commodities
for the future

Annual Report 2020

HMS BERGBAU AG

Group Key Figures

BALANCE SHEET FIGURES	31/12/2020 EUR thousand	31/12/2019 EUR thousand
Total assets	70,973	51,120
Non-current assets	2,977	315
Current assets	41,755	29,257
Shareholders' equity	17,605	15,300
Provisions	9,769	8,647
Liabilities	43,598	27,173

INCOME STATEMENT FIGURES	2020 EUR thousand	2019 EUR thousand
Sales	267,082	215,423
EBITDA	5,494	2,091
Net profit*	2,810	513

** 2020 net profit of EUR 3,651,446.81 excluding EUR 841,222.36 of pension provisions (2019 pension provisions of EUR: 862,823.81)*

Financial Calendar

1 January 2021	Start of the financial year
July/August 2021	Annual General Meeting
30 September 2021	Interim Report 2021
31 December 2021	End of the financial year
30 June 2022	Annual financial statements 2021

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The English version of the annual report and the consolidated financial statements 2020 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 past 2020 financial year and the first half of 2021 were both affected by a variety of regulatory measures and restrictions due to the corona pandemic. While lockdowns, border closures and numerous reductions in economic forecasts by the IMF during the course of the year were initially responsible for sharplwy falling commodity prices, there has been a steady recovery in commodity markets since the middle of 2020. Commodity prices continued to rise unchecked during the second quarter of 2021 amid significant improvements in economic forecasts and a simultaneous sharp decline in corona infection figures. Inflation rates in some areas recorded double-digit month-on-month percentage increases – something that has not been seen since December 2010.

As an international commodity trader, HMS was presented with some major challenges in the commodity markets over the past several months but was still able to seize on some opportunities in the reporting year due to the internationalisation strategy we have been pursuing for years, coupled with the continual expansion of our product portfolio to include other raw materials such as ores (e.g. chrome, lithium, or manganese), cement, and fertilisers.

With a share in excess of 90 per cent, the strong trading business in Asia and Africa accounted for the majority of the volumes traded by the Group, resulting in an increase in Group sales of 24 per cent to around EUR 267 million. Despite pandemic-related restrictions, HMS Group's earnings also increased in 2020 compared to 2019. EBITDA amounted to roughly EUR 5,494 thousand, marking a significant increase compared to the previous year (EBITDA 2019: EUR 2,092 thousand).

During the pandemic, we have consistently pursued our strategy of transitioning into a vertically integrated, international commodity trading group by continuously expanding business activities along the value chain. In April 2021, for example, we agreed to take a 51 per cent stake in Maatla Resources (Pty.) Ltd, a project company in Botswana that aims to mine and market its own coal deposits. In addition to deepening the value chain through its own raw material production of 1.2 million tonnes of coal per year, HMS Bergbau AG also secured global marketing rights.

At the same time, we also forged ahead with the business and project development of our subsidiary Silesian Coal International Group of Companies S.A. After obtaining the final mining license, the aim is to produce around 1.5 million tonnes annually of coking coal, which the European Union defined as a critical raw material back in 2014. A bond in the amount of EUR 8 million was also placed within the scope of a private placement. The cash proceeds from this placement are to be invested primarily in operating activities, as well as in existing and new project developments.

An important consideration for HMS Bergbau AG, next to its operating activities, is environmental protection. The Group's commitment to sustainable and responsible actions during the past 2020 financial year was demonstrated, among others, by the HMS Group's continued offsetting of its total administrative and internal CO_2 emissions by investing in international climate protection projects that sustainably and verifiably reduce greenhouse gases. HMS Bergbau AG has also been certified as a CO_2-neutral company since 2020.

HMS Bergbau AG demonstrated overall its ability to further expand the tonnage traded despite intense price competition thanks to its international positioning. Consequently, the HMS Group considers itself well positioned in favourably developing energy markets with steadily increasing global energy consumption. China, Indonesia and India will continue to be significant consumers of coal. Coal tends to offer these developing countries flexible power production and supply, without which less prosperity and economic growth could be re-

DENNIS SCHWINDT
CHIEF EXECUTIVE OFFICER

Dennis Schwindt is Chief Executive Officer of HMS Bergbau AG. Mr Schwindt holds a degree in economics from the Humboldt University in Berlin and has been managing several operating projects at HMS Bergbau AG as the Company's authorised representative and in the area of commodity trading since 2012. He gained extensive experience in the oil and gas industry and in plant engineering in his previous positions at both medium-sized German companies and international groups.

JENS MOIR
CHIEF FINANCIAL OFFICER

Jens Moir is Chief Financial Officer of HMS Bergbau AG. Mr Moir has more than 20 years of hands-on experience as a CFO and financial executive in international steel construction, oil and gas, renewable energy and entertainment companies. In his latest role, he oversaw various technology start-ups. Mr Moir is a British and German national with international experience in Germany, Poland, Austria and the USA.

alised. Here, too, HMS Bergbau AG believes it is well-positioned due to its local presence in these countries and long-established trading relationships.

Based on the aforementioned developments, the management of HMS Bergbau AG assesses the medium-term prospects as promising. Due to its international positioning and steadily growing range of services, the Group is poised to continue to generate ever-better results and higher sales volumes in the future. In its operating activities, HMS Bergbau AG takes into consideration the goals of the Paris Climate Agreement, but also plans to continue to make an active contribution to climate protection by supporting international climate protection projects.

In the year 2021, HMS Bergbau plans to achieve sales of approximately EUR 250 million. Based on a targeted gross margin of approximately 4 per cent, this level of sales should yield a positive EBITDA of approximately EUR 3 million.

Berlin, June 2021

DENNIS SCHWINDT
Chief Executive Officer

JENS MOIR
Chief Financial Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

During the 2020 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 performance; 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 in-depth 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 6 meetings in the 2020 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.

The Supervisory Board meetings in the 2020 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. Issues relating to the impact of the pandemic on HMS Bergbau AG, environmental protection, know-your-client processes, global CO_2 developments and sustainable business practices, including their implementation in trade agreements, were also discussed at the Supervisory Board meetings. HMS Bergbau AG has made its operations CO_2-neutral in the 2020 financial year.

The Supervisory Board was 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 Supervisory Board was newly elected at the Annual General Meeting on 8 September 2020. In addition to Heinz Schernikau, founder and former Chief Executive Officer of HMS Bergbau AG, Patrick Brandl was also elected to the Supervisory Board. As planned, Michaela Schernikau and Dr Hans-Dieter Harig did not stand for re-election to the board. At the same

Annual General Meeting on 8 September 2020, Dr Hans-Dieter Harig, Dr h. c. Michael Bärlein and Michaela Schernikau were discharged for the 2019 financial year. HMS Bergbau AG and its entire team would like to take this opportunity to thank them once again for the constructive cooperation over the years. In the constituent meeting of the Supervisory Board held after the Annual General Meeting, Heinz Schernikau was elected Chairman of the Supervisory Board and Dr h.c. Michael Bärlein was elected Deputy Chairman.

There were also changes in the Management Board of HMS Bergbau AG in the 2020 financial year. With the scheduled departure of Heinz Schernikau on 30 June 2020, Dennis Schwindt was appointed Chief Executive Officer (CEO). In addition, Steffen Ewald's Management Board contract was terminated by the Supervisory Board at his own request and for personal reasons as of 31 August 2020. The Supervisory Board would also like to take this opportunity to thank Steffen Ewald once again for his many years of good cooperation. He will be succeeded as Chief Financial Officer by Jens Moir, who was appointed to the Management Board by the Supervisory Board on 1 September 2020. Since then, the Management Board has consisted of two persons.

2020 ANNUAL FINANCIAL STATEMENTS

The annual and consolidated financial statements of HMS Bergbau AG for the 2020 financial year were prepared in accordance with provisions of the German Commercial Code (Handelsgesetzbuch – HGB). The Company's auditor for the 2020 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 2020 financial year, as resolved by the Annual General Meeting.

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.

The annual financial statements and the consolidated financial statements, the combined management report for the Company and the Group, as well as the corresponding audit reports of the auditor, were made available to all members of the Supervisory Board in a timely manner. The documents were reviewed by the Supervisory Board and discussed in detail at the Supervisory Board meeting on 24 June 2021. The Management Board and the auditor commented in detail on all of the Supervisory Board's questions at this meeting. The auditor also reported on the main results of the audit. The Supervisory Board's review of the annual financial statements and consolidated financial statements as well as the combined management report for the Company and the Group did not give rise to any objections, so that the auditor's findings were approved. Following the final results of its own review of the documents, the Supervisory Board raised no objections and approved the annual financial statements of HMS Bergbau AG as at 31 December 2020 and the consolidated financial statements as at 31 December 2020 prepared by the Management Board at its meeting on 24 June 2021. The annual financial statements for 2020 are thus adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

The Management Board's proposal of 24 June 2021 to carry forward the full amount of HMS Bergbau AG's remaining unappropriated retained earnings of EUR 5,066,429.73 to the new account was also reviewed and approved by the Supervisory Board.

There were no conflicts of interest on the part of the Supervisory Board members in the reporting period.

The Supervisory Board extends its thanks to the Management Board and all employees for their commitment and dedication in the 2020 financial year.

Berlin, June 2021

HEINZ SCHERNIKAU
Chairman of the Supervisory Board

Members of the Supervisory Board in the reporting period

HEINZ SCHERNIKAU
CHAIRMAN OF THE SUPERVISORY BOARD

DR. H. C. MICHAEL BÄRLEIN
DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

PATRICK BRANDL
MEMBER OF THE SUPERVISORY BOARD

Investor Relations

DEVELOPMENT OF THE CAPITAL MARKETS IN 2020

The 2020 trading year was certainly an eventful one. With the significant increase in global COVID-19 infection figures at the beginning of 2020 and the pandemic spreading rapidly around the world, share prices plummeted dramatically worldwide in the first quarter of 2020. In just a few weeks, some of the major leading indices lost more than 40 per cent of their stock market values.

Thanks to gigantic economic stimulus packages, low key interest rates and bond purchases by the central banks, an upward trend developed on the global stock exchanges from the second quarter onwards, which was only briefly interrupted by increased volatility in October 2020 in the context of the US presidential elections. Despite a renewed rise in infection figures, a significant share price increase followed from November onwards, which ensured a positive end to the year. The trigger for this year-end rally on the markets was, among others, the failure of US President Donald Trump to win the election. Trump was being increasingly seen as a source of uncertainty for the development of the capital markets due to his unpredictability when it came to international trade and relations with the EU and China. At the same time, the promising study results of the vaccines from BioNtech and Moderna had a positive effect, which held out the prospect of an early vaccination against COVID-19 and thus an end to the pandemic. The significant increase in global economic data also had a supporting effect.

Unlike in the spring of 2020, new lockdowns in Europe were not enough to slow the upward trend on the capital markets. Investors' focus remained on the growth rate forecasts for 2021.

In addition to the health effects, corona also has long-term economic effects. To combat the pandemic and its economic consequences, governments are taking on record amounts of debt to ensure economic aid.

In the USA alone, an aid package totalling USD 1.9 trillion was approved by politicians in March 2021. With this package, corona aid in the USA amounts to a total of roughly USD 6 trillion, which corresponds to about a quarter of the annual gross domestic product.

Share prices were boosted, above all, by the signals coming from the central banks in Europe and the USA that they would continue to keep key interest rate low to support capital markets in the event of an economic slowdown. The US Federal Reserve (Fed) lowered its key interest rate corridor to 0.00 to 0.25 per cent. An increase in key interest rates is not expected before 2023. At the same time, the Fed promised to continue its monthly bond purchases of USD 120 billion until the situation on the labour market improves significantly or when there is a return to full employment.

In the eurozone, too, the European Central Bank is sticking to its zero interest rate policy until further notice. The ECB's bond-buying programme for companies has also been stepped up significantly and has been expanded to mitigate the economic consequences of the pandemic. The PEPP (Pandemic Emergency Purchase Programme) bond purchase programme, which was adjusted several times in the course of 2020 and extended until March 2022, now totals EUR 1.85 trillion. Within the framework of the PEPP, the European Central Bank is purchasing government bonds from countries in the eurozone, which is currently benefitting those countries that have been particularly hard-hit.

Despite further lockdowns in many countries in 2021 due to the sharp rise in COVID-19 infections, economic growth and stock market developments are positive. The global recession in 2020, which saw GDP decline 3.4 per cent (OECD), was countered by various stimulus packages, monetary policy measures and increased social spending to cushion the severe humanitarian and economic impact of the COVID-19 crisis. China and the United States in particular are identified by the OECD as growth drivers of the global economy in 2021, which is expected to grow by 5.6 per cent and thus almost reach the pre-crisis level.

