply in the 2022 financial year, but then eased again slightly in the course of the year. Overall, prices at the end of the year were significantly above the level of the previous year.

Against the most important foreign currency for Evonik – the US dollar – the euro traded at an average of USD 1.04 in 2022, thereby falling sharply in value compared to the average level of the previous year (USD 1.18).

Residential property in Germany

The sharp rise in interest rates, a weakening economy and inflation at a high level not seen for many years ensured that the German residential property investment market was noticeably more subdued in 2022 than in previous years. According to BNP Paribas Real Estate (BNPPRE), transaction volumes for the year as a whole slumped by around 75% compared with 2021. However, it should be noted that in 2021, among other things, the takeover of Deutsche Wohnen SE by Vonovia SE for more than EUR 22 billion distorted any comparison. It is therefore much more meaningful to look at the long-term average, which was undershot by around one-third in 2022.

The demand for residential space in Germany is directly connected to the number of private households and their available income. Due to the high level of immigration from abroad, the population and number of households in Germany have risen steadily in recent years. The trend of increasing household numbers is being reinforced by the ageing population and the associated increase in one- and two-person households (singularisation). By 2040, the number of households in Germany is expected to increase by 3% to 42.6 million due to the continuous reduction in the average number of people per household. Forecasts suggest that the number of private households in North Rhine-Westphalia will increase by 3% by 2045.

Basic rents in the portfolio rose by 1.8% in 2022 according to calculations by the German Federal Statistical Office. The index of advertised rents increased sharply for new buildings. The increase across Germany in the reporting year was 6.3% compared with the previous year. The price increases for energy products had a more serious impact, rising by a further substantial 34.7% in the reporting year following an increase of 10.4% in 2021. Consumers saw hefty household energy price increases of 39.1% in 2022. However, the market for rented accommodation in Germany continued to develop differently from region to region in 2021. While the markets in some rural and structurally weak regions stagnated, demand for apartments in large cities and metropolitan areas far outstrips supply.

From January to November 2022, a total of around 322,000 apartments were approved, 5.7% or 19,000 less compared to the previous year. There is a corresponding time lag between the building permits issued and the construction projects being completed. Professional construction associations expect a further decline to approximately 280,000 newly built apartments in 2022 and even to only around 245,000 in 2023. According to estimates by politicians and the construction industry, 400,000 apartments would have to be built each year in Germany to meet the persistently high demand for housing, a target that was missed by a long way in 2022.

While the construction of new apartments continues to decline sharply, there is still enormous demand for affordable housing in Germany, especially in metropolitan areas. High construction, energy and material costs, the rise in interest rates, lengthy construction and planning processes, and a housing construction subsidy system that has collapsed several times are creating a subdued outlook on the real estate market. One-in-three market actors rates Germany as a less attractive location for real estate investments in 2023, according to a survey. That figure a year ago was just 4%.

Capital market situation

The situation on the capital markets is extremely relevant to the RAG-Stiftung as a major investor.

The war in Ukraine fuelled already rising inflation, which increased to levels last seen in the 1970s. Central banks responded to this pressure by raising key interest rates. After the S&P 500 climbed to a high of 4,819 points on January 4 and the DAX rose to 16,285 points, narrowly failing to reach its peak of 16,290 points, share prices tumbled following the outbreak of the war. According to the World Federation of Exchanges, global stock market capitalisation was reduced by about USD 18 trillion. The MSCI World closed 2022 down by 12.8%. Only the MSCI Emerging Markets Latin America closed the year with a gain of 16.1%.

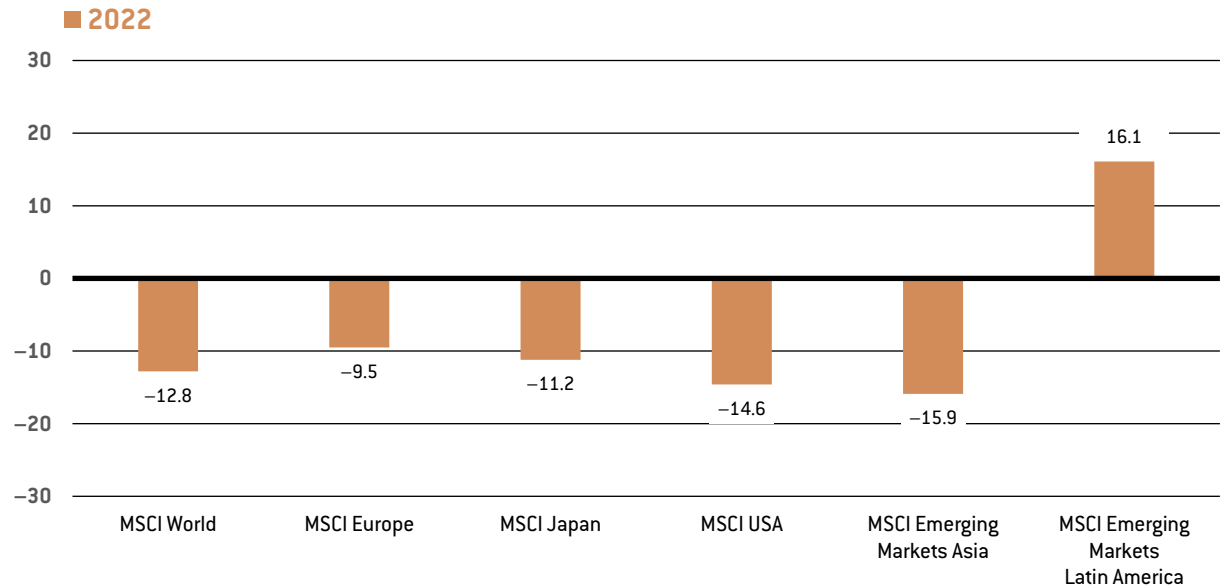
The expectation of further interest rate hikes by central banks and initial interest rate increments caused additional nervousness on the bond markets. The yield on a German ten-year government bond rose from -0.18% to over 2.56% in 2022. This rise in yields illustrates the considerable price losses on the bond market. The diversifying effect of low or negative correlation between equities and bond markets thus also failed to materialise. The interest rate spread of the U.S. Federal Reserve (Fed) at the end of the year was between 4.25% and 4.5% after the seventh increase in interest rates in 2022. Most recently, the U.S. Federal Reserve raised the key interest rate by 75 basis points four times in a row. The European Central Bank raised the key interest rate four times in 2022 to 250 basis points, pursuing a moderate course in the fight against inflation.

The combination of falling equities and simultaneously falling bonds, triggered by rising interest rates, represented a watershed. Any diversification effects based on capital market theory proved futile as a result of this development.

The individual indexes:

