

2023

Annual financial statements

Management report

for the 2023 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 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.

Management bodies of the RAG-Stiftung

The following were ex officio members of the RAG-Stiftung's Board of Trustees in 2023 (in the order specified in the articles of association):

- Hendrik Wüst, Member of State Parliament and Minister President of the State of North Rhine-Westphalia
- Anke Rehlinger, Member of State Parliament and Minister President of the State of Saarland
- Christian Lindner, Member of the German Bundestag and Federal Minister of Finance
- Dr Robert Habeck, Member of the German Bundestag and Federal Minister for Economic Affairs and Climate Action
- Michael Vassiliadis, Deputy Chairman of the Board of Trustees of the RAG-Stiftung Chairman of the IG BCE

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
- Annemarie Lütkes, former District President of Düsseldorf
- Heiko Maas, 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, Former Chairman of the Board of the NRW State Association for Renewable Energy
- Armin Laschet, Member of the German Bundestag, Chairman of the Board of Trustees of the RAG-Stiftung; former Minister President of the State of North Rhine-Westphalia
- 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, Head of Human Resources, responsible for Education, Science and Culture

BOARD OF TRUSTEES AND BOARD OF EXECUTIVES OF THE RAG-STIFTUNG AS OF 31 DECEMBER 2023

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

Chair

Bernd Tönjes

Chief Financial Officer

Dr Jürgen-Johann Rupp

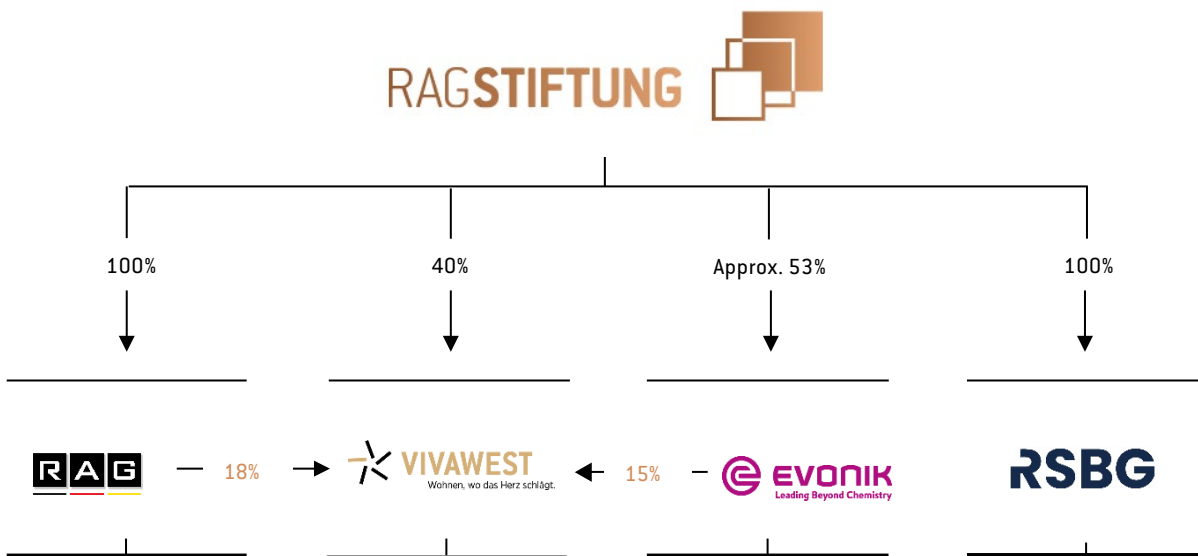
Head of Human Resources

Education, Science, Culture
Bärbel Bergerhoff-Wodopia

■ Members ex officio

As of 31 December 2023

RAG-STIFTUNG: STRATEGIC HOLDINGS



Investment portfolio

The RAG-Stiftung's strategic holdings are RAG Aktiengesellschaft (RAG), Essen; Evonik Industries AG, Essen; Vivawest GmbH (Vivawest), Essen; 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.

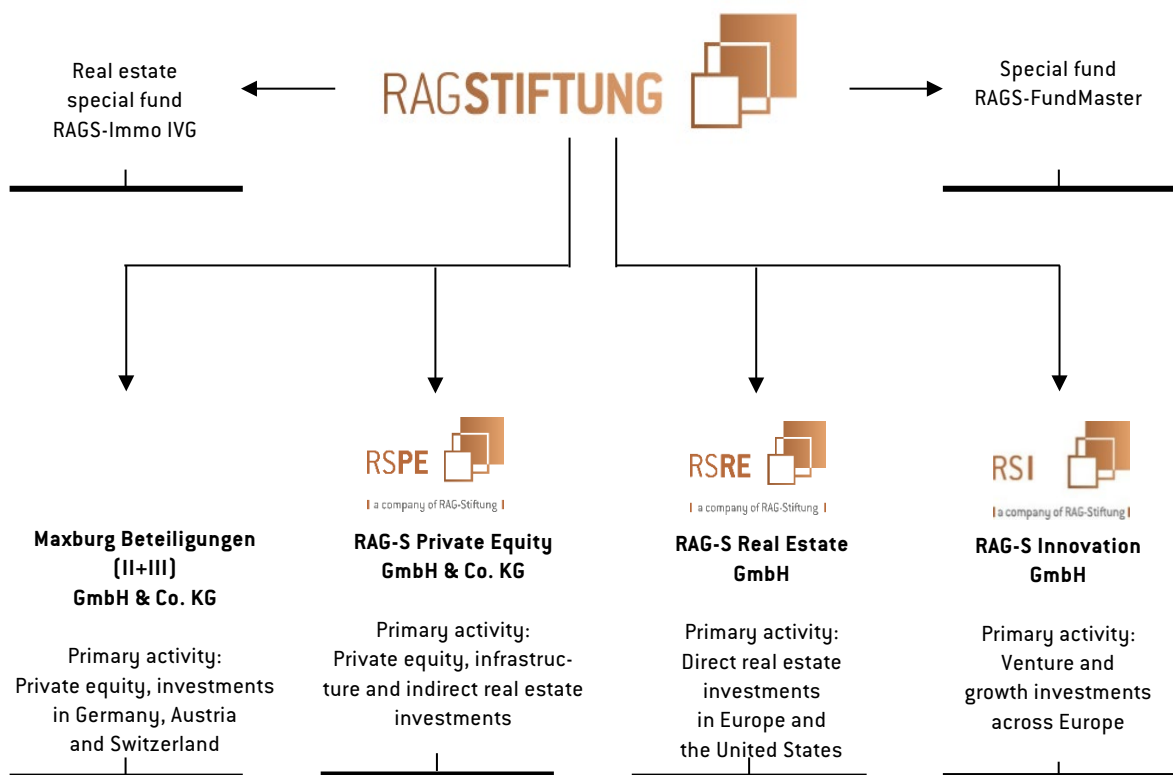
On 31 December 2023, the RAG-Stiftung directly held approximately 53% (31 December 2022: around 56%) of the shares in Evonik Industries AG, of which around 28% are being held for sale. Evonik Industries AG is the holding company of the global Evonik Group, which focuses on special chemicals.

The RAG-Stiftung continued to have a direct holding of 40% in Vivawest in 2023. 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 maintain 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 4.2 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 (which was closed in 2023) 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

2023 was another challenging year for the RAG-Stiftung. The repercussions of the war between Russia and Ukraine, the Middle East conflict, high inflation and impacts on the real estate sector from 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

	2023	Forecast for 2023	2022
Financial performance indicators			
Net profit for the year	0	Stable	0
Addition to provision for perpetual obligations	394	289	347

The addition to the provision for perpetual obligations, which was higher than the original forecast for 2023, was based chiefly on three factors that exceeded projections: higher operating income from the sale of securities, income from equity interests – particularly from the private equity arena – 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. On the other hand, there were impairments on securities held as fixed assets.