The current forecasts for economic development in the euro area assume an increase in gross domestic product of 3.9 per cent in 2021, following a slump of 6.8 per cent in 2020.

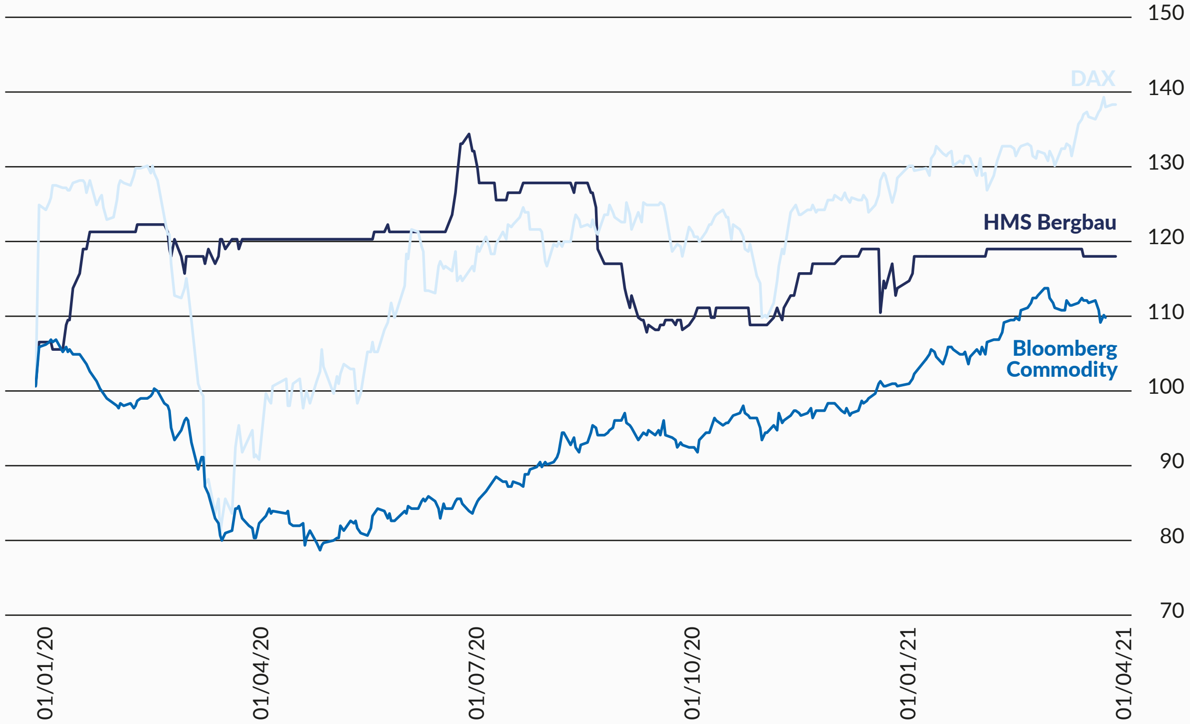
PERFORMANCE OF THE STOCK MARKETS

The Dow Jones Index began the 2020 trading year at 28,538 points and recorded a new all-time high of 29,552 points in mid-February. However, as the pandemic situation worsened, the index went on to lose around 11,000 points by the end of March. The market closed the year on 31 December 2020 at 30,606 points, reflecting a gain of roughly 7.25 per cent since the beginning of 2020. In mid-March of the current 2021 trading year, the index recorded a new all-time high of over 30,500 points.

European stock exchanges also recorded performance comparable to that of the Dow Jones Index, albeit not quite as dynamic. The initial strong rise in the indices at the beginning of 2020 was followed by massive declines amid the economic effects of the pandemic. As at 31 December 2020, the EuroStoxx 50 did not quite reach the highs of the beginning of 2020, but positive economic forecasts for 2021 and 2022 helped it to reach an all-time high of around 3,800 points in March 2021.

The DAX, Germany's benchmark index, began the 2020 trading year at 13,249 points to mark a new all-time high of 13,789 points in mid-February 2020. After losing more than 40 per cent of its value by mid-March, the DAX index also entered a bull market. As at 31 December 2020, the DAX closed around 3.6 per cent higher than at the start of the year. In March 2021, the DAX also marked a new all-time high at a level of over 14,700 points.

PERFORMANCE OF HMS SHARES IN COMPARISON TO THE DAX AND BLOOMBERG COMMODITY INDICES FROM THE BEGINNING OF 2020 THROUGH EARLY 2021



Source: Finanzen.net, HMS Bergbau AG

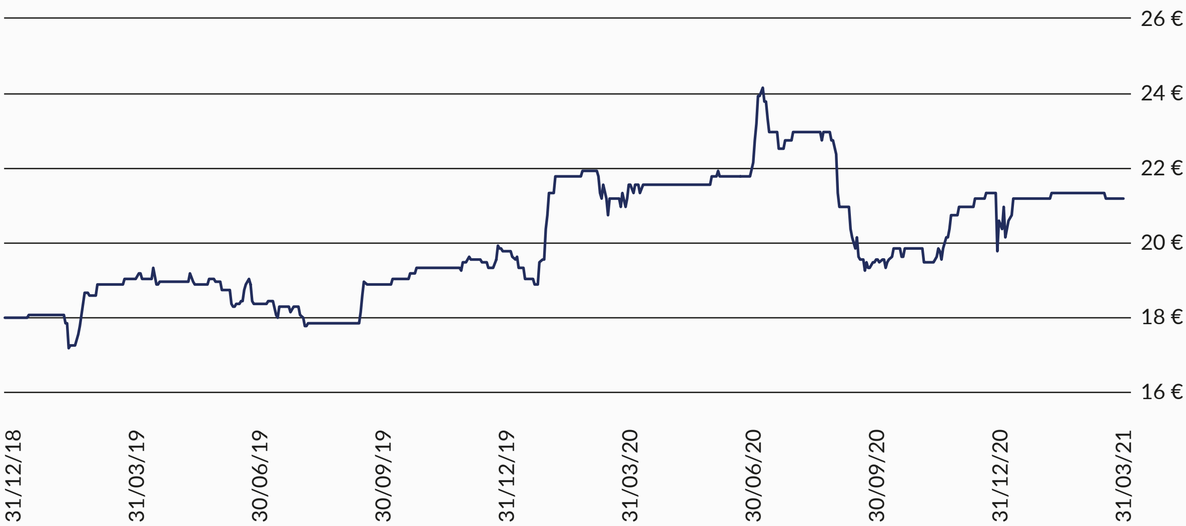
DEVELOPMENT OF THE HMS SHARE

Compared to the DAX and the Bloomberg Commodity Index, the HMS Bergbau AG share performed well. Although the HMS Bergbau share was unable to match the significant outperformance of previous years, it nevertheless ended the 2020 stock market year with a pleasing increase of around 7.85 per cent.

The HMS Bergbau AG share price increased from EUR 19.10 on the last trading day of 2019 to EUR 20.60 at the end of the reporting period on 31 December 2020.

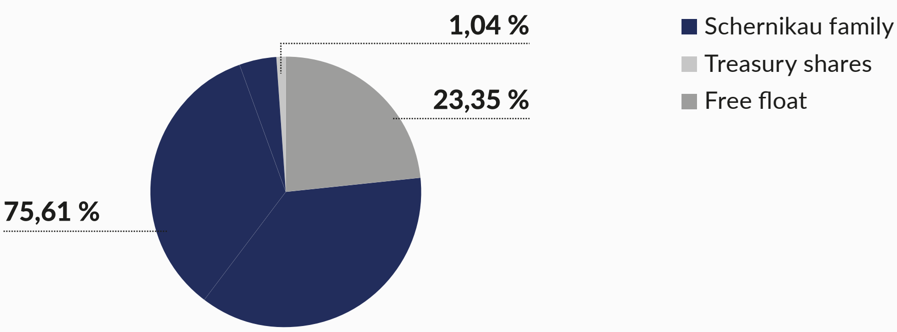
The market capitalisation of HMS Bergbau AG amounted to EUR 94.6 million at the end of the 2020 trading year. At the beginning of 2021, the share price increased again and closed at EUR 21.00 at the end of March. This performance is in line with the positive performance that the HMS Bergbau shares have sustained for many years.

SHARE PRICE OF HMS BERGBAU AG FROM 2018 THROUGH MARCH 2021



Source: Deutsche Börse AG, HMS Bergbau AG

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2020



Source: HMS Bergbau AG

As at 31 December 2020, the share capital of HMS Bergbau AG 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. The Schernikau family holds 4.36 per cent. A total of 1.04 per cent continue to be held as treasury shares by HMS Bergbau AG. 23.35 per cent of the shares are in free float.

ANNUAL GENERAL MEETING 2020

The ordinary Annual General Meeting of HMS Bergbau AG took place on 8 September 2020 as a virtual general meeting. The agenda included the proposed resolutions on the appropriation of unappropriated retained earnings, the discharge of the Management Board and Supervisory Board and the election of the auditor. The resolution on the authorisation to acquire own shares was also voted on. In addition, a new composition of the Supervisory Board was on the agenda. Heinz Schernikau, founder of HMS Bergbau AG, stepped down from the Management Board as planned at the end of June 2020 in order to manage the Company's success in the future from the Supervisory Board. In addition to Heinz Schernikau and Dr h.c. Michael Bärlein, Patrick Brandl was elected as a new member to the Supervisory Board by the Annual General Meeting. In the Supervisory Board meeting held after the Annual General Meeting, Heinz Schernikau was elected Chairman of the Supervisory Board and Dr h.c. Michael Bärlein was elected Deputy Chairman of the Supervisory Board.

INVESTOR RELATIONS-AKTIVITÄTEN

In addition to publishing financial publications, the Company's Management Board informs shareholders promptly and comprehensively about current developments at HMS Bergbau AG via capital market announcements. All news relevant to the capital market 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 2020

BASIC DATA

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	23.35 %

PERFORMANCE DATA

Share price on 31/12/2019 (Xetra closing price)	EUR 19.10
Share price on 30/12/2020 (Xetra closing price)	EUR 20.60
Market capitalisation on 31/12/2019	EUR 87,680,231
Market capitalisation on 31/12/2020	EUR 94,566,113

Group Management Report HMS BERGBAU AG, BERLIN

COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP FOR FINANCIAL YEAR 2020

1. OVERVIEW AND SUSTAINABILITY

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 2020, HMS Bergbau AG continued its strategy of expanding its business activities to include other raw materials such as manganese ore, chrome ore, clinker and phosphates and is increasingly developing into an international raw materials trading group. The focus of its activities remains the coal business. HMS Bergbau AG has spent decades building up its widely recognised expertise throughout the entire value chain, from mining and logistics to customer deliveries. A total of 90 per cent of the coal traded by HMS Bergbau AG is used in industrial applications. The main users are steel and cement producers, as well as power plant companies, followed by customers in the areas of glassworks, paper mills and waste processing plants, among others. Our customer base consists of private and state-owned companies from Asia, Europe, the Middle East and Africa. Only about 10 per cent of HMS's trading volumes are used to generate electricity in power plants.

HMS Bergbau AG exports about 90 per cent of its coal trading volume to developing countries that lack alternatives to the basic energy supply with coal. These include Bangladesh, Pakistan, Vietnam, China or India. These countries, including China, were exempted in the Paris Climate Agreement from the global decisions on CO2 reduction in the interest of the climate. The background to these exemptions is precisely this lack of alternatives to the basic energy supply with coal. These countries often lack both the financial resources and sufficient capacities and availability for wind or solar energy. For this reason, all UN resolutions support developing countries in the use of fossil fuels until viable alternatives are available to them. By supplying these countries, we believe we are contributing to economic development and thus making an active, albeit indirect, contribution to the realisation of the Paris Climate Agreement. Only with increasing economic development can financial resources flow into the development of infrastructure for alternative energy production.

The HMS Bergbau Group has established 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.

The HMS Bergbau Group cooperates with renowned and reliable producers, mainly in Indonesia, South Africa, Russia, Poland and North and South America. We also represent numerous selected international coal producers. The HMS Bergbau Group handles the complete marketing of raw materials in selected markets.

As of 31 December 2020, HMS Bergbau AG held a 55.85 per cent stake in the subsidiary Silesian Coal International Group of Companies S.A., Poland, which has already carried out geological explorations for the 'Orzesze' area in Silesia. The shareholding was reduced by the sale of 5 per cent to an international investor in December 2020. We are continuously working not only on the operational side of the project but also on further financing measures.

