HMS Bergbau AG

coal illuminates life

Annual Report 2016

Group key figures

Balance sheet figures	31/12/2016 EUR thousand	31/12/2015 EUR thousand
Total assets	40,995	32,102
Non-current assets	4,053	2,789
Current assets	36,863	29,249
Shareholders' equity	4,160	3,814
Provisions	6,590	6,975
Liabilities	30,235	21,313

Cash flow figures	2016 TEUR	2015 TEUR
Cash flow from current operating activities	-800	-1,583
Cash flow from investment activities	-1,456	-1,352
Cash flow from financing activities	35	611
Cash and cash equivalents at the end of the period	-4,345	-1,976

Income statement figures	2016 TEUR	2015 TEUR
Sales	178,018	111,979
EBIT *	1,693	747
Net profit	269	179

Finance Calendar

	Expected publication date
Start of the financial year	1 January 2017
Annual financial statements 2016	08 May 2017
Annual General Meeting	22 August 2017
Interim Report 2017	30 September 2017
End of the financial year	31 December 2017

** EBIT before non-recurring income and expenses*

Index

The English version of the annual report and the consolidated financial statements 2016 of HMS Bergbau AG is a one-to-one translation. The English version is not audited; in the event of variances, the German version shall take precedence over the English translation.

Letter to the Shareholders

Dear Shareholders,

Financial year 2016, now behind us, was operationally one of the most challenging years in the history of HMS Bergbau AG – for the industry and therefore for our company – especial-ly after the difficult year of 2015. In the first half of the year, near-record lows were recorded on the commodity market and global trading volumes dropped.

Increasing commodity price levels in the second half of the year and growing momentum in global commodities trading led to a reversal of this trend and to a positive development to-ward the end of 2016. Taking into account this improved framework and with a view to global economic developments, the company adapted its strategy to the market situation, which – together with the high quality of our team of employees – had a positive impact on our business activities, strengthening our strategic alignment. In 2016, HMS Bergbau AG was able to further improve its positioning in the international commodity markets in spite of market turbulence. The expansion of our trade, which previously focused primarily on coal, to include other commodities, such as ores, fertilisers and cement products, proved positive in financial year 2016, and will become another key pillar for HMS Bergbau AG in the medi-um term. In this way, we intend to meet continuously increasing demand for different com-modities through group structures and to relativise our dependency on individual product groups. In 2016, we did not just expand existing customer relationships but also gained new customers by consistently implementing this strategy. In the process, HMS Bergbau AG has been drawing on and opening up its existing network, the commodities expertise that it has acquired over the years, and its global logistical competence. At the same time, it has been tapping into and continuing to further develop new sourcing markets – especially in Asia, Africa and the Middle East – within the scope of this horizontal integration strategy. By expanding its trading activities, HMS Bergbau AG is also striving to improve the utilisa-tion of its potential and increase gross margins while further diversifying risks in 2017.

As in previous years, HMS Bergbau AG has also had success covering the value chain in the coal business, from mining and logistics to customer delivery. This has included making investments in the future mining of its own resources with Silesian Coal S.A. This wholly-owned subsidiary has already carried out geological explorations of the Orzesze region in Silesia and is expected be ready to apply for a mining licence for the deposits that have been explored in the third quarter of 2017. It plans to exploit the Orzesze reserves of coal for power plants and coking by using parts of the infrastructure at a neighbouring mine. This will allow for the cost-effective extraction of more than 650 million tonnes of reserves with a relatively low investment volume. This step will allow HMS to gain a strategic competitive edge in the European market in the long term.

In addition to this, at the end of June 2016, HMS Bergbau AG acquired a 25.1 percent share in South Africa's Zamfin Capital (Pty) Ltd. through our subsidiary HMS Bergbau Afri-ca (Pty) Ltd. This acquisition will provide HMS Bergbau Africa with access to a new coal washing plant. The washing plant is located in the immediate vicinity of South Africa's larg-est power plant. In spite of current disputes with the main shareholder, this transaction with the Zamfin Group will once again strengthen HMS Bergbau AG's positioning in the strategi-cally important Mpumalanga region in South Africa. This will put us in a position where we are able to place further volumes in the domestic and export markets in the special quality desired.

By concluding a new coal marketing agreement with Vunene Mining Pty. Ltd, the HMS Bergbau Group was able to extend its existing collaboration and also gain access to the additional mining operations of IchorCoal for export and domestic sales not associated with Eskom (the largest power supplier in Africa), including the marketing of coal from the Usutu and Penumbra mines in Mpumalanga, South Africa. As in the previous year, export ship-ments are primarily being handled by sea through Richards Bay Coal Terminal (RBCT) – the world's largest coal export terminal. The extension and expansion of the export market-ing agreement for coals from the entire IchorCoal Group also strengthens HMS Bergbau Group's position on the international coal market. At the beginning of the current financial year, HMS Bergbau AG significantly expanded its operational activities in South Africa through its wholly-owned subsidiary HMS Bergbau Africa (Pty) Ltd. By signing a memoran-dum of understanding

(MoU) with Shumba Energy, Botswana, HMS Bergbau secured ex-clusive future access to more than two billion tonnes of high-quality coals. This contract provides for the exclusive marketing of coals through HMS Bergbau AG's international net-work of partners. Both parties expect the first deliveries to be made from 2019. We have also been able to conclude an exclusive marketing agreement with a reliable leading pro-ducer in Indonesia.

After a few difficult years for the entire commodities industry, a price level consolidation im-proved the industry's economic situation in the second half of 2016. This was reflected in both increased tonnage and in growing sales revenues for HMS Bergbau AG. Business developments were once again shaped by strong trading business in Asia and Africa. Compared to the previous year, total performance increased by almost 60% to EUR 178.0 million. At the same time, EBITDA increased from EUR 1,476 thousand to EUR 1,812 thou-sand in 2016. Profit for the period to 31 December 2016 ran to EUR 269.3 thousand com-pared with EUR 178.6 thousand at the end of 2015 – a 51% increase. With increased total assets of EUR 41.0 million, we were able to increase equity by almost 10% compared with the previous year. We were able to more than double our trading margin in the first half of 2016 from 1.7% to 3.9% in spite of complicated market conditions. Cash and cash equiva-lents ran to EUR 1.6 million as of the balance sheet date, compared with EUR 1.4 million at the end of 2015.

HMS Bergbau AG's business developments looked promising at the beginning of financial year 2017. Although there has been a consolidation of commodity prices, they seem to be stabilising at the levels they have reached. Positive global economic prospects, increased international trading volumes and new marketing agreements, above all in South Africa, Botswana and Indonesia – coupled with the expansion of trading in other commodities such as ore, fertilisers and cement products – have made us optimistic about the future.

Management therefore anticipates a further slight increase in sales revenues in the current financial year along with continuing attractive gross margins as a result of the greater verti-cal and horizontal integration of the company's trading business. We expect a positive annual result at a higher level than the one seen in 2016 for financial year 2017.

Berlin, Germany, April 2017

Heinz Schernikau
CEO

Steffen Ewald
CFO

Management & Supervisory Board

CEO

Heinz Schernikau is the CEO of HMS Bergbau AG and founded the Company in Berlin in 1995. He has been in the international coal trade since 1973 and his positions include advisor to the Board of leading coal producers in Asia and Europe. He has established extensive international contacts and places particular importance on achieving long-term business relationships, mutual trust and reliability.

CFO

Steffen Ewald is the CFO of HMS Bergbau AG. After graduating in business administration, Ewald began his career at a medium-sized, international power plant engineering company, rising through the ranks to become Commercial Manager. Before switching to HMS Bergbau AG, Ewald was responsible for Group Finance and Reporting at the German holding company of an international media corporation.

Supervisory Board

- Dr. Hans-Dieter Harig (Chairman)
- Dr. h.c. Michael Bärlein (Deputy Chairman)
- Michaela Schernikau (Member)

Report of the Supervisory Board

Dear Shareholders,

In financial year 2016, the Supervisory Board of HMS Bergbau AG carried out its tasks as stipulated by law and its Articles of Association and continuously monitored and advised the Management Board in its work. We regularly obtained comprehensive information on the current economic and financial position of the group, its business performance, financial, investment and personnel planning as well as its strategic development at our regular meetings and through additional verbal and written reports submitted to us by the Management Board. These reports pertained to the current earning situation, opportunities and risks, and risk management. The Supervisory Board discussed all fundamentally important decisions in depth with the Management Board. We assessed any business transactions requiring our approval in detail before the relevant resolutions were adopted. The Supervisory Board voted on reports and proposals put forward by the Management Board if and when required by law or the Articles of Association.

Focal points of the meetings

The Supervisory Board of HMS Bergbau AG held a total of four meetings in financial year 2016. Subjects that were regularly discussed included the current business performance of the company and its subsidiaries as well as its liquidity, net assets and financial position. All of the resolutions required by law and the Articles of Association were passed. The Management Board informed the Supervisory Board promptly about important matters between meetings. Where necessary, resolutions were passed by circular resolution.

The strategic focus of the Group, company planning and the organisational structure, which had to be adjusted accordingly, including all resulting personnel changes in the company and its subsidiaries, were again at the centre of the Supervisory Board's meetings in financial year 2016. We continued to successfully expand our international operations in Asia and Southern Africa during the year under review. Both developments on the domestic and European coal markets and price developments were also discussed at the Supervisory Board meetings. This was associated with issues relating to the financing of local subsidiaries‘ commercial transactions, including the provision of the necessary guarantees by HMS Bergbau AG.

The Management Board regularly informed us about general market performance, price and earnings forecasts as well as intended measures. The Management Board also presented and discussed with us potential future projects. Important transactions approved by the Supervisory Board are described in the company and group management report.

Personnel changes

The members of the Supervisory Board did not change in financial year 2016. The actions of Dr Hans-Dieter Harig, Dr h. c. Michael Bärlein and Michaela Schernikau in financial year 2015 were approved by the Annual General Meeting on 11 August 2016.

Annual financial statements 2016

The annual financial statements and consolidated financial statements of HMS Bergbau AG for financial year 2016 were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB). The company's auditor for financial year 2016, PANARES GmbH Wirtschaftsprufungsgesellschaft Steuerberatungsgesellschaft, Berlin, was appointed to audit the annual financial statements of HMS Bergbau AG and the consolidated financial statements, the company and group management report and the report of the Management Board on relationships with associated companies ("dependent company report") in financial year 2016.

The auditor audited the annual financial statements of HMS Bergbau AG as well as the consolidated financial statements and the company and group management report, including the accounting system, in accordance with the generally accepted German standards for auditing financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW), and issued an unqualified audit opinion. The internal control system was also deemed to be effective.

All Supervisory Board members had access to the annual and consolidated financial statements, the company and group management report, the dependent company report and the corresponding

audit reports in good time. We examined the documents and discussed them in detail at our meeting on 5 May 2017. Both the Management Board and auditor were present at the meeting and provided detailed answers to all questions posed by the Supervisory Board. The auditor also reported on the key points of the audit. Our own examination of the annual and consolidated financial statements as well as the company and group management report did not lead to any objections and we approved the audit results. After its final inspection of all documents, the Supervisory Board did not raise any objections and approved the annual financial statements of HMS Bergbau AG as of 31 December 2016 and the consolidated financial statements as of 31 December 2016, as prepared by the Management Board, at its meeting on 5 May 2017. The 2016 annual financial statements have therefore been prepared and approved in accordance with section 172 of the German Stock Corporation Act (AktG).

On 5 May 2017, the Management Board proposed to carry HMS Bergbau AG's remaining net profit of EUR 470,851.81 forward to new account. We also examined and approved this proposal.

The dependent company report prepared by the Management Board indicates that HMS Bergbau AG did not incur any disadvantage from the legal transactions with associated companies stated therein and received appropriate compensation. This report was also audited by the auditor, who issued the following audit opinion:

"After dutifully examining and assessing the dependent company report, we confirm that the actual information provided therein is correct."

Our own audit of the dependent company report did not lead to any objections either and we therefore approved the auditor's audit. After finalising our own audit, we therefore did not raise any objections to the Management Board's declarations at the end of the dependent company report.

None of the members of the Supervisory Board had any conflicts of interest during the reporting period.

The Supervisory Board would like to thank the Management Board and all employees for their commitment in financial year 2016.

Berlin, Germany, May 2017

Dr. Hans-Dieter Harig

Chairman of the Supervisory Board

Members of the Supervisory Board during the reporting period

- Dr. Hans-Dieter Harig,
  Chairman of the Supervisory Board
- Dr. h. c. Michael Bärlein,
  Deputy Chairman of the Supervisory Board
- Michaela Schernikau,
  Member of the Supervisory Board

Investor Relations

Development of capital markets

Three major topics, the Brexit, the US presidential election and the interest rate policies of the Federal Reserve, had a major effect on the development of capital markets in 2016. In the first half of the year, the vote in Great Britain about whether to remain in the EU held in late June and with unforeseeable effects for Europe, led to uncertainty on the stock markets and some significant share price decreases. Despite the surprising vote by Great Britain to leave the EU, the markets calmed noticeably over the course of the year and prices developed positively. The unexpected result of the US presidential election in November 2016 has so far had a relatively positive effect on the markets. Fairly weak performance in the course of the previous year and in early 2016 has been followed by consistently good stock market development – also driven by positive economic figures – which was only interrupted temporarily by the Federal Reserve's interest rate increases.

Overall, the German stock market indices gained between just less than 5 % and 7 % in the stock market year 2016. The DAX, Germany's most important stock market index, ended 2016 at 11,481 points, an increase of 6.9 %. The MDAX also had a positive year, with year-end gains similar to the DAX at 6.8 %. The SDAX developed less positively, with growth of 4.6 %.