Positive development of our capital investments

Capital investments in the RAGS-FundMaster special fund performed positively overall towards the end of 2023.

The RAGS-FundMaster closed 2023 with a gain of 4.2%. The year-end rally is due in particular to the sharp fall in inflation in the United States and the eurozone, which raised hopes that the central banks would soon cut interest rates. Global government bond mandates increased by 3.7% and 4.3% respectively. The inflation-linked bond mandate rose by 3.8%. The European Corporate bond mandates increased by 7.8% and 7.7% respectively. The US Corporate mandate rose by 5.4%. The Global High-Yield mandate and Emerging Markets increased by 8.5% and 10.1% respectively. The Credit Liquide mandate closed the year 4.0% higher.

The two Equity mandates likewise closed higher by 16.2% (European Equity) and 12.8% (Global Equity). Due to effects from the reversal of impairments from 2022, the REITs also closed 2023 positively with an increase of 14.9%. The Tactical Investments closed the year 7.8% up. The RAGS-QK mandate, which includes various real estate funds, fell by 2.8% over the year.

Economic conditions

Europe has successfully mastered the challenges of the COVID-19 pandemic and the energy price shock triggered by Russia's war against Ukraine. Europe currently faces the challenge of further reducing inflationary pressure, restoring price stability and promoting long-term, sustainable growth.

The recent decline in inflation is easing the burden on companies and private households and is mainly due to lower commodity prices and full inventories. The central banks and governments in Europe and the United States have tightened their monetary policy and are significantly reducing their fiscal support.

In view of the tightening of monetary policy in order to curb inflation, a succession of shocks, including Russia's war against Ukraine, is weighing on the economy and macrofinancial stability and is causing strains in the financial sector.

According to estimates by the World Economic Outlook compiled by the International Monetary Fund (IMF), the global economy grew in 2023 by 3.1% overall (2022: 3.5%).

United States of America

According to the IMF, the United States economy grew by 2.5%. Despite the interest rate hikes in the United States, the US economy proved extremely robust. This robustness is mainly due to the fact that consumers continued to draw down their savings in 2023, meaning that consumer spending remained at a high level. The US economy also benefited from a robust labour market, another factor that further helped ensure that employees did not have to rein in their consumption. Falling energy prices reduced inflationary pressure further. The inflation rate at the end of 2023 was thus around 3.4%, significantly lower than at the end of 2022 (approximately 6.0%).

Europe

In 2023, European economic growth was once again more resilient than feared given the exceptional challenges. A soft landing and a further decline in inflation are currently expected. After expanding strongly for most of 2022, real GDP contracted at the end of 2022 and barely recovered in the first three quarters of 2023. The continued high, albeit declining, inflation, the tightening of monetary policy and weak foreign demand took a heavy toll on the economy. Overall, GDP growth was 0.6% in the European Union and 0.5% in the eurozone.

The interest rate hikes by the Bank of England and the European Central Bank continue to tighten financial conditions and cool demand in the real estate sector and beyond.

China

Economic activity in China was initially more sluggish in 2023 than originally anticipated. China had to contend with high youth unemployment and an economic recovery after the pandemic that was slower than expected. In addition, there are problems in the real estate sector, which accounts for almost a third of the Chinese economy. Following Evergrande in 2022, Country Garden was another major Chinese real estate developer to run into financial difficulties in 2023. In summary: The Chinese economy, the actual engine of global growth, performed only weakly in the past year and is currently struggling with the problem of emerging deflation. According to the IMF, the economy of the People's Republic of China grew by 5.2%.

Monetary policy

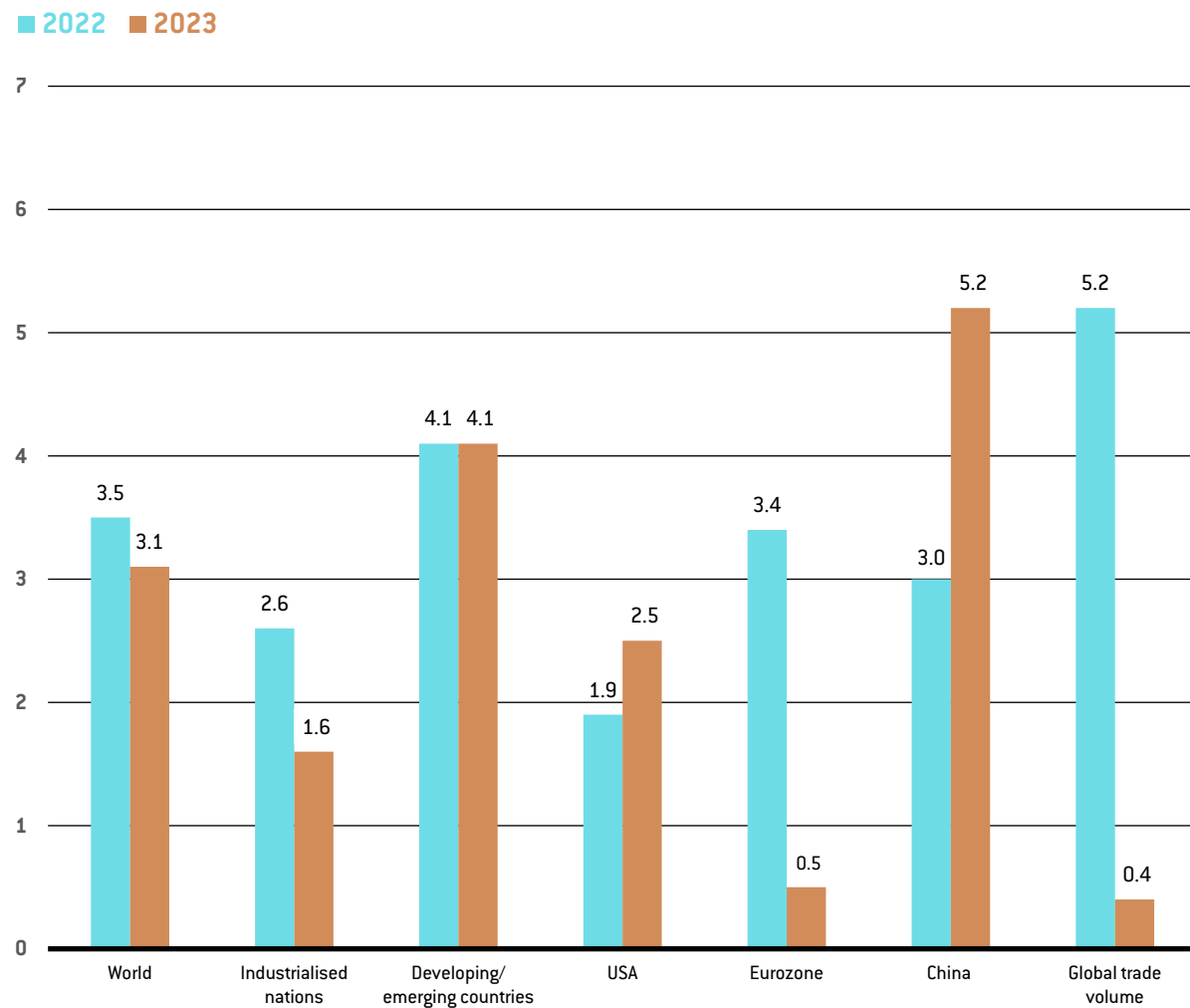
Monetary policy is approaching the end of the tightening cycle due to falling inflation. Even though a robust US economy is an important safety net for global demand, weaker economic activity in China, further commodity price shocks and the threats to financial stability pose significant downside risks to growth. Tighter monetary policy has led to an increase in borrowing costs and a deterioration in the financial position of real estate companies. The upshot was a significant increase in risks in this sector in 2023. Although banks' capital buffers are solid, they could come under pressure in a negative scenario.