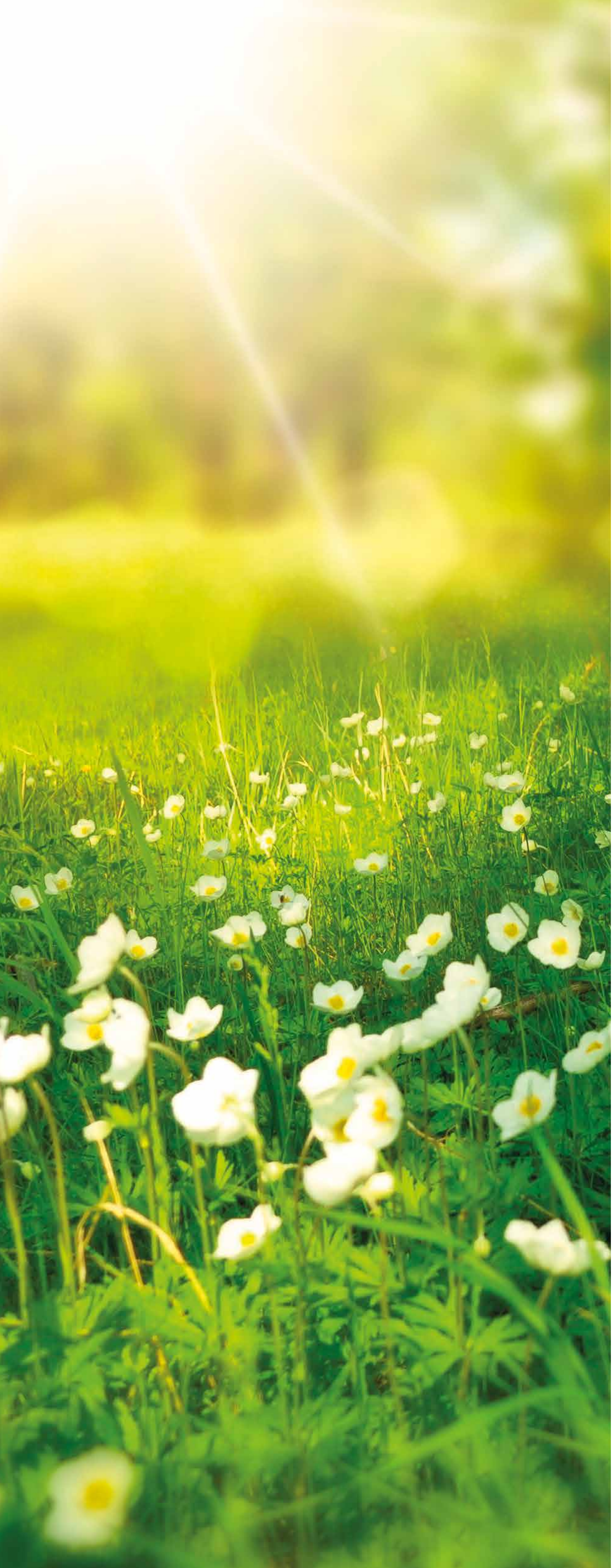
Silesian Coal plans to develop the identified potential coal deposit of 2.2 billion tonnes in situ – of which around 672 million tonnes of high-quality coal were identified as recoverable according to the JORC standard – at low cost via an already existing infrastructure. Once the mining licence has been granted, the aim is to produce around 1.5 million tonnes of coking coal annually. Coking coal has been defined as a critical raw material by the European Union since 2014.

The corporate structure of the HMS Bergbau Group and its major subsidiaries as at 31 December 2020 is presented below.

CORPORATE STRUCTURE AS AT 31 DECEMBER 2020

	HMS BERGBAU AG	Berlin, Germany
100 %	HMS BERGBAU SINGAPORE Pte. Ltd. – commodities for the future	Singapur
100 %	PT. HMS BERGBAU INDONESIA – commodities for the future	Jakarta, Indonesia
100 %	HMS BERGBAU AFRICA (Pty) Ltd. – commodities for the future	Johannesburg, South Africa
100 %	HMS BERGBAU USA Corp. – commodities for the future	Miami, USA
55,85 %	HMS SILESIAN COAL S.A. – commodities for the future	Katowice, Poland

Source: HMS Bergbau AG



HMS Bergbau AG is a dynamic, performance-driven company and an important player in international energy trading. Our strategy of monitoring the long-term developments on the global commodity markets while identifying current market trends continues to be based on the following fundamental prerequisites:

SUSTAINABILITY

Megatrends such as energy efficiency, climate change and globalisation are currently leading to a rethink and thus to changed actions in almost all industries and services worldwide. The energy sector is also continuously working on new, more efficient energy generation systems, which at the same time should cause a minimum of emissions. The main focus is on the general supply of energy to the globally increasing population, but also on energy storage, which should enable a steady supply. According to leading energy analysis companies, these two objectives can only be achieved through a mix of renewable and fossil energy sources, such as coal.

At the same time, the steadily increasing awareness of sustainable energy supply and production is leading to changes in business processes and practices. The aforementioned global megatrends ultimately lead to sustainable changes in working and trading conditions within the value chains. HMS Bergbau AG has also started to reduce its global footprint in recent years. Within the framework of know-your-client processes, HMS Bergbau AG tries to exert influence on trading partners so that they also operate sustainably. Corresponding clauses on compliance with key environmental legislation and the avoidance of environmental impacts are to be included in business contracts in the future. At the same time, trading partners of HMS Bergbau AG are to be obliged to check their suppliers and enforce comparable standards with them as well. Advice on efficiency improvements is already being provided in official meetings with customers. By implementing the suggestions made by HMS Bergbau AG, negative environmental impacts are reduced, and efficiency is increased. As part of its business model, HMS Bergbau AG has always maintained direct customer connections in Europe, Africa, America and Asia, which prove very useful in initiating such consultations.

HMS Bergbau AG is convinced that the Group's targeted growth can be reconciled with sustainable and environmentally friendly production and sales processes. Sustainable action that is in balance with people, the environment and economic success is an important and long-term success factor for HMS Bergbau AG.

HMS BERGBAU AG: A CO2-NEUTRAL COMPANY

HMS Bergbau AG has already had its operational activities certified as climate-neutral for the year 2019 in September 2020. For the 2020 financial year, certification will be completed in June 2021. For this purpose, independent analysts determined the carbon balance, or CO2 footprint, of the HMS Group with all locations. The CO2 emissions calculated in this way, which include factors such as energy and water consumption, travel expenses, own transport of goods, but also the commuting behaviour of the approximately 40 employees, have been compensated annually since the past financial year. For offsetting, shares are acquired in international climate protection projects – designated according to gold standards – that aim at a sustainable reduction in greenhouse gases while supporting the climate goals of the UN.

1.1 PRICE DEVELOPMENT

The coal price during the 2020 financial year increased from around USD 45/tonne at the beginning of the year to about USD 69/tonne at the end of December 2020. 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 THE 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 has since recorded positive performance.

1.3 VERTICAL INTEGRATION

In order to extend our coverage of the value chain from mining through logistics to customer delivery and ensure the future security of supply in the face of growing energy demand, it's imperative that we invest in our own resources. In this context, investments in exclusive marketing agreements, in particular, make 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.

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.

SUSTAINABLE ACTION

Environmental protection is part of responsible and sustainable action for a modern company like HMS Bergbau AG. For this reason, HMS Bergbau AG has been certified CO2-neutral since September 2020. HMS Bergbau AG also considers its actions as a clear competitive advantage that can also be offered to customers as additional added value.

1.4 HORIZONTAL INTEGRATION

The expansion of global trading to include other raw materials is to be another important pillar of HMS Bergbau AG in the medium term. The constantly growing demand for a wide variety of raw materials from existing and potential new customers is to be offered and covered via the HMS Bergbau structures. New markets, especially in the USA, Asia, Africa and the Middle East, are more in focus than ever. This strategy of horizontal integration was also consistently pursued in the 2020 financial year. The existing network and know-how built up over the years, as well as the proven transport capabilities, are not only used for the Company's coal activities but also increasingly for other raw materials and products such as ores, metals, cement products, and petcoke. This strategy offers the advantage of higher utilisation of existing capacities while offering attractive opportunities to diversify risk and increase gross margins.

The share of deliveries to non-power plant customers is also steadily increasing. In 2020, more than 90 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. The steel and cement industries are of overriding importance to the customer portfolio.

2. BUSINESS AND FRAMEWORK CONDITIONS

2.1 GLOBAL ECONOMY

In the 2020 financial year, the global Covid-19 pandemic and the actions taken to control it shaped international economic development.

Although the global incidence of coronavirus infections rose sharply again in autumn 2020, leading to another tightening in containment measures in many countries, the global economy continued to recover in the winter of 2020 after the significant increase in production in summer 2020. As a result, industrial production and global trade were hardly affected by the second wave of infection and unexpectedly made an almost complete recovery from the pandemic's impact.

At a rate of around 2 per cent, global production in the fourth quarter of 2020 once again increased strongly compared to the previous quarter, slightly exceeding the pre-crisis level. According to the Kiel Institute for the World Economy (IfW), the gross domestic product of the global economy declined overall by 6.2 per cent to minus 3.3 per cent in 2020, which was less than expected at the beginning of the pandemic year.

Although the slump in the global economy has been the most pronounced since the Second World War, it is nevertheless at a much smaller scale than had been expected in mid-2020 or even in autumn 2020. Despite the second wave of the pandemic, the global economic trend should continue to move higher in the first quarter of 2021.

In the advanced economies, the expansion rate of the economy has continued to develop in opposite directions since the end of 2017. While the gross domestic product in the United States shrank by 3.5 per cent in 2020, the development in the European Union slumped by 6.3 per cent in the past financial year, and by as much as 6.8 per cent in the euro area.

According to the IfW, the economic momentum in Germany in the final quarter of 2020 decreased in comparison to the global development due to the lockdown. Gross domestic product increased only marginally by 0.1 per cent. In 2020 as a whole, economic output in Germany declined by 5.0 per cent.

China, the largest economy among the emerging markets, was able to close 2020 with minor economic growth of 2.1 per cent, after 6.1 per cent in 2019, despite the pandemic.

ECONOMIC FORECASTS

Although the European economy slipped into a slight recession again in the fourth quarter of 2020, the IfW experts expect a dynamic recovery in the summer second half of 2021. The prerequisite for this recovery is the progress in the vaccination campaign, which is expected to lead to the widespread relaxation of the restrictions starting in spring 2021. Under this premise, the global upswing should increasingly extend to badly hit economic sectors in the course of 2021 such as tourism, the event industry and regions whose economies are particularly geared to these activities. The analysts at the IfW, for example, forecast a significant upturn in global production of 6.6 per cent in 2021 and 4.7 per cent in 2022. The pre-crisis level would thus almost be reached, mainly due to the significantly improved outlook in the United States. World trade volume is expected to grow on average by 7.5 per cent in 2021 and by 3.7 per cent in 2022. This means world trade will have already exceeded the volume forecasted for 2022 prior to the Covid-19 crisis, despite the 5.4 per cent decline recorded in 2020.

Next to the USA, China will be a further engine of the global economic recovery. The OECD, for example, expects dynamic growth in China's gross domestic product of 7.8 per cent in 2021 and 4.9 per cent in 2022.

For Germany, Europe's largest economy, OECD analysts are forecasting GDP growth of 3.0 per cent in 2021 and a further 3.7 per cent in 2022.

For the eurozone, the OECD is anticipating growth of 3.9 per cent each in the years 2021 and 2022.

At the same time, the organisation warns of significant risks, including a slowdown in the global vaccination campaign or the emergence of new virus mutations resistant to existing vaccines, which could lead to less growth, higher job losses and more company bankruptcies.

ECONOMIC POLICY RISKS

The economic outlook for the coming years is determined by quite divergent, partly overlapping influences. This makes for economic policy uncertainty. In addition to the return to protectionism, trade wars and sanctions policies of the United States, China, Russia and, last but not least, the EU, the coronavirus, in particular, threatens the economic situation. Against the backdrop of the unquantifiable risks posed by Covid-19 and its long-term economic impact, the political risks or decisions are gaining influence on investment and consumption decisions. Already, almost ten million more people in the relatively wealthy OECD countries are affected by unemployment than before the crisis. In poorer countries, the large-scale job losses have increased poverty and impoverishment for millions of workers, the OECD says.

In its economic outlook for the end of 2020, the OECD had already warned that the expected recovery would vary vastly in the different regions and would be accompanied by economic difficulties. The rapid response to corona infections and the rapid deployment of vaccines are crucial. Countries that manage to accomplish this will come through the crisis in relatively good condition.

Gigantic economic stimulus packages and economic aid are currently being approved to mitigate the negative economic effects. In the USA alone, these amount to a total of more than USD 6 trillion; in Germany, EUR 750 billion. What effects this will have with regard to the debt burden of the individual states remains to be seen, as does the answer to the question of how long national economies can be paralysed in large parts. The renewed discussions about Eurobonds and their potential implementation could contribute to further instability in the eurozone and thus in the banking system. The very expansive monetary and fiscal policy in many states, in addition to the stimulus packages, should have an impact on economic development.