HMS share performance

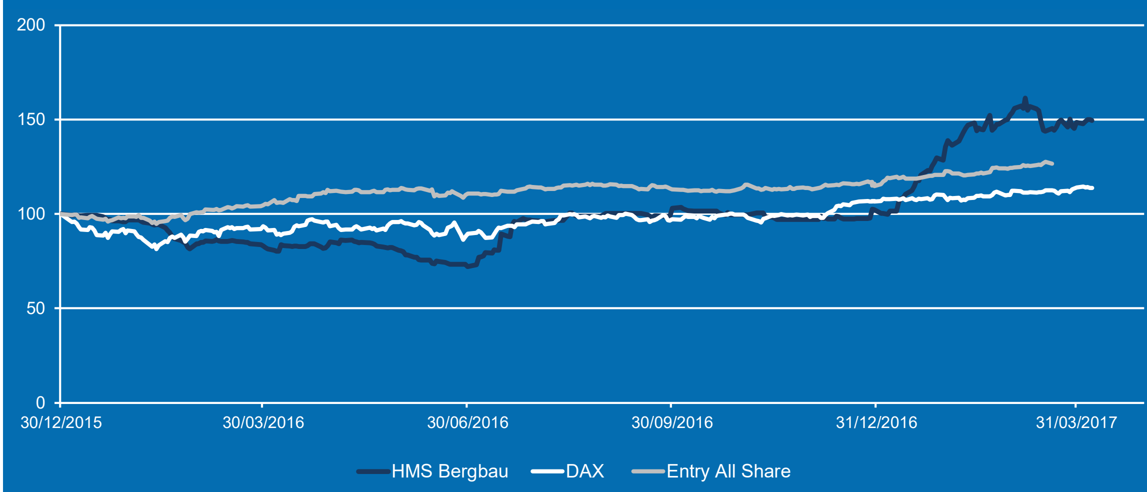
Along with the major German leading indices, the Entry All Share second-line index, on which shares in HMS Bergbau are listed, also developed well in 2016. With an increase of just less than 16 %, the index developed significantly better than the DAX, MDAX and SDAX in 2016. The positive development of the Entry All Share index continued in the first quarter of 2017.

The price of shares in HMS Bergbau achieved slightly positive development in the reporting period. At the start of the reporting period, its share price was EUR 8.23. Over the course of 2016, the share price increased to slightly above that level and on 30 December 2016, the last day of trading on the stock market, it was EUR 8.42.

There has been an encouraging, significant increase in the first quarter of 2017. At its peak, the share price had increased by approximately 60 % and its level at the end of March 2017 was EUR 12.23. Shares in HMS Bergbau thereby performed significantly better than the Entry All Share index.

New regulations, and the elimination of the "Entry Standard" segment by Deutsche Börse AG as of 28 February 2017, led to changes in the inclusion of shares in HMS Bergbau in indices. Accordingly, since 1 March 2017, shares in HMS Bergbau have no longer been in-

Share Performance



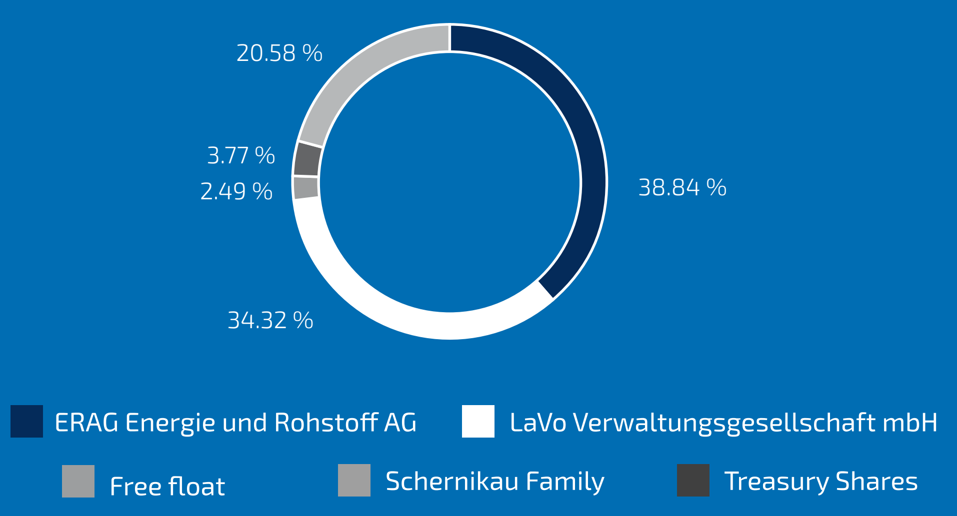
cluded in the Entry Standard index. Instead, they are listed on Frankfurt Stock Exchange's Basic Board.

HMS Bergbau AG's market capitalisation increased slightly from EUR 35.97 million (at the start of 2016) to EUR 36.80 million at the end of 2016. In the first three months of 2017, it increased significantly, by 45 % to EUR 53.45 million.

Shareholder structure

As of 31 December 2016, the share capital of HMS Bergbau AG consisted of 4,370,000 shares, each with a nominal value of EUR 1.00, and therefore totalled EUR 4,370,000.00. The ERAG Energie und Rohstoff AG holds 38.84 percent of the shares and the LaVo Verwaltungsgesellschaft mbH 34.32 percent. HMS Bergbau AG holds 3.77 % as treasury shares, resulting in a free float of 2.49 %.

Shareholder structure as at December 31, 2016



Statutory shareholders' meeting 2016

The statutory shareholders' meeting of HMS Bergbau AG was held on 11 August 2016 in Berlin. Items on the agenda included the approval of the Management Board's and Supervisory Board's actions, the selection of an auditor and a resolution on raising Supervisory Board remuneration. The shareholders approved all points on the agenda with a majority of 99.9 % of share capital present at the statutory shareholders' meeting.

Investor relations activities

Aside from the publication of financial reports, the Company's Management Board also regularly informs shareholders promptly and comprehensively of important matters by means of corporate news. All capital market-relevant information is published in both German and English, thereby exceeding the requirements of the Basic Board.

In addition, the Company's website consistently supports transparency in shareholder communications. The Management Board also meets with institutional investors, financial journalists and industry analysts to discuss the business model, prospects for the Company's future and other issues relevant to the capital markets.

Key share figures as of 31 December 2016

Basic information

ISIN/WKN	DE0006061104/606110
Stock symbol	HMU
Bloomberg symbol	HMU GY
Reuters symbol	HMUG.DE
Market segment / transparency level	Open Market / Entry Standard (since 01/03/2017 Basic Board)
Designated sponsor / listing partner	ODDO BHF Aktiengesellschaft
Investor Relations	GFEI Aktiengesellschaft
Share capital in EUR	4,370,000.00
Number of shares	4,370,000
Free float	18.49 %

Performance data at 31/12/2016 and 31/03/2017 (in EUR)

Share price on 30/12/2015 (Frankfurt-Schlusskurs)	8.23
Share price on 30/12/2016 (Frankfurt-Schlusskurs)	8.42
Share price on 31/03/2017 (XETRA-Schlusskurs)	12.23
Market capitalisation at 30/12/2015	35,965,100.00
Market capitalisation at 30/12/2016	36,795,400.00
Market capitalisation at 30/03/2017	53,445,100.00

Group Management Report

HMS Bergbau AG, Berlin

Summary of Group Management Report Financial Year 2016

1. Overview

HMS Bergbau Group is a globally operating group that trades in coal and energy commodities worldwide and supplies steam coal, coking coal and coking products, as well as other raw materials such as ore, cement, fertiliser and similar raw materials, to major international power plants, cement manufacturers and industrial consumers.

In 2016, HMS Bergbau AG amended its strategy to include additional raw materials such as ore, metals and cement products in its business activities, and it plans to develop into an international raw material trading company. The current focus of its activities remains the coal business. HMS Bergbau AG's expertise throughout the value chain in this segment, from mining to logistics and customer deliveries, has been built up over decades and is widely recognised.

HMS Bergbau Group has an international network of long-standing business partners and focuses on building long-term, profitable business relationships with international producers and consumers. HMS Bergbau AG is internationally active through its subsidiaries HMS Bergbau Africa (Pty) Ltd., HMS Bergbau Singapore Pte Ltd. and HMS Bergbau Indonesia, and significantly strengthened its international business through the acquisition of a 25.1 % holding in Zamfin Capital (Pty) Ltd via its subsidiary HMS Bergbau Africa (Pty) Ltd. in mid-2016. That purchase will give HMS Bergbau Africa access to a new coal washing plant that is currently under construction. The washing plant will be located in the immediate vicinity of South Africa's largest power plant.

With the conclusion of a new coal marketing agreement with Vunene Mining Pty. Ltd, which is majority owned by South Africa's IchorCoal Group, HMS Bergbau Group extended the existing cooperation and also gained access to additional mining operations of IchorCoal for export and domestic sales not associated with Eskom (largest power supplier in Africa), including the marketing of coal from the Usutu and Penumbra mines in Mpumalanga, South Africa. As in the previous year, export shipments are being handled by sea through Richards Bay Coal Terminal (RBCT) – the world's largest coal export terminal. The extension and expansion of the agreement regarding export marketing of the mining activities for the entire IchorCoal Group strengthens HMS Bergbau Group's position on the international coal market.

The wholly owned Group subsidiary Silesian Coal S.A., which has already completed geological exploration in the Orzesze region in Silesia, is now ready to apply for the mining licence for the deposits that have been explored. It plans to exploit the Orzesze reserves of coal for power plants and coking by using parts of the infrastructure at a neighbouring mine. The HMS Bergbau Group intends to cover another part of the value chain by establishing its own production activities. That would enable the cost-effective extraction of a reserve of more than 650 million tonnes with a relatively low investment volume. This step would produce sustainable competitive advantages in the European market for HMS.

The following table shows the HMS Bergbau Group structure and its major subsidiaries as of 31 December 2016:

1.1 Price developments

Highly volatile prices, and historic low prices, in the coal market in the first half of 2016 led to fluctuating margins throughout the value chain. In order to effectively compensate for these market fluctuations, value can be optimised through the vertical integration of mining, handling and transport when taking into account current and future price increases. HMS is also expanding into new export and import markets, as well as other product categories.

1.2 Internationalisation of markets

The commodities markets are continuing to grow closer as a result of global trade and improved logistics. At the same time, market transparency is increasing thanks to trading platforms and index-based trading activities, resulting in increased competition. It also results in additional opportunities for HMS Bergbau AG, which should be pursued and exploited by expanding its business activities, e.g. by trading in raw materials other than coal.

1.3 Vertical integration

Investing in our own resources is essential in order to ensure that future supply meets the growing demand for energy and to cover the value chain from mining through to logistics and delivery to consumers. In this context, it is economically expedient for HMS to enter especially into exclusive marketing agreements.

Therefore, our long-term strategy of **vertical integration** is based on the following pillars:

Strong trading business

The basis for our future growth and success as a business is the further expansion of trading activities based on solid, long-term customer and supplier relationships and stable contributions to value.

Growth
We aim to sustainably increase earnings through vertical integration and the competitive advantages arising from it in order to generate adequate growth. This includes, in particular, the expansion of international coal marketing activities on the South African coal market through the conclusion of a new coal marketing agreement with the coal mining company IchorCoal N.V. The investment in Zamfin Capital Pty Ltd and construction of a coal washing plant in South Africa will allow the HMS Bergbau Group to develop new areas of business and generate further growth. The HMS Bergbau Group also expects to exploit further potential for growth through exclusive marketing contracts in Botswana.

Corporate culture
The practice of “living” a corporate culture characterised by highly professional and ethical standards is a real selling point for HMS Bergbau Group in the competition for qualified international personnel, who serve as the drivers of our specific strategy.

1.4 Horizontal integration
In addition to vertical integration, HMS Bergbau AG also continues to press ahead with horizontal integration. Focus is placed on new markets – especially Asia, Africa and the Middle East – to continuously tap into and further develop existing as well as new sourcing markets for HMS Bergbau AG. In the process, the existing network, the expertise acquired over years and proven transport options are used not only for the company’s coal activities, but also increasingly for other commodities and products, such as ores, metals and cement products. The expansion of operations to all types of commodities and similar products has the advantage that existing capacities are utilised better while also offering attractive prospects with regard to risk diversification and gross margins.

2. Business and economic environment
2.1 Global economy
According to the Institute for the World Economy (Institut für Weltwirtschaft – IfW), global economic development stabilised in 2016 despite greater political instability. The global economy had a weak start to 2016 due to a decrease in the price of oil to the lowest level in 12 years and weaker economic data from China. The economic outlook in China improved over the course of 2016, while the oil price stabilised. Contrary to expectations, the global economy has displayed robust development since mid-2016. The 3.1 % increase in global production for 2016 as a whole was largely due to developments in the second half of the year. Growth was, therefore, slightly lower than in the previous year. Despite the lowest annual rate of growth since the crisis year 2009, experts believe the second half of 2016 marked a turning point away from the trend of weak economic development.

Considering the political uncertainty in 2016 resulting from Great Britain’s decision to leave the EU and the results of the US presidential election, which is expected to lead to greater protectionist tendencies, analysts at the IfW consider the level of global economic growth, particularly in the second half of 2016, a positive surprise.

Accordingly, the IfW expects global economic growth to increase to 3.5 % in 2017 and 3.6 % in 2018.

In the advanced economies, economic development was moderate in 2016, despite an increase in production. Economic output in those countries increased by 1.7 %. The increase in the USA was relatively low, at 1.6 %. The Eurozone also continued its moderate economic development in 2016, with growth of 1.7 % in its gross domestic product. According to the IfW, by the end of the year every country in Europe contributed to that growth. According to the German Federal Statistical Office, Germany continued its phase of upward development in 2016, with gross domestic product of 1.9 %. It was primarily driven by domestic construction investment and consumption. In Great Britain, the economy grew by 1.8 %, despite the Brexit vote. The Brexit therefore had a smaller short-term impact than expected.

The upturn in the advanced economies will gradually strengthen thanks to continuing expansive monetary policies, fiscal stimuli and a slight increase in demand from emerging markets. In the current and coming year, the advanced economies are expected to grow by approximately 2.1 %. For the USA, the IfW expects relatively low economic growth last year to give way to significantly higher growth of 2.5 % and 2.7 % in 2017 and 2018 respectively, due to its expansive economic policy with higher government spending and expected tax cuts. The completion of the consolidation of the shale oil industry, which had a negative effect on past economic development, will also contribute to that growth.

The IfW continues to predict moderate economic growth in the Eurozone, with growth rates similar to those seen last year – 1.8 % this year and 1.7 % next year. With expected growth rates of 1.7 % and 2.0 % for 2017 and 2018 respectively, Germany continues to be one of the strongest economies in Europe. In Great Britain, following good economic development in 2016, a significant decrease in the rate of growth to approximately 1.2 % is expected in 2017 due to the Brexit vote.

