HMS Bergbau AG

coal illuminates life

Annual Report 2019

Group key figures

Balance sheet figures	31/12/2019 EUR thousand	31/12/2018 EUR thousand
Total assets	51,120	59,129
Non-current assets	15,337	15,110
Current assets	34,334	42,053
Shareholders' equity	15,300	9,500
Provisions	8,647	7,690
Liabilities	27,173	41,938

Income statement figures	2019 EUR thousand	2018 EUR thousand
Sales	215,423	254,204
EBITDA	2,091	2,086
Net profit*	513	1,453

**2019 net profit of EUR 1,508,074.11, excluding EUR 862,823.81 of pension provisions (2018: pension provisions of EUR 880,521.36)*

Finance Calendar

	Expected date
Start of the financial year	1 January 2020
Annual General Meeting	20 August 2020
Interim Report 2020	30 September 2020
End of the financial year	31 December 2020
Annual financial statements 2020	30 June 2021

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The English version of the annual report and the consolidated financial statements 2019 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 Shareholders

Dear Ladies and Gentlemen,

The 2019 financial year was continually marked by trade conflicts and concerns of a global recession. IMF economic forecasts, which had been reduced repeatedly during the year, also prompted significant reductions in coal prices.

Despite a relatively challenging market environment in 2019, HMS Bergbau AG continued its strategy of expanding its business activities to include additional raw materials such as manganese ore, chrome ore, clinker, phosphates, metals, fertilisers and cement products, with the aim of developing into an international raw materials trading group. Nevertheless, the international coal business, for which HMS Bergbau AG has amassed global expertise in mapping the entire value chain over decades, continued to be the focus of the Group's operating activities in the reporting period.

Despite relatively volatile commodity markets, HMS Bergbau AG increased its trading volumes thanks to its international business activities. These higher volumes however were not enough to compensate for the sharp fall in coal prices. As a result, our total output in the 2019 reporting period amounted to EUR 215 million compared to EUR 255 million in the same period of the prior year. Sales in 2019 were influenced by the strength in the trading business in Asia and higher tonnage but, at the same time, significantly lower coal prices. As in the prior year, Asia and Africa accounted for the majority of the Group's trading volume, with a share of roughly 92 per cent. Despite lower sales, EBITDA in 2019 was almost identical to the level reported for 2018. Earnings before interest, taxes, depreciation and amortisation in the 2019 reporting period amounted to EUR 2,091 thousand compared to EUR 2,086 thousand in the prior year. Net profit for the period as at 31 December 2019 amounted to EUR 517 thousand.

Total assets declined sharply from EUR 59.1 million as at 31 December 2018 to EUR 51.1 million as at the 31 December 2019 reporting date. This decrease was primarily the result of a reporting date-related reduction in trade receivables on the asset side of the balance sheet and a reduction in trade payables on the liabilities side. Equity improved significantly, rising from EUR 9.5 million on 31 December 2018 to EUR 15.3 million on the 31 December 2019 reporting date, resulting in an equity ratio of around 29 per cent.

In view of the Company's medium to long-term objectives, the energy markets are developing positively. Due to the steady increase in world energy consumption in recent years, the importance of coal as a fossil fuel is set to remain at the current level in the coming decades, if not increase. Above all, China, Indonesia and India are expected to continue to be major consumers of coal. Despite temporarily lower price levels, management is confident that coal and raw material prices will return to their higher price levels again in the future, driven by the strong growth in industrial demand from the Pacific region coupled with global population growth and an overall increase in per capita energy consumption. The reason for this is that without the flexible conversion of coal into electricity, these countries would not be able to achieve the same level of prosperity and economic growth.

HMS Bergbau AG's activities are therefore focused on not only expanding its business volumes in established markets but above all on improving its market position in the regions strategically important for the Group, such as South Africa, India and Indonesia. At the same time, the Group's initial activities in China and the USA have been opening up new business opportunities. The development of the US subsidiary has been exceptionally positive and has supported the establishment of new business partners.

Even though coal as an energy source is increasingly viewed negatively in Western industries, we believe that HMS Bergbau AG is making a major contribution to the economic development of many developing countries that were explicitly excluded from the global resolutions on CO2 reduction under the Paris Climate Agreement. This exclusion stemmed from the lack of alternatives to coal in these countries for their basic energy supply. Often these countries lack the financial resources as well as the necessary capacity for wind or solar energy. For this reason, all current UN resolutions support the use of fossil fuels in emerging countries until viable alternatives are available to them. These countries include Bangladesh, Pakistan, Vietnam and other countries such as China and India. By supplying these countries, which represent approximately 90 per cent of HMS Bergbau AG's trading volume, we are not only contributing to these countries' economic development but also making an active indirect contribution to achieving the goals of the Paris Climate Agreement.

HMS Bergbau AG's support for the Paris Climate Agreement is accompanied by its aim to continue to actively contribute to climate protection. The Company intends to have its operational activities climate-neutral certified by the year 2025. To achieve this, it hired independent analysts to determine the CO2 balance and carbon footprint of the HMS Group, including all locations. The calculation of CO2 emissions includes factors such as energy and water consumption, travel expenses, the Company's own goods transport, as well as the commute to and from work of its approximately 35 employees. These factors will be offset annually with immediate effect. To compensate, the Company acquires shares in international climate protection projects – reported according to Gold Standards – that aim at sustainably reducing greenhouse gases while working towards the UN's climate goals.

With the outbreak of the corona pandemic, several countries were subjected to curfews and contact bans. According to the IMF and OECD, the period of lockdown, which brought public life to a standstill in many countries, will lead to a deep global recession this year, which is expected be far more pronounced than the recession in 2019. According to the experts, the situation in the emerging and developing countries is particularly severe, as their financial requirements reach up to a level of at least USD 2.5 trillion.

The IMF also expects the economic development in the USA, the world's largest economy, to drop 5.9 per cent in 2020. The eurozone economy is expected to shrink by 7.5 per cent. According to the IMF, the emerging and developing countries together are likely to lose one per cent of their output. Whether a recovery is possible in 2021 depends largely on the course of the pandemic.

HMS Bergbau AG is also subject to the global effects of the coronavirus, which cannot yet be quantified. It is equally difficult to make reliable plans for the Company's economic development. Nevertheless, in the view of the HMS Bergbau AG management, the medium-term prospects are promising. The Company's international positioning and continually growing range of services should enable it to generate better results and achieve higher sales volumes in the future. The basic prerequisites for the planning of HMS Bergbau AG are relatively free markets without major trade restrictions and the successful containment of the corona pandemic.

Berlin, April 2020

Heinz Schernikau	Steffen Ewald	Dennis Schwindt
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

Chief Executive Officer

Heinz Schernikau, CEO of HMS Bergbau AG, 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.

Chief Financial Officer

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.

Chief Operating Officer

Dennis Schwindt (COO) holds a degree in Economics from the Humboldt-University in Berlin. At HMS Bergbau AG, he has been managing several operating projects within the commodity trading area as the company's authorised representative since 2012. He gained extensive experience in engineering and in the oil and gas industries from his previous positions at medium-sized German companies and international groups.

Report of the Supervisory Board

Dear Ladies and Gentlemen,

During the 2019 financial year, the Supervisory Board of HMS Bergbau AG carried out its tasks as stipulated by law and the Company's Articles of Association and continuously monitored and advised the Management Board in its work. The Supervisory Board obtained comprehensive information on the current economic and financial position of the Group; its business per-for-mance; financial, investment and personnel planning as well as its strategic development at regular board meetings and through additional verbal and written reports submitted to the Supervisory Board by the Management Board. The reports also pertained to the current earnings situation, opportunities and risks and risk management. The Supervisory Board discussed all fundamentally important decisions indepth with the Management Board. The Supervisory Board 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 when required by law or the Articles of Association.

Key items of discussion in the meetings

The Supervisory Board of HMS Bergbau AG held a total of 4 meetings in the 2019 financial year. 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 between meetings about important matters. Where necessary, resolutions were passed by circular procedure.

As in prior years, the Supervisory Board meetings in the 2019 financial year were centred on the Group's strategic focus and corporate planning, the corresponding adjustments to the organisational structure and personnel at the Company and its subsidiaries. The strategic position of the Silesian Coal International Group of Companies S.A., the funding of operational activities, the international footprint of the HMS Group, the development and price trends in the global coal markets were regular topics for discussion at the meetings. The Supervisory Board also dealt with options relating to the financing of the local subsidiaries' trading activities and the provision of the necessary guarantees by HMS Bergbau AG. Questions regarding environmental protection, the know-your-client processes, global CO^2 developments as well as sustainable management, including their implementation in trade contracts, were also discussed in the Supervisory Board meetings.

HMS Bergbau AG is already making its contribution to achieving the goals of the Paris Climate Agreement. Worthwhile noting is that approximately 90% of HMS Bergbau AG's exports go to developing countries. These countries were exempted in the Paris Climate Agreement from the global resolutions on CO^2 reduction in the interest of the climate. The rationale behind these exceptions is the lack of alternatives to coal for basic energy supply. These countries often lack the financial resources as well as the sufficient capacities for wind and solar energy. Consequently, all UN resolutions support the developing countries in the use of fossil fuels until viable alternatives are available. In supplying these countries, we make a contribution to their economic development and thereby an active, albeit indirect, contribution to the Paris Climate Agreement's achievement. In addition, HMS Bergbau AG, has made it a goal to achieve CO^2 neutral operations by 2025.

We were informed regularly by the Management Board about general market developments, price and earnings forecasts and intended actions. The Management Board also presented us with potential future projects and discussed these with us. Important transactions approved by the Supervisory Board are described in the combined management report for the Company and the Group.

Personnel changes

The composition of the Supervisory Board remained unchanged in the 2019 financial year. At the Annual General Meeting on 7 August 2019, Dr Hans-Dieter Harig, Dr h. c. Michael Bärlein and Michaela Schernikau were discharged for the 2018 financial year. At the same time, all three members of the Supervisory Board were confirmed by their reelection at the Annual General Meeting.

The Management Board of HMS Bergbau AG continued to consist of three members during the 2019 financial year.

2019 annual financial statements

The annual and consolidated financial statements of HMS Bergbau AG for the 2019 financial year were prepared in accordance with provisions of the German Commercial Code (Handelsgesetzbuch – HGB). The Company's auditor for the 2019 financial year, PANARES GmbH Wirtschaftsprufungsgesellschaft Steuerberatungsgesellschaft, Berlin, was appointed to audit the annual and consolidated financial statements of HMS Bergbau AG, as well as the combined management report and the report of the Management Board on the relationships with associated companies in the 2019 financial year.

The auditor reviewed the annual and consolidated financial statements of HMS Bergbau AG and the combined management report for the Company and the Group, including the accounting system, in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) and issued unqualified audit opinions. The internal control system was also deemed to be effective.

All Supervisory Board members had access in due time to the annual and consolidated financial statements, the combined management report for the Company and the Group and the corresponding audit reports. The documents were reviewed and discussed in detail by the Supervisory Board at the meeting on 14 May 2020. 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 findings of the audit. Our own examination of the annual and consolidated financial statements, as well as the combined management report for the Company and the Group, did not lead to any objections, and we approved the audit results. After its final review 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 2019 and the consolidated financial statements as of 31 December 2019, as prepared by the Management Board, at its meeting on 14 May 2020. The 2019 annual financial statements have therefore been adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

On 14 May 2020, the Management Board proposed to carry the full amount of HMS Bergbau AG's remaining unappropriated retained earnings of EUR 2,888,913.53 forward to the new account. We also examined and approved this proposal.

There were no conflicts of interest of members of the Supervisory Board during the reporting period.

The Supervisory Board would like to thank the Management Board and all employees for their commitment and dedication in the 2019 financial year.

Berlin, March 2020

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 the Capital Markets in 2019

The 2019 trading year was a positive one on the international stock markets. Stock markets in Europe, the United States and in the emerging markets posted significant gains – in some cases of almost 30 per cent – despite a deterioration in global economic data and fiercer trade wars between the United States and China and the EU. Political decisions continued to shape stock market performance and global economic trends. The US and European central banks signalled their continued support of the capital markets with reduced key interest rates in the event of a deterioration in economic development, which further fuelled the positive trend in share prices. In the second half of 2019, the willingness to return to an expansive monetary policy in the face of muted growth forecasts was certainly a key driver of the global stock market rally. Once again, central bank policies, namely those of the ECB and the FED, had a considerable influence on the capital markets.

Economic risks were also priced into the bond markets in 2019. The global slowdown in economic momentum and a renewed increase in the risk of an Italian debt crisis led to negative yields on the ten-year German government bond. The bond's yield reached a low of minus 0.7% p.a.

A low level of interest rates on the bond market persisted throughout 2019. Low inflation and weaker growth momentum prompted the ECB to leave the key interest rates at 0.0 per cent, 0.25 per cent and minus 0.5 per cent, respectively, and continue to target a core rate of inflation of just under 2 per cent. After the European Central Bank ended its bond purchase programme to support the financial markets at the end of 2018, the ECB Council reintroduced the asset purchase programme in October 2019. As of 1 November 2019, asset purchases of roughly EUR 20 billion per month were reinstated. Here, too, the ECB justified its ongoing expansionary monetary policy, pointing to the below-target core inflation rate in the eurozone (the increase in prices, excluding food and energy) and the current economic risks.

After gradually abandoning its expansive monetary policy in 2018, the FED raised key interest rates to a corridor of 2.25-2.5 per cent. The FED subsequently cut interest rates on three occasions in the period from July to October 2019 to an interest rate corridor valid at that time of 1.5-1.75 per cent. The justifications for the repeated interest rate cuts included the absence of inflationary pressure and uncertainties regarding global economic development.

Overall, the conditions on the stock markets remain rather difficult. In addition to political risks, economic downturns could now also weigh on the capital markets.

Global economic growth lost momentum in 2019. Chief economists at the Organisation for Economic Cooperation and Development (OECD) repeatedly cut their economic forecasts in 2019 for the years 2020 and 2021. As recently as November 2019, the OECD had expected just a minor slowdown in global economic growth. The forecast for global economic output in 2020 and 2021 was still forecast to grow by 2.9 and 3.0 per cent, respectively.

The OECD also revised its 2019 forecast for the eurozone slightly higher to 1.2 per cent. As recently as November 2019, growth of 1.2 per cent (also revised slightly higher) had been expected for 2020 and 1.2 per cent (unchanged) for 2021.

The 2020 financial year through March – No reliable economic forecasts

With the outbreak of the corona pandemic, many countries were subject to curfews and bans on social contact. The lockdown, which brought public life to a standstill in many countries, will already lead to a global recession this year, according to IMF and OECD estimates. The recession is expected to be more severe than the downturn experienced in 2009. Experts view the situation in the emerging and developing countries as particularly dramatic, as the funding requirements of these countries amount to at least USD 2.5 trillion.