2.2 RAW MATERIALS

Developments on the international commodity markets were dominated by the global Covid-19 pandemic throughout 2020. The lockdown measures imposed worldwide to combat the coronavirus plunged the global economy into a deep recession with a resulting drop in prices on commodity markets. In contrast to previous recessions, the price reactions varied considerably depending on the commodity group. While the prices of energy raw materials dropped considerably in spring 2020 and were still well below the pre-crisis level at the end of 2020, the prices of industrial metals fell relatively moderately and rose well above the pre-crisis level by the end of December 2020.

2.3 GLOBAL PRIMARY ENERGY CONSUMPTION

The increase in global trade in goods and the steadily increasing production of goods, as well as uninterrupted population growth, have led to a strong increase in global energy consumption. In the last four decades alone, this has more than doubled. In addition to the absolute consumption of the respective energy sources, the energy mix has also changed, among other things due to the increase in renewable energies.

According to IEA estimates, global energy demand in 2020 has fallen by 5 per cent, energy-related CO_2 emissions by 7 per cent and energy investments by 18 per cent. The impact varies depending on the energy source. While oil demand is projected to decline by 8 per cent and coal consumption by 7 per cent, renewables are expected to increase slightly. The decline in natural gas demand should level off at around 3 per cent. Global electricity demand is expected to decline by only 2 per cent in 2020, according to expert estimates.

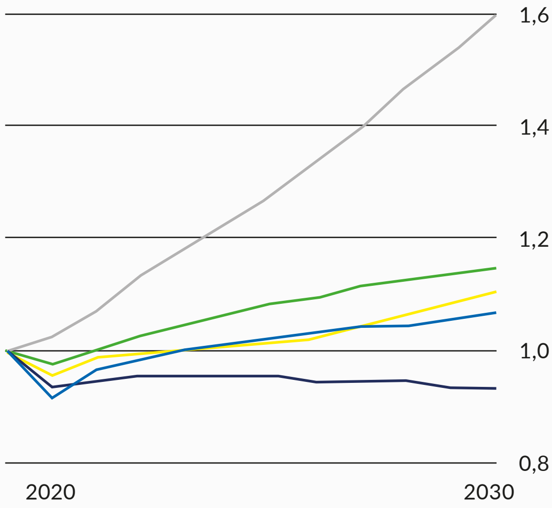
The 2.4 gigatonnes (Gt) drop in energy demand in 2020 resulted in annual CO_2 emissions returning to the levels of a decade ago. However, the estimates also show that there may not have been a similarly large decline in methane emissions (a potent greenhouse gas) from the energy sector in 2020, despite lower oil and gas production.

The IEA is forecasting a 19 per cent increase in global primary energy consumption by 2040 compared to the level in 2019, which is a significantly lower increase than the experts had calculated in the World Energy Outlook 2019. The focus of consumption continues to shift towards Asia. According to the study, the share of the EU-27 countries in global primary energy consumption will fall from 9.7 per cent in 2019 to 6.4 per cent in 2040. The decline in primary energy consumption in the EU, which is distributed across all conventional energy sources, will amount to 21 per cent in the period mentioned.

Around two-thirds of the increase in global primary energy consumption will be covered by renewable energies. Accordingly, renewable energies will increase their share of global primary energy consumption from 14 per cent in 2019 to 22 per cent by 2040. The consumption curve for oil will flatten significantly, while natural gas consumption worldwide will increase by almost 30 per cent by 2040. Although absolute volumes in coal consumption are steadily increasing, coal's share of global primary energy consumption will decline from 26 per cent in 2019 to 19 per cent in 2040. Nevertheless, fossil fuels (oil, natural gas and coal) will continue to account for 73 per cent of global primary energy consumption in 2040, down from 81 per cent in 2019, while nuclear energy's share will increase by 23 per cent, maintaining a constant 5 per cent share of primary energy consumption.

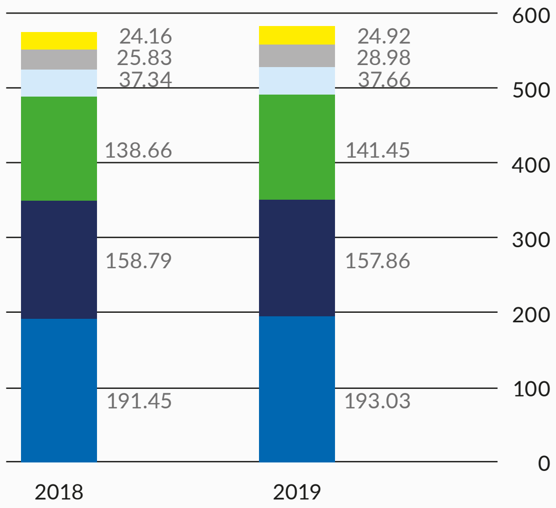
The IEA experts foresee a sharp increase in world electrification. According to the report, global electricity generation is expected to grow by 49 per cent between 2019 and 2040, more than twice as fast as primary energy consumption. The difference in global electricity generation between 2019 and 2040 has a dimension equivalent to the sum of the electricity generation of the United States, China and India in 2019.

PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE
INDEXED TO 2019 LEVELS



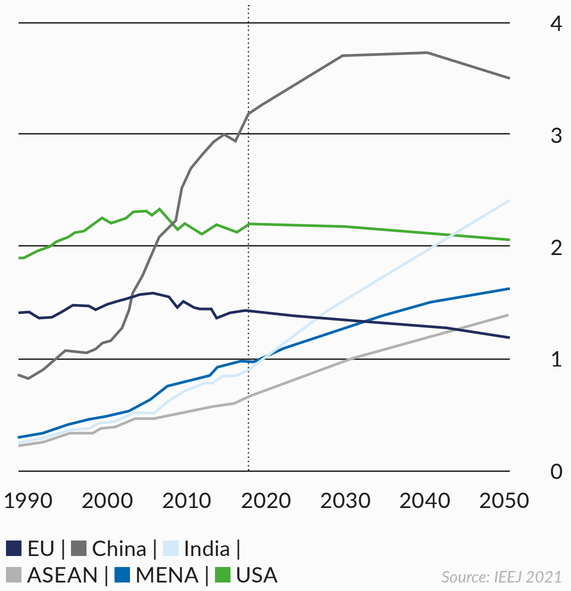
Source: IEA 2020

PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE
EXAJOULE



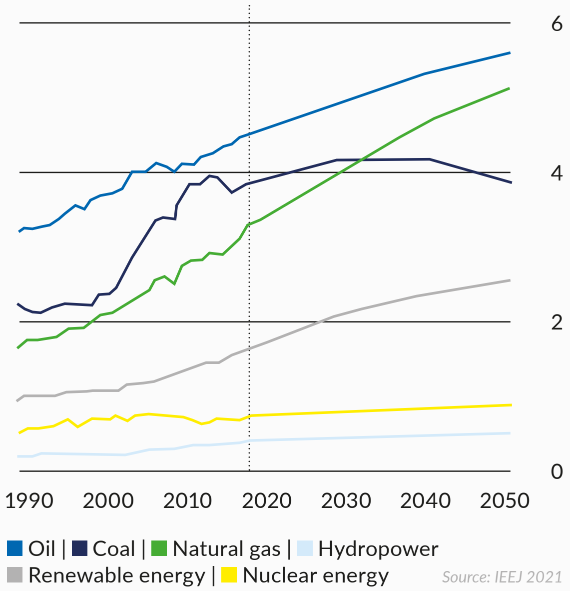
Source: Statista 2021

PRIMARY ENERGY CONSUMPTION WORLDWIDE BY REGION
BILLION TONNES OF OIL EQUIVALENT



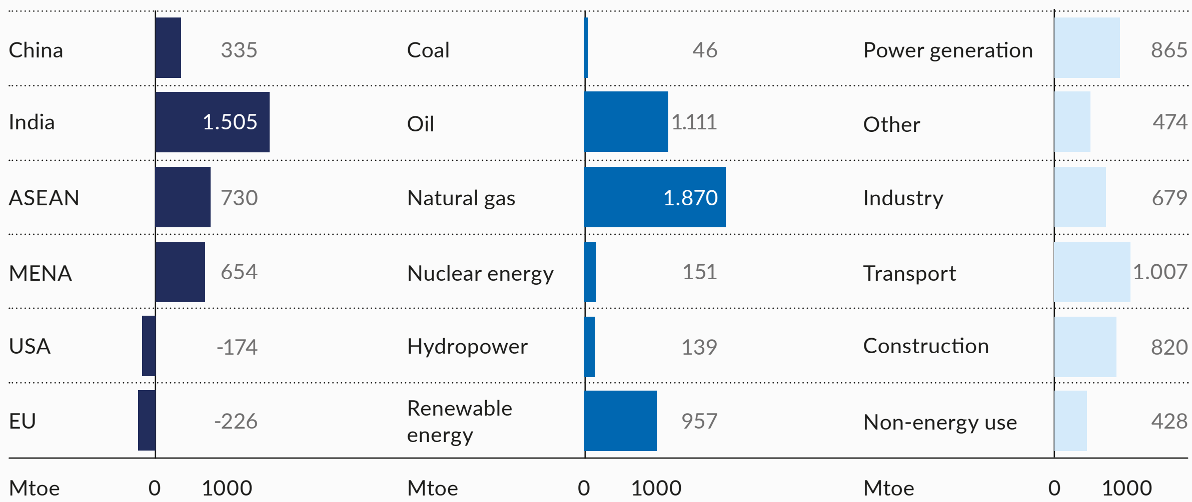
Source: IEEJ 2021

PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE
BILLION TONNES OF OIL EQUIVALENT



Source: IEEJ 2021

CHANGE IN PRIMARY ENERGY CONSUMPTON (REFERENCE SCENARIO 2018-2050)
BY REGION BY ENERGY SOURCE BY USE



Source: IEEJ 2021

In the IEEJ Reference Scenario, global primary energy consumption is affected by Covid-19 in the short term and shows a decrease in 2020. In the long term, however, primary energy consumption is expected to increase by 1.3 times compared to 2018. As countries improve energy efficiency and reduce energy intensity, annual growth in energy consumption should fall by a full per cent from 1.8 per cent in 1990 to 2018 to 0.8 per cent in 2019 to 2050.

Emerging and developing countries remain drivers of the overall growth in global primary energy consumption. Their share of global primary energy consumption is anticipated to increase from 60.0 per cent in 2018 to 70.5 per cent in 2050.

The Asian countries of China, India and the ASEAN region will significantly increase their share of total energy consumption in emerging and developing countries from 36.0 per cent in 2018 to 42.4 per cent in 2050.

In the future, India and ASEAN countries are set to replace China as the main primary energy consumers in emerging and developing Asia. As primary energy consumption in China will decline in the second half of the 2040s, its consumption growth for the period 2018-2050 will be limited to 1.1 times. In contrast, India and ASEAN will increase their primary energy consumption by 2.6 times and 2.1 times, respectively. The reason will be the anticipated average GDP growth between 2018 and 2050, which is projected to be 5.6 per cent in India and 4.1 per cent in ASEAN, while China's GDP growth is set to slow to 4.0 per cent, with services being the dominant factor.

In addition to high consumption growth in emerging and developing Asia, energy consumption in the Middle East and North Africa is projected to increase 1.7-fold from 2018 to 2050, following a 3.3-fold increase from 1990 to 2018.

In contrast, energy consumption in advanced economies such as the European Union, the United States and Japan will continue to decline. This is mainly explained by improved energy efficiency as well as the decline in the energy intensity of GDP. The GDP growth of the three regions or economies mentioned will average 1.5 per cent. Their share of global energy consumption declined from 43.3 per cent in 1990 to 28.6 per cent in 2018. In 2050, the share of energy consumption is estimated to amount to 19.4 per cent.

Fossil fuels (oil, natural gas and coal) will continue to play an essential role in satisfying global energy consumption. Among energy sources, natural gas will see the greatest growth in consumption in the period 2018 to 2050. Natural gas consumption will increase by 1.4 per cent annually – mainly to support the power generation sector. Oil will have the second-largest consumption growth, increasing at an annual rate of 0.7 per cent, primarily in the transport sector (including automobiles, aircraft and ships). Coal consumption is set to peak in the mid-2030s as the world tries to keep coal consumption low in the face of climate change. The share of fossil fuels in global energy consumption in 2050, although falling from 81.2 per cent in 2018, should still be 78.8 per cent. Globally, it will not be easy to meet the steadily increasing energy demand without fossil fuels.

Among the energy consumption sectors, transport and power generation will show the largest growth rates in consumption. In the transport sector, automobiles will account for most of the increase in energy consumption, supported by income growth. At the same time, the energy consumption of aircraft and ships will increase strongly. Due to income increases and infrastructure development in non-electrified regions, the electrification rate on the supply side – especially in Asia – will bring steadily rising demand for energy.