PERFORMANCE OF STOCK MARKETS IN EUROS

In %



Source: Bloomberg

Euro weakens against the US dollar and Swiss franc

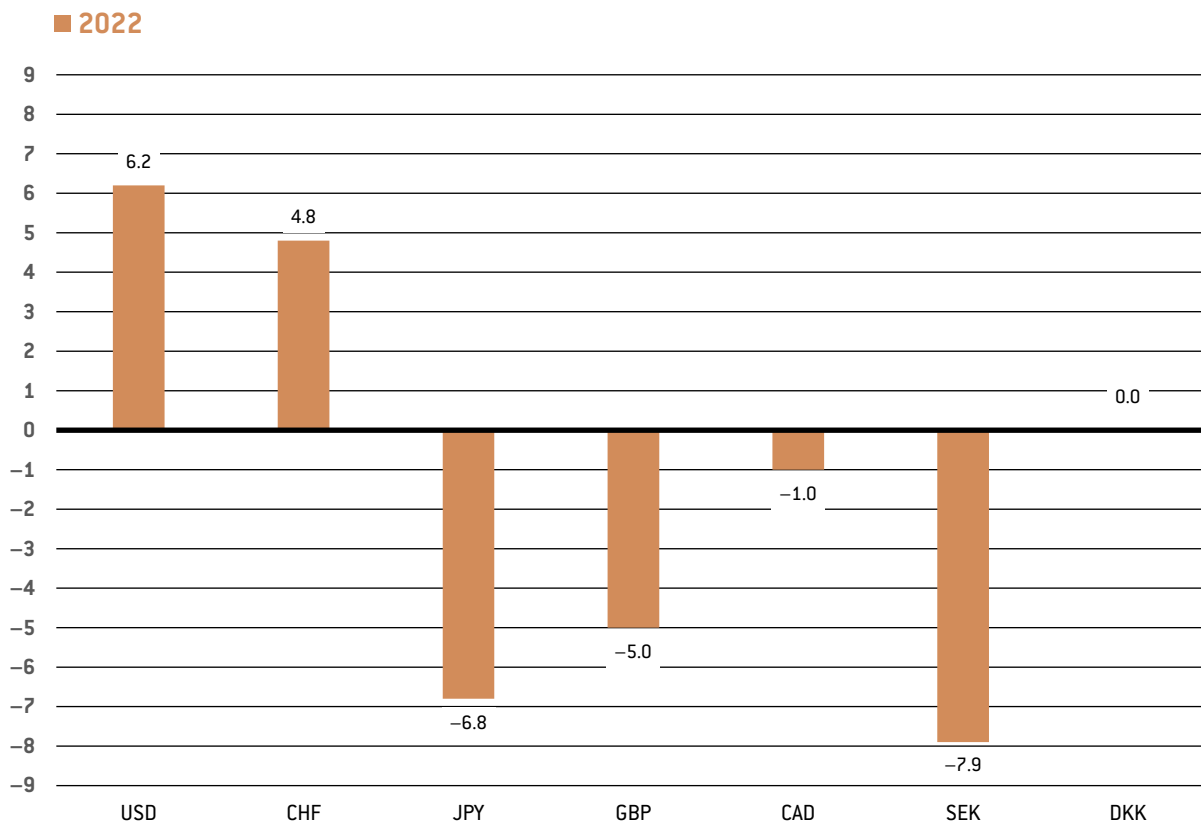
The euro depreciated against the US dollar and the Swiss franc in the reporting year, but held its own against the other European and Asian currencies.

The US dollar recorded a year-on-year gain of 6.2% against the euro at year-end 2022, which corresponds to a closing exchange rate of 1.07 EUR/USD.

While the Swiss franc gained 4.8% against the euro, the British pound lost 5.0%, the Canadian dollar 1.0%, the Japanese yen 6.8% and the Swedish krona 7.9% against the euro.

CHANGE IN KEY EXCHANGE RATES AGAINST THE EURO

End of 2022 vs end of 2021 in %



Source: Bloomberg

Development of bond markets in 2022 in detail

In 2022, global bond markets posted a negative performance, down 12.9% (JPM¹ Global Bond Index). Due to the weakness of the euro, the performance for euro investors increased relatively to 11.8%.

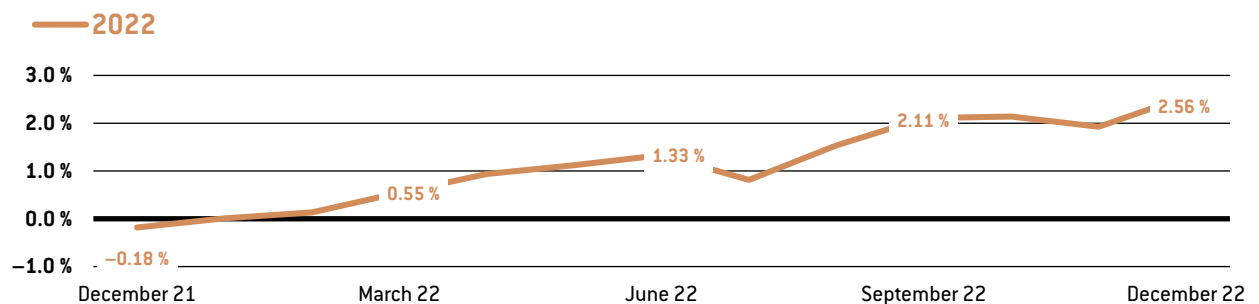
- Anyone investing solely in German federal bonds recorded a loss of 17.6% in 2022.
- The return on the German ten-year benchmark bond rose slightly by 274 basis points² (bp) during the course of the year due to burgeoning inflation. After the benchmark yielded -18 bp at the end of 2021, the return at the end of 2022 stood at 256 bp.
- The spreads of the European countries on ten-year bonds widened in all countries as per the end of the year: Greece's spread widened from 149 bp to 203 bp. The spread on Italian government bonds increased from 136 bp to 214 bp. Spain's risk premium increased from 77 bp to 109 bp. Eurozone bonds generated a wide-scale loss of 17.9% in 2022.
- US Treasury bonds lost 12.0% in local currency and 6.2 % in euros.

¹J. P. Morgan is a US financial services provider that calculates and publishes numerous international bond indexes.

² 100 bp = 1%.

YIELD DEVELOPMENT OF THE TEN-YEAR FEDERAL BOND

In %



- Emerging-market bonds were down 5.9% in local currency and likewise down 5.9% in euros
- The real interest rates in France and Germany over the ten-year period were at 0.74% at the end of 2022 and therefore above the previous year-end value of -1.75%. A 30-year maturity generated a positive real interest rate of 0.17% at the end of 2022, above the value of the previous year of -1.94%
- Inflation swaps, which reflect the course of inflation expected by the market, were at 2.55% for ten years at the end of December 2022 in the eurozone, thus above the previous year's value of 1.13%

Development of the investment companies**RAG**

In line with expectations and in view of the regulations stipulated by the agreements on coal policy, RAG's 2022 financial year developed satisfactorily. The financial year ended with a net loss of EUR 197.5 million. This was mainly due to the price- and interest-indexed adjustment of other provisions. In accordance with the controlling and profit-and-loss transfer agreement between RAG and the RAG-Stiftung, the loss was settled by the RAG-Stiftung.

Staff reduction was continued as planned in 2022. The takeover of staff as part of pooling of real estate business tasks at RAG counteracted this development. The coronavirus pandemic had no direct economic or financial impact on the company.

The economic impact of the war between Russia and Ukraine on RAG is mainly influenced by the global economic situation and in particular by price and interest rate developments. There are no direct supply and trade links with the two warring parties.

Evonik

KEY FIGURES FOR THE EVONIK GROUP (IFRS)

In EUR million

	2022	2021	Change in %
Sales	18,488	14,955	24
EBITDA (adjusted)	2,490	2,383	4
Group result	540	746	-28
Dividend (per share, in EUR)	1.17	1.17	-

Evonik made strategic progress in 2022. Evonik launched the next phase of its transformation with Next Generation Solutions. Sustainability is now integrated in all elements of the Group's strategy: portfolio management, innovation and corporate culture. Evonik is thereby creating the basis for resource-conserving and profitable growth. Evonik has also set new sustainability targets and committed to the Science Based Targets Initiative. The share of revenue generated by Evonik with Next Generation Solutions is expected to rise to over 50% by 2030. Against this backdrop, Evonik is investing for example in a plant in Slovakia for the production of bio-based rhamnolipids, a precursor for shower gels and detergents. Evonik also continues to work constantly and systematically to streamline its structures and improve its efficiency within both production and administration. In 2023 Evonik aims to achieve EUR 250 million in short-term savings to offset the burdens resulting from the difficult economic environment.

The 2022 financial year was characterised by geopolitical tensions, general inflationary pressure and the sharp rise in commodity and energy prices, which also had a perceptible impact on value chains and even led to occasional shortages of materials that depend on natural gas. Evonik responded quickly and flexibly to this tougher environment. Despite the challenging conditions, its operating business held up well. The sharp rise in raw material and energy costs was more than offset by sales prices being raised, although volumes declined in the course of the year. Evonik achieved its forecast for adjusted EBITDA despite the difficult conditions.

Group sales increased by 24% to EUR 18.5 billion on the back of higher sales prices and positive currency effects.

Adjusted EBITDA improved by 4% to EUR 2,490 million. The adjusted EBITDA margin declined to 13.5% (previous year: 15.9%) and was thus well below our medium-term target range of 18% to 20%.

ROCE fell to 8.3% due to higher capital employed and was therefore below the level of capital expenditure and the medium-term target of 11%.