Although the currently high core inflation rates in Europe and the United States have slowly declined, they are still above targets. That, together with the robust labour market and high wage pressure, means there is currently nothing to suggest that there will be significant interest rate cuts. However, cautious interest rate cuts are anticipated in the course of 2024. It can generally be assumed that interest rate cuts will be initiated by the US Federal Reserve.

Prices for fuels and other commodities declined further throughout 2023. That resulted in a reduction in overall inflation, particularly in the United States, the eurozone and Latin America. According to current forecasts, underlying (core) inflation has already passed its peak in most economies.

GDP GROWTH RATES, WORLD AND COUNTRIES FOR 2022 AND 2023

In %



Source: IMF, World Economic Outlook Update, January 2024

Industry situation of the strategic holdings

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). The economic framework for the company’s activities is formed by the principle of strict cost discipline, the authorisations, the coal guidelines and the approval procedures for the implementation of pit water management concepts. These and the development of interest rates and prices on the market are significant factors that affect the Company’s success.

Special chemicals

Global industrial production grew minimally in 2023, with clear regional differences. Weak growth was recorded in Asia-Pacific. In Europe and particularly in the energy-intensive industries, however, industrial production declined significantly. In the other regions, production remained roughly at the previous year's level.

Evonik's end customer markets recorded low overall growth in 2023. Activity in the food and feed industry remained virtually unchanged year over year in all regions. Demand in the construction sector was stable in North America and Europe, while it increased in other regions. Demand for personal hygiene and care products grew slightly. Production in automotive manufacturing and mechanical engineering increased sharply in all regions.

The chemical industry's performance in 2023 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 an 8% contraction in production in the EU. In Germany, too, there was a significant 11% drop in chemical production, driven mainly by a 15% slump in petrochemicals. Special chemicals fared somewhat better in Germany, but here too production volumes fell by 4%. Chemical production declined by 1% in the United States, while it grew by 9.5% in China.

Evonik-specific commodity prices in the 2023 financial year were significantly lower than in the previous year.

Against the most important foreign currency for Evonik – the US dollar – the euro traded at an average of USD 1.08 in 2023, thereby gaining slightly in value compared to the average level of the previous year (USD 1.05).

Residential property in Germany

The German residential property investment market contracted sharply in 2023. The transaction volume was EUR 8.2 billion, well below the previous year's figure of EUR 12.2 billion. Compared to the five-year average (EUR 24.5 billion), the decline is even more pronounced at 67%. However, the number of residential units traded rose from 59,000 to around 70,000 apartments.

The demand for residential space is directly connected to the number of private households and their available income. Due to the continuing high level of immigration from abroad, the population and number of households in Germany have risen steadily in past 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 continuing reduction in the average number of people per household. Forecasts suggest that the number of private households in North Rhine-Westphalia will likewise increase by 3% by 2045.

Net basic rents in the portfolio rose by 2.0% in 2023 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 5.6% compared with the previous year. This means that rents for new buildings have risen by 47% in the last ten years. Following a significant increase in 2022, prices for energy products rose again by 5.3%, with the prices for household energy rising by 14.0%. However, the market for rented accommodation in Germany continued to develop unevenly. 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 2023, building permits were issued for around 238,500 apartments in the whole of Germany, 25.9% or around 83,200 less compared to the previous year. Germany's Federal Ministry for Housing calculates that 270,000 new apartments were built in 2023. The target of 400,000 new apartments a year set in the coalition agreement was therefore missed again by a wide margin, and that will lead to further tensions on the market for rented accommodation due to continuing high demand.

External factors, such as persistently high construction, energy and material costs, rising interest rates, lengthy construction and planning processes, more stringent building regulations and the abolition of subsidy programmes thus exerted continued heavy pressure on real estate investors in 2023, too. In addition, a decline

in real estate prices can be observed in some market segments. Associations and studies assume that the difficult general conditions for real estate investments will not fundamentally improve in 2024 either.

Capital market situation

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

2023 was impacted by many uncertainties on the capital market. These included, in particular, the war in Ukraine, the attack on Israel, strong inflation, high key interest rates compared to recent years and a weakening global economy.

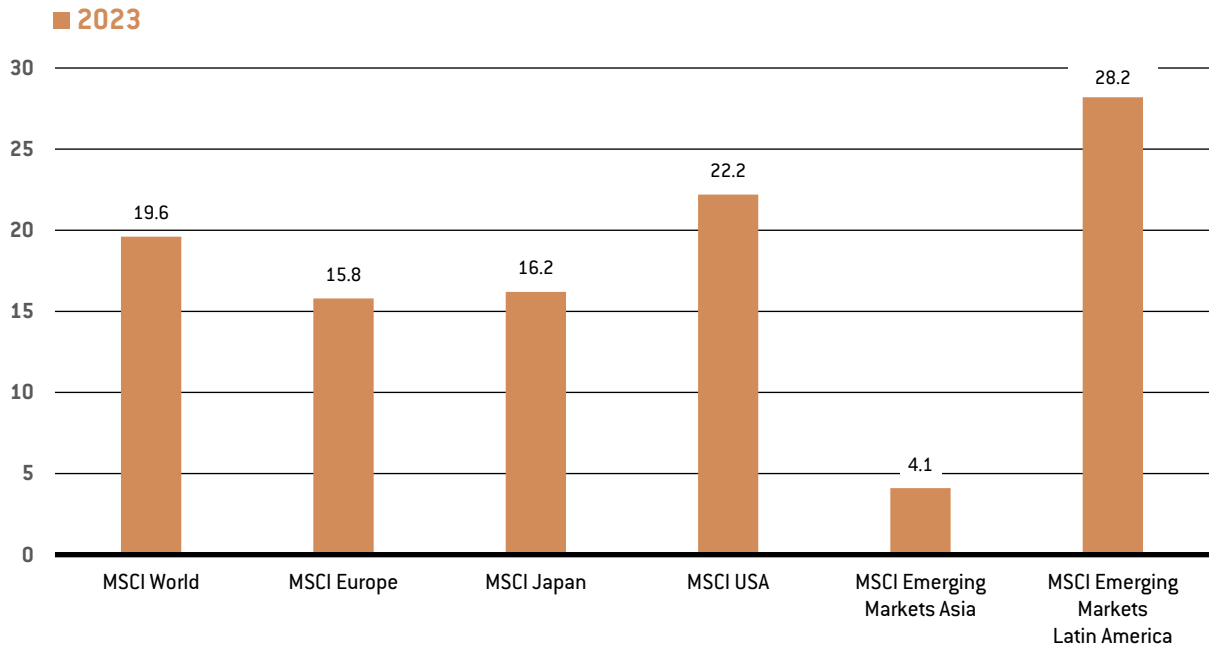
Russia's invasion of Ukraine and the subsequent capping of Russian natural gas imports fuelled already rising inflation, which increased in 2022 to levels last seen in the 1970s. Central banks responded to this pressure by raising key interest rates. 2023 saw a decline in inflation in Europe and the United States and boosted hopes that key interest rates would fall in the fourth quarter of 2023. The result was falling bond yields on the capital markets and subsequently rising prices. Furthermore, real yields on inflation-linked bonds (10-year maturity band) fell, for example in the United States from 2.5% to 1.7%, while German government bonds fell from 0.74% to 0.45%. Bond and share prices benefited from the fall in interest rates, as did the price of gold.

2023 proved all in all to be a good year for investments, after the capital market recorded largish price declines for just about all asset classes in 2022. The MSCI World closed up by almost 20%. The MSCI USA likewise ended the year more than 22% higher. The DAX also closed 2023 with an increase of almost 20% since the beginning of the year, while the MSCI Japan rose by 16.2%. New record highs were also achieved. Equities from China and the emerging markets were unable to keep pace with the year-end rally. Due to the weaker performance in these markets, the MSCI World Emerging Markets Index rose by only 6.1%.