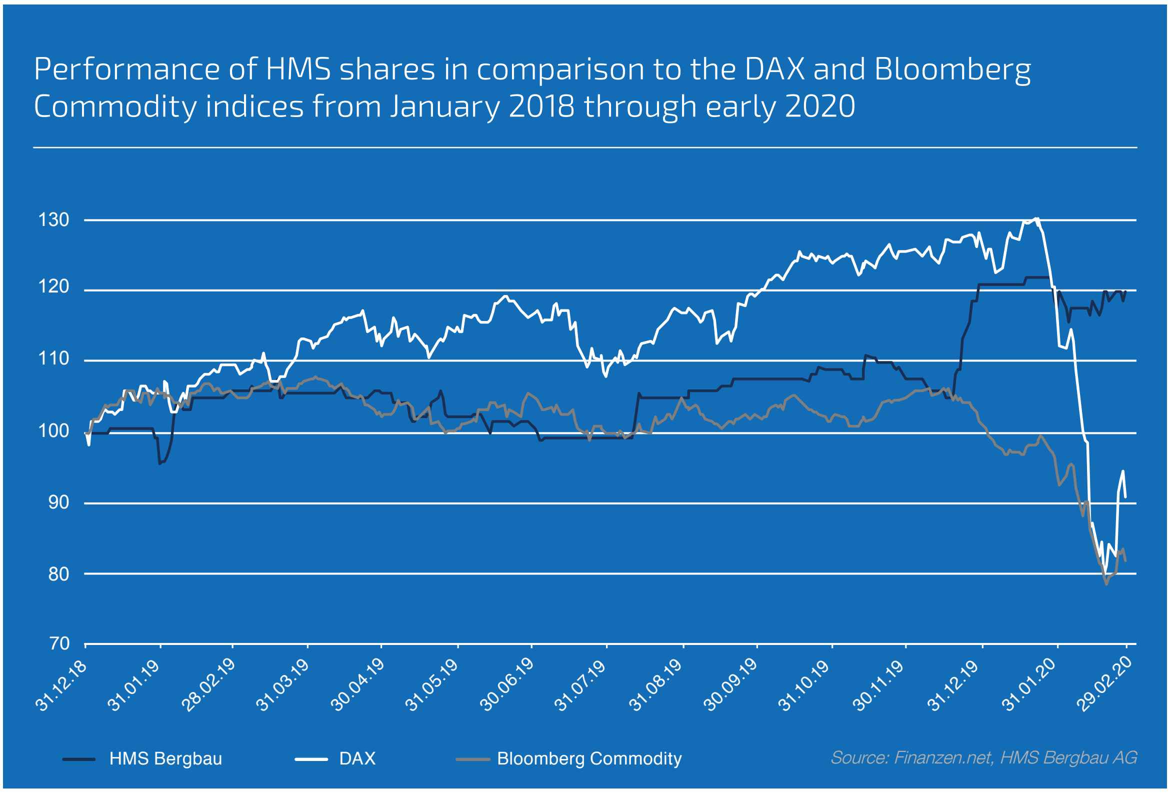
The public life standstill will cost about two percentage points of annual global growth overall, according to the

OECD experts. Initial revisions in economic forecasts will take place during the first half of 2020. Whether a recovery is possible in 2021 depends largely on the course of development of the corona pandemic.

Performance of the Stock Markets

Germany's key stock market index, the DAX, rose from 10,416 points to 13,249 points in 2019, equalling a significant increase of more than 25 per cent and making 2019 the best trading year since 2013.

After starting the 2020 trading year on a positive note, the DAX has tumbled by up to 40 per cent since February amid high volatility in response to the corona pandemic.



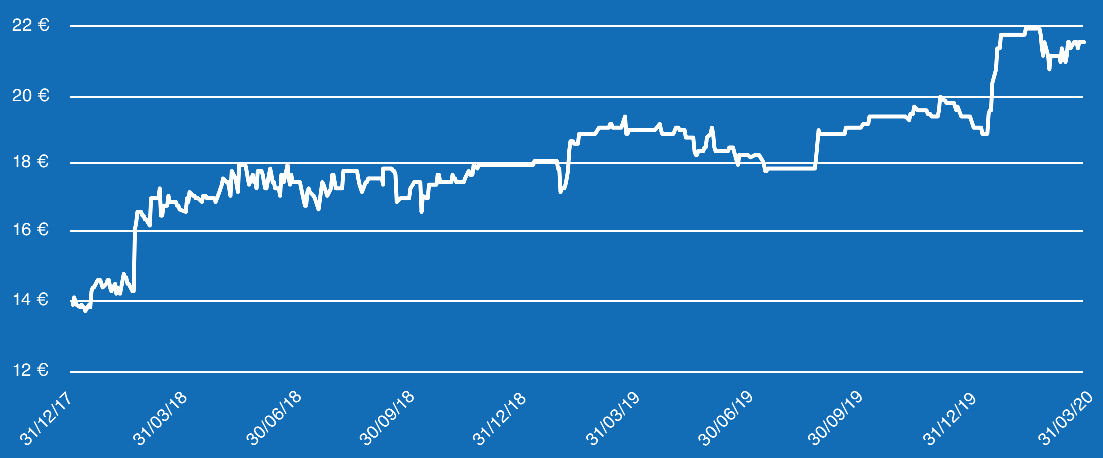
Performance of the HMS share

Compared to the DAX and the Bloomberg Commodity indices, the performance of HMS Bergbau AG shares since the end of 2017 has been very positive. Although HMS shares were not able to match their 40 to 50 per cent level of outperformance recorded in 2018, they still ended the 2019 trading year with a satisfying gain.

The HMS Bergbau AG share price rose from the 2018 year-end price of EUR 18.00 to EUR 19.10 at the end of the 2019 reporting period on 29 December, registering a continued appreciation in value of more than 6 per cent.

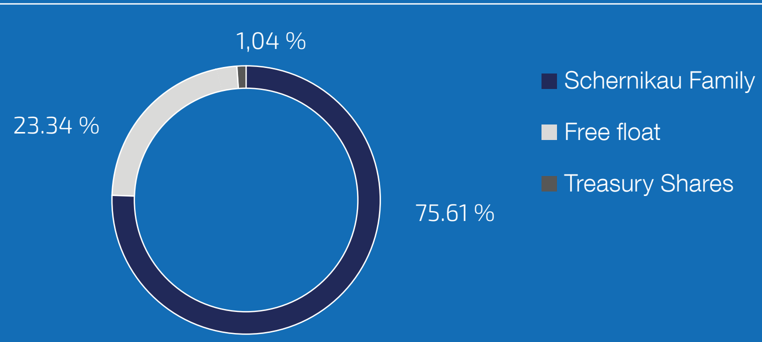
HMS Bergbau AG's market capitalisation totalled EUR 87.7 million at the end of the 2019 financial year. The share price continued its rise in early 2020 and closed the end of March at EUR 21.60, for another quarter of positive performance that has been sustained for years.

Share price of HMS Bergbau AG from 2017 through March 2020



Source: Deutsche Börse AG, HMS Bergbau AG

Shareholder structure as at 31 December 2019



Source: HMS Bergbau AG

Shareholder structure

As at 31 December 2019, HMS Bergbau AG's share capital consisted of 4,590,588 shares with a nominal value of EUR 1.00 each, for a total of EUR 4,590,588.00. ERAG Energie und Rohstoff AG holds 36.98 per cent of the shares and LaVo Verwaltungsgesellschaft mbH 34.28 per cent. In December 2019, 114,500 shares of HMS treasury stock were sold to Avalon Park International LLC, Orlando, Florida, USA, who now holds 2.49 per cent. A total of 1.04 per cent of the shares are still held by HMS Bergbau AG as treasury shares, and 23.34 per cent is attributable to the free float.

Annual General Meeting 2019

The ordinary Annual General Meeting of HMS Bergbau AG was held on 7 August 2019 in Berlin. The agenda included the proposed resolutions on the appropriation of unappropriated retained earnings, the discharge of the Management and Supervisory Boards and the election of the auditor. The three members of the Supervisory Board Dr Hans-Dieter Harig, Michaela Schernikau and Dr h.c. Michael Bärlein were also confirmed in their offices as members of the Supervisory Board of HMS Bergbau AG. In addition, resolutions were passed on the extension of the existing authorised capital, as well as on the acquisition and use of treasury shares in accordance with Section 71 (1) no. 8 AktG and on the issue of bonds with warrants and/or convertible bonds. The Company's shareholders approved all the proposed resolutions, with almost 100 per cent of the share capital represented at the Annual General Meeting.

Investor Relations Activities

In addition to the publication of financial reports, the Company's Management Board fully informs shareholders about HMS Bergbau AG's development on a timely basis via capital market announcements. All capital market-relevant news is published in German and English, which exceeds the requirements of the stock exchange. In addition, the Management Board meets regularly with institutional investors, financial journalists and industry analysts to discuss the Company's business model and future prospects, as well as other capital market-related topics.

Key share data as at 31 December 2019

Basic information

ISIN/WKN	DE0006061104/606110
Ticker symbol	HMU
Bloomberg symbol	HMU GY
Reuters symbol	HMUG.DE
Market segment /Transparency level	Open Market / Basic Board
Designated sponsor/Listing partner	ODDO BHF Aktiengesellschaft
Investor relations	GFEI Aktiengesellschaft
Share capital	EUR 4,590,588.00
Number of shares	4,590,588
Free float	23.34 %

Performance Data

Share price on 27/12/2018 (Xetra closing price)	EUR 18.00
Share price on 30/12/2019 (Xetra closing price)	EUR 19.10
Market capitalisation on 27/12/2018	EUR 82,630,584
Market capitalisation on 30/12/2019	EUR 87,680,231

Group management report

HMS Bergbau AG, Berlin

Combined management report for the Group and the Company Financial Year 2019

1. Overview

The HMS Bergbau Group is a globally active group of companies that serve as trading and distribution partners for renowned international electricity producers, cement manufacturers and industrial consumers with coal and energy raw materials such as steam coal, coking coal and coke products, as well as other raw materials such ore, cement and fertilisers.

In 2019, HMS Bergbau AG continued its strategy to expand its business activities to include additional raw materials such as ore, metals, fertiliser and cement products and plans to develop into an international raw material trading company. The focus of its activities remains the coal business. HMS Bergbau AG's has spent decades building its widely recognised expertise throughout the entire value chain from mining to logistics to customer deliveries.

The HMS Bergbau Group has built up an international network of long-term business partners and consistently pursues its philosophy of building long-term and profitable business relationships with international producers and consumers. The Group's internationality is also a result of its subsidiaries HMS Bergbau Africa (Pty) Ltd., HMS Bergbau Singapore Pte Ltd., PT. HMS Bergbau Indonesia and HMS Bergbau USA Corp.

As of 31 December 2019, HMS Bergbau AG held a 60.18 per cent stake in the subsidiary Silesian Coal International Group of Companies S.A., Poland, which has already carried out geological surveys for the Orzesze region of Silesia. The shareholding was reduced as a result of the conversion of a loan from 2015. Both a US investor and a Swiss company are the other principal shareholders. Work is also currently underway on attaining further financing for this project.

Drilling in Orzesze under the exclusive exploration license granted to HMS resulted in a potential in-situ coal deposit of 2.2 billion tonnes, of which approximately 672 million tonnes of high-grade coal was identified as recoverable according to JORC standards. Silesian Coal plans to develop the deposit using existing infrastructure and attain annual production of approximately 3 million tonnes of coal at a low cost (around 1/3 of the cost of a greenfield project) and start operations within a short period of time (within two and a half years after receiving the mining licence).

The corporate structure of the HMS Bergbau Group and its major subsidiaries as at 31 December 2019 is presented below.

HMS Bergbau AG – coal illuminates life – Berlin, Germany

100 %	HMS Bergbau Singapore Pte. Ltd.	Singapore
100 %	PT. HMS Bergbau Indonesia	Jakarta, Indonesia
100 %	HMS Bergbau Africa (Pty) Ltd.	Johannesburg, South Afrika
100 %	HMS Bergbau USA Corp.	Miami, USA
60,18 %	HMS Silesian Coal International Group of Companies S.A.	Katowice, Poland

HMS Bergbau AG is a dynamic, performance-oriented company and an important player in international energy trading. The Company's strategy of monitoring the long-term developments on the global commodity markets without losing sight of current trends is still based on the following fundamental prerequisites:

Sustainability

Megatrends such as energy efficiency, climate change and globalisation are currently leading to a rethink and change in behaviour in almost all industries and services worldwide. This is also true in the energy sector where work is constantly being done on new, more efficient energy generation systems that are also designed to minimise emissions. The focus here is primarily on the general supply of energy to the globally increasing population, as well as on energy storage, which should facilitate a steady supply. According to leading energy research companies, these two objectives can only be achieved through a mix of renewable and fossil energy sources, such as coal. At the same time, a steady increase in the awareness of sustainable energy supply and generation is leading to changes in business practices and processes. As a result, the global megatrends mentioned above ultimately lead to lasting changes in working and trading conditions within the value chains. In recent years, HMS Bergbau AG has also started to reduce its global footprint. Within the framework of know-your-client processes, HMS Bergbau AG tries to encourage its trading partners to also operate more sustainably. Corresponding clauses on compliance with essential environmental legislation and the avoidance of environmental influences will be included in business contracts in future. At the same time, the trading partners of HMS Bergbau AG are obliged to check their suppliers and enforce comparable standards with these suppliers as well. Consultations on efficiency improvements are already being held in official meetings with customers. By implementing the suggestions made by HMS Bergbau AG, negative environmental influences are reduced, and efficiency is increased. As part of its business model, HMS Bergbau AG always maintains direct contact with its customers in Europe, Africa, America and Asia, which has proven to be a very useful strategy in initiating such consultations.

HMS Bergbau AG is convinced that the Group's targeted growth is compatible with sustainable and environmentally friendly production and sales processes. Sustainable actions that balance the interests of people, the environment and economic prosperity is an important, long-term success factor for HMS Bergbau AG. HMS Bergbau AG is planning a CO^2-neutral operating business for the current financial year.

CO^2 neutrality

HMS Bergbau AG plans to achieve certified CO^2 neutrality for all operating activities by the year 2025. In order to accomplish this, a group of independent analysts calculated the carbon footprint of the HMS Group and all of its locations, taking into account factors such as energy and water consumption, travel expenditures, own goods transport, as well as the daily commute to and from work of the Group's roughly 35 employees. From this point forward, the calculated level of CO^2 emissions will be offset annually through the purchase of interests in international climate protection projects qualifying under the Gold Standard and whose objective is to achieve a sustainable reduction in greenhouse gases and, at the same time, support the UN climate targets.

1.1 Price development

The coal price during the 2019 financial year declined from around USD 75 per tonne at the beginning of the year to about USD 45 per tonne at the end of December 2019. In order to be able to effectively compensate for possible future market fluctuations, HMS Bergbau AG optimises its value added by vertically integrating production, handling and transport, while taking into account current and future price increases. The Company is also penetrating new markets and expanding its product categories.

1.2 Internationalisation of markets

Commodity markets continue to converge as a result of international trade and improved logistics. At the same time, market transparency is increasing through the use of trading platforms and index-based trading activities. Although these trends fuel higher competition, internationalisation also offers HMS Bergbau AG additional opportunities to expand its business into areas such as trading in other commodities. At the same time, HMS Bergbau AG is entering new markets. At the end of 2018, for example, a new subsidiary in the United States was founded under the name HMS Bergbau USA Corp and, already in 2019, recorded positive performance.

1.3 Vertical integration

In order to extend our coverage of the value chain from mining to logistics to customer delivery and, at the same time, secure our future supply as energy demand grows, it is essential that we invest in our own resources. Investments in exclusive marketing agreements make particular economic sense for HMS Bergbau AG.

Our long-term strategy of vertical integration is based on the following pillars:

Strong trading business

Our future growth and business success are based on the continued expansion of our trading activities with solid, long-term supplier and customer relationships and steady value contributions.