As a result of the weaker expectations for business development in the Performance Materials division, an impairment loss of EUR 301 million was recognised on the goodwill of this division as of 31 December 2022. At EUR 540 million, the Group's result was therefore 28% lower than in the previous year.

Once adjusted for extraordinary items, the Group's result from ongoing operations climbed by 7% to EUR 1,054 million.

The Executive Board and Supervisory Board will again propose a dividend of EUR 1.17 per share to the Annual General Meeting.

Evonik generated a free cash flow of EUR 785 million.

The cash conversion rate of 32% indicates the proportion of the operating result that can be converted into cash. It remained below our target of approximately 40%.

Evonik has had a solid investment-grade rating for many years. Net financial debt is still at a moderate level. In addition to comfortable liquidity, it also has access to large non-utilised credit lines.

Vivawest

KEY FIGURES FOR THE VIVAWEST GROUP (IFRS)

In EUR million

	2022	2021	Change in %
Sales	911	876	+4.0
EBITDA (adjusted)	401	414	-3.1
Income after tax	107	84	+27.4
FFO	258	263	-1.9
NAV	7,079	6,446	+9.8

Despite the challenges associated with the overall economic and global political situation and the ongoing pandemic, the Vivawest Group continued its positive business development of recent years in the 2022 financial year.

The positive development in the Real Estate segment was supported by stable income levels from the core business area of portfolio management, together with the significant income and earnings contributions from real estate sales generated as a result of an ongoing process of portfolio restructuring. Together with the Real Estate Services segment, financial expectations were achieved.

With a further increase in letting performance, combined with a moderate turnover rate, the demand-related vacancy rate fell significantly to 0.9% as of year end (previous year: 1.1%). Along with vacancies due to modernisation and pre-sales measures, which came in at 1.2% and were also therefore down on the previous

year's figure, a total vacancy rate of just 2.1% was reported as of the balance sheet date. This is the lowest level achieved by the Vivawest Group to date. Vivawest was largely able to use the continuing good management situation and significantly better rental trend – attributable in particular to successful investments – to further increase its spending. This is channelled towards improving the quality of the portfolio.

Together with the earnings contributions from the sale of real estate, which benefited from continued high demand for detached and semi-detached houses and undeveloped land despite the overall economic slowdown, the Real Estate segment generated adjusted EBITDA of EUR 381 million (2021: EUR 391 million). The Real Estate segment posted revenue of EUR 890 million and thus above the forecast figure of EUR 868 million.

Group earnings after tax (EAT) were EUR 107 million, well up on the previous year (EUR 84 million). The figure for the previous year was reduced by the formation of a provision for trade taxes from prior periods.

The standard industry indicator funds from operations (FFO), which measures the performance of portfolio management after interest and tax expenses, not accounting for the profit from the disposal of investment properties, stood at EUR 258 million; it was thus in line with the forecast (EUR 260 million) and slightly below the prior-year figure (EUR 263 million).

At EUR 7,079 million, the net asset value (NAV) as of 31 December 2022 was up by EUR 633 million on the prior-year figure.

In addition to the market value of investment property, the NAV includes the Group's net financial indebtedness as well as provisions for pensions and long-term obligations from the area of mining follow-up management.

The increase is primarily attributable to the balance of value-increasing investments and targeted disinvestments and the development of the market value performance of the real estate portfolio as a consequence of improved management performance.

RSBG SE**RSBG SE KEY INDICATORS**

In EUR million

	2022	2021	Change in %
Investment income ^a	13.9	62.8	-77.9
Net profit for the year	3.4	35.9	-90.5

^a Investment income in 2021 was largely influenced by a sale.

The 2022 financial year was satisfactory for RSBG SE in view of the global economic situation, after the coronavirus pandemic had been the dominant issue for two years. RSBG's portfolio was impacted by the developments and events of the Ukraine war and the rising inflation it stoked.

Investment income in 2022 fell from EUR 62.8 million to EUR 13.9 million. It includes income from associate companies of EUR 0.3 million and income relating to profit-and-loss transfer agreements of EUR 13.6 million. Investment income in 2021 was significantly impacted by a sale of shares.

The net profit for the year stood at EUR 3.4 million, compared with EUR 35.9 million in the previous year.

Earnings position

Income statement

RAG-STIFTUNG: INCOME STATEMENT

In EUR million

	2022	2021	Change
Revenue	2.2	2.2	0.0
Other operating income	119.6	268.2	-148.6
Personnel expenses	-9.8	-9.4	-0.4
Amortisation of intangible assets and depreciation of property, plant and equipment	-1.3	-1.3	0.0
Other operating expenses	-396.7	-703.2	306.5
Investment income	460.3	611.6	-151.3
Expenses relating to the assumption of losses	-197.5	-239.3	41.8
Income from other securities and loans held as financial assets, including interest income and amortisation of financial assets and securities held as current assets	70.0	87.7	-17.7
Income taxes	-46.5	-16.0	30.5
Income after tax	0.3	0.5	-0.2
Other taxes	-0.3	-0.5	0.2
Annual net profit (+)/loss (-)	0.0	0.0	0.0

Revenue in 2022 remained at the previous year's level of EUR 2.2 million. Other operating income of EUR 119.6 million in the reporting year stemmed primarily from the sale of Evonik shares.

Of the EUR 9.8 million reported for personnel expenses, EUR 1.3 million was attributable to the addition to the provisions for pensions and EUR 0.4 million for social security.

Other operating expenses amounting to EUR 396.7 million primarily concerned the addition to the provision for perpetual obligations of EUR 346.8 million (2021: EUR 665.0 million). Other operating expenses also include expenses for education, science and culture – one of the goals of the articles of association – in the amount of EUR 32.0 million.

The investment income of EUR 460.3 million primarily includes the dividend distribution of Evonik Industries AG of EUR 306.8 million, the profit transfer from RAGS REAL Estate GmbH of EUR 24.8 million and the distributions of RAGS Private Equity GmbH of EUR 25.0 million. Other distributions were attributable to Vivawest GmbH in the amount of EUR 59.6 million and RSBG SE in the amount of EUR 37 million.

Other financial income³ amounted to EUR 70.0 million in the reporting year. This stemmed mainly from income from securities and special real estate funds in the direct ownership of the RAG-Stiftung, from the dividend of the RAGS-FundMaster special fund and, conversely, from interest expenses and amortisation of financial assets.

Income taxes came in at around EUR 46.5 million.

As in the previous year, the RAG-Stiftung allocated the full amount to the provision for perpetual obligations in the amount of EUR 346.8 million (2021: EUR 665.0 million) as a result of the system of creating provisions with its otherwise accrued earnings, ensuring that the result under german GAAP was balanced.

³ Income from other securities and loans held as financial assets, including interest income and amortisation of financial assets and securities held as current assets.

Financial position

Principles and objectives of the RAG-Stiftung's financial management

The RAG-Stiftung's principal task is to ensure the financing of the perpetual obligations following the discontinuation of subsidised coal mining in Germany.

Pursuant to section 3, paragraph 6, of the articles of association, the RAG-Stiftung's assets must be invested in such a way as to ensure the greatest possible security and return with sufficient liquidity, while preserving an appropriate mix and diversification. The primary aim of the investment is the sustainable financing of the perpetual obligations. The risks and opportunities within the investment portfolio are optimised with the proviso that these obligations will remain covered. The cornerstones of the investment are therefore the assets and the expected inflow of funds and the cash outflows covered by the payments for perpetual obligations to RAG AG. The RAG-Stiftung's strategic capital investment is therefore based on an asset liability approach, which takes into account the long-term payment obligations and the incoming payments expected on an ongoing basis.

The RAG-Stiftung's investment strategy also provides for a wide diversification of the investments across the various asset classes and investment markets and the systematic further development of the diversification strategy. The objective is to stabilise earnings and to be able to react to the current uncertainties on the financial markets.

The standards for capital investment – that is, the principles of investment policy and risk controlling – are laid out in a set of General Investment Guidelines for the RAG-Stiftung (Allgemeine Kapitalanlageleitlinie – KARL). Capital investments include all investments, with the exception of the holdings in Evonik and Vivawest. According to carrying amounts at the end of 2021, around 40.0% of the financial assets were invested in “RAGS-FundMaster”, a special fund managed by a capital management company pursuant to the German Capital Investment Act (Kapitalanlagegesetzbuch – KAGB).