The economic development of the emerging markets has increased since mid-2016. China, in particular, contributed to that trend with growth of 6.6 % resulting from expansive economic policies. According to analysts, the country's partially expansive monetary policies had a positive effect on economic development.

Business experts expect continued growth in the economic output of the emerging markets, despite ongoing risks. After China's economic development improved significantly in 2016, the IfW expects the rate of growth to decline to 6.4 % in the current year and 5.9 % in 2018 due to the government's efforts to maintain sustainable growth.

Economic policy risks

Current economic forecasts explicitly note an increase in global economic policy risks. They include the new US president, Great Britain's departure from the EU, oil price developments and the diverging development of base interest rates in the USA and Europe. Against the backdrop of protectionist tendencies, free global trade and European integration are being put into question. However, analysts do not currently appear to be able to quantify these developments to include them in their forecast tools. That results in uncertainty, as noted in the forecasts.

2.2 Raw materials

Following a low of approximately USD 30 per barrel of Brent at the beginning of 2016, oil prices increased in the following quarters, reaching an average of just less than USD 50 in the fourth quarter of 2016. That resulted in an average price of USD 45 per barrel of Brent for 2016 as a whole. In early December 2016, the Organization of the Petroleum Exporting Countries (OPEC) decided to decrease production, leading to a moderate increase in prices. That was because of historically high inventories and the resumption of shale oil production in the USA due to rising prices. In 2017 and 2018, the IfW expects the oil price to increase to an average of USD 55 per barrel. The increase in the oil price and the resulting increase in energy prices contributed significantly to higher inflation.

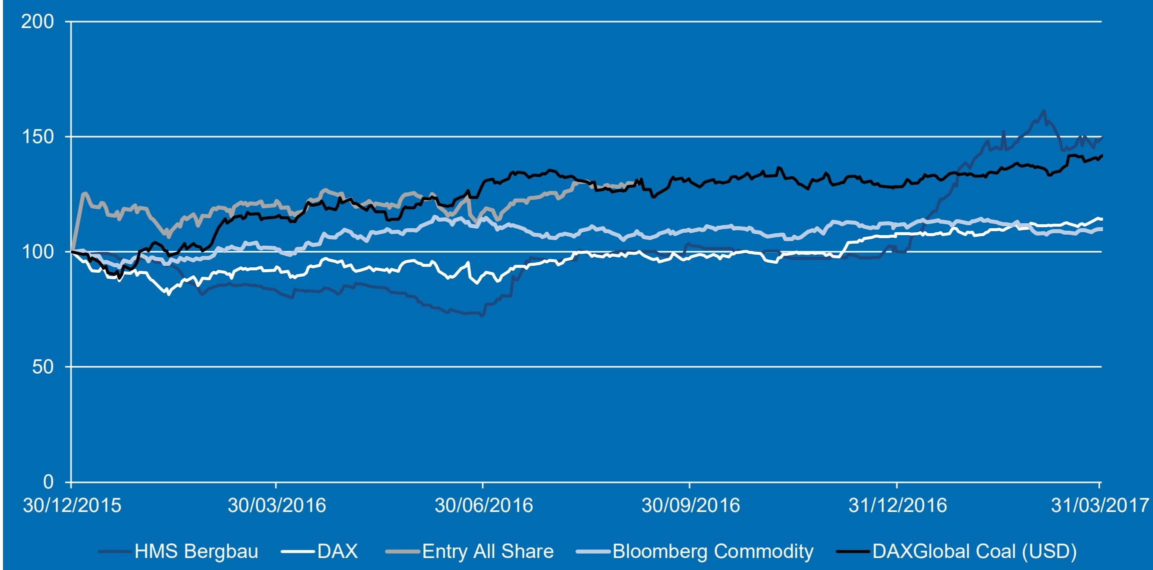
According to Hamburgischen Weltwirtschaftsinstitut (HWWI), at the beginning of 2016 both oil prices and raw material prices in general were at their lowest level in 12 years. There was a significant recovery over the course of the year, with considerable price increases at times. Considering the long cycles that characterise raw material markets, those developments are expected to stabilise in 2017. That means, overall, raw material prices will remain relatively moderate.

2.3 General development of the capital markets

Three major topics, the Brexit, the US presidential election and the interest rate policies of the Federal Reserve, had a major effect on the development of capital markets in 2016. In the first half of the year, the vote in Great Britain about whether to remain in the EU held in late June and with unforeseeable effects for Europe, led to uncertainty on the stock markets and some significant share price decreases. Despite the surprising vote by Great Britain to leave the EU, the markets calmed noticeably over the course of the year and prices developed positively. The unexpected result of the US presidential election in November 2016 has so far had a relatively positive effect on the markets. Fairly weak performance over the course of the previous year and in early 2016 has been followed by consistently good stock market development – also driven by positive economic figures – which was only interrupted temporarily by the Federal Reserve's interest rate increases.

Overall, the German stock market indices gained between just less than 5 % and 7 % in the stock market year 2016. The DAX, Germany's most important stock

Development HMS share, DAX, Entry All Share Index, DAX Global Coal & Bloomberg Commodity Index



Source: Deutsche Börse AG; own analysis market index, ended 2016 at 11,481 points, an increase of 6.9 %. The MDAX also had a positive year, with year-end gains similar to the DAX at 6.8 %. The SDAX developed less positively, with growth of 4.6 %.

There has been an encouraging, significant increase in HMS' share price in the first quarter of 2017. At its peak, the share price had increased by approximately 60 % and its level at the end of March was EUR 12.23. Shares in HMS Bergbau thereby performed significantly better than the Entry All Share index.

2.4 Global primary energy consumption

The expansion of the international trade in goods and the ever increasing production of goods have led to a sharp rise in global energy consumption, which has more than doubled in the last four decades alone. Due to the rise of renewable energy, among other factors, there has been a change not only in the absolute quantity of the respective sources of energy, but also in the energy mix.

The International Energy Agency forecasts that the need for primary energy will increase by around double the current figure of 321,000 billion kWh by 2060. These forecasts assume that the standard of living in emerging markets will have reached the level found in Western industrialised nations. According to the experts responsible for the World Energy Outlook, energy consumption in Africa, India, China, South East Asia and the Middle East is also expected to increase by one-third by 2040.

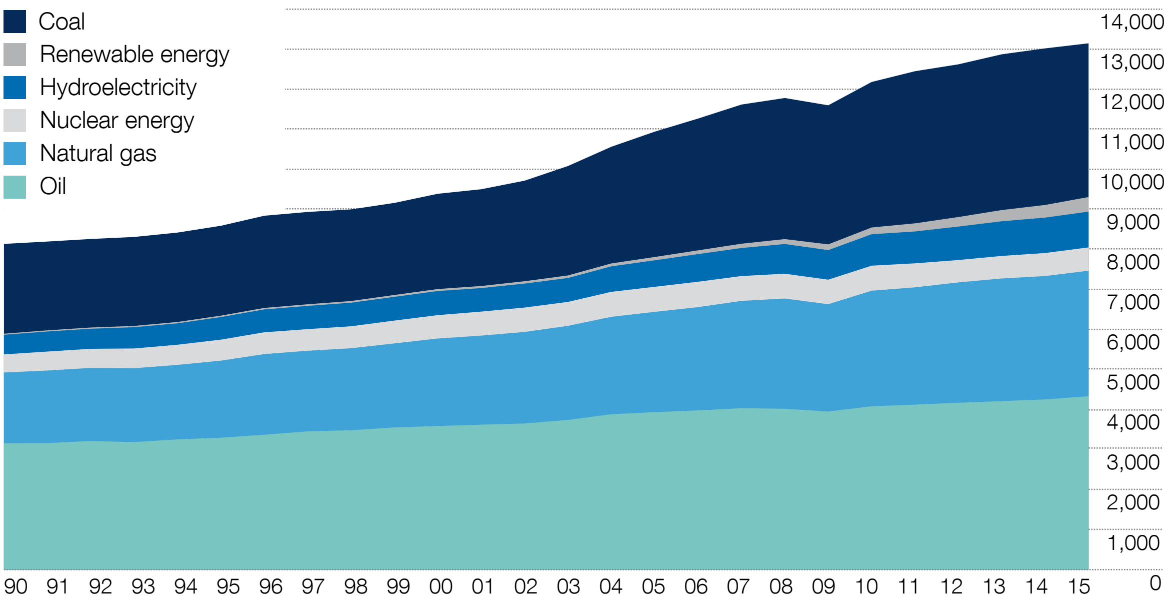
According to the BP Energy Outlook, global primary energy consumption will only increase by an average of 1.2 % p.a. over the next 20 years, compared to 2.2 % between 1995 and 2015. The increase in energy consumption primarily depends on the growth of global economic output. However, as a result of energy saving measures, energy consumption has not risen in line with economic growth for a number of years. While global gross domestic product is expected to double by 2035, energy consumption is only expected to increase by approximately 30 %. The emerging markets contributed to growth, particularly China and India. China will initially remain the largest growth market for energy. At the end of the forecast period, in 2035, India is expected to take that position.

The BP Energy Outlook expects continued growth in the share of the energy market accounted for by renewable energy over the next 20 years. Together with nuclear and water power, it will account for half of market growth in the coming years. Despite that growth, oil, gas and coal will continue to be the most important energy sources. The market share of fossil fuels will decrease from approximately 85 % in 2015 to 75 % in 2035, but the market as a whole will grow considerably. While gas will see continued growth, the growth of oil and coal will slow. According to the study conducted by BP, global coal consumption will only increase by 0.2 % and will peak in the mid 2020s. Over the last 20 years, coal consumption increased by 2.7 %. Those developments mean that, by 2035, gas is expected to be the second most important energy source, relegating coal to third place in the primary energy market (coal will continue to occupy first place in the electricity generation market). The slight decrease in coal consumption will result from the increased use of other energy sources in China. However, China will nonetheless remain the most important market for coal and will account for almost half the consumption of this resource in 2035.

In the USA, the new President wants to rely more heavily on fossil fuels such as coal. The impact on the coal market cannot be predicted at this time.

Primary energy consumption worldwide

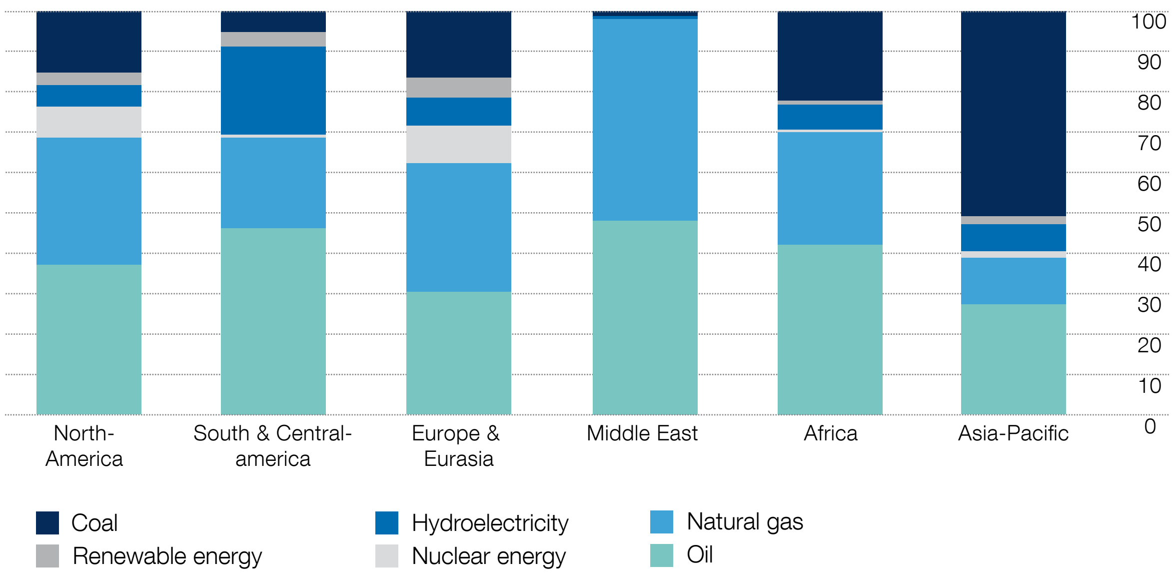
Million tons of oil equivalent



Source: BP Statistical Review of World Energy 2016, © 2016 BP p.l.c.