Growth

At HMS Bergbau AG, we strive to achieve sustainable earnings growth through vertical integration and the resulting competitive advantages. This strategy specifically includes expanding our international coal marketing activities in the South African and Asian coal markets. We are also striving to consolidate existing business contacts and develop new business relationships through our subsidiary in the United States. A significant number of petroleum coke shipments have already been arranged and handled by this subsidiary.

Corporate culture

Experiencing the everyday corporate culture of highly professional and ethical standards throughout the Group is a true advantage for HMS Bergbau Group in its competition for qualified international personnel who can drive forward our strategy.

1.4 Horizontal integration

The expansion of global trading to include other commodities is intended to be yet another important pillar for HMS Bergbau AG in the medium term. Steadily growing demand from our existing and new customers for various raw materials is expected to be satisfied by HMS Bergbau's structures. The focus is placed on new markets – especially those in the US, Asia, Africa and the Middle East – to continuously tap into and further develop existing as well as new sourcing markets for HMS Bergbau AG. This strategy based on horizontal integration was again consistently pursued in the 2019 financial year. The existing network, the know-how built up over the years and the proven transport capabilities are not only used for the company's coal activities but are increasingly being used for other raw materials and products such as ores, metals, cement products and petcoke. This strategy not only offers the advantage of higher utilisation of existing capacities but also provides good opportunities for diversifying risk and increasing gross margins. In addition, the share of deliveries to non-power plant customers has been rising steadily. In 2019, more than 80 per cent of deliveries were made to industries in which coal or its ashes are used as materials and can therefore be substituted to only a limited extent. Both the steel and cement industries play a dominant role in the customer portfolio.

2. Business and Economic Environment

2.1 Global economy

According to the Kiel Institute for the World Economy (IfW), global economic momentum continued to slow in the final quarter of 2019. At the end of the year, however, a slight stabilisation in the global economy began to emerge. The further easing of the accommodative monetary policy in the advanced economies offered particular support. Fiscal policy in some countries also had an invigorating effect.

Against this background, the analysts of the IfW believe that the global economy is on the verge of a slight recovery after global economic growth in 2019 had declined by 0.7 per cent to 2.9 per cent. This corresponded to the smallest increase since the recession in 2009. The reason for the restrained global growth is the slowdown in the US economy – which had been robust until that point – as well as an underlying deceleration in the expansion in the Chinese economy.

The causes of this slowdown include both trade conflicts and political tensions. According to the experts at the Organisation for Economic Cooperation and Development (OECD), the tariffs imposed by the USA and China alone are likely to reduce global growth by 0.3 to 0.4 percentage points in the coming year. Governments should mitigate this downturn through increased investment.

The pace of economic growth in the advanced economies has been diverging since the end of 2017. While gross domestic product in the United States still rose by 2.4 per cent in 2019 (2018: 2.8 per cent), economic growth declined in the eurozone and Japan.

Similar to the USA, the European Union also recorded slowing growth. According to the OECD, GDP growth in the EU is expected to reach 1.1 per cent in 2019 compared to 1.9 per cent in the prior year.

Germany continued to grow, although much more slowly, in 2019. The Federal Statistical Office calculated a 0.6 per cent increase in gross domestic product, which marked the tenth consecutive year of growth for the German economy but with significantly slower momentum.

The expansion in the emerging economies faltered in 2019. Monetary policy tightening in the US caused a reversal in capital flows which, in turn, led to a hike in interest rates. The reversal in capital flows even led to economic crises in both Turkey and Argentina.

Overall, the GDP in the G20 countries increased by only 3.1 per cent in 2019 following a rise in economic growth of 3.8 per cent in 2018.

In China, the largest economy among the emerging markets, economic growth slowed to 6.1 per cent in the reporting year in comparison to 6.6 per cent in 2018. The main reason for the decline was lower domestic demand and trade conflicts with the USA.

Economic forecasts for 2020 virtually impossible

The coronavirus is the biggest threat to the world economy since the global financial crisis. This is the conclusion reached by the OECD in its current economic forecast.

The coronavirus, which is spreading rapidly throughout the world, has caused tremendous suffering, as well as economic upheaval. Further restrictions on the movement of people, goods and services are to be expected. The dimensions of the consequences are virtually impossible to project at the present time. It will not be possible to avoid a global recession.

The OECD examined two scenarios. The first scenario assumes that the virus is largely contained, while the second assumes a high level of virus proliferation. In both cases, governments are advised to take urgent action, not only to limit the spread of infection but also to strengthen economic demand and protect companies.

Disrupted supply chains, a decline in tourism and a deterioration in the business climate are expected to cause a sharp slowdown in global economic growth the first half of the year, even under the best-case scenario.

The key question for economic development in 2020 and 2021 will be how long economies will be subject to curfews and bans on social contact. A tangible forecast is currently impossible due to the dynamically changing situation.

Economic policy risk

The economic prospects in the years ahead depend on very different and, in some cases, overlapping influences, creating economic uncertainty. In addition to the return to protectionism and trade wars, the coronavirus poses a particular threat to the economy. Given the unpredictable risks posed by COVID-19 and the resulting global economic slowdown, political risks and decisions are becoming more important than investment and consumer decisions. To mitigate the negative economic effects, governments are approving huge economic stimulus packages and economic aid. In the USA alone, these measures will contribute support of around USD 2 trillion and EUR 750 billion in Germany. It remains to be seen what effect these will have on individual state debt levels and how long economies will be largely paralysed. Resurgent discussions about euro bonds and their potential use could contribute to further instability in the eurozone, as well as in the banking system. In addition to the economic stimulus packages, the very expansive monetary and financial policies practised by several countries should also have a positive effect on economic development.

2.2 Raw materials

Raw material prices in 2019 fell by 12.4 per cent on average for the year compared to 2018. Energy-related raw materials fell 13.8 per cent on average and industrial raw materials by merely 0.5 per cent. Prices for food and luxury food raw materials fell by 5.3 per cent.

2.3 Overall development of the capital markets

The 2019 trading year was a positive one on the international stock markets. Stock markets in Europe, the United States and in the emerging markets posted significant gains – in some cases of almost 30 per cent – despite a deterioration in global economic data and fiercer trade wars between the United States and China and the EU. Political decisions continued to shape stock market performance and global economic trends. The US and European central banks signalled their continued support of the capital markets with reduced key interest rates in the event of a deterioration in economic development, which further fuelled the positive trend in share prices. In the second half of 2019, the willingness to return to an expansive monetary policy in the face of muted growth forecasts was certainly a key driver of the global stock market rally. Once again, central bank policies, namely those of the ECB and the FED, had a considerable influence on the capital markets.

Economic risks were also priced into the bond markets in 2019. The global slowdown in economic momentum and a renewed increase in the risk of an Italian debt crisis led to negative yields on the ten-year German government bond. The bond's yield reached a low of minus 0.7% p.a. A low level of interest rates on the bond market persisted throughout 2019. Low inflation and weaker growth momentum prompted the ECB to leave the key interest rates at 0.0 per cent, 0.25 per cent and minus 0.5 per cent, respectively, and continue to target a core rate of inflation of just under 2 per cent. After the European Central Bank ended its bond purchase programme to support the financial markets at the end of 2018, the ECB Council reintroduced the asset purchase programme in October 2019. As of 1 November 2019, asset purchases of roughly EUR 20 billion per month were reinstated.

In mid-March 2020, an emergency programme was established to mitigate the impact of the corona pandemic. The scope of the programme is expected to reach EUR 750 billion and run until the end of 2020. There are „no limits to our commitment to the euro," said the central bank. Bond purchases are a response to the serious threat to the ability to conduct monetary policy, as well as to the economic outlook for the eurozone. Together with the existing and planned purchases of government bonds, corporate bonds and other securities, the volume of all bond purchases by monetary authorities will increase this year to a total of EUR 1.1 trillion.

After gradually abandoning its expansive monetary policy in 2018, the FED raised key interest rates to a corridor of 2.25-2.5 per cent. The FED subsequently cut interest rates on three occasions in the period from July to October 2019 to an interest rate corridor valid at that time of 1.5-1.75 per cent. The justifications for the repeated interest rate cuts included the absence of inflationary pressure and uncertainties regarding global economic development. After the US Federal Reserve in an impromptu meeting lowered the key interest rate at the beginning of March 2020, it lowered the rate again in mid-March to a corridor of 0 to 0.25 per cent against the backdrop of the corona pandemic. The decisions even go far beyond interest rates. As in the aftermath of the major financial crisis in 2008, the Fed intends to support the economy with a USD 700 billion bond purchase programme and temporarily grant emergency loans to banks.

With the outbreak of the corona pandemic, many countries were subject to curfews and bans on social contact. The lockdown, which brought public life to a standstill in many countries, will already lead to a global recession this year, according to IMF and OECD estimates. The recession is expected to be more severe than the downturn experienced in 2009. Experts view the situation in the emerging and developing countries as particularly dramatic, as the funding requirements of these countries amount to at least USD 2.5 trillion.

The public life standstill will cost about two percentage points of annual global growth overall, according to the OECD experts. Initial revisions in economic forecasts will take place during the first half of 2020. Whether a recovery is possible in 2021 depends largely on the course of development of the corona pandemic.

By March 2020 alone, global indices had lost up to 40 per cent of their value. Daily fluctuations of between 5 and 12 per cent were not uncommon. The overall environment for stock markets in 2020 is expected to remain challenging and extremely volatile.

2.4 Global primary energy consumption

The increase in global trade in goods and steadily growing production have led to a sharp rise in global energy consumption. In the last four decades alone, consumption has more than doubled. In addition to the absolute consumption of the respective energy sources, the energy mix has also changed, partly as a result of the increase in renewable energies.

The International Energy Agency predicts an increase in demand for primary energy of about twice the current level by 2060 to over 320,000 billion kWh. This forecast is based on the assumption that, by that time, the standard of living in the emerging and developing countries will have reached the level of the Western industrialised countries. According to the experts of the World Energy Outlook, energy consumption in Africa, India, China, Southeast Asia and the Middle East should also increase by 30 per cent by 2040.

The 2019 BP Energy Outlook foresees a rise in primary energy consumption globally of just 1.2 per cent each year on average over the next 20 years, compared with 2.0 per cent in the period from 1998 to 2018. Higher energy consumption is anticipated to be largely a result of the growth in global economic output. Due to energy-saving measures, however, energy consumption over the past few years has been rising at a slower pace than economic growth. By 2040, for example, global GDP is expected to double, while energy consumption is only expected to increase by around a third. The emerging markets – especially China and India – are contributing to this growth. For now, China will remain the largest growth market for energy; however, by the end of the forecast period in 2040, India is likely to have taken over this position.

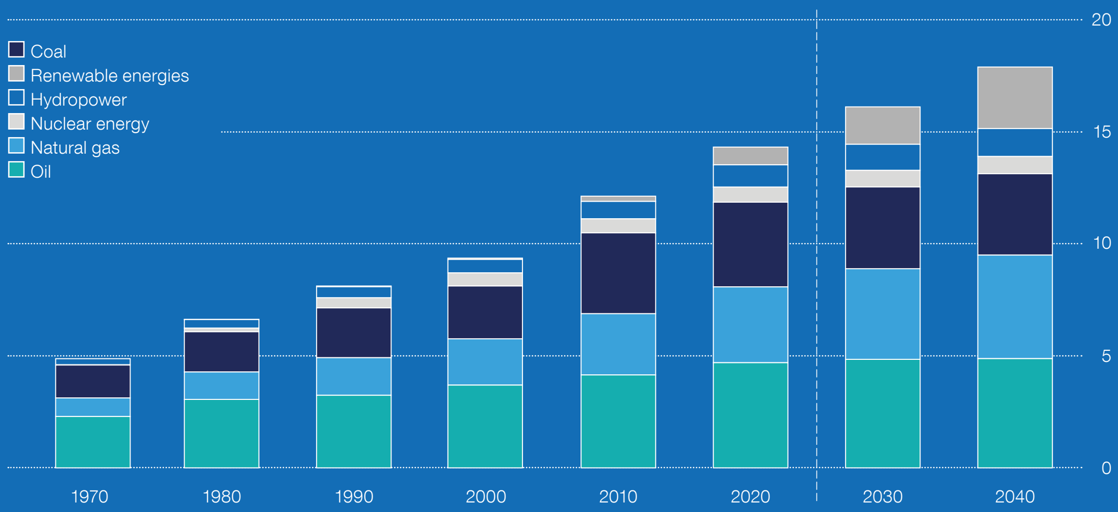
The current BP Energy Outlook assumes that in the next 20 years the share of renewable energies will increase rapidly from the current level of roughly 4 per cent to around 15 per cent. Together with natural gas, renewable energies are anticipated to contribute around 85 per cent of the rise over the next few years. Despite this rise in renewables, oil, gas and coal will remain the dominant sources of energy. The share of fossil fuel is expected to decline from its level in 2018 of around 85 per cent to approximately 75 per cent in 2040, albeit from very high base. Whereas gas is projected to increase at growth rates of around 1.7 per cent, growth in oil and coal is expected to come to a standstill.

According to the BP study, global coal consumption will remain almost unchanged worldwide. Consumption is expected to peak in the mid-2020s and then decline slightly by 2040 (-0.1 per cent). In the last 20 years, coal consumption had increased by 2.7 per cent. This development will make gas the second most important energy source after oil by 2040. It is predicted that coal will be displaced to third place in the primary energy sector. However, coal will continue to take first place in power generation. The slight decline of coal is due to the increased use of other energy sources in China. Nevertheless, China remains the most important market for coal and will consume almost half of this resource in 2040.

Coal remains an inexpensive resource worldwide. The decline in demand for coal in the industrialised nations is being offset by increased demand in emerging markets such as China and India. While coal's share of primary energy sources will decline from 27 per cent in 2017 to about 21 per cent in 2040, absolute consumption will remain roughly the same due to rising energy demand.

Global primary energy consumption

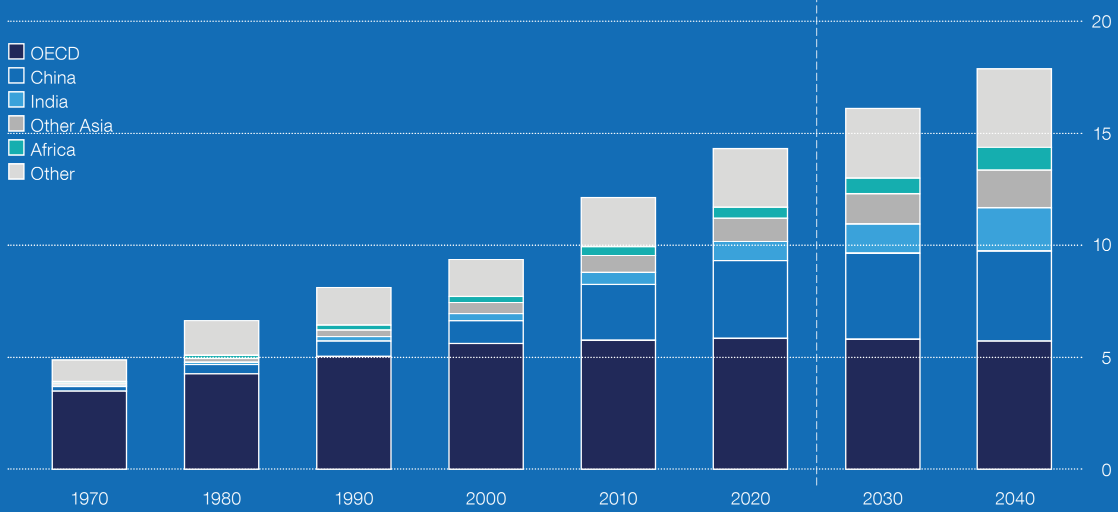
In billion tonnes of oil equivalents



Source: BP Energy Outlook 2019, HMS Bergbau AG

Global primary energy consumption

By region (In billion tonnes of oil equivalents)



Source: BP Energy Outlook 2019, HMS Bergbau AG

2.5 German energy consumption

According to the calculations of the Working Group on Energy Balances, Germany's energy consumption in 2019 fell by 2.1 per cent year-on-year to 12,832 petajoules (PJ), or 437.8 million tonnes of coal equivalent (tce), which was the lowest level since the early 1970s. The decline in consumption was mainly due to continued improvements in energy efficiency, shifts in the energy mix and a cyclical decline in industrial energy consumption. The effect of these factors was offset by cooler weather and an increase in population.