2.4 DEVELOPMENT OF COAL ENERGY CONSUMPTION

Global energy consumption has risen sharply over the last 150 years. As early as the 19th century, coal was traded as the main source of energy and gained strongly in importance alongside natural gas and oil. Today, fossil fuels account for more than 81 per cent of primary energy consumption worldwide. Although energy use is becoming more and more efficient in principle, economic growth and increased consumption are causing a steady rise in energy consumption.

In the last 20 years, global coal consumption has increased by 2.7 per cent p.a. In the mid-2030s, global coal consumption is anticipated to reach its peak and then decline slightly until 2040 (-0.1 per cent). This development will make gas the second most important energy source by 2040, following oil. Coal as a primary energy is predicted to fall to third place. The slight drop in 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 a cheap resource worldwide. The decline in coal demand in industrialised nations will be offset by increased demand in emerging economies such as China or India. While coal's share of primary energy sources will decrease from 27 per cent in 2018 to about 21 per cent in 2040, absolute consumption will continue to increase slightly due to rising energy demand.

From 2018 to 2020, coal consumption plummeted by about 7 per cent, or 500 million tonnes, due to the global pandemic, according to IEW analysts. Coal is still one of the most important raw materials in terms of electricity production. Coal reached about 27 per cent of the global electricity mix. The recovery in electricity demand could temporarily interrupt the structural decline in coal demand in Europe in 2021. Higher natural gas prices for electricity generation in the United States could also increase demand for coal there for the first time since 2013.
The International Energy Agency (IEA) forecasts a significant increase in coal consumption of around 2.6 per cent for 2021.

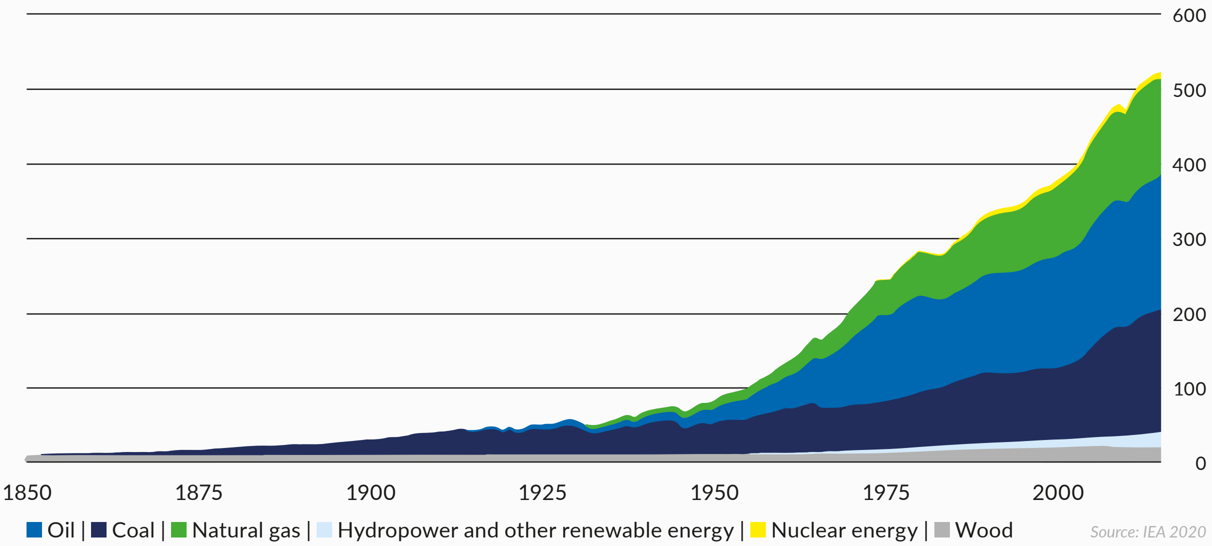
At the same time, the coal markets are expected to show a high degree of stability for the next five years, which, according to the International Energy Agency, is mainly due to robust growth in the most important Asian markets. The experts expect stable coal demand of around 7.4 billion tonnes per year. Declines in coal consumption in Europe and North America could be compensated for by growth in the consumption of coal in Southeast Asia of around 5 per cent. China and India are still considered the most important Asian markets. China remains the largest coal consumer, producer and importer, with a share of consumption of almost 50 per cent.

The country with the greatest increase will probably remain India, with an annual growth rate of 4.6 per cent. The IEA also classifies Indonesia, Vietnam, Malaysia, Pakistan and the Philippines as significant additional consumers.

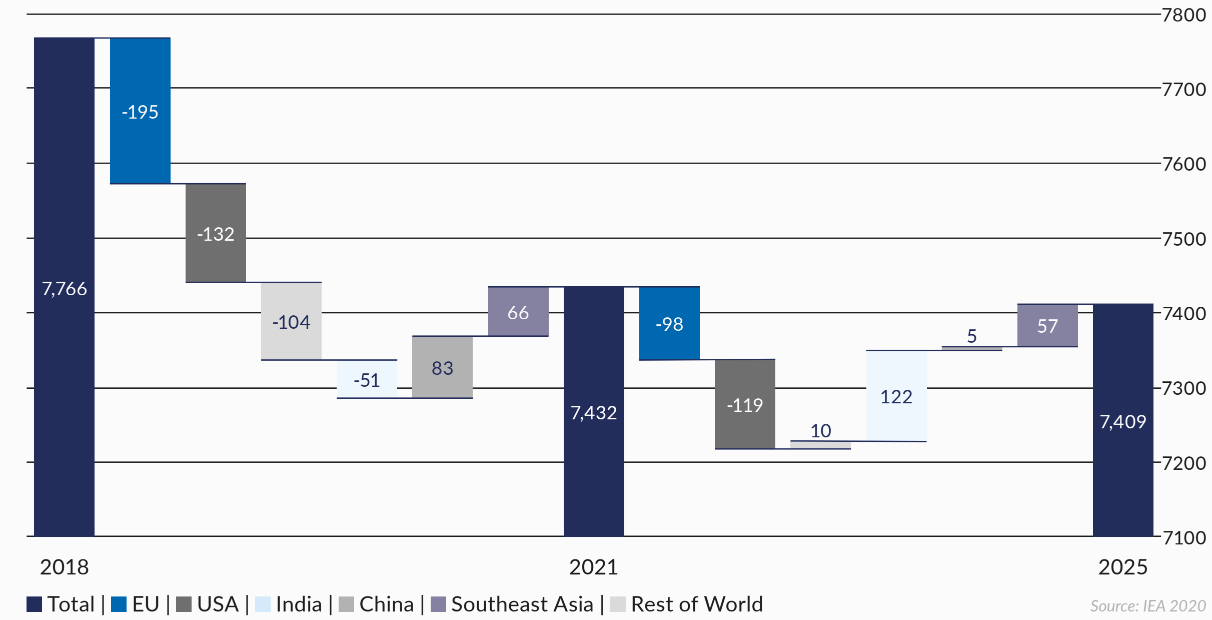
Asia's steady growth in demand has seen the region's share of global coal production rise from just over 20 per cent in 1990 to nearly 80 per cent in 2019. As in previous years, the report finds that countries in South and Southeast Asia – such as India, Indonesia and Vietnam – continue to rely on coal to fuel their economic growth, despite growing renewable energy. While natural gas and oil have traditionally been the primary sources of electricity supply in Pakistan, the country recently commissioned 4 gigawatts (GW) of coal-fired capacity, with at least another 4 GW expected to come online in the next few years. In Bangladesh, where natural gas has long provided most of the electricity supply, the share of coal will also increase in the years ahead based on the 10 GW of capacity in the pipeline.

Public opposition to coal is growing, causing some countries to consider implementing more stringent climate and environmental policies.

PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE
EXAJOULES



CHANGES IN GLOBAL COAL CONSUMPTION BY REGION
BILLION TONNES OF OIL EQUIVALENT



At the same time, renewable energies and natural gas are becoming steadily more competitive. Despite all this, the trend towards less coal is uneven around the world, including in Europe. While Western Europe is moving towards a coal phase-out, motivated by the expansion of renewables and the climate protection idea, most Eastern European countries are not planning to phase out coal. In Eastern Europe, lignite still remains a cornerstone of the electricity system.

In addition to India, Indonesia, Brazil, China and the Middle East are expected to experience very high increases in energy demand. The IEA is assuming a decline in coal demand in all OECD countries in the medium term until 2025. In all non-OECD countries, in contrast, the IEA is anticipating demand for coal to increase.

2.5 COAL PRICES

According to the preliminary calculations of the German Association of Coal Importers (Verein der Kohlenimporteure e. V.), global hard coal production fell by 3.0 per cent or 200 million tonnes to 7.0 billion tonnes in 2020. While production in China increased by 100 million tonnes, or 2.7 per cent, and increased in India by around 20 million tonnes (+2.8 per cent), production in all other countries declined to a greater or lesser extent. This is particularly true for the countries involved in the world coal trade, which suffered from the corona-related economic slump. World seaborne coal trade fell by 10.9 per cent in 2020 due to corona. Colombia (-33 per cent) and the USA (-29 per cent) were hit particularly hard, suffering from the drop in demand on the Atlantic market. The Southeast Asian economies, on the other hand, recovered comparatively quickly from the corona crisis. Export declines were therefore smaller for South Africa (-2 per cent) and Australia (-6 per cent) because they increasingly serve this market. Canadian exports – mainly coking coal – even increased slightly (+3 per cent). In the post-Covid-19 era, it will be perceived even more strongly in many parts of the world as what it has always been: a cost-effective and reliable source of energy for (re)building economies.

The large producer countries China and India are at the same time large consumers of imported coal and an important pillar of world trade in hard coal. The increase in world trade in hard coal is also due to growing demand in Southeast Asia.

There was also an increase in global production in 2019. In 2019 alone, the production volume rose from 7.1 billion tonnes to around 7.3 billion tonnes. The development in China, which produced around 200 million tonnes more (+5.6 per cent to 3,746 million tonnes), was again decisive for the significant increase. Indonesia also increased its production significantly by 55 million tonnes (+11.7 million tonnes) to 526 million tonnes. Russia and South Africa were also able to increase their production slightly. India, a major producing country, recorded a slight decline of 0.6 per cent to 711 million tonnes. The sharpest drop in production in absolute terms was recorded by the USA with -46 million tonnes, followed by the EU with -9 million tonnes.

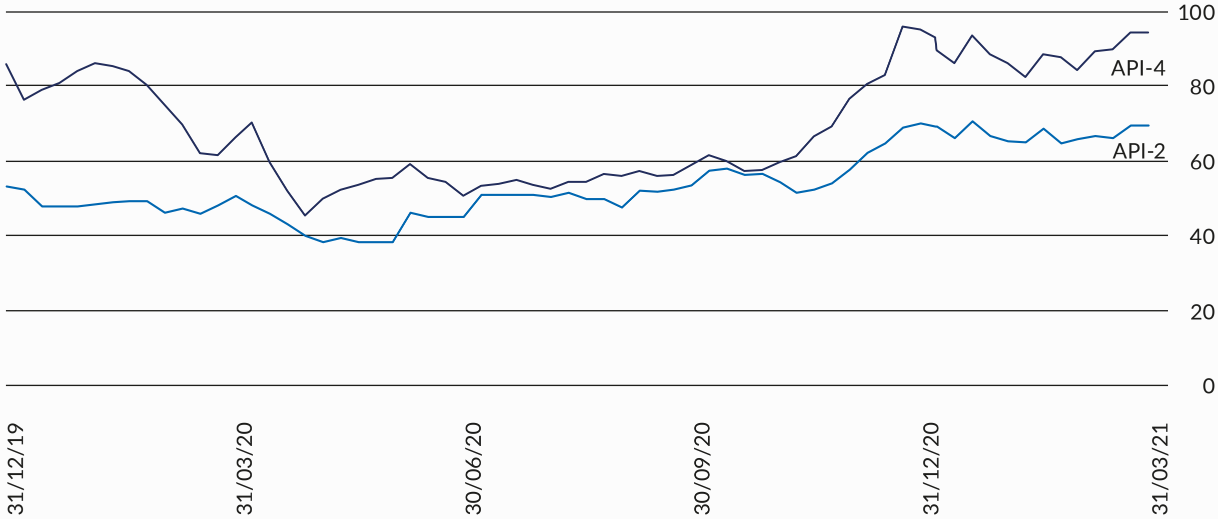
The increase in production shows that coal demand is still growing. While China and India produce a considerable part themselves, but also import significant quantities from the world coal market, there are quite a number of ASEAN countries that trigger a corresponding demand on the world coal market to supply newly built hard coal-fired power plants.