By using a single custodian bank as global custodian and a single master capital management company for the liquid financial assets, the foundations have been laid for uniform risk controlling and transparent presentation.

As part of an annually updated asset liability study, the structures of the liabilities from the perpetual obligations are analysed, and the profile of the payment streams to be paid by the RAG-Stiftung is determined. Against this background, the capital investment strategy of the RAG-Stiftung, which is strategic asset allocation (SAA), is reviewed and adjusted on an annual basis.

In its own holdings, investments are made according to a buy-and-hold strategy. In addition to liquidity on the bond side, it contains both nominal securities predominantly of very good or good creditworthiness as well as inflation-linked bonds, and thus interest-income-generating bonds predominantly of sovereign borrowers. In addition to a real estate special fund set up exclusively for the RAG-Stiftung, its own portfolio also includes companies that invest in private equity investments, real estate and infrastructure.

Another EUR 140 million was added to the RAGS-FundMaster special fund managed by the master capital management company in 2022, ensuring the carrying amount totalled EUR 3.8 billion as of 31 December 2022. The market value at the same time was around EUR 4.1 billion.

The objective of risk controlling is to manage the results of investments and to avoid impairments. Regular risk reporting is made in a weekly and monthly risk report. The risk budget forms the basis for the management of the return portfolio, which is oriented to the risk-bearing capability. The capacity of the risk budget is regularly calculated and documented, while the current risk of the investment is measured using the value-at-risk (VAR) approach. In addition to the analysis of the current risk budget, the RAG-Stiftung's financial assets are analysed monthly in relation to a number of key risk indicators such as rating, duration, modified duration and credit risk. Due to the challenging capital market situation in 2022, risk assets were proactively reduced in June and September to ease the burden on the risk budget.

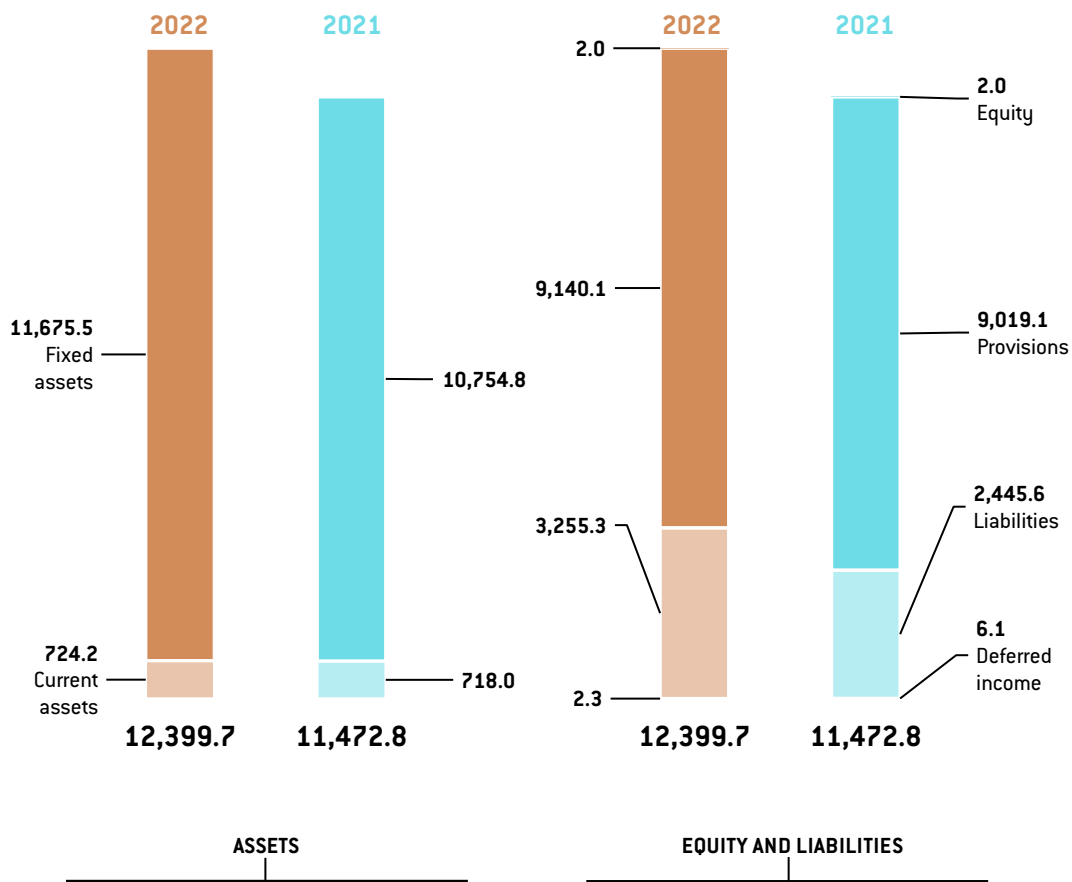
A coordinated capital investment takes place with the affiliated subsidiary RAG to optimise the available resources via the controlling and profit-and-loss transfer agreement. The same bank limits therefore apply to the term deposit investments of the RAG-Stiftung and RAG, and are regularly reviewed. The RAG-Stiftung's risk reporting system was also extended to the financial assets of RAG.

Capital structure

As of the end of 2022, the RAG-Stiftung recognised financial liabilities from four exchangeable bonds on Evonik shares of EUR 2.0 billion. The liabilities side of the balance sheet is dominated by the provision for perpetual obligations amounting to EUR 8.9 billion as a result of the business model of the RAG-Stiftung. The term of this obligation is infinite. The increase in the provision for perpetual obligations amounted to EUR 100 million compared with the previous year.

BALANCE SHEET STRUCTURE

In EUR million



Investments

The RAG-Stiftung invested EUR 922 million in the financial assets in 2022. The RAGS-FundMaster special fund was endowed with approximately EUR 140 million.

Liquidity

Liquidity was ensured at all times due to securities that could be sold at short notice.

Net Assets

At the end of the reporting year, the total assets of the RAG-Stiftung amounted to EUR 12,399.7 million. This represents an increase of EUR 926.9 million in total assets over the previous year's value.

ASSETS – FIXED AND CURRENT ASSETS

In EUR million

	31/12/2022	31/12/2021	Change
Fixed assets	11,675.5	10,754.8	920.7
Property, plant and equipment and intangible assets	53.2	54.2	-1.0
Financial assets	11,622.3	10,700.6	921.7
Current assets	724.2	718.0	6.2
Receivables and other assets	349.9	336.6	13.3
Securities	374.2	381.4	-7.2
Liquid assets ^b	0.1	0.0	0.1
Prepaid expenses	0.0	0.0	0.0
Total assets	12,399.7	11,472.8	926.9

^b Liquid assets including the financial account of RAG.

At the end of 2022, financial assets of EUR 4,566.3 million were attributable to companies through which the RAG-Stiftung invests in private equity, real estate, infrastructure and the SME sector. EUR 3,783.6 million was attributable to the special investment fund managed by the master capital management company. The 40% holding in Vivawest GmbH, with acquisition costs of EUR 1,390.2 million, was also reported in fixed assets.

Shares in Evonik Industries AG in the amount of 25.1% are reported at EUR 305.5 million under financial assets due to the planned long-term retention of these shares. The remaining Evonik shares (30.7%) are reported under securities held as current assets, as these shares are being held for sale.

Receivables and other assets primarily include receivables for imputable tax of EUR 314.3 million and a total of EUR 24.8 million in receivables due from affiliated companies.