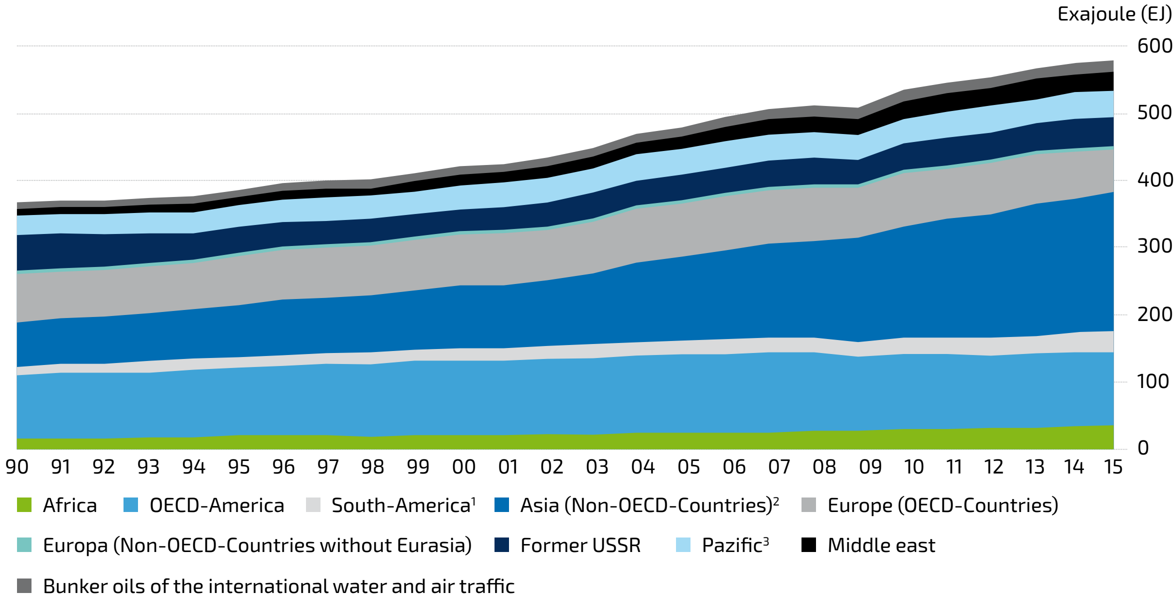
Energy consumption and demand for commodities according to consumers 2015

in Percent



Source: BP Statistical Review of World Energy 2016

Primary energy consumption worldwide
by region

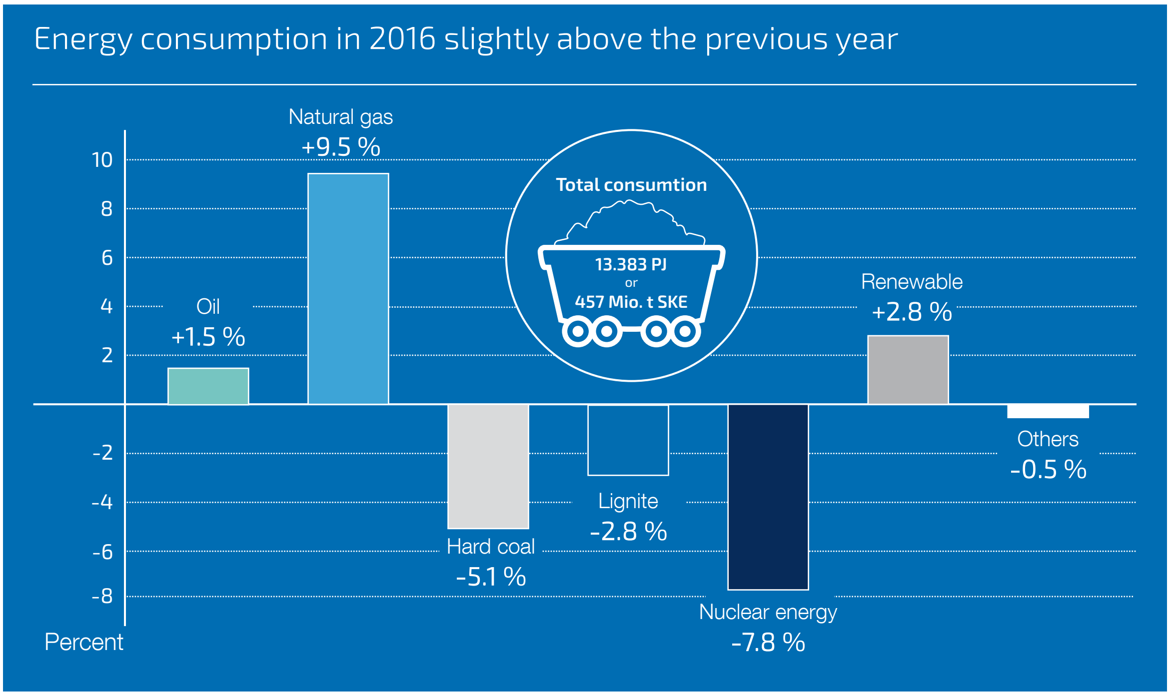


[1] *without Chile;* [2] *without Middle east;* [3] *Includes Japan, South Korea, Australia, New Zealand*

Source: International Energy Agency (IEA)

2.5 Energy consumption in Germany

According to calculations by the Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen), energy consumption in Germany increased by 1.1 % in 2016, compared to the prior year. The main factors behind the rise were the colder weather, the extra day due to 2016 being a leap year and economic and population growth. Natural gas consumption increased the most, by 9.5 %. Mineral oil consumption grew by 1.5 % and consumption of renewable energy increased by 2.8 %. By contrast, power generation using nuclear energy fell significantly, by 7.8 %. Consumption of hard coal and lignite also decreased by 5.1 % and 2.8 % respectively.



Source: AG Energiebilanzen e.V.

PRIMARY ENERGY CONSUMPTION IN THE FEDERAL REPUBLIC OF GERMANY
2015/2016 (*)

	Annual figures				Change			Market share in %	
	2015	2016	2015	2016	2016/2015				
	Petajoules		million t HCU		Peta-joules	million t HCU	%	2015	2016
Mineral oil	4,489	4,550	153.2	155.3	61	2.2	1.5	33.9	34.0
Natural gas	2,761	3,022	94.2	103.1	261	8.9	9.5	20.9	22.6
Hard coal	1,718	1,630	58.6	55.6	-88	-3.0	-5.1	13.0	12.2
Lignite	1,567	1,522	53.5	51.9	-45	-1.6	-2.8	11.8	11.4
Nuclear energy	1,001	923	34.2	31.5	-78	-2.7	-7.8	7.6	6.9
Renewable energies	1,644	1,689	56.1	57.6	46	1.5	2.8	12.4	12.6
Cross-border electricity trading balance	-187	-193	-6.4	-6.6	-6	-0.2	...	-1.4	-1.4
Other	241	240	8.2	8.2	-1	0.0	-0.5	1.8	1.8
Total	13,234	13,383	451.5	456.7	149	5.2	1.1	100.0	100.0

1 PJ (petajoule) = 1015 joules
1 million t HCU = 29,308 PJ
(*) provisional

Source: AGEB AG Energiebielanzen e.V.

In 2016, **mineral oil consumption** increased by 1.5 %, compared to the previous year. While consumption of diesel fuel rose significantly, by 4.1 %, due to growing demand from the transport and construction industries, petrol sales remained almost unchanged.

Demand for light and heavy **heating** oil fell in 2016, despite a significant decrease in prices and much cooler weather. The decreases for light and heavy heating oil were 2 % and 1 % respectively. They were due to the greater efficiency of heating systems and the increased use of heat pumps.

Sales of natural gas increased by 9.5 %, compared to the previous year. That was primarily due to the cooler weather in 2015 and the resulting higher use of natural gas for heating.

Hard coal consumption in Germany decreased by approximately 5 % in 2016. There was less demand from power plants for the generation of heat and electricity, in particular. The same was true of the steel industry.

Sales of **lignite** decreased by approximately 3.7 % in 2016, compared to the previous year. Lignite accounted for just less than 39 % of energy generation in Germany. A quarter of Germany's electricity is generated using lignite.

The use of **nuclear energy** in electricity generation decreased by a further 7.8 % in 2016. That was due to the planned end to the use of nuclear energy.

The use of **renewable energy** continued to grow. It increased by 2.8 % in 2016. The share of Germany's total energy consumption accounted for by renewable energy increased slightly in 2016, from 12.4 % to 12.6 %.

Overall, the share of energy accounted for by domestic production decreased to 29.7 % in 2016, down from 30.9 % in 2015.

2.6 Development of crude oil prices

Oil prices fell significantly from mid-2014 until the beginning of 2016, with varieties such as WTI and Brent reaching lows of just over USD 30 per barrel at the start of 2016. That represented a price decrease of approximately 70 %. Since then, the trend has reversed. Absolute prices fluctuated between USD 40 and USD 50 per barrel. In late 2016, prices stabilised at close to USD 60 per barrel.

The main cause of the low oil price was oversupply on the world market, which experts do not expect to end in the near future, particularly as overproduction increased in the last two years. At the end of 2016, the Organization of the Petroleum Exporting Countries (OPEC) agreed to decrease production and set country-specific quotas. Producing countries that are not members of OPEC, such as Russia, also want to decrease production. In contrast to earlier agreements, production has actually decreased. However, that did not lead to a significant increase in the oil price due to the continued high level of inventories. The increase in oil prices also made shale oil production in the USA economically viable again, and production increased. The oil price is expected to increase to USD 55 in the current year and 2018, from an average of USD 45 in 2016.

Price development of WTI and Brent 2016 (in Percent)

Source: onvista.de/rohstoffe/

2.7 Developments in the energy consumption of coal

Global energy consumption has grown strongly over the last 150 years. Coal was traded as a primary source of energy as early as the 19th century, when its importance began to skyrocket, along with that of natural gas and oil. Today, fossil fuels account for more than 85 % of primary energy consumption worldwide. While the use of energy is becoming ever more efficient, economic growth and increasing consumption prevent consumption from going down.

Nevertheless, global consumption decreased slightly in 2015, for the first time in two decades. In 2016, there was a further decrease of 1.5 %. While demand from South East Asia and India remained constant in 2016, it decreased in Europe and the USA. According to the International Energy Agency (IEA), developments in China were the primary cause of the decrease. Here the onset of structural changes and an economic slowdown have led to a decline in the consumption of coal. Nonetheless, China, which accounts for around 50 % of consumption, remains the largest consumer, producer and importer of coal. Experts from the IEA expect the share of coal in the primary energy mix to decrease overall, from 29 % to 27 %, by 2020. However, coal consumption will continue to increase significantly in absolute terms. The share of electricity generated from coal will remain at approximately 40 %.

The trend towards lower coal consumption is not uniform worldwide. That is illustrated by the example of India. Currently, 25 % of the population, or 300 million people, in the country still live without electricity. This figure is considerably higher than in any other developing country, with the exception of Nigeria, where some 50 % of the population still lives without electricity. In India, Prime Minister Narendra Modi aims to provide all inhabitants with access to electricity by 2022. Due to this ambitious target, the country's need for coal for generating electricity and for industry will rise to such an extent that India, with the share of coal expected to account for almost half of the entire energy mix in 2040, will see the largest growth in demand for the fuel by far.

In addition to India, Indonesia, Brazil, the Middle East and China (which is currently the largest consumer of energy) will also likely experience a very significant increase in energy requirements. As a result, experts estimate that global energy consumption will rise by one-third by the year 2035. The IEA expects a decrease in demand for coal in all OECD countries in the medium term, by 2020. However, demand for coal will increase in all non-OECD countries.

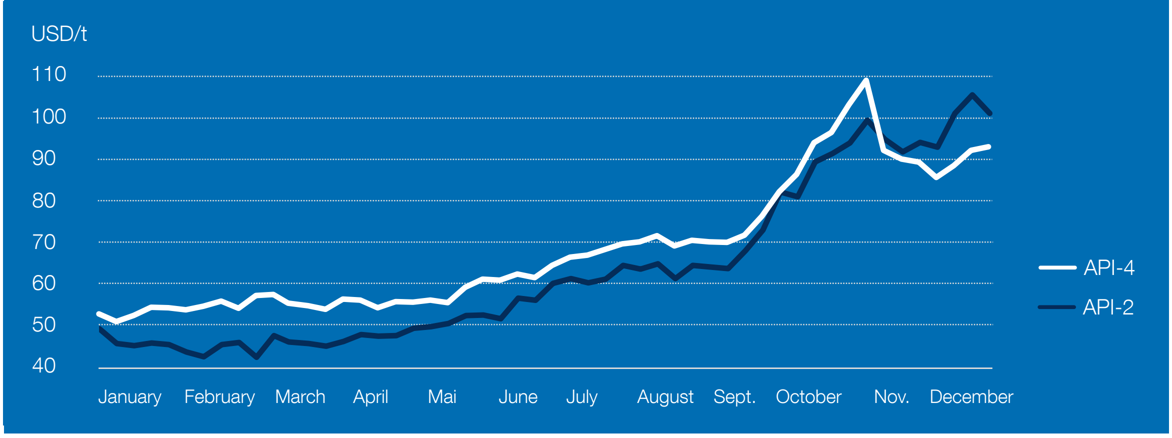
The strategic alignment of HMS Bergbau AG as a pure trading and marketing company in the coal and other commodities industries means that we possess unrivalled specialist expertise, decades of experience, a strong network of international contacts and a solid market position. Furthermore, we expect to conclude further exclusive marketing and representation contracts with renowned producers in addition to our existing contracts, thereby generating substantial growth in our core business over the next few years. The focus of our international expansion strategy is on Africa and Asia, the most important production and consumer markets in the world. We expect to see rising demand in India and the ASEAN countries in the short term. In the medium to long term, coal's growth potential will be generated by the African countries looking to expand their electricity network.

2.8 Coal prices

According to estimates by the German Coal Importer's Association (Verein der Kohleimporteure e.v. – VDKi), China and India will continue to have a decisive impact on the developments of the international hard coal market. In the last two years, global hard coal production decreased by 3 % and 1.5 % respectively. That was primarily due to global economic development and decreasing demand for steel in China. That led to a 32 % slump in imports to China. India will play an important role in the future. The largest coal exporters are Australia (387 million tonnes), Indonesia (296 million tonnes) and Russia (142 million tonnes). They are followed, at some distance, by Columbia (83 million tonnes) and South Africa (77 million tonnes). According to the VDKi, coal production in Germany decreased from 7.6 million tonnes to 6.2 million tonnes. Meanwhile, imports increased from 56.2 million tonnes to 57.5 million tonnes.

Following a significant decrease in the coal price to less than USD 50 per tonne at the end of 2015, and continuing low prices in the first half of 2016, the two most important coal price indices, coal API-2 and API-4, increased again in the second half of 2016 reaching a level significantly higher than USD 80 by the end of the year. Coal prices peaked at up to USD 100 per

API-2 and API-4 in 2016



Source: Argusmedia.com /HMS Bergbau AG

tonne. Price developments in the first half of the year caused considerable concern at all coal producers and most coal trading companies. However, the HMS Group managed to strengthen its market position in this difficult environment by significantly increasing its trading volume, thereby countering the trend towards lower margins.

2.9 Trading

HMS Bergbau Group's successful international trading activities are characterised by stable business relationships with customers and suppliers, which are built on trust.

HMS Bergbau Group's main customers include power plant operators, as well as steel and cement manufacturers. We also supply industrial companies, such as glassworks, paper factories and waste processing plants. Our customers include private companies as well as government entities originating from Asia, Europe, the Middle East and Africa.

The HMS Bergbau Group cooperates with reliable and well-known producers, largely based in Indonesia, South Africa, Russia, Poland, and North and South America. In addition to this, we represent numerous international coal-producing companies. In this role, HMS Bergbau Group handles all their coal marketing activities in selected markets. HMS Bergbau is also a partner for the global distribution of IchorCoal production.