According to the experts, energy consumption is increasingly decoupling from economic development. Analysts also note a structural change in the energy mix, with the result that energy-related CO^2 emissions fell by around 50 million tonnes in 2019, or a good 7 per cent.

The overall consumption of **mineral oil** in 2019 increased in Germany by 2.0 per cent. The consumption of diesel fuel increased by 1.5 per cent and that of gasoline by 0.7 per cent. The demand for aircraft fuel increased by 0.9 per cent. According to the experts of the Working Group on Energy Balances, the 15.5 per cent increase in heating oil is likely to have been a result of stockpiling.

In 2019, **natural gas consumption** reached 3,191 PJ (108.9 million tce), which is 3.3 per cent above the level of the previous year. This development was influenced by the greater use of natural gas to generate power and heat in the power stations and combined heat and power (CHP) units of the electricity utilities. The cooler weather in the first half of 2019 is another reason for higher sales volumes, particularly from private households as well as the commercial, retail and service sectors. A steady increase in the construction of new natural gas-fired homes boosted consumption growth. The economic slowdown in 2019, however, had the opposite effect.

Hard coal consumption was again marked by a sharp decline. In 2019, consumption fell by almost 21 per cent to 1,134 PJ (38.7 million tce) compared to 2018. The continuing downward trend is due in particular to the reduction of hard coal-fired power plant capacities. At the same time, there is a massive expansion in renewable energies in the electricity sector. The significantly higher price for CO^2 emission certificates and low natural gas prices also played a role.

Lignite consumption reached 1,167 PJ (39.8 million tce) in 2019 – some 20 per cent lower than in the previous year. Deliveries to lignite-fired power plants declined significantly as a result of transitioning further power plant units to standby mode as back-up, a higher number of power plant overhauls compared with the previous year and the further increase in power generation from renewable energies. With a total production of 131.3 million tonnes, lignite is still one of the most important sources of domestic energy.

The consumption of **nuclear energy** decreased by about 1 per cent in 2019, still contributing a total of 820 PJ (28.0 million tce) to the energy balance.

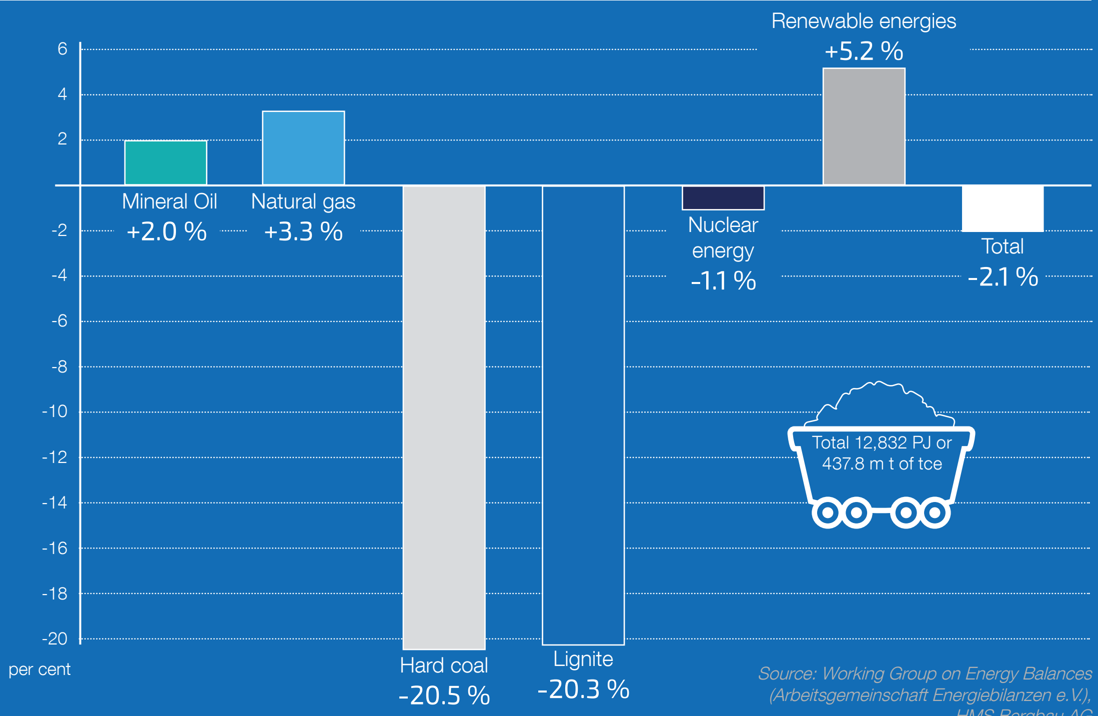
Consumption of **renewable energy sources** increased again by 5.2 per cent in 2019 and totalled 1,896 PJ (64.7 million tce). This was mainly due to a strong increase in power generation and greater use of wood fuel. Wind power increased its contribution by 15 per cent and hydroelectric power by 12 per cent. Solar energy increased only slightly by 2 per cent. Biomass, which accounts for more than 50 per cent of the total volume of renewable energy, grew by 2 per cent.

The shares of the various energy sources in the national energy mix shifted further in 2019. Although renewable energies increased their contribution to 14.8 per cent, the energy mix remained broad. Mineral oil was still the most important source of energy with a share of 35.3 per cent, followed by natural gas with 24.9 per cent. Hard coal and lignite together covered around 17.9 per cent of consumption.

Domestic power generation recorded a decline of about 8 per cent to 3,582 PJ (122.2 million tce) in 2019. German hard coal production, in contrast, had ceased entirely by the end of 2018. Both domestic natural gas (-4 per cent) and oil production (-7 per cent) declined. Renewables, on the other hand, recorded growth of around 6 per cent. Overall, energy production from domestic resources covered almost 30 per cent of total consumption. The most important domestic energy source is now renewables with a share of 53.2 per cent, followed by lignite with 33.2 per cent.

Primary energy consumption in Germany

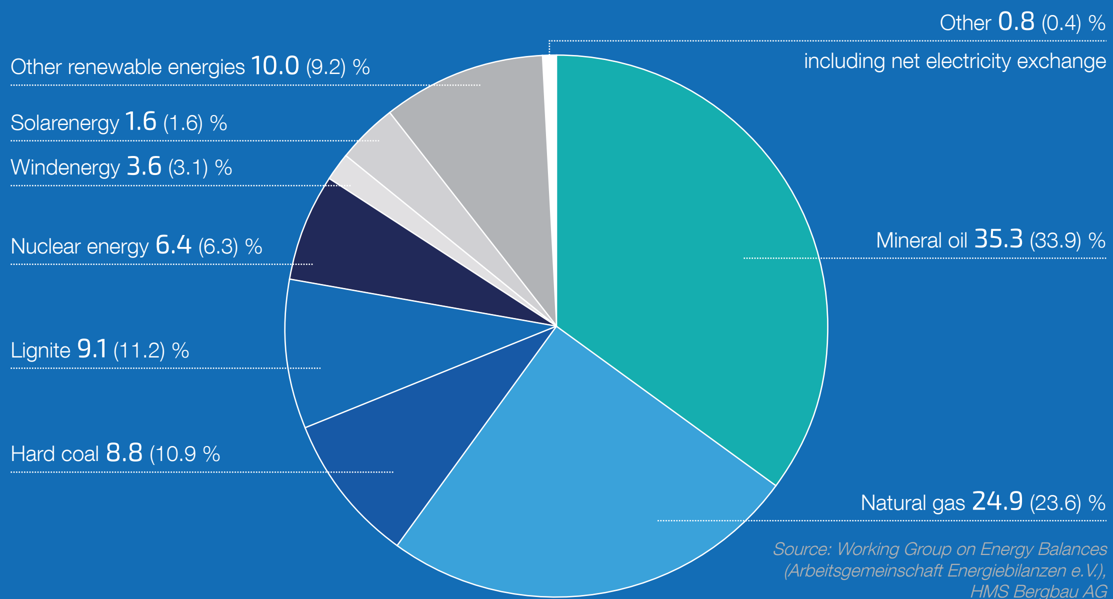
Development of primary energy consumption in Germany in 2019 – changes in per cent



Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), HMS Bergbau AG

Evolution of the shares of energy sources in primary energy consumption

changes in per cent



Source: Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), HMS Bergbau AG

2.6 Development of oil prices

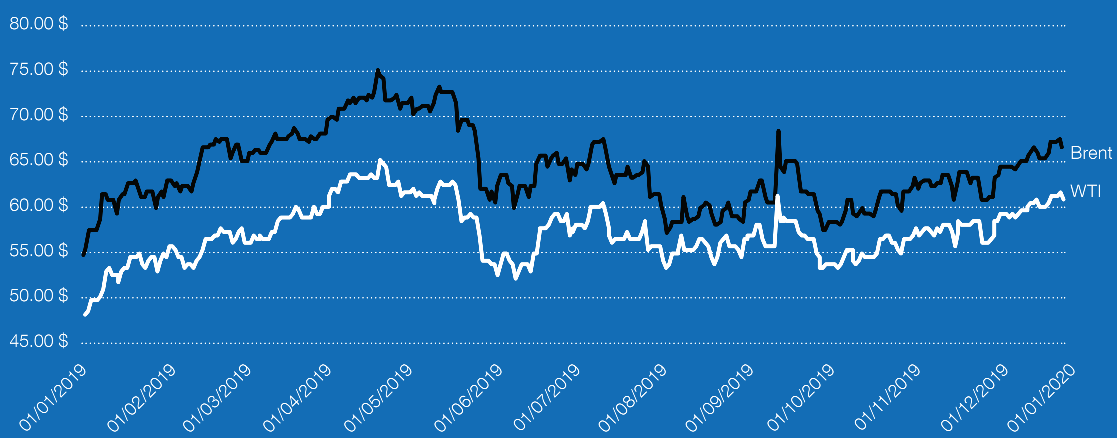
Oil prices were in a sharp downtrend from mid-2014 to early 2016, with varieties such as WTI and Brent reaching lows of just over USD 30 per barrel at the beginning of 2016, amounting to a price drop of roughly 70 per cent. Since that time, the oil market has been highly volatile with periods of significant price fluctuations. In 2019 alone, prices ranged between USD 30 and 74 per barrel. At the end of 2019, Brent was priced at just under USD 67 per barrel.

Oil prices started the year 2019 on a positive note until the end of April. Whereas Brent cost just under USD 53 per barrel (=159 litres) at the beginning of the year, the price peaked at USD 74 – a price fluctuation of almost 40 per cent. The poorer economic outlook then caused oil prices to fluctuate between USD 56 and USD 69 during the year.

In December 2019, OPEC and other producing countries agreed to a sharper cut in production. The total cut amounted to roughly 500,000 fewer barrels (159 litres each) of oil production per day. The so-called OPEC+, with its heavyweights Saudi Arabia and Russia, has been trying to influence the oil price with such production limits for the past three years. However, because the demand for OPEC oil is expected to decline significantly in the first half of 2020, according to experts, this influence could weaken again soon.

Since the beginning of 2020, crude oil has been suffering from the price war between Saudi Arabia and Russia; both of whom are keeping oil production high despite lower demand. Since the outbreak of the corona pandemic, oil prices have been in free fall. In March 2020, a barrel of oil cost around USD 24. The last time it was at this level was in 2002. The US WTI oil also fell drastically in 2020 and is struggling to maintain a level of USD 20 per barrel. According to experts, the demand shock caused by the coronavirus could reduce the demand for crude oil by a further 20 per cent.

Absolute price development of WTI and Brent in 2019 in US dollars



Source: http://www.onvista.de/rohstoffe/, HMS Bergbau AG

2.7 Development of coal energy consumption

Over the last 150 years, global energy consumption has grown rapidly. As early as the 19th century, coal was traded as the primary energy source and grew significantly in importance alongside natural gas and oil. Today, fossil fuels account for more than 85 per cent of primary energy consumption worldwide. Although energy use is becoming increasingly efficient, economic growth and increased consumption are preventing a decline.

In 2018, global coal consumption continued to rise by around 1.1 per cent. Coal consumption for power generation alone increased by more than 280 billion kWh (+3.3 per cent). Coal accounted for 38 per cent of the global electricity mix. In 2019, however, preliminary data from the International Energy Agency (IEA) showed a significant decline in coal use of 2.5 per cent. The weaker coal demand this year is mainly the result of double-digit declines in the United States and Europe.

At the same time, the coal markets are expected to show a high degree of stability over the next 5 years, which according to the International Energy Agency will be driven mainly by robust growth in the key Asian markets. Declines in coal-fired power consumption in Europe and North America will be offset by the growth in coal consumption in Southeast Asia of about 5 per cent. China and India remain the most important Asian markets, with China remaining the largest coal consumer, producer and importer with consumption of almost 50 per cent.

Coal's share of the global energy mix amounted to around 27 per cent in 2018. Even by 2024, this share is not expected to change much and is projected at 25 per cent. In absolute terms, coal consumption will continue to rise. The share of coal for power generation is anticipated to equal around 40 per cent. The country with the greatest increase is likely to remain India, with an annual growth rate of 4.6 per cent. The IEA also classifies Indonesia, Vietnam, the Philippines, Malaysia and Pakistan as consumers with significant increases.

Due to the steady growth in demand in Asia, the region's share of global coal production has risen from just over 20 per cent in 1990 to almost 80 per cent in 2019. As in previous years, the report highlights the fact that countries in South and Southeast Asia, such as India, Indonesia and Vietnam, rely on coal to fuel their economic growth, despite a rise in renewable energy. Natural gas and crude oil have traditionally been the main sources of power generation in Pakistan. Still, the country recently brought coal-fired generating capacity on stream of 4 gigawatts (GW), with at least another 4 GW expected to come on stream in the years ahead. In Bangladesh, where natural gas has long been the main source of power generation, coal is expected to gain importance in the future with 10 GW of capacity in the pipeline.

Public opposition to coal is growing to the extent that some countries are considering implementing more stringent climate and environmental policies. At the same time, renewable energies and natural gas are becoming increasingly competitive. Nevertheless, the trend towards less coal is inconsistent throughout the world – including in Europe. While Western Europe is on the way to phasing out coal, motivated by the expansion of renewables and the concept of climate protection, most Eastern European countries are not planning to follow suit. In Eastern Europe, lignite remains a cornerstone of the electricity system.

In addition to the very high increase in energy demand expected in India, a similar increase in demand is expected in Indonesia, Brazil, the Middle East and China. In the medium term, the IEA expects coal demand to decline in all OECD countries by 2025. In all non-OECD countries, however, the demand for coal is anticipated to increase.