The individual indexes:

PERFORMANCE OF STOCK MARKETS IN EUROS

In %



Source: Bloomberg, status: January 2024

The euro gains against the US dollar

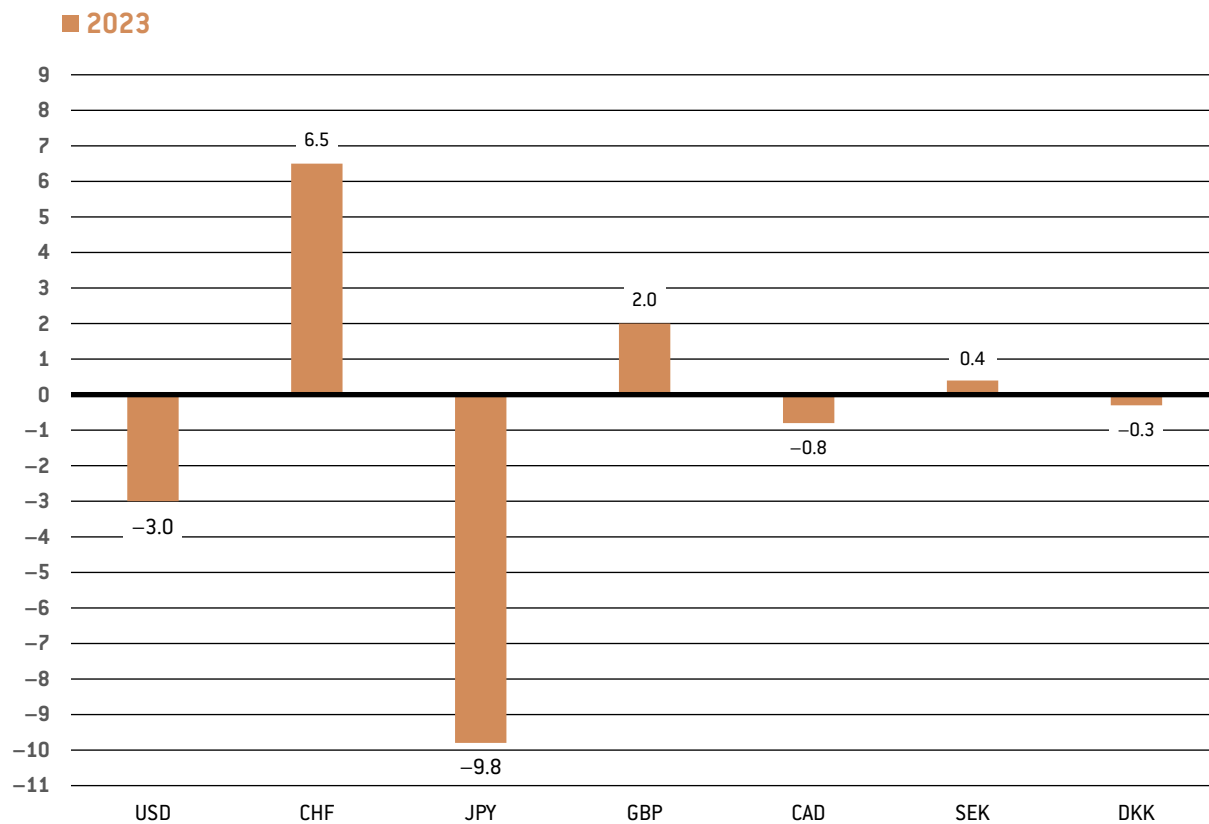
The euro depreciated against the Swiss franc, the British pound and the Swedish krona in the reporting year, but held its own against the US dollar and other European and Asian currencies.

The US dollar recorded a year-on-year gain of 3.0% against the euro at year-end 2023, which corresponds to a closing exchange rate of 1.10 EUR/USD.

While the Swiss franc gained 6.5% and the British pound 2.0% against the euro, the Japanese yen fell by 9.8%, the Canadian dollar by 0.8%, and the Danish krone by 0.3% against the euro.

CHANGE IN KEY EXCHANGE RATES AGAINST THE EURO

End of 2023 vs end of 2022 in %



Source: Bloomberg

Development of bond markets in 2023 in detail

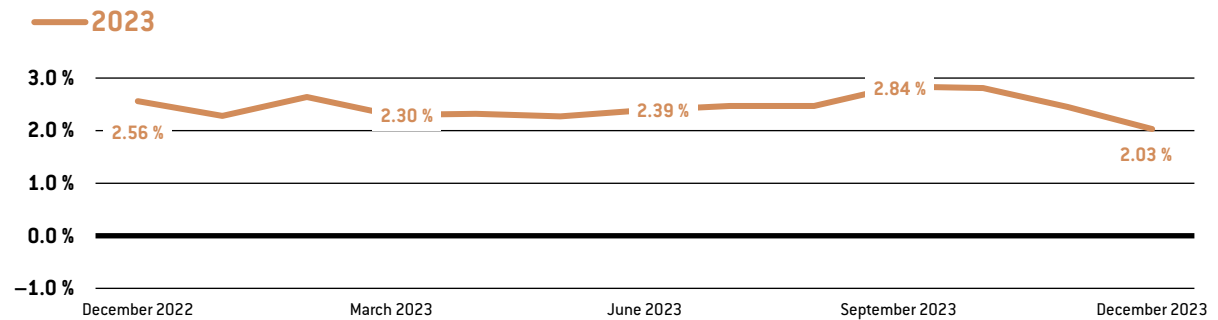
The global bond markets ended 2023 in positive shape across the board. The JPM¹ Global Bond Index was 4.1% up in local currency. The outlook for falling core inflation rates and the related prospect of interest rate cuts soon in 2024 caused yields on government bonds to fall, particularly towards the end of the year. Corporate bonds performed positively, among other things due to the fall in the risk premium. Contrary to the original prediction of a high risk of recession, high-yield bonds performed significantly better than investment-grade bonds.

- Anyone investing solely in German federal bonds recorded a gain of 5.1% in 2023. The return on the German ten-year benchmark bond fell by 53 basis points (bp) during the course of the year. After the benchmark yielded 256 bp at the end of 2022, the return at the end of 2023 stood at just 203 bp.
- The spreads of the European countries on ten-year bonds approached those of the German government bond in just about all countries as per the end of the year. Greece's spread narrowed from 203 bp to 105 bp. The spread on Italian government bonds decreased from 214 bp to 167 bp. Spain's risk premium increased slightly from 109 bp to 96 bp. Eurozone bonds generated a wide-scale gain of 7.0% in 2023.
- US Treasury bonds gained 4.0% in local currency and 0.5% in euros.

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

YIELD DEVELOPMENT OF THE TEN-YEAR FEDERAL BOND

In %



- Emerging-market bonds were up 10.0% in local currency and 8.9% in euros.
- The real interest rates in France and Germany over the ten-year period were at 0.45% at the end of 2023 and therefore below the previous year-end value of 0.74%. A 30-year maturity generated a positive real interest rate of 0.58% at the end of 2023, above the value of the previous year of 0.17%.
- Inflation swaps, which reflect the course of inflation expected by the market, were at 2.17% for ten years at the end of December 2023 in the eurozone, thus below the previous year's value of 2.55%.

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 2023 financial year developed satisfactorily. The financial year ended with a net loss of EUR 61.7 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 2023.