2.10 Vertical integration

We intend to secure a reliable supply for consumers in the long term by accessing resources and coal through marketing agreements with international suppliers. In addition to this, HMS Bergbau Group plans to mine its resources itself in future. This strategy was systematically pursued in 2016.

At the end of June 2016, HMS Bergbau AG acquired a 25.1 % stake in South Africa's Zamfin Capital (Pty) Ltd through its subsidiary HMS Bergbau Africa (Pty) Ltd. That purchase will give HMS Bergbau Africa access to a new coal washing plant that is currently under construction in the Mpumalanga region in South Africa. The washing plant will be located in the immediate vicinity of South Africa's largest power plant. This transaction also saw the conclusion of an export-marketing agreement with Zamfin Group, the company that owns Zamfin Capital. The acquisition strengthens HMS Bergbau AG's position in the strategically important Mpumalanga region in South Africa and will make it capable of placing additional volume of the desired quality on the domestic and export market.

With the conclusion of a new coal marketing agreement with Vunene Mining Pty. Ltd, which is majority owned by South Africa's IchorCoal Group, HMS Bergbau Group extended the existing cooperation and also gained access to additional mining operations of IchorCoal for export and domestic sales not associated with Eskom (largest power supplier in Africa), including the marketing of coal from the Usutu and Penumbra mines in Mpumalanga, South Africa. As in the previous year, export shipments are being handled by sea through Richards Bay Coal Terminal (RBCT) – the world's largest coal export terminal. The extension and expansion of the agreement regarding export marketing of the mining activities for the entire IchorCoal Group strengthens HMS Bergbau Group's position on the international coal market.

The company also concluded new coal marketing contracts for the Vietnamese market with a reliable partner in Indonesia.

With its project company Silesian Coal S.A., and following the successful completion of a drilling programme, the HMS Group is about to apply for a mining licence for coal and methane in the Orzesze region of Silesia. The company plans to exploit the reserves of coal for power plants and coking by using parts of the infrastructure at a neighbouring mine, thereby enabling the cost-effective extraction of a reserve of more than 650 million tonnes with a relatively minor investment volume. This step would give HMS sustainable competitive advantages in the European market.

2.11 Horizontal integration

The expansion of global trade to include other commodities apart from coal, such as ores, fertilizers and cement products, is intended to become another key pillar of HMS Bergbau AG's business in the medium term. In this way, it will be possible to offer solutions for and meet the constantly growing demand for a wide range of different commodities from existing and new customers through HMS Bergbau structures. This strategy was systematically pursued in financial year 2016. In the process, HMS Bergbau AG draws on and opens up its existing network, expertise that it has acquired over the years, as well as its global transport options. At the same time, it is tapping into and continuing to further develop new sourcing markets – especially in Asia, Africa and the Middle East – within the scope of this horizontal integration strategy. Through the expansion of its activities, HMS Bergbau AG seeks to optimise the utilisation of its capacities, to further diversify risks, to increase gross margins and finally to create competitive advantages.

2.12 Logistics

HMS Bergbau Group offers its customers and business partners a complete spectrum of services, from the timely supply of commodities to the organisation of the entire transport logistics process. The portfolio of services offered by our highly professional and experienced team covers shipping on demand, the organisation of domestic store transport, harbour procedures, warehousing management, coal processing and technical monitoring.

For example, HMS Group organises all logistics needs for its partners in South Africa, from transport by lorry and rail to port handling, thereby ensuring a high level of supply security for its suppliers and customers.

2.13 Research and development

HMS Bergbau AG does not engage in research and development.

2.14 Employees

International competition for qualified employees remains high. In its pursuit of long-term employment relationships between staff and HMS Group, management continues to focus on ongoing employee development, together with highly specialised and continuing training. In keeping with this strategy, we have hired additional employees, particularly in the Asian and South African markets, and are planning to continue hiring. Risks resulting from employee fluctuation are accounted for with succession and substitute planning. We conducted training for employees, particularly for those who are new. In order to offer our employees incentives, we have established an employee option programme. Among other things, it allows employees to purchase own shares held by the company at an advantageous price by means of income conversion.

3. Consolidated results of operations

Results of operations of HMS Group in financial year 2016 compared to the previous year were as follows:

	31/12/2016 EUR thousand	%	31/12/2015 EUR thousand	%	Change EUR thousand	%
Revenues	178,018	100	111,979	100	66,039	59
Total performance	**178,018**	**100**	**111,979**	100	66,039	**59**
Cost of materials	171,162	96	110,102	98	61,060	56
Personnel costs	1,536	1	2,196	2	-659	-30
Depreciation and amortisation	119	0	120	0	-1	-1
Other operating expenses						
./. other operating earnings	3,520	2	-2,019	-2	5,317	> 100,0
Taxes (excluding income taxes)	2	0	3	0	-1	-28
Tax expenses	176,339	99	110,400	99	65,716	59
Operating result	**1,679**	**1**	**1,579**	1	322	**24**
Earnings from investment and financial result	-1,104		-834		-269	-32
Earnings before income taxes	**575**		**744**		53	**10**
Income taxes	-306		-343		37	11
Net profit	**269**		**179**		90	**50**

Revenue was affected by strong trading business in Asia and Africa, and the increasing price of coal over the course of 2016. More than 90% of the Group's trading volume was traded in Asia and Africa in 2016. The materials usage ratio again improved slightly, compared to the previous year.

Personnel costs decreased significantly year on year, from EUR 2,196 thousand to EUR 1,536 thousand. The personnel costs ratio decreased accordingly, to approximately 1%.

Depreciation and amortisation in the 2016 reporting period amounted to EUR 119 thousand, down from EUR 120 thousand in the 2015 financial year.

Other expenses, less other earnings, primarily related to legal and consulting expenses, vehicle and travel expenses, delivery costs, occupancy costs and the 1/15th of the addition to pension provisions (EUR 223 thousand) resulting from the change in valuation pursuant to Section 253 (1) sentence 2 HGB. In the previous year, they were reported as extraordinary items. Due to changes in the law (Accounting Directive Implementation Act, Bilanzrichtlinie-Umsetzungsgesetz (BilRUG)), extraordinary expenses are now reported under other operating expenses. The change, compared to the previous year, was primarily due to recharged costs, royalty income and other consultancy services provided to business partners, which were unusually high in the previous year.

4. Group assets

The net assets of HMS Group compared to the previous year were as follows:

	31/12/2016 EUR thousand	%	31/12/2015 EUR thousand	%	Change EUR thousand	%
Assets						
Non-current assets	4,053	10	2,789	9	1,264	45
Inventories	1,121	3	0	0	1,121	-
Receivables	24,158	59	19,637	61	4,521	23
Cash and cash equivalents	1,564	4	1,361	4	203	15
Other assets	10,099	25	8,315	26	1,784	22
	40,995	100	32,102	100	8,893	28
Capital						
Shareholders' equity	5,538	14	5,227	16	312	6
Own shares	-1,378	-3	-1,413	-4	35	-2
Non-current liabilities	5,722	14	6,599	21	-877	-13
Current liabilities	31,113	76	21,689	68	9,424	44
	40,995	100	32,102	100	8,893	28

The increase in fixed assets in 2016 was primary due to investments of EUR 1,019 thousand by Silesian Coal S.A. in the development of the 'Orzesze' hard coal field and the acquisition of a 25.1 % share in Zamfin Capital (Pty) Ltd (EUR 416 thousand). Receivables primarily relate to trade receivables from customers in Asia. The increase of approximately EUR 4,500 thousand compared to the prior year is primarily due to the balance sheet date.

Non-current liabilities include pension obligations. The change is primarily due to netting with plan assets of EUR 1,166 thousand created in 2016. Current liabilities are mainly comprised of liabilities to suppliers and liabilities from trade financing transactions. The rise compared to the previous year resulted from greater business activities and was primarily due to the balance sheet date.

5. Group financial position

Cash and cash equivalents developed as follows in financial year 2016:

	2016 EUR thousand
1. Cash flow from current operating activities	**-800**
2. Cash flow from investment activities	**-1,456**
3. Cash flow from financing activities	**35**
4. Cash and cash equivalents at the end of the period	
Change in cash and cash equivalents affecting payment	-2,221
Other changes in cash and cash equivalents	0
Cash and cash equivalents at the start of the period	-1,976
Cash and cash equivalents at the end of the period	-4,197
5. Composition of cash and cash equivalents	
Cash and cash equivalents	1,564
Current liabilities to credit institutions	-5,909
Cash and cash equivalents at the end of the period	-4,345

Despite the difficult market environment, cash flow from current operating activities improved compared to the previous year and primarily reflects the year-on-year increase in the annual result. Cash flow from investment activities primarily related to investment by Silesian Coal S.A. in the development of the 'Orzesze' hard coal field and the acquisition of a 25.1 % share in Zamfin Capital (Pty) Ltd. Cash flow from financing activities related to the sale of own shares to employees in the scope of an employee option programme.

6. Information on the consolidated financial statements of HMS Bergbau AG

HMS Bergbau AG is the parent company of HMS Group. HMS Bergbau AG remains responsible for the central control functions – strategy, finance, accounting/controlling – and all important trading activities. A significant share of trade agreements are conducted via this company. In other words, the activities of HMS Bergbau AG largely determine the situation of the entire HMS Group. The annual financial statements of HMS Bergbau AG are prepared in accordance with German Commercial Law (HGB) and the German Stock Corporation Act (AktG). The following table provides an overview:

	2016 EUR thousand	%	2015 EUR thousand	%	Change EUR thousand	%
Revenue (= Total performance)	107,972	100	70,085	100	37,887	54
Cost of materials	102,843	95	67,033	96	35,810	53
Personnel costs	865	1	1,495	2	-630	-42
Depreciation and amortisation	30	0	35	0	-5	-15
Other operating expenses						
./. other operating earnings	3,404	3	-19	0	3,423	> 100,0
Taxes (excluding income taxes)	2	0	3	0	-1	-28
Tax expenses	107,144	99	68,548	98	38,597	56
Operating result	**827**	**1**	**1,537**	**2**	**-710**	**-46**
Earnings from investment and financial result	-556		-345		-211	-61
Earnings before income taxes	**271**		**1,192**		**-920**	**-77**
Income taxes	-134		-26		-108	< -100
Net profit	**138**		**1,166**		**-1,029**	**-88**

6.1 Results of operations

Ordinary trading activities have a major influence on results of operations of HMS Bergbau AG. The significant increase in revenues resulted, on the one hand, from greater volumes and, on the other, from higher prices. The local companies and HMS Bergbau AG are active in strongly developing markets in Asia and Africa. Thus, 90 % of sales revenue is generated by products from Africa and Asia. The cost of materials ratio improved slightly compared to the previous year, by approximately 1 %. The personnel costs ratio also decreased in the reporting period. Other operating expenses less other earnings primarily related to delivery costs, the recharging of other Group company services, vehicle and travel expenses, legal and consulting expenses, as well as the 1/15th of the addition to pension provisions (EUR 223 thousand) resulting from the change in valuation pursuant to Section 253 (1) sentence 2 HGB. In the previous year, they were reported as extraordinary items. Due to changes in the law (Accounting Directive Implementation Act, Bilanzrichtlinie Umsetzungsgesetz (BilRUG)), extraordinary expenses are now reported under other operating expenses. The change compared to the previous year was primarily due to recharged costs, royalty income and other consultancy services provided to business partners, which were unusually high in the previous year.

6.2 Assets

	31/12/2016 EUR thousand	%	31/12/2015 EUR thousand	%	Change EUR thousand	%
Assets						
Non-current assets	8,325	24	6,926	22	1,399	20
Inventories	1,121	3	0	20	1,121	-
Receivables	16,709	48	15,523	62	1,186	8
Cash and cash equivalents	1,310	4	871	2	439	50
Other assets	7,497	21	7,694	15	-197	-3
	34,962	100	31,014	100	3,948	13
Capital						
Shareholders' equity	9,904	28	9,767	39	138	1
Own shares	-1,378	-4	-1,413	-10	35	-2
Non-current liabilities	5,722	16	6,599	17	-877	-13
Current liabilities	20,714	59	16,061	54	4,653	29
	34,962	100	31,014	100	3,948	13

As HMS Bergbau AG engages in trading activities, its net assets are mainly influenced by receivables from customers as well as current trade payables and liabilities to banks. Changes are largely related to volumes and the balance sheet date. Furthermore, net assets are influenced by shares in the associated companies and the loans to the Indonesian and African HMS companies. Current liabilities comprise liabilities to suppliers as well as liabilities from trade financing transactions.

Non-current liabilities include pension obligations. The year-on-year decrease as at the balance sheet date, 31 December 2016, is due to netting with plan assets of EUR 1,166 thousand created in 2016, among other things.

6.3 Financial position

The financial position of HMS Group is significantly influenced by HMS Bergbau AG; please refer to the details we have provided in this context.

6.4. General statement

Our financial performance indicators, which the Executive Board uses to manage the Company and monitors constantly, are sales, gross margin and EBITDA. We were able to meet and partially exceed the sales forecasted in the previous year for the entire HMS Group due to the very strong trading results. Sales revenue therefore amounted to EUR 178,018 thousand in financial year 2016, down from EUR 111,979 thousand in 2015, and were not only driven by prices and volumes. HMS AG's sales revenue also rose significantly, from EUR 70,085 thousand in financial year 2015 to EUR 107,972 thousand. The Group's gross margin increased from 1.7 % in 2015 to 3.9 % in 2016. The raw margin of HMS AG also increased from 4.4 % to 4.8 %. At EUR 1,812 thousand (previous year: EUR 1,478 thousand), Group EBITDA again improved slightly compared to the previous year, despite significantly lower comparable earnings reported as other operating earnings in the previous year. HMS AG's EBITDA amounted to EUR 859 thousand, down from EUR 1,574 thousand in 2015. That decrease was due to the decrease in earnings reported as other operating earnings in the previous year. Overall, we fully achieved the forecast goal at group level.