2.8 Coal prices

According to preliminary calculations by the German Coal Importers Association (Verein der Kohlenimporteure e.V.), world trade in hard coal has risen by 0.7 per cent to 1,218 million tonnes in 2019, and global hard coal production has risen by 2.0 per cent to 721 billion tonnes. China's production alone increased by 171 million tonnes or 5 per cent to 3.7 billion tonnes. Following an increase in 2018, production and world trade increased again in 2019. Seaborne exports increased in Australia, Indonesia, Russia and Canada, while those of the USA recorded a significant decline.

The major producing countries China and India are also major consumers of imported coal and important pillars of the global trade in hard coal. Rising global trade in hard coal is also being driven by growing demand from South East Asia.

World production increased in 2017 and 2018. In 2018 alone, production volumes rose by 2.8 per cent to around 7.1 billion tonnes. The primary reason for this sharp rise was, once again, the development of China and India, which grew by 2.9 per cent and 5.7 per cent respectively. Russia, Indonesia and South Africa were also able to increase their production.

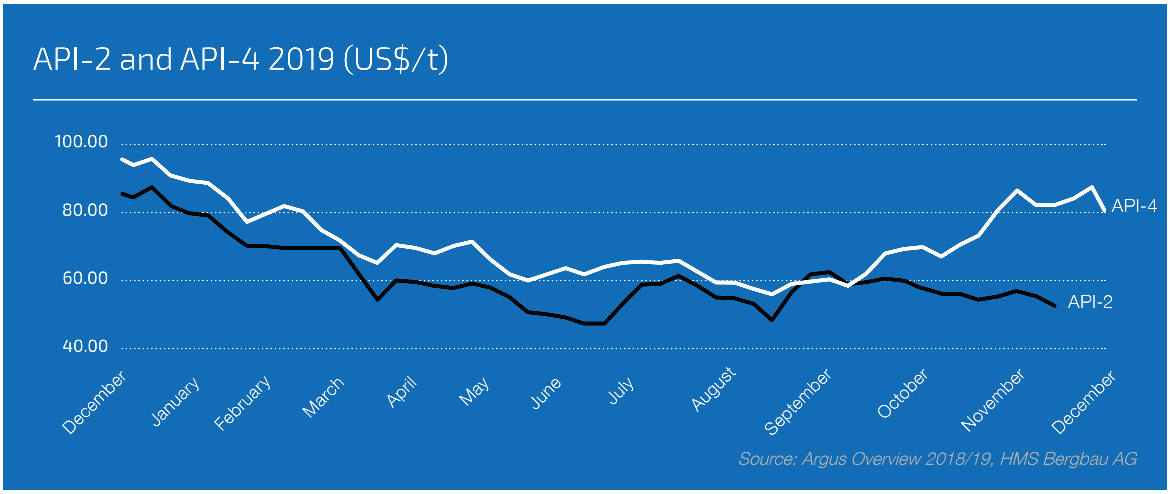
The significant increase in the year under review was mainly due to developments in China (+100 million tonnes) and India (+40 million tonnes). A rising production trend can also be observed in countries that play a major role in maritime hard coal traffic. Hard coal production also increased in Russia (+31 million tonnes) and Indonesia (+56 million tonnes). Australia, Indonesia, Russia and the USA are major pillars of the world coal trade. The increase in production in these countries shows that there are still countries with growing coal demand. While China and India produce a substantial part of their own coal but also import substantial quantities from the world coal market, there are a number of ASEAN countries that trigger corresponding demand on the world coal market to supply newly built hard coal-fired power plants.

The increase in world trade in hard coal in 2017 and 2018 was due largely to growing demand in the ASEAN countries, driven by growing demand in the manufacturing sector. The construction of modern hard coal-fired power plants, along with growing steel production, led to additional demand for coking and steam coal. The development model of ASEAN countries is based on hard coal, similar to that of China, and will only expand to renewable energy sources after a time lag.

In 2019, German hard coal imports went against the global trend and again fell by around 15 per cent, or 7 million tonnes. Imports of coking coal fell by 7 per cent. In comparison, imports of steam coal slumped by 17 per cent due to the increasing power generation from renewable energies and stiffer competition from natural gas after a significant rise in the price of $CO2$.

The largest coal exporters in 2018 were Australia (386 million tonnes), Indonesia (343 million tonnes) and Russia (167 million tonnes). The USA exported 100 million tonnes, followed by Colombia (82 million tonnes), South Africa (81 million tonnes) and Canada (30 million tonnes).

The price of coal, a fossil fuel, was unable to match the positive price performance in 2018. According to the API-2 coal price index, the price per tonne of coal turned sharply lower from USD 86.18 at the beginning of January 2019 to USD 48.90 at the end of June. With more encouraging economic forecasts, the coal price per tonne recovered in September to USD 62.90. The coal market ended the reporting year with a price of USD 52.85 per tonne.



2.9 Trading

Stable business relationships with customers and suppliers built on mutual trust form the cornerstone of the successful international trading activities of the HMS Bergbau Group.

The primary customers of the HMS Bergbau Group include power plant companies and steel and cement manufacturers. Further customers also include industrial companies, such as glassworks, as well as paper mills and waste processing plants. Our clientele consists of private as well as state-owned businesses from Asia, Europe, the Middle East and Africa.

The HMS Bergbau Group cooperates with renowned and reliable producers based primarily in Indonesia, South Africa, Russia, Poland and North and South America. We also represent numerous international coal producers and are responsible for their complete coal selling activities coal in selected markets.

2.10 Logistics business segment

The HMS Bergbau Group offers its customers and business partners a complete range of services from the timely supply of raw materials to the organisation of the entire transport logistics. Depending on the requirements, the service portfolio of our highly professional and experienced team ranges from the chartering of ships to the organisation of inland transports, port handling, storage management and coal preparation to technical supervision. The HMS Group organises the entire logistics requirements for its partners in South Africa, for example, from truck transport to rail transport to port handling, which ensures a high level of delivery reliability for its suppliers and customers.

2.11 Research and development

HMS Bergbau AG does conduct any research or development.

2.12 Employees

International competition for qualified personnel remains intense. Management continues to focus on sustainable employee development in an effort to bind employees to the HMS Group for the long term. To pursue its strategic goals, the HMS Group places a particular emphasis on qualified, ongoing training and further education. New employees were recruited – especially in the Asian and South African markets – and more are still planned. The risks associated with employee fluctuation are offset by having succession plans in place and grooming employee deputies. Employee training was offered primarily for new employees in the reporting year. In addition, we have an employee stock option programme to give our employees an additional incentive. Employees also have the opportunity to acquire company shares at a preferential price through salary conversions.

3. Group results of operations

The results of operations of the HMS Group in the 2019 financial year compared to the previous year were as follows:

	31/12/2019 EUR thousand	%	31/12/2018 EUR thousand	%	Change EUR thousand	%
Total performance	**215,423**	**100**	**254,204**	**100**	**-38,781**	**-15**
Cost of materials	206,428	96	246,910	97	-40,482	-16
Personnel costs	2,180	1	2,048	1	132	7
Depreciation and amortisation	74	0	93	0	-19	-21
Other operating expenses						
./. other operating earnings	4,500	2	4,034	2	465	12
Taxes (excluding income taxes)	4	0	4	0	0	1
Tax expenses	**213,186**	**99**	**253,089**	**100**	**-39,904**	**-16**
Operating result	**2,237**	**1**	**1,114**	**0**	**1,123**	**> 100**
Earnings from investment and financial result	-539		-684		145	21
Sale of shares	0		1,098		-1,098	-100
Allocation to pension provisions (1/15 of allocation under German Accounting Law Modernisation Act [BilMoG])	-223		-223		0	0
EBITDA (earnings before interest, taxes, depreciation and amortization)	**2,091**		**2,086**		**6**	**0**
Earnings before income taxes	**1,474**		**1,305**		**169**	**13**
Income taxes	-961		148		-1,109	< -100
Net profit*	**513**		**1,453**		**-940**	**-65**

**2019 net profit of EUR 1,508,074.11, excluding EUR 862,823.81 of pension provisions (2018: pension provisions of EUR 880,521.36)*

Sales in 2019 were characterised overall by strong trading business in Asia, with increased tonnage and, at the same time, significantly lower coal prices. At around 91 per cent, Asia and Africa once again accounted for the majority of the volume traded by the Group (2018: around 92 per cent). Initial sales of a significant magnitude were also achieved with the help of HMS USA. The cost of materials ratio improved year-on-year, amounting to 95.8 per cent in the 2019 reporting period compared to 97.1 per cent in 2018.

Personnel costs increased slightly over the previous year, rising from EUR 2,048 thousand to EUR 2,180 thousand, as the personnel in the departments of Trading and Operations in Asia and Africa, among others, were also expanded in the year 2019. Nevertheless, the personnel cost ratio remained essentially unchanged at around 1 per cent.

Depreciation and amortisation fell slightly in the 2019 reporting period to EUR 74 thousand after a level of EUR 93 thousand in the 2018 financial year.

Other expenses net of other income resulted specifically from legal and consulting fees, vehicle and travel costs, fulfilment costs, occupancy costs and 1/15th of the allocation to pension provisions. In the year 2019, these costs amounted to EUR 4,500 thousand in comparison to EUR 4,034 thousand in the prior year.

4. Group net assets

The net assets of HMS Group compared to 30 December 2019 were as follows:

	31/12/2019 EUR thousand	%	31/12/2018 EUR thousand	%	Change EUR thousand	%
Assets						
Non-current assets	15,337	30	15,110	26	227	2
Inventories	0	0	116	0	-116	-100
Receivables	27,411	54	39,162	66	-11,751	-30
Cash and cash equivalents	5,077	10	1,614	3	3,463	> 100
Other assets	3,295	6	3,127	5	168	5
	51,120	**100**	**59,129**	**100**	**-8,009**	**-14**
Capital						
Shareholders' equity	15,705	31	10,845	18	4,860	45
Own shares	-405	-1	-1,345	-2	939	-70
Non-current liabilities	8,373	16	7,090	12	1,283	18
Current liabilities	27,447	54	42,538	72	-15,091	-36
	51,120	**100**	**59,129**	**100**	**-8,009**	**-14**

Non-current assets as of 31 December 2019 amounted to EUR 15.3 million and were virtually unchanged compared to the 30 June 2019 reporting date. Slight changes amounting to around EUR 899 thousand resulted from the increase in advance payments and assets under construction. At the same time, other loans declined from EUR 9,227 thousand to EUR 8,138 thousand as of 31 December 2019 as a result of the repayment of loan liabilities.

Non-current liabilities include pension obligations. The changes are due to actuarial reasons. Current liabilities mainly consist of liabilities to suppliers and from trade financing. The year-on-year decline compared to the 31 December 2018 reporting date is essentially due to reporting date effects.

5. Group financial position

Cash and cash equivalents developed as follows in the 2019 financial year:

	2019 EUR thousand	2018 EUR thousand
1. Cash flow from current operating activities	**2,035**	**5,746**
2. Cash flow from investment activities	**-290**	**-1,856**
3. Cash flow from financing activities	**2,086**	**846**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents affecting payment	3,831	4,737
Cash and cash equivalents at the start of the period	-4,169	-8,906
Cash and cash equivalents at the end of the period	-338	-4,169
5. Composition of cash and cash equivalents		
Cash and cash equivalents	5,077	1,614
Current liabilities to credit institutions	-5,415	-5,783
Cash and cash equivalents at the end of the period	-338	-4,169

Due to the slight increase in cash flow from financing activities and a decrease in the cash outflow from investment activities, cash and cash equivalents at the end of the reporting period improved significantly by EUR 3,831 thousand, from EUR -4,169 thousand to EUR -338 thousand. Cash flow from investing activities is derived primarily from investments in the development of the 'Orzesze' coal field by the Silesian Coal International Group of Companies S.A., as well as investments in associated companies. Cash flow from financing activities was largely a result of the assumption of a long-term bank loan.

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

HMS Bergbau AG is the parent company of the HMS Group. HMS Bergbau AG remains responsible for the central management functions – strategy, finance, accounting/controlling – and all key trading activities. A significant number of trade agreements are conducted via the parent 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:

	2019 EUR thousand	%	2018 EUR thousand	%	Change EUR thousand	%
Revenue (= Total performance)	**164,417**	**100**	**190,996**	**100**	**-26,579**	**-14**
Cost of materials	158,386	96	185,800	97	-27,414	-15
Personnel costs	1,360	1	1,375	2	-15	-1
Depreciation and amortisation	27	0	27	0	0	1
Other operating expenses						
./. other operating earnings	3,301	2	3,053	0	248	8
Taxes (excluding income taxes)	4	0	4	0	0	1
Tax expenses	**163,078**	**99**	**190,258**	**98**	**-27,181**	**-14**
Operating result	**1,340**	**1**	**738**	**2**	**602**	**82**
Earnings from investment and financial result	-43		-293		250	85
Sale of shares	0		1,098		-1,098	-100
Allocation to pension provisions (1/15 of allocation under German Accounting Law Modernisation Act [BilMoG])	-223		-223		0	0
Earnings before income taxes	**1,074**		**1,319**		**852**	**65**
Income taxes	-808		275		-1,083	< -100
Net profit*	**266**		**1,595**		**-1,329**	**-83**

**2019 net profit of EUR 1.128.468,52 excluding EUR 862.823,81 EUR of pension provisions (2018: pension provisions of EUR 880,521.36)*

6.1 Results of operations

The results of operations of HMS Bergbau AG are greatly influenced by the Company's primary trading activities. The decline in sales is due to significantly lower coal prices, which could not be offset by the volume increases realised in 2019. The markets in Asia and Africa, which are increasing evermore strongly in terms of demand, are served not only by local companies but also by HMS Bergbau AG. As a result, more than 91 per cent of sales were generated with customers and suppliers from Africa and Asia. The cost of materials ratio of HMS Bergbau AG improved slightly by 0.3 per cent in the financial year compared with the prior year. Other operating expenses net of other earnings income resulted mainly from fulfilment costs onward charging of other services of group companies, vehicle and travel expenses, legal and consulting fees as well as 1/15th of the allocation to pension provisions (EUR 623 thousand).

6.2 Net assets

	31/12/2019 EUR thousand	%	31/12/2018 EUR thousand	%	Change EUR thousand	%
Assets						
Non-current assets	17,831	39	16,129	34	1,701	11
Receivables	20,652	45	27,170	58	-6,518	-24
Cash and cash equivalents	4,871	11	1,256	3	3,615	> 100
Other assets	2,526	6	2,616	6	-90	-4
	45,879	**100**	**47,172**	**100**	**-1,293**	**-3**
Capital						
Shareholders' equity	17,405	38	15,753	33	1,652	11
Own shares	-405	-1	-1,345	-3	939	-70
Non-current liabilities	8,373	18	7,090	15	1,283	18
Current liabilities	20,506	45	25,673	54	-5,167	-20
	45,879	**100**	**47,172**	**100**	**-1,293**	**-3**

The increase in fixed assets in 2019 was mainly a result of the increase in non-current advances to affiliated companies coupled with a simultaneous reduction in other loans. Due to the trading activities of HMS Bergbau AG, the balance sheet structure is characterised by receivables from customers and current trade payables. Changes are mainly a result of volume and reporting date effects. In addition, the financial position is characterised by the shares in affiliated companies and loans to the Indonesian and African HMS companies. Current liabilities mainly consist of liabilities to suppliers and from trade financing.

Non-current liabilities include pension obligations. The year-on-year increase as of the reporting date of 31 December 2019 is based on actuarial effects.

6.3 Financial position

The financial position of the HMS Group is significantly influenced by HMS Bergbau AG; therefore, we refer to the corresponding explanations.