As in previous years, the increase in global trade in hard coal in 2019 is due in particular to growing demand in the ASEAN countries, which in turn is driven by growing demand in the manufacturing sector. The construction of modern hard coal-fired power plants and growing steel production are leading to additional demand for coking and steam coal. The development model of these countries is based on hard coal, similar to that of China, and will only expand to include renewable energy sources with a time lag.

Australia was again the largest exporter of hard coal in 2019 with 394 million tonnes or 32 per cent market share. Of this, 213 million tonnes were steam coal and 181 million tonnes of coking coal. This is followed by Indonesia with 372 million tonnes and Russia with 167 million tonnes. The USA with 79 million tonnes is only just ahead of Colombia with 76 million tonnes and on a par with South Africa, which exported around 79 million tonnes in 2019.

The price of fossil fuel coal was unable to continue its uptrend seen in 2019. According to the API-2 coal price index, the price per tonne of coal moved from USD 68.42 at the beginning of January 2020 to USD 50.68 at the end of June. The price per tonne recovered at the end of the year as the economic outlook brightened. On 1 January 2021, the market closed at USD 68.99

API-2 UND API-4 2020 (US$/T)



Source: Argus Overview 2019/20, HMS Bergbau AG

per tonne of coal.

2.6 TRADING

Trustworthy, stable business relationships with customers and suppliers are the basis of the HMS Bergbau Group's successful international trading activities.

The primary customers of the HMS Bergbau Group include steel and cement producers, followed by industrial companies such as glassworks, paper mills and waste processing plants. Power plant companies are also among our customers, although the number here is constantly decreasing. Our clientele consists of private and state-owned companies from Asia, Europe, the Middle East and Africa.

The HMS Bergbau Group cooperates with renowned and reliable producers, mainly in Indonesia, South Africa, Russia, Poland and North and South America. We are also responsible for representing numerous international coal producers. The HMS Bergbau Group handles their complete marketing of coal in selected markets.

2.7 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.

2.8 RESEARCH AND DEVELOPMENT

HMS Bergbau AG does not conduct any research or development.

2.9 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 for the 2020 financial year compared to the previ-

	31/12/2020 EUR thousand	%	31/12/2019 EUR thousand	%	Change EUR thousand	%
TOTAL PERFORMANCE	**267,082**	**100**	**215,423**	**100**	**51,659**	**24**
Cost of materials	256,423	96	206,428	96	49,995	24
Personnel costs	2,321	1	2,180	1	141	6
Depreciation and amortisation	1,346	1	74	0	1,272	> 100.0
Other operating expenses						
./. other operating earnings	4,575	2	4,500	2	76	2
Taxes (excluding income taxes)	4	0	4	0	0	1
TAX EXPENSES	**264,669**	**99**	**213,186**	**99**	**51,483**	**24**
OPERATING RESULT	**2,413**	**1**	**2,237**	**1**	**176**	**8**
Earnings from investment and financial result	-493		-539		46	9
Sale of shares	1,954		0		1,954	-
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)	**5,494**		**2,092**		**3,402**	**> 100**
EARNINGS BEFORE INCOME TAXES	**3,651**		**1,475**		**2,176**	**> 100**
Income taxes	-841		-961		120	13
NET PROFIT*	**2,810**		**514**		**2,296**	**> 100**

** 2020 net profit of EUR 3,651,446.81 excluding EUR 841,222.36 of pension provisions (2019 pension provisions of EUR: 862,823.81)*

Sales in 2020 were characterised overall by strong trading business in Asia with increased tonnages as well as higher coal prices starting in the second half of 2020. Well over 90 per cent (previous year: around 92 per cent) of the volumes marketed by the Group were sold in Asia and Africa. Sales of a significant magnitude were also achieved in India. The cost of materials ratio changed only marginally compared to the previous year and amounted to 96.0 per cent in the 2020 reporting period compared to 95.8 per cent in 2019.

Personnel costs rose slightly from EUR 2,180 thousand in the prior year to EUR 2,321 thousand in the reporting year. The personnel cost ratio was 0.87 per cent following a level of 1.01 per cent for the prior year.

Depreciation and amortisation increased to EUR 1,346 thousand in 2020 from EUR 74 thousand in 2019. This increase was largely due to a write-down of current assets of EUR 1,269 thousand due to an impairment of receivables from a South African company that had filed for bankruptcy due to the Covid-19 pandemic.

Other expenses net of other income resulted especially from legal and consulting costs, vehicle and travel costs, fulfilment costs and occupancy costs. The total of these costs was EUR 4,575 thousand in 2020 compared to EUR 4,500 thousand in 2019.

EBITDA amounted to EUR 5,494 thousand in the 2020 reporting period, compared to EUR 2,092 thousand in the 2019 reporting period. The sale of shares in the amount of EUR 1,954 thousand (previous year: 0) contributed significantly to this development.

4. GROUP NET ASSETS

The net assets of HMS Group in comparison to 31 December 2020 can be summarised as follows:

	31/12/2020 EUR thousand	%	31/12/2019 EUR thousand	%	Change EUR thousand	%
ASSETS						
Non-current assets	21,273	30	15,337	30	5,936	39
Receivables	38,576	54	27,411	54	11,165	41
Cash and cash equivalents	6,211	9	5,077	10	1,134	22
Other assets	4,913	7	3,295	6	1,618	49
	70,973	**100**	**51,120**	**100**	**19,853**	**39**
CAPITAL						
Shareholders' equity	18,011	25	15,705	31	2,306	15
Own shares	-405	-1	-405	-1	0	0
Non-current liabilities	8,954	13	8,373	16	581	7
Current liabilities	44,414	63	27,447	54	16,967	62
	70,973	**100**	**51,120**	**100**	**19,854**	**39**

Non-current assets as at 31 December 2020 amounted to EUR 21.3 million, approximately EUR 5,936 thousand more than at the 31 December 2019 reporting date. The changes resulted from the build-up of advance payments and assets under construction of approximately EUR 781 thousand, which were invested in the development of the Silesian Coal field in Orzesze. In addition, other loans increased from EUR 8,738 thousand to EUR 10,762 thousand as at 31 December 2020. The increase is due to the issue of loans. Furthermore, the goodwill of the Silesian Coal International Group of Companies S.A. could be recorded higher in the balance sheet by around EUR 2.7 million.

Receivables increased significantly by EUR 11,165 thousand to EUR 38,576 thousand as at the 31 December 2020 reporting date. The clear majority of the increase resulted from the build-up of trade receivables, which will gradually decrease after the reporting date.

Non-current liabilities include pension obligations. The change in this item was for actuarial reasons. Current liabilities mainly consist liabilities to suppliers and trade finance liabilities. The increase compared to the reporting date of 31 December 2019 was mainly a reporting date-related factor.

Similar to the rise in trade receivables, the increase in current liabilities of EUR 16,967 thousand to EUR 44,414 thousand as at 31 December 2020 was also mainly a reporting date-related factor.

5. GROUP FINANCIAL POSITION

Cash and cash equivalents in the 2020 financial year developed as follows:

	2020 EUR thousand	2019 EUR thousand
1. Cash flow from current operating activities	**5,334**	**1,986**
2. Cash flow from investment activities	**-4,007**	**-290**
3. Cash flow from financing activities	**263**	**2,086**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents affecting payment	1,589	3,782
Cash and cash equivalents at the start of the period	-338	-4,169
Cash and cash equivalents at the end of the period	1,251	-387
5. Composition of cash and cash equivalents		
Cash and cash equivalents	6,211	5,077
Current liabilities to credit institutions	-4,960	-5,415
Cash and cash equivalents at the end of the period	1,251	-338

In the 2020 financial year, the cash flow from operating activities improved significantly by EUR 3,348 thousand. Investing activities significantly increased in the reporting period resulting in cash flow from investing activities in the period 1 January 2020 to 31 December 2020 amounting to EUR -4,007 thousand compared to EUR -290 thousand in the comparable prior year period. Cash flow from financing activities amounted to EUR 263 thousand in the 2020 financial year. Cash and cash equivalents at the end of the period increased from EUR -338 thousand in 2019 to EUR 1,251 thousand as at 31 December 2020. Cash flow from investing activities was largely influenced by the granting of non-current loans and the repurchase of shares in Silesian Coal International Group of Companies S.A. Cash flow from financing activities was primarily affected by the assumption of non-current liabilities.

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:

	31/12/2020 EUR thousand	%	31/12/2019 EUR thousand	%	Change EUR thousand	%
TOTAL PERFORMANCE	**215,730**	**100**	**164,417**	**100**	**51,313**	**31**
Cost of materials	209,679	97	158,386	96	51,292	32
Personnel costs	1,414	1	1,360	2	54	4
Depreciation and amortisation	17	0	27	0	-11	-39
Other operating expenses						
./. other operating earnings	3,722	2	3,301	0	421	13
Taxes (excluding income taxes)	4	0	4	0	0	1
TAX EXPENSES	**214,836**	**100**	**163,078**	**98**	**51,758**	**32**
OPERATING RESULT	**895**	**0**	**1,340**	**2**	**-445**	**-33**
Earnings from investment and financial result	-10		-43		33	78
Sale of shares	1,954		0		1,954	-
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)	**693**		**1,148**		**-455**	**-40**
EARNINGS BEFORE INCOME TAXES	**2,616**		**1,074**		**-412**	**-38**
Income taxes	-439		-808		369	46
NET PROFIT*	**2,178**		**266**		**1,912**	**> 100.0**

** 2020 net profit of EUR3,018,738.56 excluding EUR 841,222.36 of pension provisions (2019 pension provisions of EUR: 862,823.81)*

6.1 RESULTS OF OPERATIONS

The results of operations of HMS Bergbau AG are greatly influenced by the Company's primary trading activities. The significant increase in sales in the reporting year of roughly 31 per cent was based on the strong trading business in Asia with higher tonnages coupled with higher coal prices starting in the second half of 2020. The markets in Asia, which are seeing increasingly stronger demand, are also served by HMS Bergbau AG in addition to the local companies. More than 90 per cent of sales are generated with customer and supplier relationships from Africa and Asia. The cost of materials ratio of HMS Bergbau AG changed slightly in the 2020 financial year from 96.3 per cent in the previous year to 97.2 per cent in the reporting year. Other operating expenses net of other income resulted mainly from fulfilment costs, passing on of charges for other services provided by Group companies, vehicle and travel costs, as well as legal and consulting costs. Earnings before income taxes in the 2020 reporting period were largely impacted by the sale of shares in the amount of EUR 1,954 thousand (previous year: 0).

6.2 NET ASSETS

	31/12/2020 EUR thousand	%	31/12/2019 EUR thousand	%	Change EUR thousand	%
ASSETS						
Non-current assets	20,279	29	17,831	22	2,448	14
Receivables	39,462	56	20,652	62	18,810	91
Cash and cash equivalents	5,692	8	4,871	2	821	17
Other assets	4,612	7	2,526	15	2,086	83
	70,044	**100**	**45,879**	**100**	**24,165**	**53**
CAPITAL						
Shareholders' equity	19,585	28	17,405	39	2,180	13
Own shares	-405	-1	-405	-10	0	0
Non-current liabilities	8,953	13	8,373	17	581	7
Current liabilities	41,911	60	20,506	54	21,404	> 100.0
	70,044	**100**	**45,879**	**100**	**24,165**	**53**

The increase in fixed assets in 2020 was mainly a result of the increase in shares in associated companies from EUR 1,783 thousand to EUR 4,440 thousand and other loans from EUR 8,138 thousand to EUR 10,762 thousand with a simultaneous reduction in loans to associated companies from EUR 7,870 thousand to EUR 5,041 thousand, which were mainly to the Indonesian and African HMS companies.

Due to the trading activities of HMS Bergbau AG, net assets were again characterised by receivables from customers and current trade payables. Changes here were mainly due to volume and reporting date factors. Current liabilities are due to suppliers and also include trade finance liabilities.

The non-current liabilities include pension obligations. The increase as at the 31 December 2020 reporting date compared to the previous year's reporting date is due to actuarial effects.

6.3 FINANCIAL POSITION

The financial position of the HMS Group is significantly influenced by HMS Bergbau AG; in this respect, reference is made to the corresponding explanations.

6.4. GENERAL STATEMENT

Our financial performance indicators, according to which the Management Board controls and monitors activities on an ongoing basis, are sales, gross margin and EBITDA. We were able to achieve and, in some cases, even exceed the EBITDA forecast for the entire HMS Group made in the previous year due to solid trading results in line with the market conditions. As a result, the EBITDA of the HMS Group amounted to EUR 5,494 thousand in the 2020 financial year compared to EUR 2,091 thousand in 2019. In addition to greater trading volumes and the positive development of commodity prices in the second half of 2020, EBITDA was primarily influenced by the sale of shares amounting to EUR 1,954 thousand (previous year: 0). The same applies to HMS Bergbau AG, whose EBITDA amounted to EUR 2,647 thousand in the 2020 financial year after EUR 1,148 thousand in 2019.