Evonik

KEY FIGURES FOR THE EVONIK GROUP (IFRS)

In EUR million

	2023	2022	Change in %
Sales	15,267	18,488	-17.4
EBITDA (adjusted)	1,656	2,490	-33.5
Group result	-465	540	-186.1
Dividend (per share, in EUR)	1.17	1.17	0

Evonik's strategic progress continued in 2023. As part of Next Generation Evonik, sustainability is now an integral part of key core processes such as portfolio controlling and innovation management, production and technology, and human resources. Expansion of Next Generation Solutions is one of the strategic sustainability goals. Evonik initiated important projects in this regard in 2023: In the United States, a highly flexible production plant for pharmaceutical lipids is being built, in Japan the Group is expanding the production plant for pyrogenic aluminium oxide geared towards batteries for electric vehicles, and in Austria it is expanding capacities for gas separation membranes. Despite the difficult environment, Evonik has made further headway with the planned divestment of businesses in the Performance Materials division: The Lülsdorf location was sold effective 30 June 2023 and Evonik expects the sale of the superabsorbents business to be completed in the first half of 2024. Evonik has decided on restructuring measures to optimise its cost position: The Technology & Infrastructure division's services will be divided into cross-location technology and location-specific infrastructure activities so that the division can operate in the market in a more focused manner. Furthermore, Evonik's entire administration is to be reorganised under the internal "Evonik Tailor Made" programme. The aim is to ensure far leaner structures, faster decisions and more efficient processes. The short-term savings measures implemented in 2023, which cut costs by EUR 250 million, will be continued in 2024.

The 2023 financial year was impacted by geopolitical crises, high energy prices and global inflation. In this difficult environment, operating business suffered a perceptible drop in demand, which was due in part to a significant reduction in inventories at Evonik's customers. In addition, the Group recorded significant price declines in the Animal Nutrition and Performance Intermediates segments compared to the previous year's high figures, while sales prices in the special chemicals businesses remained stable by and large. As a result of the business performance, which was worse than originally expected, Evonik had to revise its forecast downwards in the summer of 2023. The revised forecast was achieved.

Group sales fell by 17.4% to EUR 15,267 million due to lower volumes, a slight overall decline in sales prices and negative currency effects. Adjusted EBITDA fell by 33.5% to EUR 1,656 million. The adjusted EBITDA margin decreased accordingly to 10.8% (previous year: 13.5%) and was thus well below the medium-term target range of 18% to 20%. ROCE fell to 3.4% due to the decline in earnings and was therefore below the level of capital expenditure and the medium-term target of 11%. As a consequence of the weak business performance, Evonik had to recognise impairment losses on assets totalling EUR 736 million in 2023. The Group result of EUR -465 million was thus significantly below the previous year's EUR 540 million. Once adjusted for extraordinary items, the Group's result from ongoing operations fell by 65% to EUR 370 million. Thanks to focused liquidity management, Evonik generated a free cash flow of EUR 801 million. The cash conversion rate was 48% and thus above the target of around 40%.

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

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 a large non-utilised credit lines.

Vivawest

KEY FIGURES FOR THE VIVAWEST GROUP (IFRS)

In EUR million

	2023	2022	Change in %
Sales	993.7	911.4	+9.0%
EBITDA (adjusted)	432.8	401.0	+7.9%
Income after tax	91.3	106.9	-14.6%
FFO	266.7	257.9	+3.4%
NAV	6,558.1	7,079.9	-7.4%

Despite all the challenges associated with the current difficult macroeconomic and political conditions, the Vivawest Group was able to keep up its positive business performance of recent years in the 2023 financial year. The positive development in the Real Estate segment is 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 outperformed significantly.

With a good letting performance, combined with a moderate turnover rate, the demand-related vacancy rate fell further to 0.8% as of year end (previous year: 0.9%). Along with vacancies due to modernisation and pre-sales measures, which came in at 1.2% and were on a par with the previous year's figure, a total vacancy rate of just 2.0% was reported as of the balance sheet date. This is the lowest level achieved since the Vivawest Group was founded. Vivawest was again able to use the continuing good management situation and significantly better rental trend – which was also attributable to successful investments – to further increase its spending, in large part on 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 404 million. This result is significantly higher than both the forecast of EUR 369 million in the 2022 Group management report and the previous year's figure of EUR 381 million. The Real Estate segment posted revenue of EUR 972 million and thus above the forecast figure of EUR 940 million.

The Real Estate Services segment also made a reasonable contribution to the Group result in the 2023 financial year. The adjusted EBITDA of EUR 29 million was significantly higher than the forecast figure for 2023 of EUR 22 million and the previous year's result of EUR 20 million due to additional earnings in green area management and special effects.

Together with the results from the handling of obligations in the mining follow-up management segment, the Vivawest Group generated adjusted EBITDA totalling EUR 433 million in the 2023 financial year on sales of EUR 994 million. Both figures were higher than forecast in the 2022 Group management report (EUR 955 million and EUR 391 million) and the comparative prior-year figures (EUR 911 million and EUR 401 million) due to the strong course of business in the Real Estate segment.

Nevertheless, Group earnings after tax were EUR 91 million, and thus down on the previous year (EUR 107 million), due to the sharp increase in interest expenses.

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 267 million; it was thus well above the forecast figure of EUR 227 million and slightly above the prior-year figure of EUR 258 million.

At EUR 6,558 million, the net asset value (NAV) as of 31 December 2023 was EUR 521 million below 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 decline is solely attributable to the market-related increase in the discounting interest rate, the significant effect of which on the value of the real estate portfolio could not be offset by the positive balance of value-increasing investments and targeted disinvestments as well as the improved management performance.

RSBG SE

RSBG SE KEY INDICATORS

In EUR million

	2023	2022	Change in %
Investment income	3.8	13.9	-72.7
Net loss for the year (previous year: net profit)	-7.2	3.4	-311.8

The 2023 financial year of RSBG SE was impacted by global inflation and the subsequent increase in key interest rates on the money market. That influences the award of contracts, particularly in long-term project business, and leads to delayed orders. Supply chain problems still exist, particularly in the electronics arena, but to a lesser extent than in the previous year. In addition, higher energy costs are putting a burden on manufacturing companies in Germany.

Investment income in 2023 fell from EUR 13.9 million to EUR 3.8 million. It exclusively comprises income relating to profit-and-loss transfer agreements.

The net loss for the year stood at EUR -7.2 million, compared with a net profit of EUR 3.4 million in the previous year.

The RSBG Group is well positioned in terms of markets and regions. Regardless of the continuing economic policy uncertainty and the pretty difficult market conditions, RSBG is robustly positioned with its portfolio and sees not only risks in the current trends, but also opportunities, which it intends to leverage by means of pinpointed strategies. In addition to the right products and the further development of technologies, RSBG is continuously working to improve structures, processes and costs (productivity improvements).

In principle, optimisation and concentration of the portfolio through active portfolio management is of strategic importance.

The opportunities for RSBG's holdings lie in the ever-increasing pace of technological progress in conjunction with growing sustainability awareness in all parts of the world and in key markets. Risks are seen in political stability, price trends on the investment market and, in particular, persistently high interest rates.

Earnings position

Income statement

RAG-STIFTUNG: INCOME STATEMENT

In EUR million

	2023	2022	Change
Revenue	2.3	2.2	0.1
Other operating income	233.6	119.6	114.0
Personnel expenses	-10.2	-9.8	-0.4
Amortisation of intangible assets and depreciation of property, plant and equipment	-1.3	-1.3	0
Other operating expenses	-448.9	-396.7	-52.2
Investment income	614.6	460.3	154.3
Expenses relating to the assumption of losses	-112.6	-197.5	84.9
Income from other securities and loans held as financial assets, including interest income and amortisation of financial assets and securities held as current assets	-276.6	70.0	-346.6
Income taxes	-0.1	-46.5	46.4
Income after tax	0.8	0.3	-0.5
Other taxes	-0.8	-0.3	-0.5
Annual net profit (+)/loss (-)	0.0	0.0	0

Revenue in 2023 remained at around the previous year's level of EUR 2.3 million. Other operating income of EUR 233.6 million in the reporting year stemmed primarily from the sale of Evonik shares and the receipt of option premiums.

Of the EUR 10.2 million reported for personnel expenses, EUR 1.4 million was attributable to the addition to the provisions for pensions and EUR 0.5 million to social security.

Other operating expenses amounting to EUR 448.9 million primarily concerned the addition to the provision for perpetual obligations of EUR 393.7 million (2022: EUR 346.8 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 31.9 million.