6.4. General statement

Sales, gross margin and EBITDA represent our financial performance indicators, which the Board of Management controls and monitors on a continual basis. With regard to the entire HMS Group, we were able to achieve and partially exceed the EBITDA forecast made in the previous year due to the solid trading results and corresponding market environment. EBITDA amounted to EUR 2,091 thousand in the 2019 financial year after EUR 2,086 thousand in 2018. Despite a sharp decline in sales, EBITDA increased slightly as a result of an improvement in the cost of materials ratios. HMS AG achieved an EBITDA of EUR 1,148 thousand, which compares to EUR 1,643 thousand in 2018. The higher EBITDA in 2018 was a result of a one-time effect from the sale of shares in Silesian Coal SA in the amount of EUR 1,098 thousand. The operational improvement in EBITDA was also a result of the better cost of materials ratios. Overall, we were able to fully achieve our forecast target at the Group level.

Group sales amounted to EUR 215,423 thousand in the 2019 financial year compared to EUR 254,204 thousand in 2018. Sales at HMS AG declined from EUR 190,996 thousand in the 2018 financial year to EUR 164,417 thousand due to the significant fall in coal prices. The Group's gross margin improved from 2.9 per cent in 2018 to 4.2 per cent in 2019. The gross margin of HMS AG also improved slightly from 3.4 per cent to 3.7 per cent.

7. Risks and opportunities

The Management Board of HMS Bergbau AG is responsible for the Group's 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 to only engage in risks that result in significant opportunities to generate income. If possible, risks should be minimised or transferred to third parties. Opportunities are assessed with regard to their income 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 based on back-to-back contracts and index- or fixed-price-based purchasing and sales agreements – by definition, there are no effects on contractually agreed margins for individual transactions. Where the back-to-back principle is deviated from, such as 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 limiting such risks upon contract conclusion. The management of HMS Bergbau AG will continue to strive to execute back-to-back transactions.

7.2 Financial risks

Exchange rate and interest rate fluctuations can have a significant impact on the HMS Group's earnings. Consequently, the Company's financial risk management aims to hedge currency risks using primarily currency forwards, without entering into speculative transactions. We also 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, are accounted for as financing costs and included in the assessment of each trading transaction, taking into account a risk premium and currency-specific differences. If deemed appropriate in the long term from a risk management perspective, 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 risk-bearing 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 eliminate such risks completely.

7.5 Investment risks

The Company's risk management system attempts to identify the potential negative impact on its business at an early stage by continuously monitoring the marketing strategy and its successful implementation, in order to respond to such risks accordingly by adjusting our strategy.

7.6 Risk and opportunities resulting from the corporate strategy

Because they involve considerable opportunities and risks, decisions on investments and acquisitions are examined based on an assessment and approval process. In some cases, experts are also consulted. The Management Board of HMS Bergbau AG makes the final decisions and, to the extent that these decisions are significant, obtains the approval of the Supervisory Board. We take particular care to exhaustively investigate and weigh the 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 actions such as obtaining expert advice and reports.

In the Trading segment, we are able to identify opportunities and risks at the earliest possible stage by intensely monitoring and analysing markets and competitors. Overall, the risk management system enables the HMS Group to mitigate the above risks at all times and seize any of the resulting opportunities.

HMS also sees significant opportunities in terms of expanding its sales activities in new markets in Asia, particularly in Malaysia, Vietnam and Thailand. The Management Board also sees considerable potential in the USA.

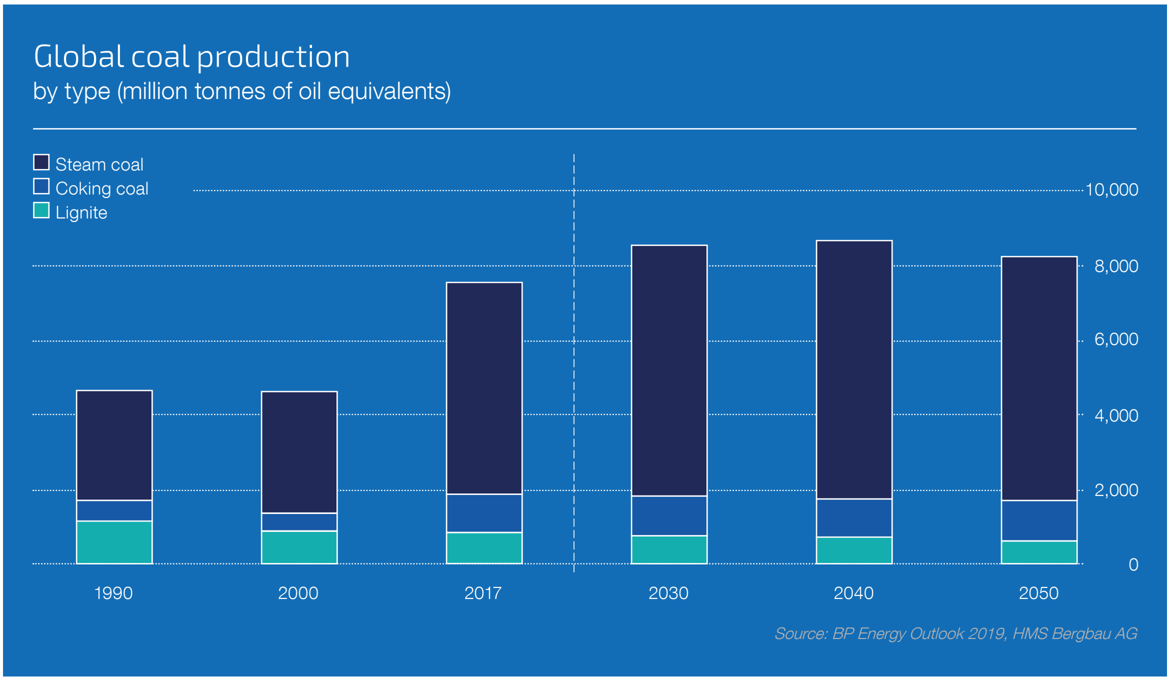
7.7. Risk of COVID-19

The Company currently considers itself exposed to the global effects of the coronavirus (COVID-19). In particular, the economic consequences across all industries suggest that the Company will also be affected in the short to medium term. The economic effects cannot be quantified at this time. The Company sees a significant risk here with regard to the achievement of its sales and profitability targets for 2020. An early warning system has been implemented in order to be able to react to changes in the market as quickly as possible.

The impact of the coronavirus on planning cannot be assessed at this time.

8. Report on forecasts

In comparison to other energy resources, coal represents the largest reserves and resources reported globally. According to calculations by the Federal Office for Geosciences and Natural Resources (BGR) in the Energy Study 2018, reserves should still last for 120 to 200 years, depending on the type of coal and the level of global economic development. It remains undisputed, however, that the potential of existing coal is sufficient enough to meet the foreseeable demand for many decades to come. In addition, scientific analysis and market surveys indicate that the share of coal in global electricity generation will remain stable. The IEA (International Energy Agency) expects hard coal to continue to be the largest source of industrial power generation. The following diagram illustrates the compensation for the decline in global coal-fired power generation by growing industries, especially in Asia but later also in Africa. In addition to the growing world population, which is anticipated to increase to 8.2 billion by 2030, the strongest driver of this development is undoubtedly growing energy consumption. Therefore, a primary energy matrix without coal is inconceivable for the next 50 years.



The steadily increasing development of world energy consumption in recent years, with fossil fuel coal as the primary energy source, will continue in the next few years. Coal prices will tend to increase in the future driven by rapidly growing industrial demand from the Pacific Rim, population growth and generally rising per capita consumption. The management of HMS Bergbau AG assumes that the Pacific Rim region will continue to gain in importance as an important sales market. As in previous years, Asia is increasingly becoming the focus of HMS Bergbau AG's strategic orientation. In addition to South Africa, Indonesia is one of the most important production markets in the next few years from the management's point of view because of the resources available, the favourable mining conditions and the central location in the Pacific region. Significant growth potential, especially in securing substantial coal resources, continues to be essential in order to operate as a reliable trading partner in volatile markets. By securing its own resources, the management wants to guarantee the supply of end-users in the Asian market as well as in southern Africa in the long run.

With the expectation of increasing world market prices, securing our own resources and the related expansion of the value chain – from production to the sale to the end customer – is an essential component in sustainably consolidating our market position. Particularly given the known risks in nuclear energy and the current difficulties in implementing the „energy transition" in Germany, management does not expect declining demand for fossil fuels in Europe as a whole. As a flexible energy supplier, coal-fired power generation will retain its importance, above all in Eastern Europe. Our efforts in Europe continue to focus on renewing expired contracts, closing new contracts with European non-power plant customers and power plant operators and expanding and consolidating our market position in niche products such as petcoke, coking coal and coke products to achieve even better product diversification. In Africa and Asia, the Company is focusing on building long-term supplier and customer relationships to participate in the growing importance of both regions in world coal trading. In the financial years ahead, the main task of HMS Bergbau AG will be to stabilise the business in Europe while at the same time growing the Asia and Africa business and continuing to expand in the US market. The Company plans to consistently pursue its strategy to expand the value chain, specifically by concluding and successfully implementing exclusive collaborations and marketing agreements, as well as through the development of proprietary production resources.

In addition to expanding business volumes, HMS Bergbau AG's activities focus on improving its market position in strategically important markets and business segments. The focus continues to be on global positioning, above all in South Africa, India and Indonesia, but also in the US. In addition to the coal business, the Company's activities are centred on the expansion of trade in other raw materials, such as ores, fertilisers and cement products. In the medium term, this trading business should become another pillar of HMS Bergbau AG.

The flexible structures of HMS Bergbau AG have enabled the company to assert itself and develop well in a difficult market environment over the past few years. Next to making its structures even more flexible, the company has also tapped new markets over the past few years as part of its vertical and horizontal integration. This development should lead to better results in the future and allow HMS Bergbau AG to continue to participate in the market on a lasting basis and participate in the long-term positive upward trend emerging in the commodity markets. Management will continue to pursue these goals consistently in the 2020 financial year.

The impact of the coronavirus on planning cannot be assessed at this time.

9. Key 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 the remuneration for individual Management Board members. Management Board remuneration consists of fixed elements alongside variable, performance-related components. Fixed remuneration is paid as a monthly salary, regardless of performance. Management Board members also receive additional non-cash fringe benefits, which mainly consist of the value under tax law for the private use of a company car. Performance-related remuneration is dependent on the Company's result for the financial year and the personal performance of the Management Board member in question. The remuneration of the Chief Executive Officer also includes pension commitments.

10. Hedges

The HMS Group entered into hedging transactions in the reporting period due to the price and currency risks of underlying individual physical transactions.

11. Closing comments pursuant to Section 312 (3) AktG

There were no dependencies in the reporting period as defined under Section 312 (3) AktG.

12. Forward-looking statements

This management report includes forward-looking statements that reflect the current opinion of the HMS Group's management with regard to future events. Any statement contained in this report reflecting or building upon intentions, assumptions, expectations, forecasts or underlying assumptions is a forward-looking statement. These statements are based upon plans, estimates and forecasts that are currently available to the HMS Group's management and, therefore, only refer to the point in time at which they were made. Forward-looking statements are inherently 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 responsibility for such statements and does not intend to update such statements in light of new information or future events.

The impact of the coronavirus on planning cannot be assessed at this time.

Berlin, March 2020

Heinz Schernikau	Steffen Ewald	Dennis Schwindt
Chief Executive Officer	Chief Finance Officer	Chief Operating Officer

Consolidated Balance Sheet as of 31 December 2019

Assets

		31/12/2019	31/12/2018
	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	5,024.27		12,316.66
2. Company value	309,792.55		4,203.11
		314,816.83	**16,519.77**
II. Fixed assets			
1. Technical equipment and machinery	104,793.17		0.00
2. Other equipment, office and factory equipment	46,589.38		63,262.81
3. Advance payments and assets under construction	6,289,673.21		5,390,338.74
		6,441,055.76	**5,453,601.55**
III. Financial assets			
1. Shares in associated companies	443,230.59		412,586.02
2. Other loans receivable	8,138,008.78		9,227,083.19
		8,581,239.37	**9,639,669.21**
		15,337,111.95	**15,109,790.53**
B. Current assets			
I. Inventories			
1. Products		0.00	116,246.62
II. Receivable and other assets			
1. Trade receivables	27,410,957.50		39,161,657.61
2. Receivables from associates	142,397.34		136,230.94
3. Other assets EUR thousand 1.000 (Vj.TEUR 0)	1,703,298.33		1,024,232.61
		29,256,653.17	**40,322,121.16**
III. Cash and cash equivalents		5,077,159.40	1,614,390.11
		34,333,812.57	**42,052,757.89**
C. Accruals and deferrals		**89,504.36**	**115,907.62**
D. Deferred taxes		**1,359,750.28**	**1,850,320.33**
		51,120,179.16	**59,128,776.37**

Passiva

	EUR	31/12/2019 EUR	31/12/2018 EUR
A. Shareholders' equity			
I. Subscribed equity		**4,542,774.00**	**4,205,096.00**
II. Capital reserve		**9,654,752.07**	**3,916,647.36**
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. Contributions made to implement the capital increase		**0.00**	**3,750,000.00**
V. Consolidated net loss	-1,324,939.71		-1,941,413.98
VI. Exchange differences	-617,342.17		-717,648.08
		-1,942,281.88	**-2,659,062.06**
VI. Minority interests		2,766,386.94	9,466.09
		15,299,902.50	**9,500,418.76**
B. Provisions			
1. Pension provisions and similar obligations	7,712,832.11		7,089,991.90
2. Tax provisions	578,015.24		292,526.77
3. Other provisions	356,552.28		307,904.13
		8,647,399.63	**7,690,422.80**
C. Liabilities			
1. Liabilities to banks	6,075,163.28		6,683,243.65
2. erhaltene Anzahlungen auf Bestellungen	1,178,263.91		0.00
2. Trade payables	17,769,279.76		31,248,185.55
3. Other liabilities - thereof from taxes EUR 91 thousand (previous year: EUR 117 thousand) - therof for social security EUR 2 thousand (previous year: EUR 3 thousand) - thereof from shareholders EUR 457 thousand (previous year: EUR 2.688 thousand)	2,150,170.08		4,006,505.61
		27,172,877.03	**41,937,934.81**
		51,120,179.16	**59,128,776.37**

Consolidated Income Statement 2019

			2019 EUR	2018 EUR
1.	Sales		215,422,504.60	254,203,683.12
2.	Other operating earnings		62,971.35	1,258,683.13
		- thereof from currency translation: EUR 8 thousand (previous year: EUR 172 thousand)		
			215,485,475.95	255,462,366.25
3.	Cost of materials			
		Costs for goods purchased	-206,428,158.60	-246,910,399.65
4.	Personnel costs			
	a)	Wages and salaries	-2,018,753.35	-1,612,273.99
	b)	Social security costs and pension support costs - thereof for pensions EUR 262 thousand (previous year: EUR 89 thousand)	-161,573.21	-435,847.31
			-2,180,326.56	-2,048,121.30
5.	Amortisation			
		Amortisation of intangible assets and fixed assets	-73,643.30	-92,698.36
6.	Other operating expenses	- thereof from currency translation: EUR 98 thousand (previous year: EUR 286 thousand)	-4,785,641.54	-4,418,045.88
7.	Other interest and similar earnings		534,450.38	445,772.43
8.	Interest and similar expenses	- thereof from discounting of pension obligations: EUR 805 thousand (previous year: EUR 791 thousand)	-1,073,842.36	-1,129,839.70
9.	Income taxes	- therof from deferred taxes EUR 491 thousand (previous year: EUR 232 thousand)	-960,984.89	147,780.65
10.	**Earnings after taxes**		**517,329.08**	**1,456,814.44**
11.	Other taxes		-3,933.96	-3,885.91
12.	**Net profit for the period***		**513,395.12**	**1,452,928.53**
13.	Loss carryforward		-1,941,413.98	-3,398,563.72
14.	Result to be allocated to minorities interest (Loss)		103,079.15	4,221.21
15.	**Consolidated balance sheet loss**		**-1,324,939.71**	**-1,941,413.98**
	Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)		**2,091,349.20**	**2,085,799.42**