EQUITY AND LIABILITIES – EQUITY, PROVISIONS AND OBLIGATIONS

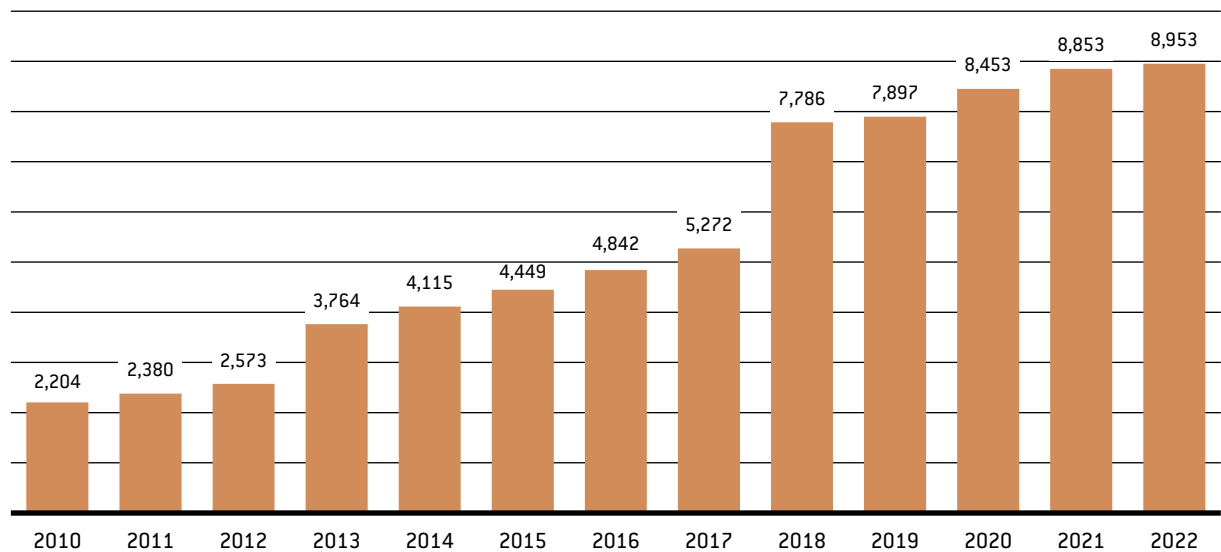
In EUR million

	31/12/2022	31/12/2021	Change
Equity	2.0	2.0	0.0
Endowment capital	2.0	2.0	0.0
Provisions	9,140.1	9,019.1	121.0
Pension provisions	18.4	16.9	1.5
Tax provisions	145.1	126.9	18.2
Provisions for perpetual obligations	8,953.1	8,853.0	100.1
Other provisions	23.5	22.3	1.2
Liabilities	3,255.3	2,445.6	809.7
Bonds	2,000.0	1,500.0	500.0
Trade accounts payable	0.1	0.0	0.1
Liabilities to affiliated companies	1,251.3	942.3	309.0
Other liabilities	3.9	3.3	0.6
Deferred income	2.3	6.1	-3.8
Total equity and liabilities	12,399.7	11,472.8	926.9

When the RAG-Stiftung was established, it was endowed with an endowment capital (basic assets) of EUR 2.0 million, which has been retained in full.

PROVISION FOR PERPETUAL OBLIGATIONS

In EUR million



For its obligations to RAG for the financing of perpetual obligations, the RAG-Stiftung reports a provision of EUR 8,953.1 million as of 31 December 2022. This corresponds to a net increase of EUR 100.1 million over the previous year. The allocation from the net annual profit of EUR 346.8 million was offset by a utilisation of EUR 246.7 million. This was composed of payments to RAG for perpetual obligations in the amount of EUR 231.0 million and a payment to RAG in the amount of EUR 15.7 million for the interest element of the investments made by RAG in pit water management.

Other provisions mainly include provisions for services received but not yet billed.

The liabilities of EUR 3,255.3 million as of the 2022 balance sheet date mainly include EUR 2,000.0 million in four exchangeable bonds on Evonik shares and EUR 1,251.3 million in liabilities to affiliated companies. These include in particular liabilities for a loan of EUR 820 million from RAG AG and the assumption of losses by RAG in the amount of EUR 197.5 million.

Significant non-financial matters

Employees

There were 26 employees at the RAG-Stiftung at the end of 2022; in the previous year, there were 24. The average number of employees during the year was 24.5 (previous year: 24).

Occupational health and safety

We have a modern corporate health management programme which goes beyond traditional occupational health promotion. In addition to the medical check-ups available to employees, the care provided includes individual consultation and innovative prevention schemes. Qualified cooperation partners – in particular the occupational health services and Exercise Centre – provide a comprehensive range of preventive measures and health promotion.

No occupational accidents occurred during the reporting period.

Risks and opportunities report

Risk and opportunities management (or simply: risk management) at the RAG-Stiftung is a continuous and dynamic process that begins with planning and consistently reaches all areas. The risk management system integrates all systematic measures into an overall approach for the purpose of identification, analysis, assessment, management and control of risks that could hinder achievement of the RAG-Stiftung's objectives.

The standards for risk management are set out in the Risk Management Guidelines. In addition to organisational security measures, internal control systems and division-specific risks, the RAG-Stiftung's risk management also includes RAG's internal audit department as a process-independent supervisory authority.

The division head nominated by the Board of Executives assumes the role of risk manager. This person monitors the risk management system and coordinates reporting to the Board of Executives at the RAG-Stiftung on the opportunities and risks of the strategic holdings and of the RAG-Stiftung itself. The respective division heads of the RAG-Stiftung are responsible for the identification and assessment of risks, as well as the formulation and implementation of measures for risk management. The divisions of the RAG-Stiftung are charged with the following tasks and responsibilities with regard to risk management: reporting on opportunities and risks as part of the monthly report, presentation of opportunities and risks in the scope of medium-term planning and immediate reporting to the Board of Executives where necessary.

In order to determine which risks most likely represent a threat to the objectives or the existence of the RAG-Stiftung, the risks are classified according to their probability of occurrence and their effects on net assets, financial position and earnings position. The scales for assessing both of these indicators are presented in the table below.

The RAG-Stiftung classifies the assessment of the probability of a risk occurring according to the criteria: "rather unlikely", "possible" or "probable".

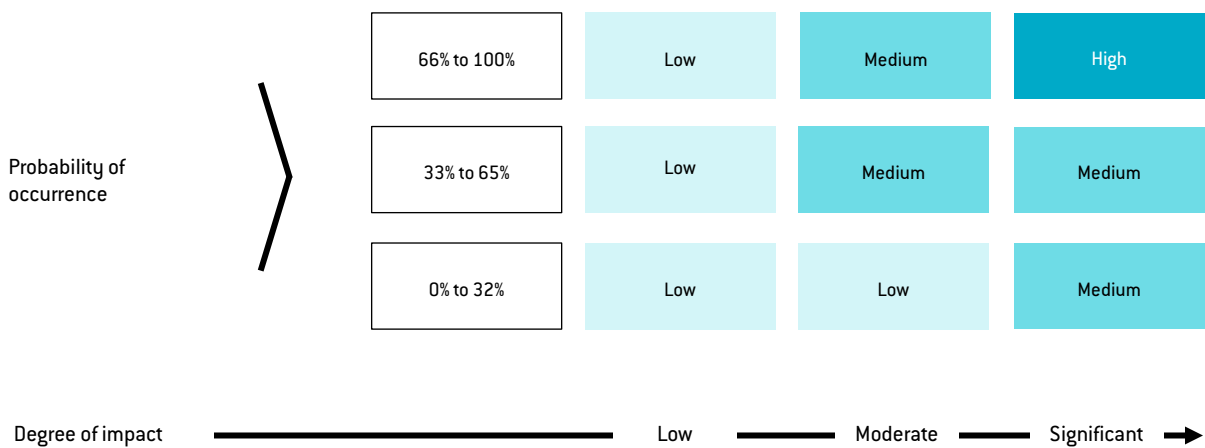
Probability of occurrence	Description
0%–32%	Rather unlikely
33%–65%	Possible
66%–100%	Probable

The possible effects are assessed according to qualitative criteria of increasing value: “low”, “moderate” and “significant”.

Degree of impact	Definition of impact
Low	Low negative impact on net assets, financial position or earnings position
Moderate	Moderate negative impact on net assets, financial position or earnings position
Significant	Significant negative impact on net assets, financial position or earnings position

According to their estimated probability of occurrence and their effects on the net assets, financial position and earnings position of the RAG-Stiftung, risks are classified as “low”, “medium” or “high”.

RISK CLASSIFICATION MATRIX



The following major risk categories arise from the RAG-Stiftung’s main risk areas:

RAG investment risk

The RAG-Stiftung and RAG concluded a controlling and profit-and-loss transfer agreement on 24 September 2007. RAG’s business risks therefore affect the RAG-Stiftung directly.