7. Risks and opportunities

The Management Board of HMS Bergbau AG is responsible for Group risk management, which is integrated into all operational processes at HMS Group. Future opportunities and risks are identified, classified, evaluated, controlled and monitored as part of business operations. It is, and remains, our policy only to engage in risks that result in significant opportunities to generate earnings. If possible, risks should be minimised or transferred to third parties. Opportunities are assessed with regard to their earnings potential. The following sections describe opportunities and risks that could have a significant impact on the Company's net assets, financial position and results of operations:

7.1 Price fluctuations

In the HMS Group's traditional business – coal trading using back-to-back contracts and index- or fixed-price-based purchasing and sales agreements – there are by definition no effects on contractually agreed margins for individual transactions. Where the back-to-back principle is deviated from, for example in the case of varying base values on the purchase and sale side for heating value calculations, price risks may arise. We evaluate such risks on a daily basis as part of our risk management system, taking into account current forward prices and expected volatility. We continue to pursue the principle of avoiding significant risk positions in purchasing and sales by excluding such risks at the contract stage. The management of HMS Bergbau AG will not alter its policy of aiming to realise solely back-to-back transactions.

7.2 Financial risks

Exchange rate and interest rate fluctuations can have a significant impact on HMS Group's earnings. The Company's financial risk management therefore aims primarily to hedge currency risks via currency forwards without entering into speculative transactions. Furthermore, we attempt to eliminate currency differences in financing, purchasing and sales. All Group companies are obliged to assess and, where necessary, hedge all exchange rate risks. Changes to interest rates, or in other words risks from interest-bearing liabilities, as well as a risk premium and currency-specific differences are accounted for as financing costs and included in the assessment of each transaction. If deemed appropriate in the long term in a risk management context, and after evaluation of all possible scenarios, we exchange variable interest rates for fixed interest rates.

7.3 Credit ratings of business partners and counterparty risk

Credit risks arise from our business relationships with customers, and are increasing on account of ongoing growth in the proportion of our business partners located in Asia and Africa. In this context, the implemented risk management system aims to obtain adequate collateral for vulnerable transactions or to insure receivables where financially practicable. Furthermore, we secure payment promises in advance of deliveries using letters of credit. Failure or partial failure to deliver on the part of suppliers may also give rise to risks that cannot be transferred completely to the purchaser. Our risk management policies attempt to address these risks appropriately by deploying staff in the regions to examine individual terms and specifications of contracts in detail.

7.4 Political risks

The expansion of our business to the Asian and African markets exposes us to a higher level of legal and political risk from, for example, attempts to exert political influence, disruptions to the supply chain, civil disturbances or economic strategies that may have detrimental effects on our business. We include risks from environmental and other geographical influences in these considerations. Furthermore, uncertainties arise from the existing legal framework, which is and will remain subject to ongoing change. In both Asia and Africa, excellent business opportunities go hand in hand with an increased level of risk. The Company's risk management system responds to individual risks by attempting to draw up corresponding contractual arrangements or eliminate the risks by consulting with experienced local partners. Realistically, it is never possible to completely eliminate such risks.

7.5 Investment risks

The Company's risk management system attempts to identify potential negative impacts on its business at an early stage by means of continuous monitoring of marketing strategy and its successful implementation, in order to respond to such risks accordingly by adjustments to the strategy.

7.6 Risks and opportunities resulting from Company strategy

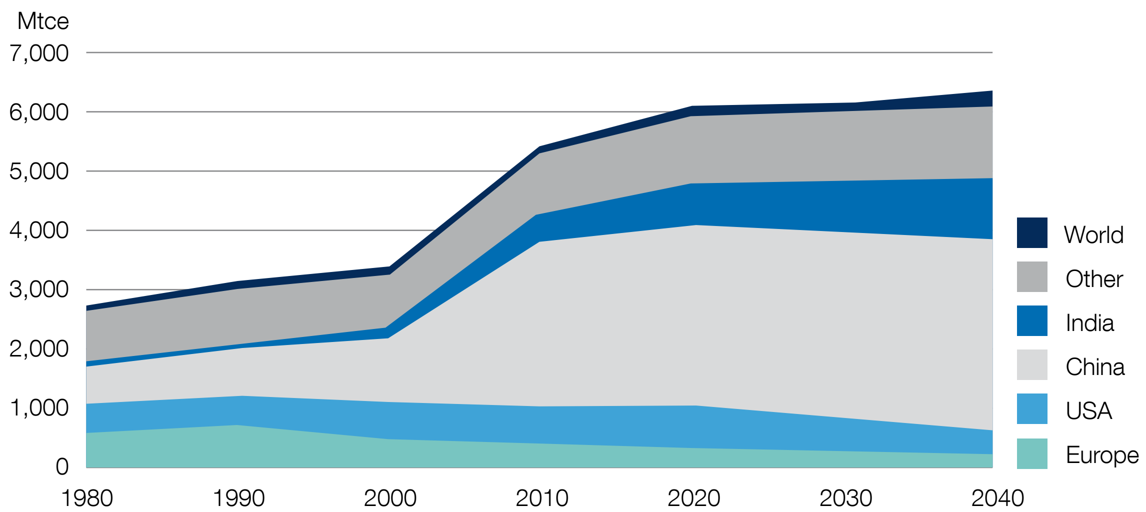
As they carry considerable opportunities and risks, decisions on investments and acquisitions are examined on the basis of an assessment and approval process. Experts are also consulted in certain cases. The Management Board of HMS Bergbau AG makes final decisions and, to the extent that they are significant, obtains the approval of the Supervisory Board. We take particular care to exhaustively investigate and weigh up risks and opportunities when entering into long-term agreements. The main factors to examine are the size of the reserve, the logistical infrastructure, the financial situation, legal requirements, management and the political landscape. Our risk management system includes measures such as obtaining expert advice and reports. In the Trade division, we are able to identify opportunities and risks at the earliest possible stage by intensively monitoring and analysing markets and competitors. Overall, the risk management system puts HMS Group in a position to mitigate the above risks and utilise any resulting opportunities.

8. Forecast report

Compared to other energy sources, coal continues to have the largest reserves and resources in the world. Figures compiled by the German Federal Institute for Geosciences and Natural Resources (BGR) for Energiestudie 2014 (Energy Study 2014) indicate that reserves are sufficient to last a further 120 to 200 years, depending on the type of coal and global economic developments. It is an established fact that the remaining coal reserves are sufficient to cover expected demand for many decades to come. Scientific and market analyses show that the percentage of coal used in global electricity production will continue to remain constant. According to the IEA (International Energy Agency), hard coal is set to remain the most commonly used commodity for the industrial production of electricity. The chart below illustrates how the growth of industry, particularly in Asia but later also in Africa, is compensating for the global decline in coal-generated electricity. The largest driver of this development is the growing world population, which is set to reach 8.2 billion by 2030, and will certainly lead to rising energy consumption. The share of coal in global electricity production will continue to rise until 2030, from 40% today. Over the next 50 years, a primary energy matrix without coal is unimaginable.

The steady rise in global energy consumption seen in recent years, with coal being the primary energy source, will continue in the years ahead. Coal prices are likely to continue their upward trend in the future, driven by very strong growth in industrial demand from the Pacific regi-

Global coal demand by region



Source: World Energy Outlook 2014, International Energy Agency on, population growth and generally increasing per capita consumption. The management of HMS Bergbau AG expects the Pacific region to continue growing in importance as a large sales market. As in previous years, the HMS Group is, therefore, increasing its strategic focus on Asia. It is the opinion of management that Indonesia will become one of the most important mining markets besides South Africa in the coming years as it has excellent resources, favourable mining conditions and a central location in the Pacific region. We see significant growth potential here, particularly for securing large coal resources in order to remain a reliable partner in volatile markets. By securing our own resources, we are aiming to guarantee supply in the long term for our end customers in both the Asian and southern African markets.

We anticipate rising prices in the global market. Securing our own resources, and consequently expanding the value chain to include all steps from production to end customer sales, therefore both play an essential part in strengthening our market position in the long term. Particularly in light of the known dangers of nuclear power and the current difficulties in realising the transition to renewable energies, we do not expect demand for fossil fuels to decline in Europe. Coal-generated electricity is a flexible form of energy supply and will retain its significance, in Europe and elsewhere. Our efforts in Europe continue to focus on renewing expired contracts and concluding new contracts with European power plant operators as well as expanding and consolidating our market position in niche products, such as coking coal and coke products. In Africa and Asia, we are focussing on building long-term relationships with suppliers and customers in order to share in the increasing importance of both regions in the world coal trade. In financial years 2017 and 2018, our principal task remains to regain market share in Europe while pushing ahead with the expansion of our business in Asia and Africa. At the same time, we need to adhere to our strategy of expanding the value chain, particularly by means of entering into and realising exclusive marketing and cooperation agreements, as well as developing internal capabilities.

We had a relatively promising start to financial year 2017. The focus is thereby on our global positioning, above all in South Africa, India and Indonesia. Along with increasing business volumes, HMS Bergbau AG's activities are focused on improving its positioning in the markets and divisions that are strategically important for the Group. Along with the coal business, we continue to focus on the expansion of trading in other commodities, such as ores, fertilizers and cement products. These trading activities are set to become another pillar for HMS Bergbau AG in the medium term.

At the start of the current financial year, HMS Bergbau AG significantly expanded its operational activities in South Africa through its wholly-owned subsidiary HMS Bergbau Africa (Pty) Ltd. By signing a memorandum of understanding (MoU) with Shumba Energy, Botswana, HMS Bergbau secured future exclusive access to more than two billion tonnes of high-quality coals. The contract provides for the exclusive marketing of the coals by HMS Bergbau AG's international network of partners. Both parties expect the first deliveries to be made from 2019. An exclusive marketing agreement was also concluded with a significant and reliable producer in Indonesia. The group also has further exclusive marketing agreements in South Africa and Asia, significantly increasing its operational activities in these regions. Once again, HMS Bergbau AG's global marketing network, high level of expertise in the field of raw material logistics and international positioning as a reliable trading partner contributed to the successful conclusion of these agreements. Along with an increase in business volumes in South Africa, HMS Bergbau AG expects these contracts to have positive effects and improve its positioning in the international coal market.

It is the opinion of management that, thanks to its flexible structures, HMS Bergbau AG was able to manage the difficult market conditions in recent years very effectively. Meanwhile, the Company entered new markets in the course of its vertical and horizontal integration, which should result in improved earnings, and allow HMS Bergbau AG to increase its long-term market share and profit from the emerging positive trend on commodities markets. In the current financial year, management therefore anticipates a further slight increase in sales revenues along with continuing attractive gross margins as a result of the greater vertical and horizontal integration of the Company's trading business. A positive annual result at the high level seen in 2016 is expected in financial year 2017.

9. Main features of the remuneration system

The Supervisory Board decides upon the remuneration system for the Management Board of HMS Bergbau AG, including all material contractual elements, and reviews it regularly. It also determines remuneration for individual Management Board members. Management Board remuneration comprises fixed elements along with variable, performance-related components. Fixed remuneration is paid as a monthly salary, regardless of performance. Management Board members also receive additional non-cash benefits, which mainly consist of the private use of a company car and are taxable. Performance-related remuneration is dependent on the Company's annual result and the personal performance of the Management Board member in question. The remuneration of the Chief Executive Officer also includes pension commitments.

10. Hedges

In the reporting period, the HMS Group engaged in a number of hedging transactions based on individual physical transactions.

11. Closing statement in accordance with Section 312 (3) German Stock Corporation Act (AktG)

HMS Bergbau was not dependent on any other companies within the meaning of Section 312 (3) AktG In the reporting period.

12. Forward-looking statements

The management report includes forward-looking statements that reflect the current opinion of HMS Group's management with regard to future events. Any statement contained in this report reflecting or building upon intentions, assumptions, expectations, forecasts and underlying assumptions is a forward-looking statement. These statements are based upon plans, estimates and forecasts that are currently available to HMS Group's management. They therefore only refer to the point in time at which they were made. Forward-looking statements are naturally subject to risks and uncertainties, which could result in actual developments differing significantly from these forward-looking statements or events implied or expressed therein. HMS Group does not assume any responsibility for such statements and does not intend to update such statements in view of new information or future events.

Berlin, Germany, 30 March 2017

Heinz Schernikau	Steffen Ewald
CEO	CFO


HMS
Bergbau AG
coal illuminates life

Consolidated Balance Sheet as of 31 December 2016

Assets

		31/12/2016	31/12/2015
	EUR	EUR	EUR
A. Non-current assets			
I. Intangible assets			
1. Licences, industrial property rights, similar rights and values and licences in such rights and values	7,829.87		15,220.53
2. Company value	105,078.03		155,515.49
		112,907.90	**170,736.02**
II. Fixed assets			
1. Other equipment, office and factory equipment	130,720.34		169,863.43
2. Advance payments and assets under construction	3,381,371.39		2,423,515.31
		3,512,091.73	**2,593,378.74**
III. Financial assets			
Shares in associated companies		428,204.36	25,000.00
		4,053,203.99	**2,789,114.76**
B. Current assets			
I. Inventories			
1. Products		1,120,589.27	0.00
II. Receivable and other assets			
1. Trade receivables	24,157,951.47		19,636,968.07
2. Receivables from associates	147,362.13		0.00
3. Other assets -thereof from shareholders EUR 604 thousand (previous year: EUR 0 thousand)	9,873,414.36		8,251,507.41
		34,178,727.96	**27,888,475.48**
III. Cash and cash equivalents		1,564,174.59	1,360,955.30
		36,863,491.82	**29,249,430.78**
C. Accruals and deferrals		**78,355.38**	**63,265.32**
		40,995,051.19	**32,101,810.86**