**2019 net profit of EUR 1,508,074.11, excluding EUR 862,823.81 of pension provisions (2018: pension provisions of EUR 880,521.36)*

Consolidated Cash Flow Statement 2019

	2019 EUR thousand	2018 EUR thousand
1. Cash flow from current operating activities		
Net earnings for the period	513	1.453
Depreciation of fixed assets	74	93
Profit from sales of minorities	0	-1.098
Decrease in provisions	-134	889
Other non-cash expenses/income (incl, pension provision)	89	-737
Increase in inventories, trade receivables and other assets	11,743	-8,773
Increase in inventories, trade payables and other liabilities	-11,751	13,433
Interest expense/interest income	539	684
Income tax expense/tax benefit	912	-148
Income tax payments	49	-50
Cash flow from current operating activities	**2,035**	**5,746**
2. Cash flow from investment activities		
Cash outflow for investments in property, plant and equipment	-1,040	-875
Cash outflow for investments in intangible assets	-1	-6
Cash inflow from sales of minority interests to consolidated subsidiaries	0	1,100
Cash outflow from purchase of minority interests to consolidated subsidiaries	-338	0
Cash outflow for investments in associated companies	0	-2,074
Cash inflow from the repayment of loans	1,089	0
Cash flow from investment activities	**-290**	**-1,856**
3. Cash flow from financing activities		
Cash inflows from equity injections	47	25
Sale of treasury shares	2,279	
Cash outflows for the repurchase of treasury stock	0	-79
Raising of long-term loans	0	960
Repayment of long-term loans	-240	-60
Cash flow from financing activities	**2,086**	**846**
4. Cash and cash equivalents at the end of the period		
Changes affecting payment (Subtotals 1 – 3)	3,831	4,737
Cash and cash equivalents at the start of the period	-4,169	-8,906
Cash and cash equivalents at the end of the period	**-338**	**-4,169**
5. Composition of cash and cash equivalents		
Cash and cash equivalents	5,077	1,614
Current liabilities	-5,415	-5,783
Cash and cash equivalents at the end of the period	**-338**	**-4,169**

Consolidated Statement of Changes in Shareholders' Equity 2019

	Group's Equity			
	Subscribed capital common shares	Capital reserve	Capital contributions made to implement the capital increase	Generated consolidated shareholders' equity
	EUR	EUR		EUR
31/12/2017	**4,208,746.00**	**3,966,747.36**	**0.00**	**-3,120,292.35**
Changes in the basis of consolidation	1,850.00	23,390.00	0.00	0.00
Repurchase of treasury shares	-5,500.00	-73,490.00	0.00	0.00
Non-cash capital increase	0.00	0.00	3,750,00.00	0.00
Sales of minority interest	0.00	0.00	0.00	0.00
Currency translation differences	0.00	0.00	0.00	0.00
	4,205,096.00	3,916,647.36	3,750,000.00	-3,120,292.35
Consolidated net income / loss	0.00	0.00	0.00	1,457,149.74
31/12/2018	**4,205,096.00**	**3,966,747.36**	**0.00**	**-3,120,292.35**
Changes in the basis of consolidation	2,590.00	44,642.71	0.00	0.00
Sale of treasury shares	114,500.00	2,164,050.00	0.00	0.00
Commercial registration of a non-cash contribution (previous year)	220,588.00	3,529,412.00	-3,750,000.00	0.00
Conversion of convertible loans	0.00	0.00	0.00	0.00
Currency translation differences	0.00	0.00	0.00	0.00
	4,542,774.00	9,654,752.07	0.00	-1,663,142.61
Consolidated net income / loss	0.00	0.00	0.00	616,474.27
31/12/2019	**4,542,774.00**	**9,654,752.07**	**0.00**	**-1,046,668.34**

		Minority shareholders			
Accumulated remaining consolidated income Currency translation adjustments	Group's share	Minority interest	Accumulated remaining consolidated income Currency translation adjustments	Shareholders' equity	Group equity
EUR	EUR	EUR	EUR	EUR	EUR
-538,632.14	**4,516,568.87**	**11,219.10**	**0.00**	**11,219.10**	**4,527,787.97**
0.00	25,240.00	0.00	0.00	0.00	25,240.00
0.00	-78,990.00	0.00	0.00	0.00	-78,990.00
0.00	3,750,00.00	0.00	0.00	0.00	3,750,000.00
0.00	0.00	2,468.20	0.00	2,468.20	2,468.20
-179,015.94	-179,015.94	0.00	0.00	0.00	-179,015.94
-717,648.08	8,033,802.93	13,687.30	0.00	13,687.30	8,047,490.23
0.00	1,457,149.74	0.00	-4,221.21	-4,221.21	1,452,928.53
-538,632.14	**4,516,568.87**	**13,687.30**	**-4,221.21**	**9,466.09**	**9,500,418.76**
0.00	47,232.71	0.00	0.00	0.00	47,232.71
0.00	2,278,550.00	0.00	0.00	0.00	2,278,550.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	2,860,000.00	0.00	2,860,000.00	2,860,000.00
100,305.91	100,305.91	0.00	0.00	0.00	100,305.91
-617,342.17	11,917,041.29	2,873,687.30	-4,221.21	2,869,466.09	14,786,507.38
0.00	616,474.27	0.00	-103,079.15	-103,079.15	513,395.12
-617,342.17	**12,533,515.56**	**2,873,687.30**	**-107,300.36**	**2,766,386.94**	**15,299,902.50**

Statement of Changes in Current Assets as of 31 December 2019

	Procurement and manufacturing costs					
	01/01/2019	Currency conversion	Additions	Disposals	Re-classifications	31/12/2019
	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	48,499.46	-412.00	1,189.28	0.00	0,00	49,276.74
2. Goodwill	252,187.29	0.00	287,518.05	0.00	0,00	539,705.34
	300,686.75	**-412.00**	**288,707.33**	**0.00**	**0,00**	**588,982.08**
II. Property, plant and equipment						
1. Technical equipment and machinery	0.00	6,258.38	108,886.24	0.00	0,00	115,144.62
2. Other equipment, office and factory equipment	571,158.47	-4,943.84	9,832.49	31,345.37	0,00	544,701.75
3. Deposits paid / plant under construction	5,390,338.74	-21,866.54	921,201.01	0.00	0,00	6,289,673.21
	5,961,497.21	**-20,552.00**	**1,039,919.74**	**31,345.37**	**0,00**	**6,949,519.59**
III. Investments						
1. Investments	475,933.91	30,644.57	0.00	0.00	0,00	506,578.48
2. Other loans receivable	10,927,083.19	0.00	-1,089,074.41	0.00	0,00	9,838,008.78
	11,403,017.10	**30,644.57**	**-1,089,074.41**	**0.00**	**0,00**	**10,344,587.26**
	17,665,201.06	**9,680.57**	**239,552.66**	**31,345.37**	**0,00**	**17,883,088.92**

Accumulated amortisation and depreciation						Book values	
01/01/2019	Currency conversion	Additions	Disposals	Re-classifications	31/12/2019	31/12/2019	31/12/2018
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30,347.77	187.15	7,893.13	0.00	0.00	44,252.47	5,024.27	12,316.66
197,546.72	0.00	32,366.07	0.00	0.00	229,912.79	309,792.55	4,203.11
227,894.49	**187.15**	**40,259.20**	**0.00**	**0.00**	**274,165.26**	**314,816.82**	**16,519.77**
0.00	-1,230.00	11,581.45	0.00	0.00	10,351.45	104,793.17	0.00
507,895.66	-242.57	21,802.65	31,343.37	0.00	498,112.38	46,589.38	63,262.81
0.00	0.00	0.00	0.00	0.00	0.00	6,289,673.21	5,390,338.74
507,895.66	**-1,472.57**	**33,384.10**	**31,343.37**	**0.00**	**508,463.83**	**6,441,055.76**	**5,453,601.55**
63,347.89	0.00	0.00	0.00	0.00	63,347.89	443,230.59	412,586.02
1,700,000.00	0.00	0.00	0.00	0.00	1,700,000.00	8,138,008.78	9,227,083.19
1,763,347.89	**0.00**	**0.00**	**0.00**	**0.00**	**1,763,347.89**	**8,581,239.37**	**9,639,669.21**
2,499,138.05	**-1,285.42**	**73,643.30**	**31,343.37**	**0.00**	**2,545,976.98**	**15,337,111.95**	**15,109,790.53**

Notes to the consolidated financial

HMS Bergbau AG, Berlin

Financial year 2019

I. General company information

HMS Bergbau AG is headquartered in Berlin, Germany. The company has been entered into the commercial register of the District Court of Berlin-Charlottenburg under 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 the financial year from 1 January to 31 December 2019 were prepared in accordance with the accounting and valua-tion principles under German commercial law and the provisions of the German Stock Cor-poration Act (AktG).

The financial year of the Group and all entities included in the consolidated financial state-ments corresponds to the calendar year.

In addition to the balance sheet, income statement and notes, the cash flow statement and statement of changes in equity are presented separately pursuant to Section 297 (1) HGB.

The income statement was prepared using the total cost method.

III. Scope of consolidation

1. Information on all Group entities

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

Name	Headquarters	Interest in %	Equity EUR thousands	Annual result EUR thousand
HMS Bergbau Africa (Pty) Ltd.	Johannesburg	100	136	-152
HMS Bergbau Singapore (Pte) Ltd.	Singapore	100	2,774	1,060
PT. HMS Bergbau Indonesia	Jakarta	100	-4,091	-461
Silesian Coal International Group of Companies S.A.	Katowice	60.2	847	-259
HMS Bergbau USA Corp.*	Miami	100	101	101

**) im November 2018 gegründet*

IV. Consolidation principles

The annual financial statements of the subsidiaries in-cluded in the consolidated financial statements were prepared as at 31 December 2019, which is the re-porting date of the par-ent company.

The annual financial statements of the subsidiaries in-cluded in the consolidated financial statements were prepared in a uniform manner, using the accounting and valuation princi-ples of HMS Bergbau AG pursuant to legal provisions.

The consolidated financial statements were prepared as at the reporting date of the parent company.

1. Information of the capital consolidation method applied

For fully consolidated subsidiaries acquired prior to 1 January 2010, capital consolidation was carried out as at the date of acquisition according to the book value method pursuant to Section 301 (1) no. 1 HGB (old version), whereby the acquisition costs were offset against the pro rata equity of the subsidiaries as at the time of acquisition or their first-time consolidation. For subsidiaries acquired after 1 January 2010, capital consolidation is car-ried out as at the time of acquisition according to the revaluation method pursuant to Sec-tion 301 (1) HGB. Equity is recognised at the amount equivalent to the present value of the assets, liabilities, accruals and deferrals, and special items included in the consolidated fi-nancial statements applicable as at the time of acquisition.

2. Date of first-time consolidation

The date on which the entity is established by the parent company always represents the date on which capital is consolidated within the meaning of Section 301 (2) HGB. As a re-sult, capital was consolidated based on the values as at the entities' establishment also for entities established prior to the reporting year. Any profits or losses generated by subsidiar-ies before 1 January 2010 were included in and offset against the parent company's re-tained earnings. For these companies, the consolidation did not result in a difference within the meaning of Section 301 (1) HGB (old version).

Entities acquired after 1 January 2010 are included as at the time they became subsidiaries of the parent company pursuant to Section 301 (2) HGB.

3. Debt consolidation

Mutual receivables and liabilities between the consolidated entities are offset against each other and eliminated within the context of debt consolidation. Any resulting differences from the consolidation of intra-group receivables and liabilities denominated in foreign currencies are directly recognised in equity.

4. Consolidation of income and expenses, elimination of intra-group profits

Intra-group sales are offset against the corresponding intra-group expenses.

Expenses and income from other business transactions between consolidated entities are also offset against each other.

There were no intra-group profits from deliveries and services within the Group.

V. Currency translation principles

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

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

Differences arising from the currency translation of assets and liabilities are recognised di-rectly in equity.

Exchange rate differences arising from the currency translation of items of the income statement and the annual results are reported as income or expenses within the consoli-dated net profit.

VI. Accounting and valuation principles

Accounting and valuation

The consolidated financial statements comply with the applicable provisions of Section 298 HGB.

Intangible assets are carried at cost less scheduled amortisation.

Property, plant and equipment are carried at cost less straight-line depreciation over the expected useful life.

Financial assets are carried at cost. In cases of permanent impairment, financial assets are impaired at their lower fair value. If the reasons for the impairment no longer exist, the im-pairment loss is reversed.

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

Cash and cash equivalents impairment recognised at their nominal amounts.

Deferred tax assets resulted from differences in the carrying amounts of assets, liabilities, accruals and deferrals under commercial law and tax law. These differences are expected to be reversed in later years. Deferred tax assets are recognised for tax loss carryforwards to the extent they are expected to be offset against taxable income in the next five years. Deferred tax assets are based on the company-specific tax rate at the time of the reversal of the differences. The amounts recognised are to be released when the tax burden or re-lief occurs or is no longer expected to occur.

Defined pension obligations are calculated based on the projected unit credit method, using the "2018 G" mortality tables compiled by Prof Dr Klaus Heubeck, assuming an un-changed staff turnover and salary tend of 0%, a discount rate of 2.71% (previous year: 3.21%) and an unchanged pension trend of 2.0%. The difference between the seven-year and ten-year average interest rate, which is restricted from distribution (Section 253 (6) sen-tence 2 HGB, revised version) amounted to EUR 864 thousand. The first-time application of the German Accounting Law Modernisation Act (BilMoG) in the 2010 financial year resulted in an amounted to be allocated to pension provisions of EUR 3,341 thousand in accord-ance with actuarial principles, which is spread over a period of 15 years pursuant to Article 67 (1), sentence 1, of the Introductory Act to the German Commercial Code (EGHGB). A total of EUR 2,227 thousand of this amount was allocated as at 31 December 2019. The remaining amount of EUR 1,114 thousand will be allocated to pension obligations in yearly instalments of EUR 223 thousand until the year 2024 and recognised as an expense.

Other provisions take into account all foreseeable risks and uncertain obligations and are recognised at their settlement amount, i.e. including expected increases in prices and costs.

Liabilities are recognised at their repayment amount.

The translation of business transactions in foreign currencies is based on the spot ex-change 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 the individual line items within non-current assets.

Goodwill resulted from the repurchase of an interest (100%) in Silesian Coal International Group of Companies S.A. in early 2019. The useful life of goodwill is 10 years.

Advance payments and assets under construction relate to exploration and development costs associated with the acquisition of a mining licence for the coalfield in Orzesze, Poland.

Other loans receivable are to affiliated companies. The disposal resulted mainly from the repayment of a granted loan.

As in the previous year, all receivables, other assets and liabilities (except for liabilities to banks) have remaining terms of less than one year.