Despite all the challenging market conditions, HMS Bergbau AG was able to fully achieve its forecast targets at Group level.

Group sales amounted to EUR 267,082 thousand in the 2020 financial year, around 24 per cent higher than in the same period of the previous year (2019: EUR 215,423 thousand). HMS Bergbau AG's sales increased significantly by 31 per cent from EUR 164,417 thousand in the 2019 financial year to EUR 215,730 thousand. The gross margin in the Group has slightly deteriorated from 4.2 per cent in 2019 to 4.0 per cent in 2020. The gross margin of HMS Bergbau AG amounted to 2.8 per cent in the financial year (previous year: 3.7 per cent).

7. RISKS AND OPPORTUNITIES

The Group's risk management, for which the Management Board of HMS Bergbau AG has overall responsibility, is integrated as a process into the operating procedures of HMS. Opportunities and risks are identified, classified, evaluated, controlled and monitored in a forward-looking manner as an integral part of business activities. According to the unchanged principles of the Company, risks should only be assumed if they are associated with significant earnings opportunities at the same time. Risks should be minimised or, if reasonable, transferred to third parties. Opportunities are examined for their inherent earnings potential. The opportunities and risks that could have a significant impact on the Company's net assets, financial position and results of operation are explained below.

7.1 PRICE FLUCTUATIONS

In the traditional business of the HMS Group – coal trading based on back-to-back contracts and index- or fixed-price-based purchasing and sales agreements – there are, by definition, no effects on contractually agreed margins of individual transactions. If there is a deviation from the pure "back-to-back" principle, which, for example, provides for different base values for calorific value settlements on the purchase and sales side, price risks can arise, which are assessed daily within the framework of the risk management system, taking into account current forward prices and expected volatilities. It remains a principle of the Company not to enter into any significant risk positions in purchasing and sales and to exclude such already when concluding contracts. The management of HMS Bergbau AG continues to strive for the realisation of "back-to-back" transactions.

7.2 FINANCIAL RISKS

Fluctuations in currencies and interest rates can have a significant impact on the results of the HMS Group. The Company attempts to eliminate currency differences in financing, purchasing and sales. The Group companies are obliged to assess and, if necessary, hedge all currency risks. Changes in the area of interest rates – that is to say, changes in risks from interest-bearing liabilities, are included in the assessment of the respective trading transactions as financing costs, taking into account a risk premium as well as currency-specific differences. If it makes sense in the long term from a risk management standpoint, variable interest rates are swapped for fixed interest rates after evaluating all possible scenarios.

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

With the expansion of business activities in the Asian and African markets, the Group is increasingly exposed to legal and regulatory risks, such as political influence, supply chain disruptions, civil unrest and adverse economic policies. Risks from environmental and other geographical influences are also included in these considerations. Furthermore, uncertainties arise from the respective legal frameworks, which are and will be subject to constant change. In both Asia and Africa, the greater opportunities are accompanied by higher risks. In response to individual risks, the management of the Company tries to make appropriate contractual arrangements within the framework of the existing risk management or to eliminate the risks by involving experienced local partners. Realistically, such risks cannot be fully excluded.

7.5 INVESTMENT RISK

By constantly monitoring the marketing strategy and its implementation successes, the Company's management attempts to recognise possible negative economic effects at an early stage within the framework of risk management and to take appropriate countermeasures by adjusting the strategy.

7.6 RISKS AND OPPORTUNITIES RESULTING FROM THE CORPORATE STRATEGY

Decisions on investments and acquisitions are examined and made by the Management Board of HMS Bergbau AG within the framework of an assessment and approval process, which also provides for the involvement of relevant experts, if necessary, due to the considerable associated opportunities and risks. To the extent that these decisions are of fundamental importance, the approval of the Supervisory Board is also obtained. Especially when concluding long-term agreements, opportunities and risks must be weighed and thoroughly examined. Particularly, the size of the deposit, the logistical infrastructure, the financial situation, the legal situation, the management and the political environment must also be considered. This also involves the involvement of experts and obtaining corresponding expert opinions on the measures of our risk management system.

In the Trading business segment, intensive observation and analysis of markets and competitors enables opportunities and risks to be identified as early as possible. Overall, with the help of its risk management, HMS Bergbau AG is always in a position to mitigate the aforementioned risks and take advantage of opportunities as they arise.

There is also considerable potential for HMS Bergbau AG to expand its sales activities in new markets in Asia, particularly in Malaysia, Vietnam and Thailand. Furthermore, the Management Board sees considerable potential in the United States of America.

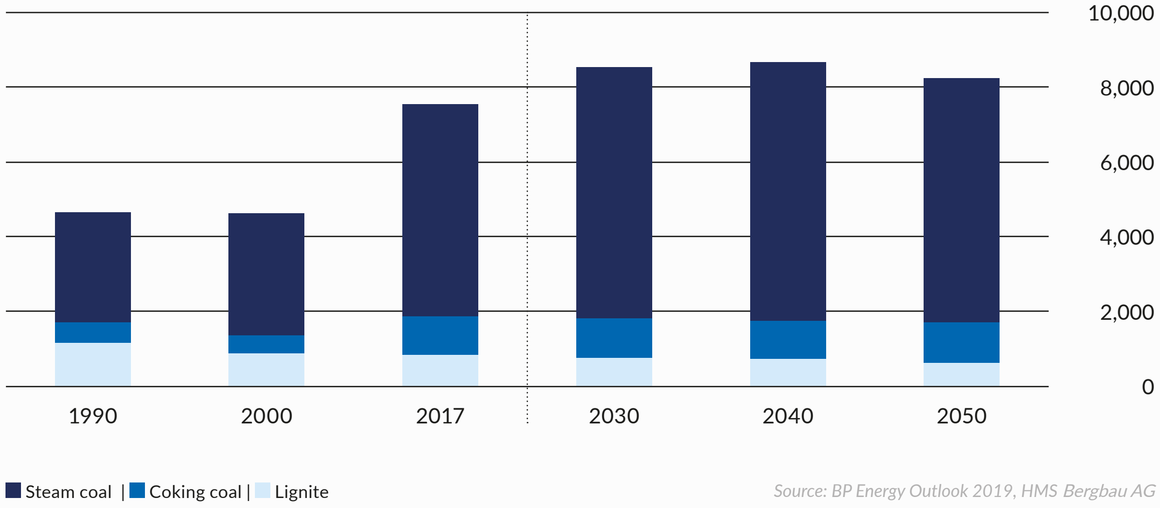
7.7. COVID-19 RISKS

The Company is currently facing the global impact of the coronavirus (Covid-19). Particularly the economic impact across all industries suggests that the Company will continue to be affected in the short and medium term. The economic impact of this cannot be quantified at this time. The Company sees a significant risk with respect to the achievement of its sales and profitability targets, especially in light of the possibility of virus mutations. An early warning system has been implemented in order to be able to react as quickly as possible to changes in the market. The impact of the coronavirus on the corporate 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), 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.

GLOBAL COAL PRODUCTION BY TYPE
MILLION TONNES OF OIL EQUIVALENT



Source: BP Energy Outlook 2019, HMS Bergbau AG

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 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 2021 financial year.

Subject to the as yet unforeseeable consequences that may arise in connection with the coronavirus (Covid-19), the Company is planning sales of approximately EUR 250 million in 2021, with a gross margin at the previous year's level of approximately 4 per cent and a positive EBITDA of approximately EUR 3 million. Under this premise and without taking into account possible consequences of the coronavirus, which cannot yet be quantified, there are currently no discernible risks that could jeopardise the Company's existence.

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.

10. CLOSING COMMENTS PURSUANT TO SECTION 312 (3) AKTG

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

11. FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements that reflect the current opinion of the HMS Bergbau AG 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 Bergbau AG 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 further impact of the coronavirus on corporate planning cannot be assessed at this stage.

Berlin, June 2021

DENNIS SCHWINDT
Chief Executive Officer

JENS MOIR
Chief Financial Officer

Consolidated Balance Sheet
AS OF 31 DECEMBER 2020

ASSETS

		EUR	31/12/2020 EUR	31/12/2019 EUR
A.	**NON-CURRENT ASSETS**			
I.	**Intangible assets**			
	1. Licences, industrial property rights, similar rights and values and licences in such rights and values	1,364.00		5,024.27
	2. Company value	2,975,997.00		309,792.55
			2,977,361.00	**314,816.82**
II.	**Fixed assets**			
	1. Technical equipment and machinery	284,358.08		104,793.17
	2. Other equipment, office and factory equipment	41,687.12		46,589.38
	3. Advance payments and assets under construction	7,070,460.29		6,289,673.21
			7,396,505.49	**6,441,055.76**
III.	**Financial assets**			
	1. Shares in associated companies	137,309.20		443,230.59
	2. Other loans receivable	10,762,185.28		8,138,008.78
			10,899,494.48	**8,581,239.37**
			21,273,360.97	**15,337,111.95**
B.	**CURRENT ASSETS**			
I.	**Receivable and other assets**			
	1. Trade receivables	38,575,913.38		27,410,957.50
	2. Receivables from associates	126,863.13		142,397.34
	3. Other assets thereof with shareholders EUR 0 thousand (previous year: EUR 1.000 thousand)	3,052,543.41		1,703,298.33
			41,755,319.92	**29,256,653.17**
II.	**Cash and cash equivalents**		6,211,430.35	5,077,159.40
			47,966,750.27	**34,333,812.57**
C.	**ACCRUALS AND DEFERRALS**		**182,570.79**	**89,504.36**
D.	**DEFERRED TAXES**		**1,550,649.74**	**1,359,750.28**
			70,973,331.77	**51,120,179.16**

LIABILITIES

		EUR	31/12/2020 EUR	31/12/2019 EUR
A.	**SHAREHOLDERS' EQUITY**			
I.	**Subscribed equity**		**4,542,820.00**	**4,542,774.00**
II.	**Capital reserve**		**9,657,479.55**	**9,654,752.07**
III.	**Profit reserves**			
	1. Statutory reserve	5,112.92		5,112.92
	2. Other profit reserves	273,158.45		273,158.45
			278,271.37	**278,271.37**
IV.	**Consolidated net loss**	1,568,984.01		-1,324,939.71
V.	**Exchange differences**	-1,170,134.66		-617,342.17
			398,849.35	**-1,942,281.88**
VI.	**Minority interests**		2,728,291.76	2,766,386.94
			17,605,712.03	**15,299,902.50**
B.	**PROVISIONS**			
	1. Pension provisions and similar obligations	8,293,603.43		7,712,832.11
	2. Tax provisions	1,224,038.28		578,015.24
	3. Other provisions	251,610.55		356,552.28
			9,769,252.26	**8,647,399.63**
C.	**LIABILITIES**			
	1. Liabilities to banks	5,880,054.01		6,075,163.28
	2. Advance payments received	785,505.65		1,178,263.91
	3. Trade payables	34,824,890.66		17,769,279.76
	4. Other liabilities - thereof from taxes EUR 61 thousand (previous year: EUR 91 thousand) - therof for social security EUR 3 thousand (previous year: EUR 2 thousand) - thereof from shareholders EUR 1.690 thousand (previous year: EUR 457 thousand)	2,107,917.16		2,150,170.08
			43,598,367.48	**27,172,877.03**
			70,973,331.77	**51,120,179.16**

Consolidated Income Statement

(1 JANUARY - 31 DECEMBER 2020)

	2020 EUR	2019 EUR
1. Sales	267.081.904,66	215.422.504,60
2. Other operating earnings	2.598.199,79	62.971,35
- thereof from currency translation: EUR 561 thousand (previous year: EUR 8 thousand)		
	269.680.104,45	**215.485.475,95**
3. Cost of materials		
Costs for goods purchased	-256.422.860,93	-206.428.158,60
4. Personnel costs		
a) Wages and salaries	-2.171.769,76	-2.018.753,35
b) Social security costs and pension support costs - thereof for pensions EUR -59 thousand (previous year: EUR 97 thousand)	-149.115,77	-161.573,21
	-2.320.885,53	**-2.180.326,56**
5. Amortisation		
a) Amortisation of intangible assets and fixed assets	-76.630,34	-73.643,30
b) of current assets to the extent it exceeds depreciation which is normal for the company	-1.269.190,20	0,00
	-1.345.820,54	**-73.643,30**
6. Other operating expenses - thereof from currency translation: EUR 374 thousand (previous year: EUR 98 thousand)	-5.442.623,05	-4.785.641,54
7. Other interest and similar earnings	394.950,90	534.450,38
8. Interest and similar expenses - thereof from discounting of pension obligations: EUR 679 thousand (previous year: EUR 805 thousand)	-888.056,21	-1.073.842,36
9. Income taxes - thereof from the allocation (previous year: reversal) to deferred assets : EUR 191 thousand (previous year: EUR 491 thousand)	-840.581,04	-960.984,89
10. EARNINGS AFTER TAXES	**2.814.228,05**	**517.329,08**
11. Other taxes	-3.983,61	-3.933,96
12. NET PROFIT FOR THE PERIOD*	**2.810.244,44**	**513.395,12**
13. Loss carryforward	-1.324.939,71	-1.941.413,98
14. Result to be allocated to minorities interest (loss)	83.679,28	103.079,15
15. Consolidated balance sheet profit (previous year: loss)	**1.568.984,01**	**-1.324.939,71**
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	**5,493,734.94**	**2,091,349.25**