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	EUR	31/12/2016 EUR	31/12/2015 EUR
A. Shareholders' equity			
I. Subscribed equity		**4,205,496.00**	**4,201,096.00**
II. Capital reserve		**3,936,489.88**	**3,906,305.88**
Paid In Capital		**8.141.985,88**	**8.107.401,88**
III. Profit reserves			
1. Statutory reserve	5,112.92		5,112.92
2. Other profit reserves	273,158.45		273,158.45
		278,271.37	**278,271.37**
IV. Consolidated net profit/loss	-4,118,219.59		-4,387,475.77
V. Exchange differences	-142,010.96		-184,691.03
		-4,260,230.55	-4,572,166.80
		4,160,026.70	**3,813,506.45**
B. Provisions			
1. Pension provisions and similar obligations	5,721,734.89		6,599,218.00
2. Tax provisions	423,393.52		97,739.66
3. Other provisions	445,324.61		278,175.82
		6,590,453.02	**6,975,133.48**
C. Liabilities			
1. Liabilities to banks	5,908,964.65		3,337,331.52
2. Trade payables	17,953,905.48		13,882,274.91
3. Other liabilities - thereof from taxes EUR 666 thousand (previous year: EUR 33 thousand) - thereof from shareholders EUR 2.430 thousand (previous year: EUR 1,573 thousand)	6,372,203.27		4,093,564.50
		30,235,073.40	**21,313,170.93**
D. Accurals and deferrals		**9,498.07**	**0.00**
		40,995,051.19	**32,101,810.86**

Consolidated Income Statement 2016

			2016 EUR	2015 EUR
1.	Sales		178,017,846.08	111,979,263.24
2.	Other operating earnings		436,766.67	5,604,278.30
		- thereof from currency translation: EUR 309 thousand (previous year: EUR 231 thousand)		
			178,454,612.75	117,583,541.54
3.	Cost of materials			
		Costs for raw materials and supplies and for goods purchased	-171,161,593.23	-110,007,692.33
		Cost for services purchased	0.00	-94,055.28
			-171,161,593.23	-110,101,747.61
4.	Personnel costs			
	a)	Wages and salaries	-1,485,191.69	-1,616,000.41
	b)	Social security costs and pension support costs - thereof for pensions EUR 99 thousand (previous year: EUR -429 thousand)	-50,998.74	-579,519.55
			-1,536,190.43	-2,195,519.96
5.	Amortisation			
		Amortisation of intangible assets and fixed assets	-119,094.26	-119,741.45
6.	Other operating expenses - thereof from currency translation: EUR 140 thousand (previous year: EUR 874 thousand)		-3,956,602.65	-3,807,674.54
7.	Earnings from associated companies		11,727.58	0.00
8.	Other interest and similar earnings		106,098.29	212,878.19
9.	Depreciation of financial assets and securities held as current assets		-24,999.00	0.00
10.	Interest and similar expenses - thereof from discounting of pension obligations: EUR 655 thousand (previous year: EUR 562 thousand)		-1,196,688.96	-1,047,348.16
11.	Income taxes		-305,981.99	-342,920.86
12.	**Earnings after taxes**		**271,288.10**	**181,467.15**
13.	Other taxes		-2,031.92	-2,831.95
14.	**Net profit for the period**		**269,256.18**	**178,635.20**
15.	Profit- / loss carryforward		-4,387,475.77	-4,566,110.97
16.	**Consolidated balance sheet profit / loss**		**-4,118,219.59**	**-4,387,475.77**
	Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)		**1.811.954,02**	**1.478.599,43**
	Earnings Before Interest and Taxes (EBIT)		**1.692.859,76**	**1.358.857,98**

Consolidated Cash Flow Statement 2016

	2016 EUR thousand	2015 EUR thousand
1. Cash flow from current operating activities		
Net earnings for the period (in the previous year Including share attributable to minority interests)	269	179
Depreciation of fixed assets	144	120
Decrease (prev. increase) in provisions	-385	2.402
Income from the disposal of consolidated subsidiaries	-12	0
Other non-cash expenses/income	-620	-1,233
Change in inventories, trade receivables and other assets	-7,279	-1,771
Increase (prev. decrease) in inventories, trade payables and other liabilities	6,360	-2,247
Interest expense/interest income	436	834
Income tax expense/tax benefit	306	343
Income tax payments	-20	-245
Other	0	36
Cash flow from current operating activities	**-800**	**-1,583**
2. Cash flow from investment activities		
Cash outflow for investments in property, plant and equipment	-1,043	-1,317
Cash inflow from disposals of fixed assets	4	0
Cash outflow for investments in intangible assets	0	-10
Cash outflow for investments in associated companies	-416	0
Cash outflow for payments for investments in holdings	0	-25
Cash flow from investment activities	**-1,456**	**-1,352**
3. Cash flow from financing activities		
Proceeds from supplying of equity	35	611
Cash flow from financing activities	**35**	**611**
4. Cash and cash equivalents at the end of the period		
Changes affecting payment (Subtotals 1 – 3)	-2,221	-2,324
Cash and cash equivalents at the start of the period	-1,976	348
Cash and cash equivalents at the end of the period	**-4,197**	**-1,976**
5. Composition of cash and cash equivalents		
Cash and cash equivalents	1,564	1,361
Current liabilities	-5,909	-3,337
Cash and cash equivalents at the end of the period	**-4,345**	**-1,976**

Consolidated Statement of Changes in Shareholders' Equity 2016

	Group's Equity				
	Subscribed capital common shares	Capital reserve	Generated consolidated shareholders' equityl	Accumulated other consolidated net earnings from balancing item from currency conversion	Group's share
	EUR	EUR	EUR	EUR	EUR
31/12/2014	4,121,693.00	3,375,014.97	-4,287,839.60	119,657.59	3,328,525.95
Changes in the basis of consolidation	79,403.00	531,290.91	0.00	0.00	610,693.91
Other changes	0.00	0.00	0.00	-304,348.62	-304,348.62
	4,201,096.00	3,906,305.88	-4,287,839.60	-184,691.03	3,634,871.24
Consolidated net income / loss	0.00	0.00	178,635.20	0.00	178,635.19
31/12/2015	4,201,096.00	3,906,305.88	-4,109,204.40	-184,691.03	3,813,506.43
Changes in the basis of consolidation	4,400.00	30,184.00	0.00	0.00	34,584.00
Other changes	0.00	0.00	0.00	42,680.07	42,680.07
	4,205,496.00	3,936,489.88	-4,109,204.40	-142,010.96	3,890,770.50
Consolidated net income / loss	0.00	0.00	269,256.18	0.00	269,256.18
31/12/2016	4,205,496.00	3,936,489.88	-3,839,948.22	-142,010.96	4,160,026.68

Statement of Changes in Current Assets as of December 31 , 2016

	Costs						
	01/01/2016	Currency conversion	Change in the basis of consolidation	Additions	Disposals	Reclassifi-cations	31/12/2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets							
1. Licences, industrial property rights, similar rights and values and licences in such rights and values	29,789.79	-76.24	0.00	201.64	0.00	0.00	29,915.19
2. Goodwill	252,187.29	0.00	0.00	0,00	0.00	0.00	252,187.29
	281,977.08	-76.24	0.00	201.64	0.00	0.00	282,102.48
II. Property, plant and equipment							
1. Other equipment, office and factory equipment	551,799.97	3,940.05	0.00	23,595.95	5,991.60	0.00	573,344.37
2. Deposits paid / plant under construction	2,423,515.31	-61,542.25	0.00	1,019,398.33	0.00	0.00	3,381,371.39
	2,975,315.28	-57,602.21	0.00	1,042,994.28	5,991.60	0.00	3,954,715.75
III. Investments							
Investments	63,347.89	0.00	11,727.58	416,475.78	0.00	0.00	491,551.25
	3,320,640.25	**-57,678.45**	**11,727.58**	**1,459,671.70**	**5,991.60**	**0.00**	**4,728,369.48**

	Accumulated amortisation and depreciation							Book values	
	01/01/2016	Currency conversion	Change in the basis of consolidation	Additions	Disposals	Reclassifi-cations	31/12/2016	31/12/2016	31/12/2015
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	14,569.26	0.00	0.00	7,516.06	0.00	0.00	22,085.32	7,829.87	15,220.53
	96,671.80	0.00	0.00	50,437.46	0.00	0.00	147,109.26	105,078.03	155,515.49
	111,241.06	0.00	0.00	57,953.52	0.00	0.00	169,194.58	112,907.89	170,736.02
	381,936.53	1,597.91	0.00	61,140.40	2,050.80	0.00	442,624.04	130,720.33	169,863.44
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,381,371.39	2,423,515.31
	704,540.00	1,597.91	0.00	61,140.40	2,050.80	0.00	442,624.04	3,512,091.71	2,593,378.75
	38,347.89	0.00	0.00	24,999.00	0,00	0.00	63,346.89	428,204.36	25,000.00
	854,128.95	**1,597.91**	**0.00**	**144,092.92**	**2,050.80**	**0.00**	**675,165.51**	**4,053,203.97**	**2,789,114.77**

Notes to the Consolidated Financial Statements

HMS Bergbau AG, Berlin

Financial Year 2016

I. General company information

HMS Bergbau is headquartered in Berlin, Germany. The company is entered in the com-mercial register of the Berlin-Charlottenburg Local Court under number HRB 59190.

II. General information on the content and structure of the consolidated financial statements

HMS Bergbau AG is **a large stock corporation** within the meaning of Section 267 (3) of the German Commercial Code (HGB).

The consolidated financial statements of HMS Bergbau AG for financial year 1 January to 31 December 2016 were prepared in accordance with German commercial law and the additional regulations of the German Stock Corporation Act (AktG), applying the relevant regulations of the German Accounting Directive Implementation Act (BilRUG).

The financial year of the Group and all companies included in the consolidated financial statements corresponds to the calendar year.

In accordance with Section 297 (1) HGB, the balance sheet, income statement, notes as well as cash flow statement and statement of changes in shareholders' equity were presented separately.

The income statement was prepared using the total cost method.

The first-time application of the amended definition of revenue stipulated in Section 277 (1) HGB in the version of the BilRUG results in a change in the presentation of revenue. If Section 277 (1) HGB in the version of the BilRUG had been applied in 2015, the previous year's figure to be reported as revenue would have amounted to EUR 115,737 thousand.

The structure of the income statement has been adjusted to reflect the elimination of the items extraordinary income and expenses according to the BilRUG. The amounts from previous years disclosed in the eliminated items were reclassified accordingly. The addition of the amount adjusted pursuant to the BilMoG for pension provisions in the amount of EUR 223 thousand is now disclosed in other operating expenses.

III. Basis of consolidation

1. Information on all Group companies

All German and foreign associated subsidiaries were included in the consolidated financial statements.

Name	Headquarters	Share in %	Shareholder's equity EUR thousand	Annual result EUR thousand
HMS Bergbau AG Iron Ore Division	Berlin	100	8	-2
HMS Bergbau Africa (Pty) Ltd.	Johannesburg	100	63	331
HMS Bergbau Singapore (Pte) Ltd.	Singapore	100	785	26
PT. HMS Bergbau Indonesia	Jakarta	100	-3.660	60
Silesian Coal S.A.	Katowice	100	-612	-254
Zamfin Capital (Pty) Ltd	Paarl	25.1	8,643	12

2. Investments

The parent company holds direct or indirect shares in the following investments:

- Zamfin Capital (Pty) Ltd, Paarl, South Africa
- Carbo-KH, Kemrowo, Russia (inactive)
- Masawu Coal (Pty) Ltd., South Africa
- STELNA Holding GmbH, Vienna (inactive)
- Studzionka Coal Production sp. z o.o., Katowice (inactive)

The shares (25.1 %) in Zamfin Capital (Pty) Ltd, Paarl, were acquired in 2016. The payment of the purchase price (EUR 1,388 thousand) is subject to the occurrence of certain condition precedents (including the development of specific infrastructure and occurrence of certain operating criteria). As of the balance sheet date, a total of EUR 416 thousand had been paid. The occurrence of the agreed conditions for payment of the residual purchase price is uncertain and currently viewed as unlikely. The company is included in the consolidated net earnings as an associated company, contributed pro-rata earnings of EUR 12 thousand to the consolidated net earnings, and reported equity of EUR 8,643 thousand as of 31 December 2016.

IV.Consolidation principles

The annual financial statements of the consolidated subsidiaries were prepared on 31 December 2016, the same balance sheet date as the parent company.

The annual financial statements of the German subsidiaries were all prepared in accordance with German commercial law and the accounting and valuation principles of HMS Bergbau AG.

The annual financial statements of the foreign subsidiaries were prepared in accordance with the applicable laws of each country. They were reconciled with the financial reporting standards of the parent company. The balance sheet and income statement structure was adjusted to match that of the parent company.

The consolidated financial statements were prepared on the balance sheet date of the parent company.

1. Capital consolidation method

Pursuant to Section 301 (1) no. 1 HGB (old version), the capital of the fully consolidated companies for subsidiaries acquired prior to 1 January 2010 was consolidated on the date of acquisition according to the book value method by offsetting acquisition costs with the subsidiary's equity share at the time of acquisition or its initial consolidation. For subsidiaries acquired after 1 January 2010, the capital was consolidated on the date of acquisition according to the revaluation method pursuant to Section 301 (1) HGB. Shareholders' equity is measured at an amount equivalent to the present value of the assets, liabilities, accruals and deferrals, and special items included in the consolidated financial statements; this amount is to be reported at the time of acquisition.

2. Date of initial consolidation

The date on which capital, within the meaning of Section 301 (2) HGB, must be consolidated is always the date of foundation by the parent company. The capital of subsidiaries established before the financial year is therefore also consolidated according to the value of the company at the time it was founded. Any profit and loss generated by the subsidiaries before 1 January 2010 was included in and offset against the profit reserve of the parent company. This did not result in a difference within the meaning of Section 301 (1) HGB (old version) for these companies.

Companies acquired after 1 January 2010 are included pursuant to Section 301 (2) HGB at the time the company became a subsidiary.

3. Debt consolidation

Mutual receivables and liabilities between the consolidated companies are offset and eliminated when consolidating the company's debt. Potential differences from the consolidation of intragroup receivables and liabilities denominated in foreign currencies are recognised in equity without affecting income.

4. Consolidation of costs and earnings, elimination of intercompany profits

Intragroup sales are offset against correspond intragroup expenses.

Expenses and earnings from other business transactions between consolidated companies are also offset.

Intracompany profits from intragroup deliveries and services did not arise.

V. Currency conversion principles

The consolidated financial statements are prepared in euros, the functional and reporting currency of the parent company.

In accordance with Section 308a sentence 1 HGB, the balance sheets of foreign subsidiaries are converted at the spot exchange rate prevailing on the balance sheet date and their income statements at the average annual rate in accordance with Section 308a sentence 2 HGB. Shareholders' equity is converted at the historical rate.