RAG has its own risk management system, as this is where the original risk responsibility for the business risks and their management lies. As a public limited company, RAG is subject to statutory monitoring requirements. This means that in accordance with section 107, paragraph 3, of the German Stock Corporation Act (AktG), the Supervisory Board is responsible not only for monitoring the accounting process, but is also obliged to address the effectiveness of the internal controlling system, the risk management system and the internal audit system. These requirements are met by representatives of the RAG-Stiftung on RAG's Supervisory Board. The RAG-Stiftung is kept informed by regular reports and checks the effectiveness of the risk management system by analysing risks and measures.

Risks for the RAG-Stiftung have included the operating result risks from RAG's business activities and the cash outflows for perpetual obligations since 2019. They are dependent on the development of costs and official approvals for the planned optimisation measures in the field of pit water management. Developments in interest rates and costs are decisive factors determining the amount of provision required at RAG. Unfavourable economic developments may lead to a situation where the funds approved for RAG in 2019 for the financing of residual pollution and other perpetual obligations are not sufficient.

In 2022, losses of EUR 197.5 million were balanced by the RAG-Stiftung pursuant to section 3 of the controlling and profit-and-loss transfer agreement. The main factor with an adverse impact on RAG's earnings was the interest-related requirement for allocation to non-current provisions.

From today's perspective, we assume that use will likely be made of the controlling and profit-and-loss transfer agreement to balance RAG's earnings every year from 2023 to 2027, but with a decreasing tendency.

Overall, the risks arising from the holding in RAG are significant. Due to the German Hard Coal Financing Act, the underlying coal policy contract and the agreements made and approvals received, the risk should be manageable. However, following the end of German coal production, the accounting countermeasures available to RAG have been significantly reduced. As a result, we allocate the probability of occurrence of the risks described to the category "probable". Overall, we therefore continue to classify this as a "high risk". Nevertheless, despite this classification, we consider the risk to be manageable due to the financial resources available to the RAG-Stiftung.

Evonik investment risk

The RAG-Stiftung is the majority shareholder in Evonik Industries AG. The Evonik Group's business risks therefore also indirectly affect the RAG-Stiftung. As a listed company, Evonik Industries AG has an independent and Group-wide risk management system. In accordance with section 107, paragraph 3, of the German Stock Corporation Act (AktG), the Supervisory Board of Evonik Industries AG is responsible not only for monitoring the accounting process, but is also obliged to address the effectiveness of the internal controlling system, the risk management system and the internal audit system. These requirements are met by Evonik Industries AG's Supervisory Board. It is kept informed by regular reports and checks the effectiveness of the risk management system by analysing risks and measures. The RAG-Stiftung's employees support the Chairman of the Supervisory Board in their analysis.

The RAG-Stiftung's holding in Evonik Industries AG of around 56% (31 December 2022) remains a key asset. For every change of one euro in the Evonik share price, there is a change in the assets of the RAG-Stiftung of around EUR 260 million. There is therefore a significant concentration risk associated with the Evonik holding. The RAG-Stiftung intends to meet this concentration risk by further reducing its investment in Evonik. This will be done with due regard to the market. For example, the issue of exchangeable bonds on Evonik shares, a block sale or a partial sale (dribble-out) are instruments with which this is possible.

Because of its areas of activity, the Evonik Group is constantly confronted both nationally and internationally with ever-changing political, societal, demographic, legal and economic conditions. Market risks occurring as a result of volatility and cyclicality in the markets can generally arise in all segments. These can have a significant impact on the earnings situation. The occasional regional changes in economic demand can influence price and sales opportunities with a corresponding impact on results. Evonik confronts these risks by anticipating market developments and consistently developing its portfolio in accordance with its Group strategy.

Overall, the Executive Board of Evonik has arrived at the following assessment: the risks identified across the Group, taking into account the measures taken and planned, pose no threat to the existence of Evonik as a whole, either individually or in conjunction with other risks; this includes Evonik Industries AG as the Group holding company. This assessment is shared by the RAG-Stiftung.

The dividends the RAG-Stiftung receives from Evonik are a significant component of the RAG-Stiftung's income. A worsening in Evonik's economic situation which might limit Evonik Industries AG's ability to pay dividends is a risk with significant ramifications for the RAG-Stiftung. Due to Evonik's diversified orientation as a medium-sized speciality chemicals company, we see the probability of this risk occurring as "possible". Overall, we therefore continue to classify the Evonik investment risk as a "medium risk".

Vivawest investment risk

The RAG-Stiftung has a direct holding of 40% in Vivawest GmbH. RAG also indirectly holds an additional 18.2% of the shares in the company. Vivawest's business risks therefore affect the RAG-Stiftung both directly and indirectly.

Vivawest has its own risk management system, as this is where the original risk responsibility for the business risks and their management lies. Vivawest GmbH's Supervisory Board not only monitors the accounting process but also addresses the effectiveness of the internal control, risk management and internal auditing systems. These tasks are carried out by representatives of the RAG-Stiftung on Vivawest GmbH's Supervisory Board. The RAG-Stiftung is kept informed by regular reports and checks the effectiveness of the risk management system by analysing risks and measures.

Due to its area of activities, Vivawest is highly dependent on the housing market in North Rhine-Westphalia and the underlying conditions for the housing sector.

The distributions of profits the RAG-Stiftung receives from Vivawest GmbH are a not insignificant component of the RAG-Stiftung's income. A worsening in Vivawest's economic situation is a risk with moderate repercussions for the RAG-Stiftung. Due to the non-volatile nature of Vivawest's business, we see the probability of occurrence as being "rather unlikely". Overall, we therefore continue to classify the Vivawest investment risk as a "low risk".

Investment risk

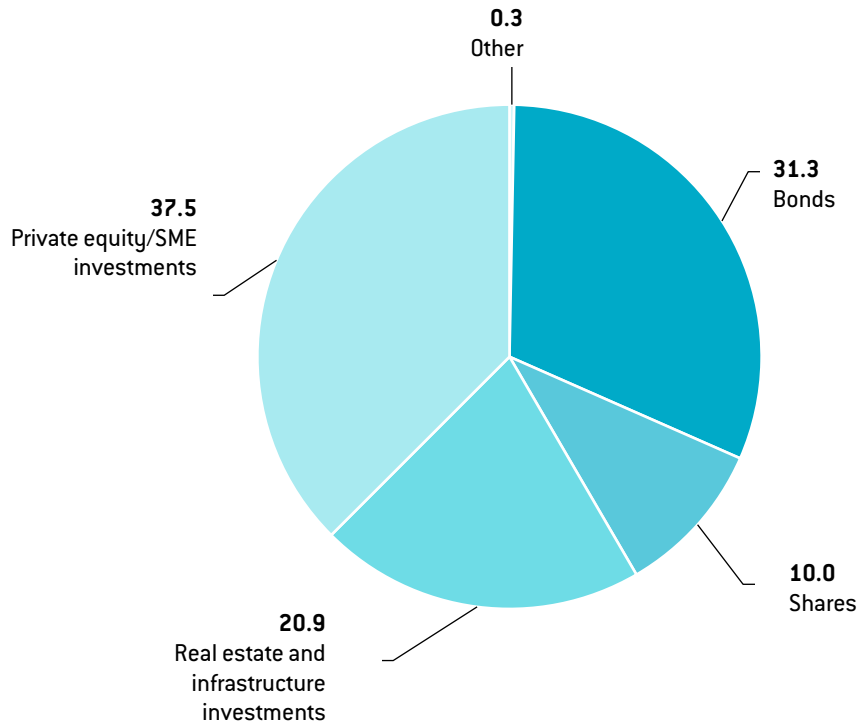
The RAG-Stiftung's Board of Trustees approved the General Investment Guidelines for the RAG-Stiftung (KARL) in 2008 and approved occasional amendments, most recently with a resolution of 10 May 2021. The guidelines set the standards for investment – with the exception of investments in Vivawest and Evonik – and define the principles of the investment policy as well as investment risk controlling.