The investment income of EUR 614.6 million includes the dividend distribution of Evonik Industries AG of EUR 297.4 million, as well as the distribution of RAG-S Private Equity GmbH in the amount of EUR 90.0 million. Further distributions were from Vivawest GmbH (EUR 59.6 million), RSBG SE (EUR 37 million) and Maxburg Beteiligungen III GmbH & Co. KG (EUR 95.1 million).

Expenses relating to the assumption of losses comprised assumption of the loss of RAG AG in the amount of EUR 61.7 million and of RAG-S Real Estate GmbH in the amount of EUR 50.9 million.

Other financial income² amounted to EUR –276.6 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 (EUR 105.2 million) and, conversely, from interest expenses (EUR 27.4 million) and impairments on financial assets (EUR 357.5 million). The impairments relate to securities with a carrying amount totalling EUR 268.6 million, which were written down to a memo value of EUR 1.00, as insolvency proceedings were filed for the companies concerned in December 2023, as well as securities with a carrying amount totalling EUR 201.5 million, which were written down by EUR 88.9 million to their market value of EUR 112.6 million.

Income taxes came in at around EUR 0.1 million.

As in the previous year, the RAG-Stiftung allocated the full amount to the provision for perpetual obligations in the amount of EUR 393.7 million (2022: EUR 346.8 million) as a result of the system of creating provisions with its otherwise accrued earnings, ensuring that the result under commercial law was balanced.

² 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 RAG's 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 Kapitalanlagerichtlinie – KARL). Capital investments include all investments, with the exception of the holdings in Evonik and Vivawest. According to carrying amounts at the end of 2023, around 40% 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 bonds coupled with the development of inflation, 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.

No funds were added to the RAGS-FundMaster special fund managed by the master capital management company in 2023, ensuring that – as in the previous year – the carrying amount totalled EUR 3.8 billion as of 31 December 2023. The market value at the same time was around EUR 4.2 billion.

The objective of risk controlling is to manage the results of investments and to limit 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.

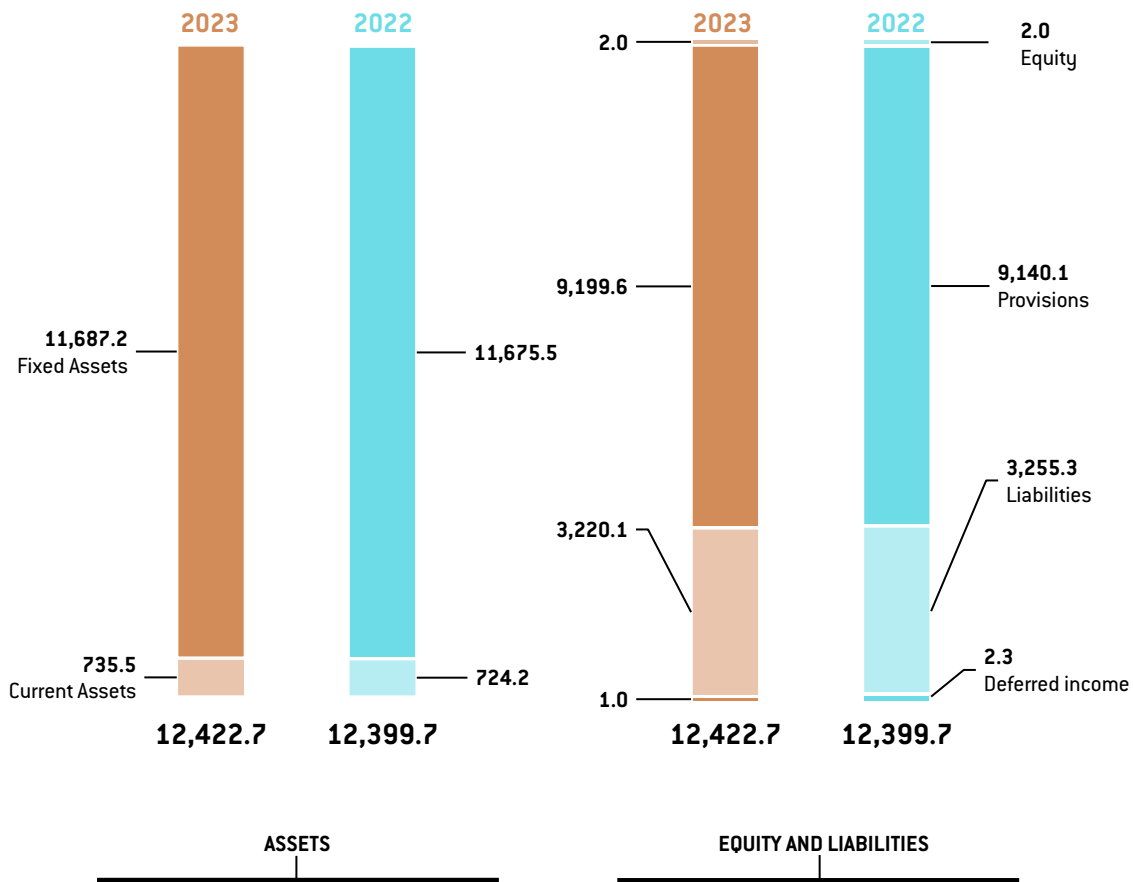
A coordinated capital investment takes place with the affiliated subsidiary RAG to optimise the available resources via the controlling and profit-and-loss transfer agreement. The same bank limits therefore apply to the term deposit investments of the RAG-Stiftung and RAG, and are regularly reviewed.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

Capital structure

As of the end of 2023, 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 9.1 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 127.6 million compared with the previous year.

BALANCE SHEET STRUCTURE

In EUR million



Investments

The RAG-Stiftung invested EUR 12.0 million in the financial assets in 2023.

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 12,422.7 million. This represents an increase of EUR 23.0 million in total assets over the previous year's value.

ASSETS – FIXED AND CURRENT ASSETS

In EUR million

	31/12/2023	31/12/2022	Change
Fixed assets	11,687.2	11,675.5	11.7
Property, plant and equipment and intangible assets	52.9	53.2	-0.3
Financial assets	11,634.3	11,622.3	12.0
Current assets	735.3	724.2	11.1
Receivables and other assets	397.6	349.9	47.7
Securities	337.6	374.2	-36.6
Liquid assets ^a	0.1	0.1	0
Prepaid expenses	0.2	0.0	0.2
Total assets	12,422.7	12,399.7	23.0

^a Liquid assets including the financial account of RAG.

At the end of 2023, financial assets of EUR 6,057.9 million were attributable to affiliated companies through which the RAG-Stiftung invests in private equity, real estate, infrastructure and holdings. 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 the financial 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 (27.6%) 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 305.6 million and a total of EUR 89.0 million in receivables due from affiliated companies.