Deferred tax assets resulted from the difference in the valuation of pension provision (EUR 1,360 thousand). The calculation of temporary differences is based on the respective com-pany-specific overall tax rate of 30.18%. The measurement of deferred taxes as at 31 De-cember 2019 continued to result in a surplus of deferred tax assets over liabilities as was the case on the prior year's reporting date. The amount of capitalised deferred tax assets (EUR 1,360 thousand) is restricted from distribution.

Subscribed capital amounting to EUR 4,590,588.00 consists of 4,590,588 ordinary bearer shares with a nominal value of EUR 1.00 each. During the financial year, treasury shares with a nominal value of EUR 114,500.00 were sold to an investor. In addition, 2,950 treas-ury shares were issued to employees, of which an amount of EUR 1.00 per share (EUR 2,950.00) was allocated to the share capital. As of the reporting date, the Company held a total of 47,814 treasury shares.

A capital increase against contribution in kind executed in 2019 was effectively entered into the commercial register in January 2019. Accordingly, the related issue of 220,588 no-par value shares with a notional interest in the share capital of EUR 1.00 per share was allocated to the share capital. Shareholder loans contributed in the 2018 financial year totalled EUR 3,750,000.00. The difference was recognised as capital reserves, and the item „Contributions made to execute the approved capital increase“ was entirely reclassified due to the effective entry into the commercial register.

Capital reserves of EUR 9,654,752.07 resulted from the difference between the nominal value and the issue price. The increase of EUR 5,738,104.71 is primarily a result of the re-classification of the item „Contributions made to execute the approved capital increase“ mentioned above following the entry of the 2018 contribution in kind into the commercial register in January 2019, the sale of 114,500 treasury shares and the issue of treasury shares to employees.

Authorised capital amounts to EUR 2,295,294.00. The authorisation expires at the end of 7 August 2024. Conditional capital amounts to EUR 2,245,294.00.

Subscription rights still exercisable within the context of an employee stock options pro-gramme totalled 38,488, which may be issued via treasury shares.

Pension provisions, net of the fair value of plan assets of EUR 499 thousand serving ex-clusively to meet pension obligations, amounted to EUR 7,712 thousand as of the reporting date. Plan assets are held in the form of a management and collateral trust agreement for beneficiaries and consist of a bank account and custody account at DWS investing in equi-ties. The fair value (EUR 499 thousand) equals the nominal amount of the bank account and the price of the equity fund as at the reporting date. In the financial year, EUR 69 thousand was recognised as income from the valuation of plan assets. Pensions amounting to EUR 480 thousand were paid in 2019, partially from trust assets. For actuarial reasons, a reversal of provisions in the amount of EUR 99 thousand was recognised in personnel expenses. The compounding of interest and the change in the discount rate resulted in an interest expense of EUR 805 thousand, which was recognised in the income statement.

Other provisions mainly concern costs for the preparation of the financial statements of EUR 142 thousand (previous year: EUR 102 thousand), Supervisory Board remuneration of EUR 87 thousand (previous year: EUR 99 thousand) and personnel provisions of EUR 120 thousand (previous year: EUR 33 thousand).

Liabilities to banks include EUR 5,175 thousand of trade financing of individual back-to-back transactions and EUR 900 thousand of overdraft facilities. An amount of EUR 60 thousand is used quarterly to repay the overdraft facilities, resulting in EUR 660 thousand of the total facilities having a residual term of more than one year. The other components have a remaining term of up to one year.

All trade payables and other liabilities have a remaining term of less than one year.

Contingent liabilities within the meaning of Section 251 HGB

HMS Bergbau AG issued a letter of comfort to duisport agency GmbH according to which it undertakes to meet the financial obligations of HMS Bergbau Coal Division GmbH (formerly: HMS Bergbau AG Coal Division) relating to a coal handling and processing contract with duisport agency GmbH. This letter of comfort is currently not expected to be utilised.

Other financial obligations

As at 31 December 2019, the Group’s purchase obligations from contracts concluded amounted to EUR 18,166 thousand, all relating to the 2020 financial year.

Additional other financial obligations mainly result from rental and lease agreements. The maturities of these obligations are as follows:

Up to 1 year	EUR	217 thousand
Between 1 and 5 years	EUR	286 thousand

VIII. Notes on the consolidated income statement

Sales of EUR 215,422 thousand were generated in the financial year, mainly from trading coal products such as steam coal, coking coal, anthracite, ores and cement products. On a regional basis, sales originated from Asia (81%), Africa (11%), Europe/Other countries (8%).

Cost of materials resulted from the global purchase of steam coal, coking coal and anthra-cite.

Other operating income includes income from the netting of personnel-related non-cash benefits of EUR 45 thousand.

Other operating expenses mainly include legal and consulting fees (EUR 1,280 thousand), vehicle and travel expenses (EUR 668 thousand), fulfilment costs (EUR 2,073 thousand), occupancy costs (EUR 184 thousand) and the 1/15th of the allocation to pension provisions (EUR 223 thousand) resulting from the changed measurement pursuant to Section 253 (1) sentence 2 HGB.

The financial result includes interest expenses on pension obligations of EUR 805 thou-sand.

Income tax benefits resulted from the carryover of deferred tax assets (EUR -491 thousand of reversal as an expense).

IX Notes on the consolidated cash flow statement

Cash and cash equivalents include cash and liabilities to banks due on demand as well as other current borrowings related to the disposition of cash and cash equivalents.

X. Sonstige Angaben

1. 1. Names of Management Board and Supervisory Board members

During the past financial year, the company's business was conducted by the following Management Board members:

- Mr Heinz Schernikau, Chief Executive Officer,
- Mr Steffen Ewald, Chief Financial Officer,
- Mr Dennis Schwindt, Chief Operating Officer.

Disclosure of the Management Board remuneration was waived by exercising the option granted by Section 286 (4) HGB.

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

- Dr Hans-Dieter Harig; engineer, retired,
  Chairman of the Supervisory Board
- Dr h.c. Michael Bärlein; lawyer, Berlin,
  Deputy Chairman of the Supervisory Board
- Ms Michaela Schernikau; merchant,
  Managing Director, Berlin.

During the financial year, Ms Michaela Schernikau was also a member of the Supervisory Boards of the following companies: HMS Bergbau AG Iron Ore & Metals Division, Berlin; and HMS Bergbau AG Coal Division GmbH, Berlin (formerly: HMS Bergbau AG Coal Division).

The members of the Supervisory Board received remuneration of EUR 56 thousand for their activities in 2019, which was entirely attributable to unpaid remuneration in prior years. The company has recognised a provision totalling EUR 87 thousand for the remuneration stipulated by the Company's Articles of Association for the 2019 financial year and prior years.

2. Auditor's fee

The auditor's fee amounted to EUR 46 thousand. In addition, the auditor performed other services totalling EUR 2 thousand in 2019.

3. Average number of employees during the financial year

An average of 32 staff (14 women, 18 men) was employed in the 2019 financial year. .

4. Amounts restricted from distribution

The difference between seven-year and ten-year average interest rates in the valuation of pension provisions (Section 253 (6) sentence 2 HGB) of EUR 864 thousand and deferred tax assets of EUR 1,360 thousand are restricted from distribution.

5. Subsequent events

The Company currently considers itself exposed to the global effects of the coronavirus (SARS-CoV-2). The economic consequences across all industries suggest that the Compa-ny will also be affected in the short to medium term. The economic effects cannot be quantified at this time. There were no other events of special significance after the end of the fi-nancial year.

Berlin, 31 March 2020

Heinz Schernikau
Chief Executive Officer

Steffen Ewald
Chief Financial Officer

Dennis Schwindt
Chief Operating Officer

Imprint

Responsible publisher:

HMS Bergbau AG
An der Wuhlheide 232
12459 Berlin
Deutschland
T: +49 (30) 65 66 81-0
F: +49 (30) 65 66 81-15
E-Mail: hms@hms-ag.com
www.hms-ag.com

Concept, editing and design:

GFEI Aktiengesellschaft
Ostergrube 11
30559 Hannover
Deutschland
T: +49 (0) 511 47 40 23 10
F: +49 (0) 511 47 40 23 19
E-Mail: kontakt@gfei.ag
www.gfei.ag

Auditor's report

Audit opinions

We audited the consolidated financial statements of HMS Bergbau AG, Berlin, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of 31 December 2019, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the financial year from 1 January 2019 through 31 December 2019, as well as the notes to the consolidated financial statements, including the presentation of accounting policies. In addition, we audited the report on the situation of the company and the HMS Bergbau AG Group for the financial year from 1 January through 31 December 2019.

In our opinion, based on the knowledge obtained in the course of the audit,

- the accompanying consolidated financial statements comply with German commercial law in all material respects and, in accordance with German generally accepted accounting principles, give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 and its results of operations for the financial year from 1 January 2019 through 31 December 2019;
- the accompanying report on the situation of the Company and the Group as a whole gives a true picture of the situation of the Company. In all material respects, this combined management report is consistent with the annual financial statements, complies with German statutory provisions and accurately presents the opportunities and risks of the future development.

In accordance with Section 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any objections to the regularity of the consolidated financial statements or the report on the situation of the Company and the Group.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the report on the situation of the Company and the Group in accordance with Section 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under these rules and policies are further described in the section entitled „Auditor's responsibilities for the audit of the consolidated financial statements and the management report" of our audit opinion. We are independent of the Group companies in accordance with German commercial law and rules of professional conduct and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to form the basis for our audit opinion on the consolidated financial statements and the report on the situation of the Company and the Group.

The legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the report on the situation of the Company and the Group do not extend to the other information and, accordingly, we provide neither an audit opinion nor any other form of audit conclusion on these issues.

In connection with our audit, we have the responsibility to read the other information and to evaluate whether the other information

- has material inconsistencies with the consolidated financial statements, the report on the situation of the Company and the Group or with our knowledge obtained during the audit;

or otherwise appears significantly misrepresented.

Responsibility of the legal representatives for the consolidated financial statements and the management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with German commercial law in all material respects, and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate the preparation of consolidated financial statements that are free from any intentional or unintentional material misstatements.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern and for disclosing matters relating to the continuation of the business, where relevant. In addition, they are responsible for accounting on the basis of the going concern accounting principle, unless contrary to fact or law.

In addition, the legal representatives are responsible for the preparation of the report on the situation of the Company and the Group, which overall conveys a true picture of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German statutory provisions and accurately presents the opportunities and risks of the future development. In addition, the legal representatives are responsible for the arrangements and measures (systems) that they deem necessary to enable the preparation of a group management report in accordance with the applicable German statutory provisions and to provide sufficient and suitable evidence for the statements in the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from intentional or unintentional material misstatements, and whether the report on the position of the Company and the Group as a whole provides a true picture of the Company's situation and in all material respects is consistent with the consolidated financial statements and the knowledge obtained in the course of the audit, complies with German statutory provisions, accurately presents the opportunities and risks of the future development and to issue an audit opinion that includes our audit opinion on the consolidated financial statements and the report on the position of the Company and the Group.

Reasonable assurance is a high level of assurance, but no guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if individually or together could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the report on the position of the Company and the Group.

During the audit, we exercise due discretion and maintain a critical attitude. In addition, we

- identify and assess the risk of any intentional or unintentional material misstatements in the consolidated financial statements and the group management report, plan and perform audit procedures in response to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal controls;
- obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of the arrangements and measures relevant to the audit of the report on the position of the Company and the Group, in order to plan audit procedures that are appropriate for the circumstances but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company;
- evaluate the appropriateness of the accounting policies used, as well as the feasibility of accounting estimates and related disclosures made by the legal representatives;
- draw conclusions as to the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this fact in our auditor's report to the related disclosures in the consolidated financial statements and report on the position of the Company and the Group or, if such disclosures are inadequate, to modify our particular opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the Group's net assets, financial position, and results of operations in accordance with German generally accepted accounting principles;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the report on the position of the Company and the Group. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinions;
- evaluate the consistency of the report on the position of the Company and the Group with the consolidated financial statements, its legal compliance and the presentation of the Company's position;
- perform audit procedures on the prospective information presented by the legal representatives in the report on the position of the Company and the Group. Based on sufficient and appropriate audit evidence, we hereby, in particular, review the significant assumptions used by the legal representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions.

We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Berlin, 27. March 2020
PANARES GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Wenning
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 2017 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.

Contact

Legende:
- H Headquarter
- S Subsidiaries
- RO Representative Offices

Germany H
HMS Bergbau AG (headquarter)

Berlin, Germany
An der Wuhlheide 232
12459 Berlin
Germany

T: +49 (30) 65 66 81 0
F: +49 (30) 65 66 81 15
E-Mail: hms@hms-ag.com

Germany S
HMS Oil and Gas Division GmbH

Berlin, Germany
An der Wuhlheide 232
12459 Berlin
Germany

T: +49 (30) 65 66 81 0
F: +49 (30) 65 66 81 15
E-Mail: hms@hms-ag.com

USA S
HMS Bergbau USA Corp.

66 West Flagler St
PH 1
Miami, FL
USA 33130

T: +1 (786) 740-8023
E-Mail: hmsusa@hms-ag.com

Indonesia S
PT. HMS Bergbau Indonesia

Menara Rajawali, 25th Floor
Mega Kuningan
Jakarta 12950
Indonesia

T: +62 (21) 57 64 57 77 9
F: +62 (21) 57 94 82 03
E-Mail: hmsi@hms-ag.com

Singapore S
HMS Bergbau Singapore Pte. Ltd.

80 Raffles Place
UOB Plaza 1,#36-07
Singapore 048624
Singapore

T: +65 6908 57 95 / 57 96
F: +65 6908 57 97
E-mail: singapore@hms-ag.com

Poland S
Silesian Coal International Group of Companies S. A.

z siedzibą w Katowicach ul. E. Imieli 14
41-605 Świętochłowice
Poland

T: +48 (32) 77 10 20 0
F: +48 (32) 77 10 20 0
E-mail: hmspoland@hms-ag.com

South Africa S
HMS Bergbau Africa (Pty) Ltd.

Workshop 17
138 West St,
Sandton, Johannesburg, 2031
South Africa

T: +27 (10) 140 36 30
E-Mail: hmsa@hms-ag.com

India RO
HMS Growell India

Mumbai
India

T: +91 (22) 22 66 55 22
E-mail: hmsgrowell@hms-ag.com

Pakistan RO
HMS Bergbau Pakistan

Lahore
Pakistan

T: +92 (42) 36 31 32 35 & 36
E-mail: hmspakistan@hms-ag.com

Kenya RO
HMS Bergbau Kenya

Nairobi
Kenya

T: +254 (733) 96 66 05
E-Mail: hmskenya@hms-ag.com

Malaysia RO
HMS Bergbau Malaysia

Ipoh, Perak
Malaysia

T: +60 (55) 46 91 44
E-mail: hmsmalaysia@hms-ag.com

China RO
HMS Bergbau China

Zhongshan, Guangdong Prov.
China

T: +86 (760) 88 22 33 68
E-Mail: hmschina@hms-ag.com

Sri Lanka RO
HMS Bergbau Sri Lanka

Colombo

T: +94 (77) 46 89 155
E-Mail: hmssrilanka@hms-ag.com

United Arab Emirates RO
HMS Bergbau UAE

Dubai

T: +971 (674) 81 999
E-Mail: hmsdubai@hms-ag.com

Bangladesh RO
HMS Bergbau Bangladesh

Dhaka

E-Mail: hmsbangladesh@hms-ag.com

updates: September 2019