As of the end of 2022, approximately 31% of the RAG-Stiftung's financial assets were invested in bonds, another approximately 10% in shares and 21% in real estate and infrastructure. Altogether, some 37% were attributable to international private equity investments and SME investments. This asset allocation results in a high level of interest sensitivity: rising market interest rates lead to negative market value changes, while falling rates lead inversely to price gains.

Financial risks at the RAG-Stiftung generally concern borrowing and market price risks arising from the investment of financial resources to cover the provision for perpetual obligations. The aim of the company's policy is to limit these risks through systematic risk management. Though this cannot mean financial risks are totally excluded, it does mean they are managed within defined limits. Monitoring its financial assets is an integral component of the RAG-Stiftung's daily business activities. The basis for managing financial assets is the respective risk budget, which is oriented to the risk-bearing capacity and is set by the RAG-Stiftung's investment committee. The capacity of the risk budget is regularly calculated, documented and reported to the Board of Executives, while the current risk of the investment is measured using the value-at-risk (VAR) approach. In order to reduce financial risks, to carry out currency hedging and to flexibly adjust the asset classes in a risk-oriented way, derivative financial instruments at the RAG-Stiftung are also employed in the RAGS-FundMaster special fund. Due to the negative capital market situation in 2022, risk assets were proactively reduced in June and September to ease the pressure on the risk budget.

STRUCTURE OF FINANCIAL ASSETS (31/12/2022)

In %



As of the end of 2022, around 37% of our financial assets were invested in RAGS-FundMaster, a special fund managed by a capital management company pursuant to the German Capital Investment Act (KAGB). Various asset managers have received specific investment mandates from the RAG-Stiftung for this special fund. Each of these investment mandates is subject to investment guidelines that must conform with the RAG-Stiftung's General Investment Guidelines (KARL). The capital management company is also obliged to ensure that these investment guidelines are adhered to at all times. All liquid securities of the RAG-Stiftung are held in safe custody by a single global custodian bank, which creates the basis for uniform risk controlling and transparent presentation of the RAG-Stiftung's total holdings.

Of the remaining approximately 63% of financial assets, some are held directly in liquid securities. The rest are attributable to non-liquid investments in real estate and infrastructure funds on the one hand, and private equity funds and direct company investments on the other.

Private equity funds as well as real estate and infrastructure investments are characterised by a very low level of liquidity. This liquidity risk, which we can manage well due to our obligation structure, is offset by a corresponding illiquidity premium. The principle of a high level of diversification also applies to illiquid investments, as it does to all our investments. The RAG-Stiftung invests in different managers, different areas of the private equity market, different size categories and different regions. In particular, it invests consistently in order to mitigate risks through wide diversification across the individual fund ages, or “vintage years”. Similarly, with real estate and infrastructure investments, different managers are tasked with investing in different countries, regions and cities, and in different classes of real estate (residential, office, hotel, high street, logistics, specialist stores, etc.).

The statements on limited liquidity also apply to the investments in the SME sector by RSBG SE. The management attempts to compensate for the higher risk resulting from significantly less granularity by exercising intensive due diligence prior to the purchase of a holding and by expanding investment controlling further; it also exercises greater influence over the Supervisory Board or Advisory Board with regard to non-controlling interests and takes direct influence on the management of majority holdings.

The RAG-Stiftung uses the professional service provider RMC Risk-Management-Consulting GmbH, Frankfurt, to assess and calculate investment risk.

When assessing investment risks overall, we classify the probability of occurrence as “possible” in view of the measures taken and the degree of impact as “moderate” given the wide diversification. Overall, we therefore continue to classify the investment risk as a “medium risk”.

Perpetual obligations risk

On 14 August 2007, a legacy agreement relating to the socially responsible discontinuation of subsidised coal mining in Germany (legacy agreement) was concluded between the states of North Rhine-Westphalia, Saarland and the RAG-Stiftung. This agreement regulates the guarantees made by the states (and one-third by the federal government) in case the assets of the RAG-Stiftung are not sufficient to finance the perpetual obligations. It also defines the perpetual obligations of the mining operations of RAG. Perpetual obligations in this sense mean measures for the implementation of pit water management, groundwater purification at contaminated sites and measures for the management, processing or elimination of permanent damage in the form of subsidence of the ground surface caused by mining.

On 13 November 2007, an agreement was signed between RAG and the RAG-Stiftung regarding financing of the perpetual obligations arising from the mining operations of RAG (agreement on perpetual obligations). With this agreement, the RAG-Stiftung pledges to RAG that it will finance its perpetual obligations from 2019. The future development of the perpetual obligations and the resulting risks and opportunities are therefore especially important. This development is primarily determined by the premises on which the authoritative report is based and which may develop a significant leverage effect, such as price index, interest rate and technical state. Under section 4, paragraph 2, of the agreement on perpetual obligations, RAG is to develop a concept for the long-term optimisation of pit water management. On the basis of this concept, steps were taken to apply for the necessary measures so as to subsequently implement them. Applications for approvals are delayed or have not yet been granted. However, approvals are a mandatory prerequisite for the implementation of the necessary withdrawal activities.

The economic value of the perpetual obligations at the end of 2022 is, simply put, the present value of a perpetual series of payments which grows in line with the respective inflation rate. The cash value of a perpetual annuity is calculated by dividing the initial regular payment by the interest rate, while taking the price increases resulting from the real interest rate – that is, the difference between interest rate and price inflation – into account. The amount of the perpetual obligations is therefore dependent in particular on the future development of price and interest rates, in addition to the development of the assessment bases.

For each perpetual obligation, a series of expenditures is calculated from the respective balance sheet date for each of the next 61 years.

The total obligation for each perpetual obligation is the sum total of the temporary series of expenditures for 60 years discounted to the balance sheet date and the present value of the perpetual annuity from the 61st year discounted to the balance sheet date. The present value of the perpetual annuity is calculated using the seven-year average interest rate of the ultimate forward rate (UFR) of 3.74%, which is set and published annually by the European Insurance and Occupational Pensions Authority (EIOPA) (taking into account a price rise of 2.00%, this results in a real interest rate of 1.74%).

The first 50 years of the series of expenditures for the respective perpetual obligations are discounted as of the balance sheet date using the commercial yield curve published by the Deutsche Bundesbank for the respective balance sheet date with interest rates of between 0.43% and 1.54% (previous year's interest rates: between 0.30% and 1.52%). A ten-year convergence phase to avoid a jump in interest rates is used to transition to the UFR. During this convergence phase, the interest rates for discounting as of the balance sheet date are determined using linear interpolation between the HGB interest rate with a maturity of 50 years and the UFR.

An inflation rate of 2.00% is generally used to index the expenditure for perpetual obligations after the end of the detailed planning phase. This follows the method used for determining the UFR. As such, the inflation rate corresponds to the inflation target of the ECB for the eurozone.

The total perpetual obligation determined using this method is EUR 30.6 billion. The previous year's figure was EUR 28.4 billion.

In the overall assessment of the risks arising from perpetual obligations, we classify the probability of occurrence as “probable” but the degree of impact as only “moderate”. The provision requirement for perpetual obligations will first increase slightly over the coming years, then prospectively move at a constant or even a slightly falling level. However, our ability to finance the cash outflow, which will increase with inflation for the sustainable financing of perpetual obligations from investment income and financial assets, is independent of this. Overall, we therefore continue to classify the perpetual obligations risk as a “medium risk”.

Russia–Ukraine War

Many Western countries imposed harsh sanctions on Russia in response to its war of aggression on Ukraine. The measures included specific sanctions on the financial sector as well as a far-reaching embargo on technology items. The war is having significant impacts on international goods markets and is creating additional uncertainty in a phase of high inflation and a slowing global economy.

Assets with Russian issuers in the area of financial assets and investments are at a non-significant level. In a more general sense, however, there is a risk that the conflict will spread and could dampen growth prospects, which could prompt falling prices on capital markets and in terms of private equity investments.

There is a possibility that changes in supply chains and on distribution markets could adversely impact the business operations of Evonik. In respect of the Evonik share price, these developments could lead to a decline in market capitalisation and, for the RAG-Stiftung, a risk of a reduced distribution of profits. No significant risks are identified for Vivawest, as its letting operations are mainly centred on North Rhine-Westphalia. It is expected that ancillary rental costs will rise on account of higher energy prices. In respect of RSBG SE, risks are currently only identified for individual investments that had business relations with Russia on a small scale. RAG may be exposed to a risk due to a long-term increase in energy costs.