EQUITY AND LIABILITIES – EQUITY, PROVISIONS AND OBLIGATIONS

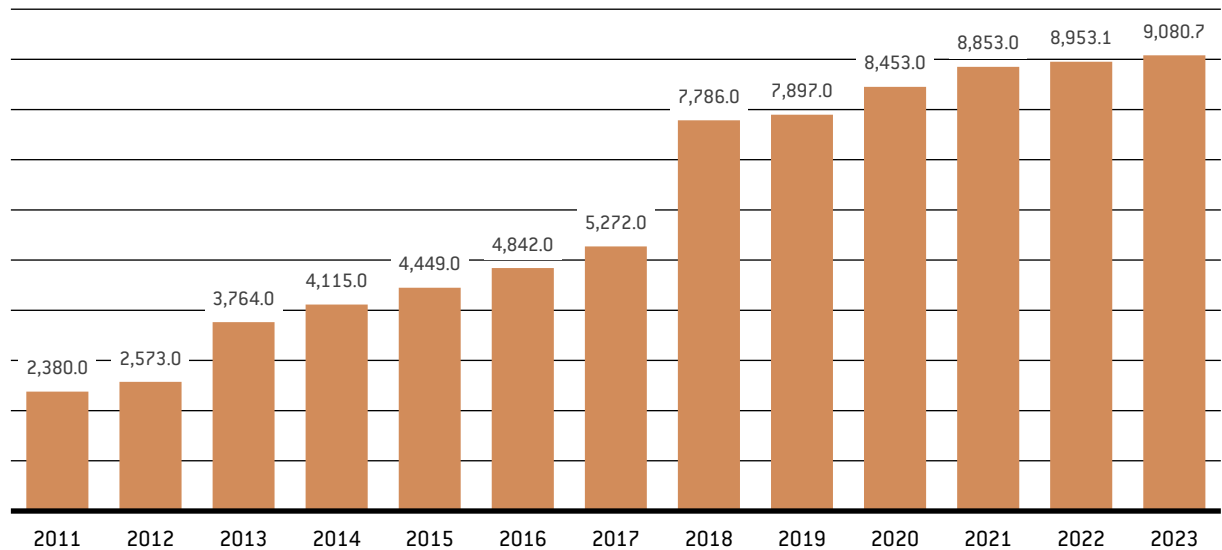
In EUR million

	31/12/2023	31/12/2022	Change
Equity	2.0	2.0	0
Endowment capital	2.0	2.0	0
Provisions	9,199.6	9,140.1	59.5
Pension provisions	19.7	18.4	1.3
Tax provisions	76.0	145.1	-69.1
Provisions for perpetual obligations	9,080.7	8,953.1	127.6
Other provisions	23.2	23.5	-0.3
Liabilities	3,220.1	3,255.3	-35.2
Bonds	2,000.0	2,000.0	0
Trade accounts payable	0.1	0.1	0
Liabilities to affiliated companies	1,214.8	1,251.3	-36.5
Other liabilities	5.2	3.9	1.3
Deferred income	1.0	2.3	-1.3
Total equity and liabilities	12,422.7	12,399.7	23.0

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 9,080.7 million as of 31 December 2023. This corresponds to a net increase of EUR 127.6 million over the previous year. The allocation from the net annual profit of EUR 393.7 million was offset by a utilisation of EUR 266.0 million. This was composed of payments to RAG for perpetual obligations in the amount of EUR 244.8 million and a payment to RAG in the amount of EUR 21.2 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 3,220.1 million as of the 2023 balance sheet date mainly include EUR 2,000.0 million in four exchangeable bonds on Evonik shares and EUR 1,214.8 million in liabilities to affiliated companies. These include in particular liabilities for longer-term loans of EUR 820 million from RAG AG.

Significant non-financial matters

Employees

There were 29 employees at the RAG-Stiftung at the end of 2023; in the previous year, there were 26. The average number of employees during the year was 28.0 (previous year: 24.5).

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 of RAG 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 the 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".

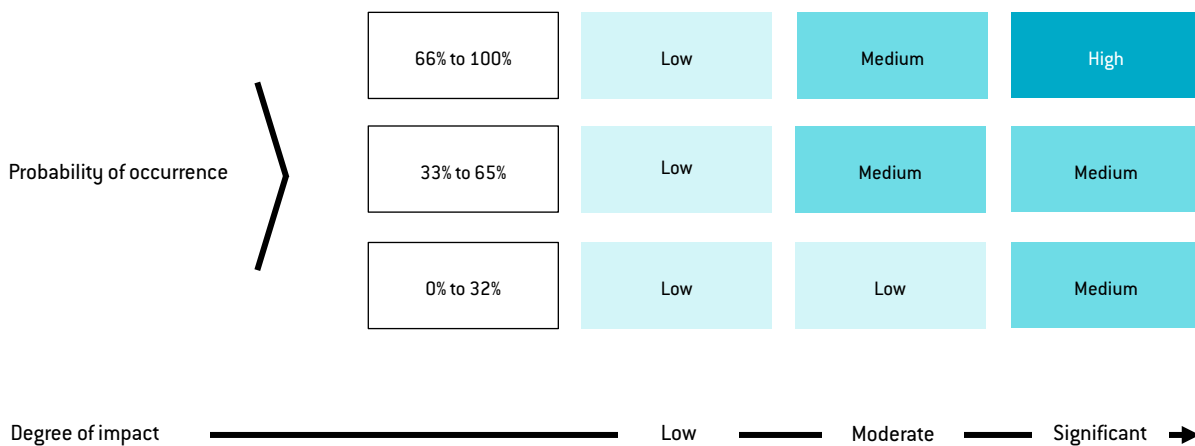
Probability of occurrence	Description
0%–32%	Rather unlikely
33%–65%	Possible
66%–100%	Probable

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. The financing of residual pollution and other perpetual obligations is secured by the funds approved for RAG in 2019 up to an amount of EUR 2,121 million. This amount is fully utilised as of 31 December 2023.

In 2023, a loss of EUR 61.7 million at RAG AG was 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 not be made of the controlling and profit-and-loss transfer agreement to balance RAG's earnings every year from 2024 to 2028.

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 well 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 Chair of the Supervisory Board in his/her analysis.

The RAG-Stiftung's holding in Evonik Industries AG of 53% (31 December 2023) 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 246 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 cyclicity 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 special 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 system. 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.

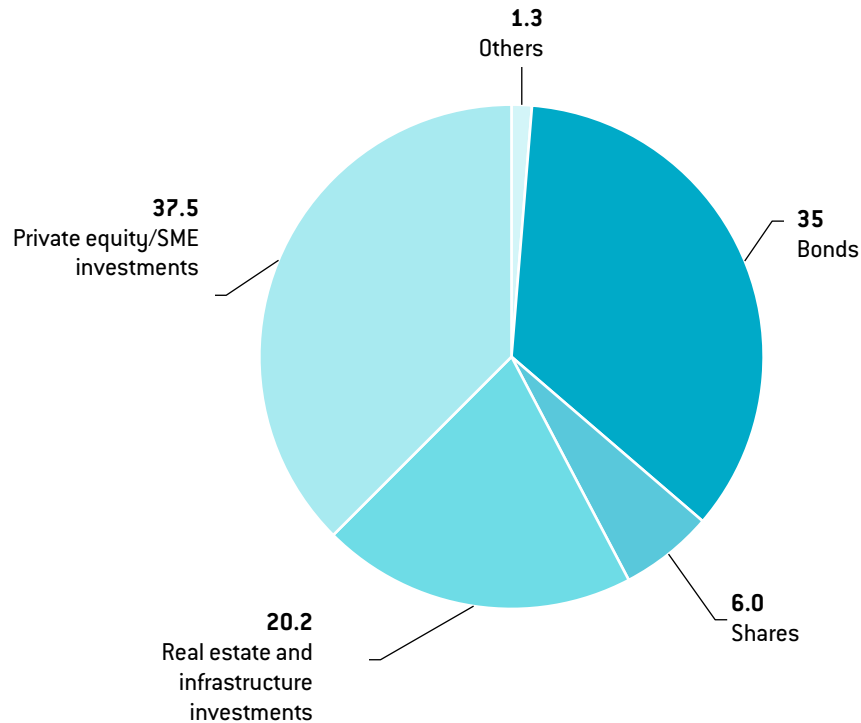
As of the end of 2023, 35.0% of the RAG-Stiftung's financial assets were invested in bonds, another 6.0% in shares and 20.2% in real estate and infrastructure. Altogether, some 37.5% were attributable to international private equity investments and SME investments. This asset allocation results in a 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.

Risks from financial assets held in the direct portfolio are also subject to risk management by the RAG-Stiftung. Investment decisions are made after careful due diligence, if necessary with the involvement of external legal and business consultants and, if the defined thresholds are exceeded, by a decision of the Board of Executives, and in other cases by the Investment Committee or the Head of Asset Management. The investments are supervised on an ongoing basis by the RAG-Stiftung's Finance department. As part of that, where agreed, positions on Supervisory Board are exercised, discussions are held with management, publicly available information on the companies is analysed and developments on the markets are monitored. The findings are regularly discussed in the Finance department, instructions on what action to take are drawn up, such as reducing the proportion of shares in listed companies, questions for the management of the companies, etc., are formulated, and decisions are implemented.