Differences arising from currency conversion for assets and liabilities are recognised in equity without affecting income.

Differences arising from currency conversion of income statement items were reported under consolidated net earnings as costs or earnings.

VI. Accounting and valuation principles

Accounting and valuation

Die für den Konzernabschluss geltenden Vorschriften des § 298 HGB wurden beachtet.

The consolidated financial statements comply with the application regulations of Section 298 HGB.

Intangible assets are valued at cost less amortisation.

Items of property, plant and equipment are recognised at cost less straight-line depreciation over their expected useful lives.

Receivables and other assets are recognised at the lower of nominal value or fair value as of the balance sheet date.

Cash and cash equivalents were recognised at their nominal amounts.

Defined pension obligations are calculated according to the projected unit credit method, using the "2005 G" mortality tables compiled by Prof. Klaus Heubeck, assuming an unchanged employee turnover and salary tend of 0 %, a discount rate of 4.01 % (previous year: 4.31 %) and an unchanged pension trend of 2.0 %. Section 253 (2) und (6) HGB, revised version, were voluntarily applied as of 31 December 2015. The discount rate was selected on the basis of the ten-year average assessment. The difference between the seven-year average interest rate and the ten-year average interest rate, which is subject to a payout block (Section 253 (6) sentence 2 HGB, revised version) amounted to EUR 835 thousand. In the financial year 2010, due to the first-time application of the German Accounting Law Modernisation Act (BilMoG), the amount allocated for pension provisions, calculated in accordance with actuarial principles, came to EUR 3,341 thousand, which will be spread over a period of 15 years pursuant to Article 67 (1), sentence 1, of the Introductory Act to the German Commercial Code (EGHGB). EUR 1,559 thousand of this sum was allocated as of 31 December 2016. The remaining amount, which comes to EUR 1,782 thousand, will be recognised as an expense and recorded to pension obligations, in an annual amount of EUR 223 thousand until the year 2024.

Other provisions take into account all discernible risks and contingent liabilities and are recognised to the amount of the settlement value, i.e. including expected increases in prices and costs.

Liabilities are recognised at their settlement value.

The translation of business transactions concluded in foreign currencies is carried out using the spot exchange rate in accordance with Section 256a HGB.

VII. Notes on the consolidated balance sheet

The statement of changes in non-current assets shows the development of individual non-current assets.

Goodwill results from the shares (100 %) in Silesian Coal S.A acquired in 2014, the useful life of which amounts to five years.

Prepayments and work in progress relate to exploration and development costs linked to the acquisition of a mining licence for the coalfield in Orzesze, Poland.

As in the previous year, all receivables and liabilities have remaining terms of less than one year.

Deferred taxes arise largely from the difference in valuation of provision for pensions (EUR 1,063 thousand). The calculation of the temporary differences uses the corporation and business tax rates for the financial year of 30.18 %. Calculation of taxes as of 31 December 2016 once again, as on the previous year's balance sheet date, resulted in a deferred tax asset surplus. The company has exercised the option in Section 274 HGB not to capitalize the tax relief calculated.

Subscribed capital in the amount of EUR 4,370,000.00 is comprised of 4,370,000 common bearer shares with a nominal value of EUR 1.00 each. In the financial year, 4,400 treasury shares were sold to employees, each of which accounts for EUR 1.00 of share capital (EUR 4,400.00). The portfolio of treasury shares stood at 164,504 units as of 31 December 2016.

The capital reserve of EUR 3,936 thousand results from the difference between the nominal value and the issue price. The increase results from the sale of 4,400 treasury shares to employees.

Authorised capital amounts to EUR 2,185,000.00.

Subscription rights that may be exercised in future within the context of an employee option programme exist in the amount of 73,375, which may be issued via treasury shares.

Pension obligations stood at EUR 5,722 thousand after offsetting against claims related to assets solely serving to fulfil pension obligations, whose fair value amounted to EUR 1,166 thousand as of the balance sheet date. In the financial year, EUR 1,430 thousand was invested in favour of those entitled to a pension within the framework of a management and collateral trust agreement. The amount was invested in a bank account and in a DWS equity fund securities account. The fair value (EUR 1,116 thousand) results from the nominal amount of the bank account and of the spot rate of the equity fund. EUR 4 thousand was recognised as an expense related to the valuation of the plan assets in the financial year. In 2016, pensions amounting to EUR 480 thousand were paid, part of which was issued from the trust assets.

Other provisions mainly concern acquisition costs of EUR 90 thousand, Supervisory Board remuneration of EUR 44 thousand and personnel provisions of EUR 246 thousand.

EUR 334 thousand of the liabilities to banks, and EUR 809 thousand of other liabilities have a remaining term of more than one year but less than five years; all other liabilities have terms of less than one year.

Contingent liabilities within the meaning of Section 251 HGB

HMS Bergbau AG concluded a letter of intent with duisport agency GmbH in which it undertook to settle the financial obligations of HMS Bergbau AG Coal Division relating to a coal handling and processing contract with duisport agency GmbH. It is not currently expected that this letter of intent will be utilised.

Other financial obligations

On 31 December 2016, the Group's purchase obligations from traded contracts amounted to EUR 29,496 thousand, all relating to 2017.

Additional other financial liabilities largely arise from rental and leasing agreements. The maturities of liabilities are as follows:

Up to 1 year	EUR	1,187 thousand
Between 1 and 5 years	EUR	133 thousand
More than 5 years	EUR	0 thousand

VIII. Notes on the consolidated income statement

Sales of EUR 178,018 thousand were generated in the financial year, mainly from the trade in coal products such as steam coal, coking coal and anthracite. Broken down by region, sales were generated in Asia (60 %), Africa (36 %) and Europe (4 %).

Cost of materials is attributable to the global purchase of steam coal, coking coal and anthracite.

Other operating earnings primarily include earnings from currency translation as well as other refunds.

Other operating expenses result primarily from legal and consulting expenses (EUR 372 thousand), vehicle and travel expenses (EUR 705 thousand), delivery costs (EUR 1,874 thousand), occupancy costs (EUR 224 thousand), currency translation (EUR 140 thousand) as well as the 1/15th of the addition to pension provisions (EUR 223 thousand) resulting from the change in valuation pursuant to Section 253 (1) sentence 2 HGB.

The financial result includes interest expenses on pension obligations of EUR 655 thousand.

IX. Notes on the consolidated cash flow statement

Cash and cash equivalents include cash and liabilities to banks due on request as well as short-term borrowings associated with the disposition of cash and cash equivalents.

X. Other notes

1. Names of the Management Board and Supervisory Board

During the last financial year, the company's transactions were conducted by the Management Board, whose members are as follows:

- Herrn Heinz Schernikau, CEO,
- Herrn Steffen Ewald, CFO

With regard to remuneration-related disclosures for the Management Board, the option provided for in Section 286 (4) HGB was exercised and the disclosures omitted.

During the financial year, the Supervisory Board was composed of the following members:

- Herr Dr. Hans-Dieter Harig; Ingenieur, im Ruhestand, Chairman
- Herr Dr. h.c. Michael Bärlein; Rechtsanwalt, Berlin, Deputy Chairman
- Frau Michaela Schernikau; Kauffrau, Managing Director, Berlin.

Dr Hans-Dieter Harig was still a member of the Supervisory Board of Rheinkalk GmbH, Wülfrath, in the financial year.

In the financial year, Michaela Schernikau was also a member of the Supervisory Boards of the following companies: HMS Bergbau AG Iron Ore & Metals Division, Berlin; HMS Bergbau AG Coal Division, Berlin; and S+O Mineral Industries AG, Frankfurt am Main.

2. Remuneration of members of the boards

With regard to remuneration-related disclosures for the Management Board, the option provided for in Section 286 (4) HGB was exercised and the disclosures omitted.

The members of the Supervisory Board received remuneration in 2016 for their activities in 2014 and 2015 amounting to EUR 100 thousand. Remuneration for 2016 was taken into account with a corresponding allocation to provisions of EUR 44 thousand.

3. Auditor's fee

The auditor's fee came to EUR 48 thousand. In addition, other services in the amount of EUR 10 thousand were performed by the auditor in 2016.

4. Annual average number of employees

An average of 29 employees (11 female, 18 men) were employed in financial year 2016.

5. Exemption from publication in the electronic Federal Gazette (elektronischer Bundesanzeiger)

HMS Bergbau AG Iron & Ore & Metals Division is a wholly owned subsidiary of HMS Bergbau AG and is presented and included in the consolidated financial statements of HMS Bergbau AG.

HMS Bergbau AG Iron & Ore & Metals Division exercises the exemption option regarding publication in the electronic Federal Gazette provided for in Section 264 III HGB.

6. Events after the balance sheet date

In the agreement dated 23 January 2017, all shares in HMS Bergbau AG Coal Division were acquired at a purchase price of EUR 50 thousand. The preliminary difference arising from capital consolidation amounts to EUR 3,771 thousand. The acquisition aims to expand European business and trading with coking coal and anthracite.

Heinz Schernikau
Vorstandsvorsitzender

Steffen Ewald
Finanzvorstand

Auditor's report

We issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by HMS Bergbau AG, Berlin, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity, together with the group management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with [German] principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks relating to future development."

Berlin, 24. April 2017

PANARES GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Wenning

Wirtschaftsprüfer

[German Public Auditor]

Legal notice

The report includes forward-looking statements that reflect the current opinion of HMS Bergbau AG's management with regard to future events. Any statement contained in this report reflecting or building upon intentions, assumptions, expectations, forecasts and underlying assumptions is a forward-looking statement. These statements are based upon plans, estimates and forecasts that are currently available to HMS Bergbau AG's management. They therefore only refer to the day on which they were made. Forward-looking statements are naturally subject to risks and uncertainties, which could result in actual developments differing significantly from these forward-looking statements or events implied or expressed therein. HMS Bergbau AG does not assume any liability for such statements and does not intend to update such statements in view of new information or future events. This annual report of HMS Bergbau AG does represent annual financial statements in accordance with German commercial law and the regulations of the German Stock Corporation Act; information or figures contained in this report have been subject to an official audit by an auditor. This report is for reference only within the scope of HMS Bergbau AG's disclosure obligations in accordance with the general terms and conditions of Deutsche Börse AG concerning OTC trading on the Frankfurt Stock Exchange.

The English version of the annual report and the consolidated financial statements 2015 of HMS Bergbau AG is a one-to-one translation. The English version is not audited; in the event of variances, the German version shall take precedence over the English translation.

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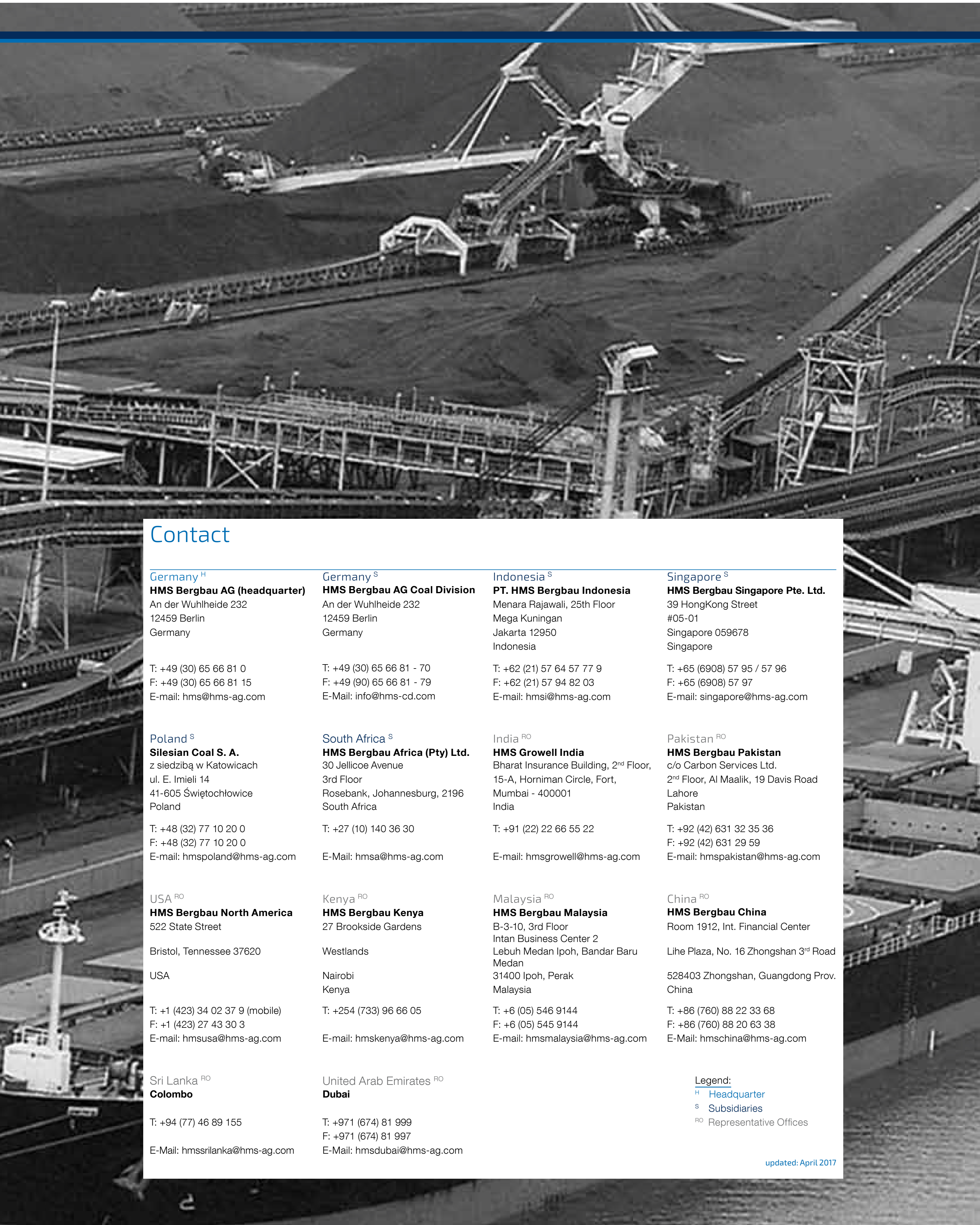

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