Higher financing costs for real estate investments

The global rise in interest rates coupled with high inflation means real estate investments may fall in value. In addition, subdued demand for existing and new properties could lead to lower rents and lower valuations for directly held real estate and real estate funds.

Overall assessment of the risk and opportunities situation

The RAG-Stiftung must finance the perpetual obligations of subsidised coal mining of RAG in Germany following its discontinuation. From a current perspective, the cash inflows from the disposal of other shares in Evonik Industries AG, from Evonik dividends and from dividends of the Vivawest holding and RSBG SE, as well as from the income from financial assets, are all sufficient to cover the expected cash outflows. Opportunities could result from a good trend in the Evonik share price and from successful investments.

The overall assessment of the RAG-Stiftung's risk situation shows that the existing risks pose no threat to the existence of the RAG-Stiftung, either individually or in conjunction with other risks, given the measures taken and planned.

Outlook

Global economic outlook

The IMF expects global GDP to grow by 2.9% in 2023 (2022: 3.4%) despite the challenging economic situation, citing the surprisingly strong resilience of many economies. Nevertheless, the global growth forecast for 2023 is below the historical annual average of 3.8% (2000 to 2019). The forecast reflects the increase in central bank interest rates to fight inflation, especially in advanced economies, and the war in Ukraine.

Growth in the United States is expected to decline from 2.0% in 2022 to 1.4% in 2023. This is due to the robust level of domestic economic activity that began in the second half of 2022. One risk factor is that the Fed will raise interest rates too quickly, which could curb the economic strength of the United States.

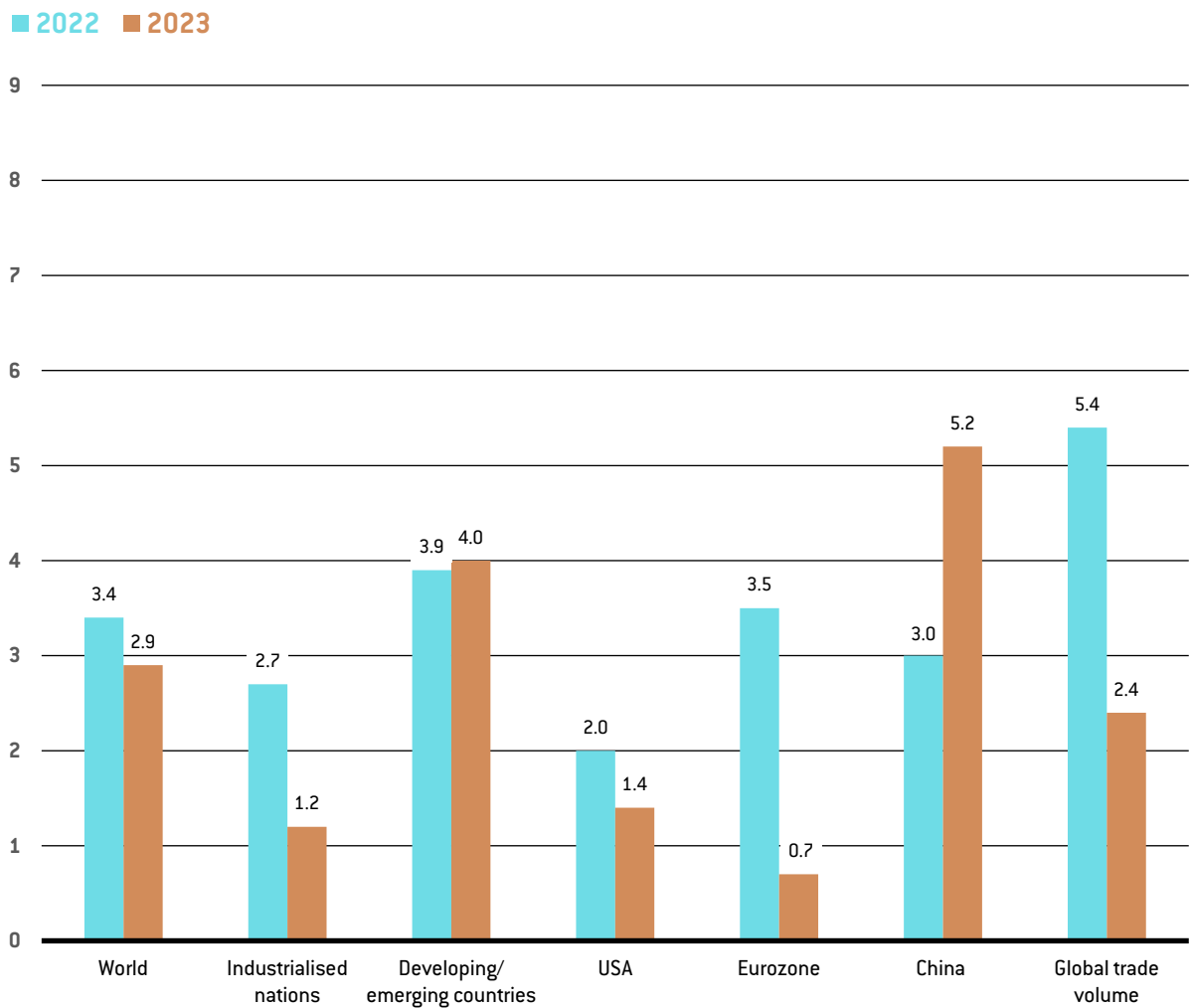
The IMF forecasts that growth in the eurozone will be 0.7%. This is attributed to falling real incomes and the general uncertainty caused by the war in Ukraine. However, the announced series of fiscal measures by governments to boost purchasing power by governments may help. Here, again, too quick an increase in interest rates by the ECB and the resultant dampening effect on the economy constitute a risk factor.

Growth in China is expected to increase to 5.2% in 2023, reflecting the rapid improvement in mobility.

According to the IMF, headline inflation (consumer price index) in around 84% of countries is expected to be lower in 2023 than in 2022. It is anticipated that global inflation will fall from 8.8% in 2022 (annual average) to 6.6% in 2023. The projected disinflation partly reflects the decline in international prices for fuels and other commodities due to weaker global demand. It also reflects the cooling effects of monetary policy tightening on underlying (core) inflation, which will likely decline globally from 6.9% in the fourth quarter of 2022 (year-on-year) to 4.5% in the fourth quarter of 2023. Nevertheless, reducing inflation will take some time. The IMF expects average annual inflation in the advanced economies to fall from 7.3% in 2022 to 4.6% in 2023. For emerging and developing countries, the IMF anticipates that inflation will decrease from 9.9% in 2022 to 8.1% in 2023.

GDP GROWTH RATES, WORLD AND COUNTRIES FOR 2022, AND FORECAST FOR 2023

in %



Source: IMF, World Economic Outlook, January 2023

Outlook for the company

We expect Evonik Industries AG to pay a stable dividend. Given the fact that our holding in the company is lower than in the previous year, the dividend inflow will be somewhat less in absolute terms than last year. We expect dividends for Vivawest GmbH and RSBG SE in 2023 to be on par with the previous year's level. At RAG, we expect to see a significant adverse impact on earnings from the profit-and-loss transfer agreement. We expect the RAG-Stiftung's investment income in 2023 to be up slightly on the 2022 level.

PERFORMANCE INDICATORS FORECAST FOR 2022

In EUR million

	Forecast for 2023	2022
Financial performance indicators		
Net profit for the year	Stable	0
Addition to provision for perpetual obligations	Approx. 289	347

We plan to be able to allocate about EUR 289 million to the provision for perpetual obligations.

Current analyses indicate that the RAG-Stiftung's supply of cash, and thus its ability to pay the perpetual obligations, will remain secure.

Essen, 12 April 2023

This report contains forward-looking statements relating to the current expectations, assumptions and forecasts of the Board of Executives, as well as any information currently available to it. These forward-looking statements are not to be understood as guarantees of future developments or the events they describe. Rather, these future developments and events are dependent on a number of factors; they contain risks and uncertainties and are based on assumptions that may prove inaccurate.