STRUCTURE OF FINANCIAL ASSETS BY MARKET VALUE (31/12/2023)

In %



As of the end of 2023, around 40% 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 60% 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 global rise in interest rates coupled with high inflation has already resulted in a fall in value of real estate investments. This trend may continue in 2024. 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.

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 further development of investment controlling; 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, ground water 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 technological state of the art. 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 2023 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). This is set annually by the European Insurance and Occupational Pensions Authority (EIOPA) and was 3.62% in 2023. Taking into account an assumed price rise of 2.00%, this results in a real interest rate of 1.62% in 2023.

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 0.99% and 1.8% (previous year's interest rates: between 0.43% and 1.54%). 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 32.8 billion. The previous year's figure was EUR 30.6 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”.

Geopolitical risks

The forecast for the global economy is subject to a high degree of uncertainty. After all, the performance of the global economy may differ from expectations due to geopolitical conflicts – such as the war in Ukraine or the conflict in the Middle East – as well as due to disruptions to trade routes. The conflict between China and the United States and the uncertainties resulting from the US presidential election also pose a potential risk to the global economy.

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.

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 outlook for the global economy continues to be marked by uncertainty. Although the global economy is proving resilient, the short and medium-term growth prospects in most countries remain subdued and the downside risks are higher.

The International Monetary Fund (IMF) expects global GDP to grow by 3.1% in 2024 (2023: 3.1%) despite the challenging economic situation, citing the surprisingly strong resilience of many economies, in particular those of the United States and several large emerging and developing countries. China is also receiving fiscal support. Nevertheless, the global growth forecast for 2023 is below the historical annual average of 3.8% (2000 to 2019). The forecast reflects the higher key interest rates set by central banks to combat inflation and the withdrawal of fiscal support in view of the high level of debt. As a consequence, low productivity growth can be expected.

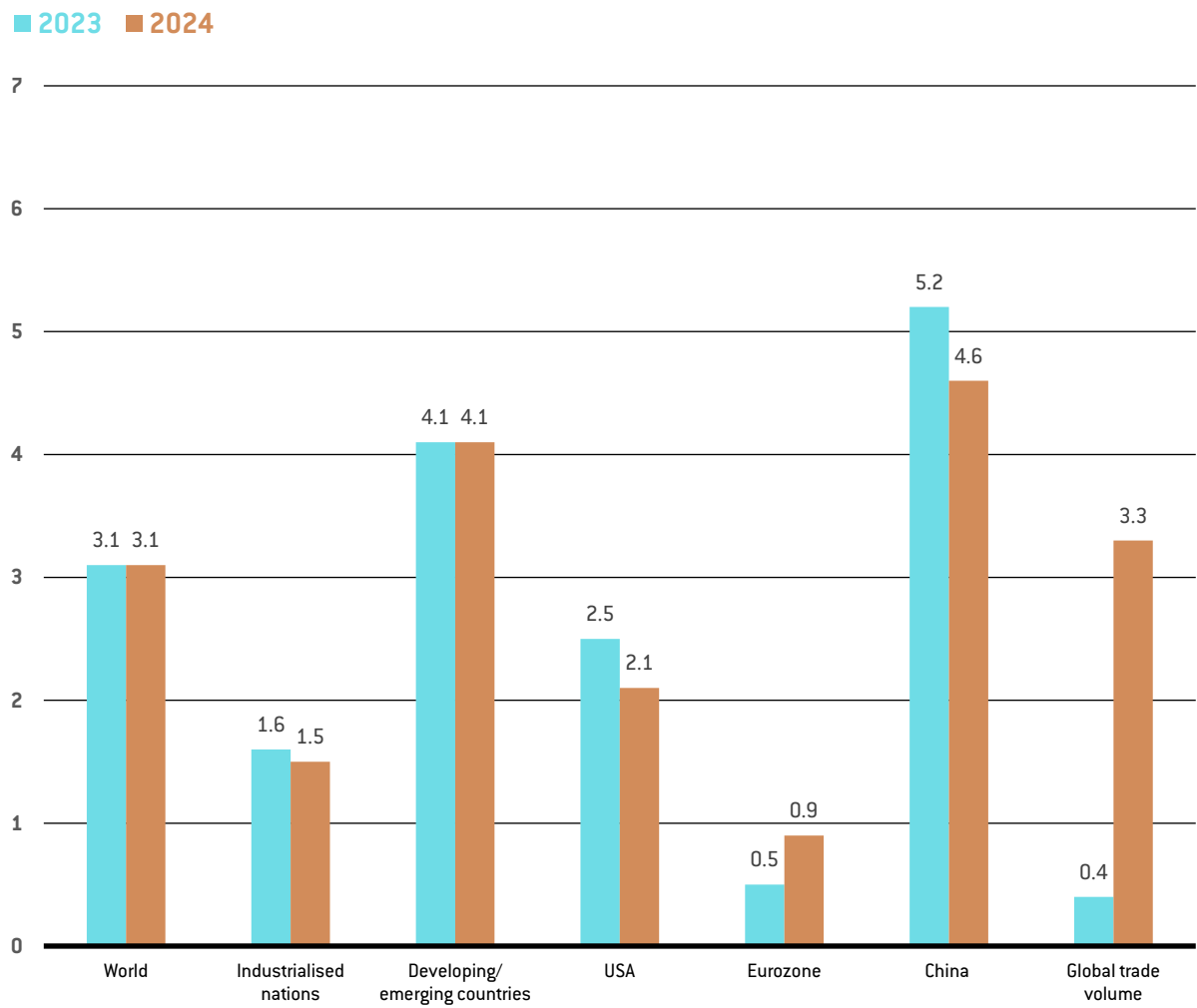
According to the IMF, inflation is receding faster than expected in most regions, as the problems on the supply side and the restrictive monetary policy have been overcome. Global headline inflation is predicted to fall to 5.8% in 2024 and to 4.4% in 2025, although the forecast for 2025 has been revised downwards.

In view of declining inflation and steady growth, the probability of a hard landing has fallen and the risks to global growth are broadly balanced. On the other hand, a rapid fall in inflation could lead to a further easing of financial conditions. A looser fiscal policy than necessary and than assumed in the projections could mean temporarily higher growth, albeit with the risk of a more costly adjustment later. A worsening of the problems in the real estate sector in China or in office buildings in the United States, for example, as well as significant tax increases could also result in disappointing growth.

Growth in the United States is forecast to fall from 2.5% in 2023 to 2.1% in 2024 and to 1.7% in 2025, with the delayed effects of monetary tightening and the gradual tightening of fiscal policy potentially slowing overall demand.

The IMF forecasts that growth in the eurozone will be 0.9% in 2024. This comparatively low forecast is due to the heavy burdens caused by the war in Ukraine. An increase in growth to 1.7% is forecast in 2025. The upturn is expected to be driven by stronger consumption by private households as the effects of the energy price shock fade and inflation falls, which will underpin real income growth.

GDP GROWTH RATES, WORLD AND COUNTRIES FOR 2023, AND FORECAST FOR 2024
in %



Source: IMF, World Economic Outlook, January 2024

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 less in absolute terms than last year. We expect dividends for Vivawest GmbH and RSBG SE in 2024 to be on par with the previous year's level. At RAG, we expect to see no adverse impact on earnings from the profit-and-loss transfer agreement. We expect the RAG-Stiftung's investment income in 2024 to be up slightly on the 2023 level.

PERFORMANCE INDICATORS FORECAST FOR 2024

In EUR million

	Forecast for 2024	2023
Financial performance indicators		
Net profit for the year	0	0
Addition to provision for perpetual obligations	Approx. 376	394

We plan to be able to allocate about EUR 376 million to the provision for perpetual obligations in 2024.

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

Essen, 15 April 2024

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.