**2020 net profit of EUR 3.651.446,81 excluding EUR 841.222,36 of pension provisions (2019: pension provisions of EUR 862.823,81)*

Consolidated Cash Flow Statement

(1 JANUARY - 31 DECEMBER 2020)

	2020 EUR thousand	2019 EUR thousand
1. CASH FLOW FROM CURRENT OPERATING ACTIVITIES		
Net earnings for the period	2,810	513
Depreciation of fixed assets	77	74
Depreciation of current assets	1,269	0
Profit from sales of minorities	-1,954	0
Increase (+)/decrease (-) in provisions	-329	-134
Other non-cash expenses/income (incl, pension provision)	-302	89
Increase (+)/decrease (-) in inventories, trade receivables and other assets	-13,723	11,744
Increase (+)/decrease (-) in inventories, trade payables and other liabilities	16,152	-11,751
Interest expenses (+)/interest income (-)	493	539
Income tax expense (+)/tax benefit (-)	841	912
Cash flow from current operating activities	**5,334**	**1,986**
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Cash outflow for investments in property, plant and equipment	-1,237	-1,040
Cash outflow for investments in intangible assets	0	-1
Cash inflow from sales of minority interests to consolidated subsidiaries	0	-338
Cash outflow for investments in associated companies	-146	0
Cash inflow from the repayment of loans	-2,624	1,089
Cash flow from investment activities	**-4,007**	**-290**
3. CASH FLOW FROM FINANCING ACTIVITIES		
Cash inflows from equity injections	3	47
Sale of treasury shares	0	2,279
Raising of long-term loans	500	0
Repayment of long-term loans	-240	-240
Cash flow from financing activities	**263**	**2,086**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes affecting payment (Subtotals 1 – 3)	1,589	3,782
Cash and cash equivalents at the start of the period	-338	-4,169
Cash and cash equivalents at the end of the period	**1,251**	**-387**
5. COMPOSITION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	6,211	5,077
Current liabilities	-4,960	-5,415
Cash and cash equivalents at the end of the period	**1,251**	**-338**

Consolidated Statement of Changes in Shareholders' Equity

AS OF 31 DECEMBER 2020

	GROUP'S EQUITY			
	Subscribed capital common shares	Capital reserve	Capital contributions made to implement the capital increase	Generated consolidated shareholders' equity
	EUR	EUR		EUR
31/12/2018	**4,205,096.00**	**3,916,647.36**	**3,750,000.00**	**-1,663,142.61**
Issuance of treasury shares	2,590.00	44,642.71	0.00	0.00
Repurchase 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	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**
Issuance of treasury shares	46.00	2,727.48	0.00	0.00
Sale of treasury shares	0.00	0.00	0.00	0.00
Commercial registration of a non-cash contribution (previous year)	0.00	0.00	0.00	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
	4,542,820.00	9,657,479.55	0.00	-1,046,668.34
Consolidated net income	0.00	0.00	0.00	2,893,923.72
31/12/2020	**4,542,820.00**	**9,657,479.55**	**0.00**	**1,847,255.38**

		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**
-717,648.08	**9,490,952.67**	**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**
0.00	2,773.48	0.00	0.00	0.00	2,773.48
0.00	0,00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
-552,792.49	-552,792.49	0.00	45,584.10	45,584.10	-507,208.39
-1,170,134.66	11,983,496.55	2,873,687.30	-61,716.26	2,811,971.04	14,795,467.59
0.00	2,893,923.72	0.00	-83,679.28	-83,679.28	2,810,244.44
-1,170,134.66	**14,877,420.27**	**2,873,687.30**	**-145,395.54**	**2,728,291.76**	**17,605,712.03**

Statement of Changes in Current Assets

AS OF 31 DECEMBER 2020

	PROCUREMENT AND MANUFACTURING COSTS					
	01/01/2020	Currency conversion	Additions	Disposals	Re-classifications	31/12/2020
	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	49,276.74	-370.51	0.00	0.00	0.00	48,906.22
2. Goodwill	539,705.34	0.00	2,700.000.00	0.00	0.00	3,239,705.34
	588,982.08	**-370.51**	**2,700,000.00**	**0.00**	**0.00**	**3,288,611.56**
II. Property, plant and equipment						
1. Technical equipment and machinery	115,144.62	-8,905.90	203,565.05	0.00	0.00	309,803.77
2. Other equipment, office and factory equipment	544,701.75	-16,734.53	16,809.83	0.00	0.00	544,777.05
3. Deposits paid / plant under construction	6,289,673.21	-235,664.30	1,016,451.38	0.00	0.00	7,070,460.29
	6,949,519.59	**-261,304.73**	**1,236,826.26**	**0.00**	**0.00**	**7,925,041.12**
III. Investments						
1. Investments	506,578.48	-9,016.31	146,325.51	443,230.59	0.00	200,657.09
2. Other loans receivable	9,838,008.78	0.00	2,851,708.94	227,532.44	0.00	12,462,185.28
	10,344,587.26	**-9,016.31**	**2,998,034.45**	**670,763.03**	**0.00**	**12,662,842.37**
	17,883,088.92	**-270,691.55**	**6,934,860.71**	**670,763.03**	**0.00**	**23,876,495.05**

ACCUMULATED AMORTISATION AND DEPRECIATION						BOOK VALUES	
01/01/2020	Currency conversion	Additions	Disposals	Re-classifications	31/12/2020	31/12/2020	31/12/2019
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
44,252.47	-341.09	3,630.84	0.00	0.00	47,542.22	1,364.00	5,024.27
229,912.79	0.00	33,795.55	0.00	0.00	263,708.34	2,975,997.00	309,792.55
274,165.26	**-341.09**	**37,426.39**	**0.00**	**0.00**	**311,250.56**	**2,977,361.00**	**314,816.82**
10,351.45	-1,120.00	16,214.24	0.00	0.00	25,445.69	284,358.08	104,793.17
498,112.38	-18,012.16	22,989.71	0.00	0.00	503,089.93	41,687.12	46,589.38
0.00	0.00	0.00	0.00	0.00	0.00	7,070,460.29	6,289,673.21
508,463.83	**-19,132.16**	**39,203.95**	**0.00**	**0.00**	**528,535.62**	**7,396,505.50**	**6,441,055.76**
63,347.89	0.00	0.00	0.00	0.00	63,347.89	137,309.20	443,230.59
1,700,000.00	0.00	0.00	0.00	0.00	1,700,000.00	10,762,185.28	8,138,008.78
1,763,347.89	**0.00**	**0.00**	**0.00**	**0.00**	**1,763,347.89**	**10,899,494.48**	**8,581,239.37**
2,545,976.98	**-19,473.25**	**76,630.34**	**0.00**	**0.00**	**2,603,134.07**	**21,273,360.98**	**15,337,111.95**

Notes to the Consolidated Financial Statements

HMS BERGBAU AG, BERLIN

FINANCIAL YEAR 2020

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** as defined in Section 267 (3) HGB.

The consolidated financial statements of HMS Bergbau AG for the financial year from 1 January to 31 December 2020 were prepared in accordance with the accounting and valuation principles under German commercial law and the provisions of the German Stock Corporation Act (AktG).

The financial year of the Group and all entities included in the consolidated financial statements 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 thousand	Annual result EUR thousand
HMS Bergbau Africa (Pty) Ltd.	Johannesburg	100	-654	-633
HMS Bergbau Singapore (Pte) Ltd.	Singapore	100	4,199	1.784
PT. HMS Bergbau Indonesia	Jakarta	100	-4,081	-461
Silesian Coal International Group of Companies S.A.	Katowice	55,9	-104	-920
HMS Bergbau USA Corp.	Miami	100	205	121

IV. CONSOLIDATION PRINCIPLES

The annual financial statements of the subsidiaries included in the consolidated financial statements were prepared as at 31 December 2020, which is the reporting date of the parent company.

The annual financial statements of the subsidiaries included in the consolidated financial statements were prepared in a uniform manner, using the accounting and valuation principles 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 carried out as at the time of acquisition according to the revaluation method pursuant to Section 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 financial 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 result, 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 subsidiaries before 1 January 2010 were included in and offset against the parent company's retained 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 directly 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 consolidated 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 impairment 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 relief 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 unchanged staff turnover and salary tend of 0%, a discount rate of 2.30% (previous year: 2.71%) 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] sentence 2 HGB, revised version), amounted to EUR 817 thousand (previous year: 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 accordance 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 2,450 thousand of this amount was allocated as at 31 December 2020. The remaining amount of EUR 891 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 exchange rate in accordance with Section 256a HGB.

VII. NOTES TO 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 in Silesian Coal International Group of Companies S.A. in 2019 and 2020. 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. Disposals and additions resulted from the repayment or extension of loans.

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

Deferred tax assets result from the difference in valuation of the pension provision (EUR 1,551 thousand). The calculation of temporary differences is based on the respective company-specific overall tax rate of 30.18%. The measurement of deferred taxes as at 31 December 2020 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 1,551 thousand) is restricted from distribution.

The **subscribed capital** of EUR 4,590,588.00 consists of 4,590,588.00 ordinary bearer shares with a nominal value of EUR 1.00 each. A total of 46.00 treasury shares were issued to employees in the financial year. An amount of EUR 46.00 was attributable to the share capital (EUR 1.00 per share). A total of 47,768 treasury shares were held as at the closing balance sheet date.

The **capital reserve** of EUR 9,657,479.55 results from the difference between the nominal amount and the issue amount achieved. The increase of EUR 2,727.00 results from the premium from 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.

Pension provisions, net of the fair value of plan assets of EUR 242 thousand serving exclusively to meet pension obligations, amounted to EUR 8,293 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 fund custody account. The fair value (EUR 242 thousand) equals the nominal amount of the bank account and the price of the funds as at the reporting date. In the financial year, an expense of EUR 36 thousand was recognised based on the valuation of plan assets. Pensions amounting to EUR 460 thousand were paid in 2020, partially from trust assets. For actuarial reasons, a reversal of provisions in the amount of EUR 98 thousand was recognised in personnel expenses. The compounding of interest and the change in the discount rate resulted in an interest expense of EUR 679 thousand, which was recognised in the income statement

Other provisions concern primarily acquisition costs (EUR 142 thousand, previous year: EUR 142 thousand), Supervisory Board remuneration (EUR 44 thousand, previous year: EUR 87 thousand) and personnel provisions (EUR 65 thousand, previous year: EUR 120 thousand).

Of the **liabilities to banks**, EUR 4,580 thousand relates to trade financing of individual back-to-back transactions and EUR 660 thousand to overdraft facilities. EUR 60 thousand of overdraft facilities is repaid quarterly, resulting in EUR 420 thousand of the total facilities having a remaining term of more than one year. In the 2020 financial year, the Company received a KfW development loan in the amount of EUR 500 thousand, the remaining term of which is between one and five years for an amount of EUR 219 thousand and greater than five years for EUR 281 thousand. The other components have a remaining term of less than 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 as no liabilities exist.

OTHER FINANCIAL OBLIGATIONS

As at 31 December 2020, the purchase obligations from contracts concluded amounted to EUR 33,893 thousand, all relating to the 2021 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 181 thousand
Between 1 and 5 years	EUR 398 thousand

VIII. NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales of EUR 267,082 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 (84%), Africa (15%), Europe/Other countries (1%).

Cost of materials resulted from the global purchase of steam coal, coking coal and anthracite.

Other operating income includes, among other items, income from the sale of minority interests in a corporation amounting to EUR 1,954 thousand and income from currency translation amounting to EUR 561 thousand.

Other operating expenses are mainly attributable to legal and consulting fees (EUR 1,490 thousand), vehicle and travel expenses (EUR 397 thousand), fulfilment costs (EUR 1,665 thousand), occupancy costs (EUR 169 thousand), and 1/15th of the allocation to pension provisions (EUR 223 thousand) resulting from the change in measurement pursuant to Section 253 (1) sentence 2 HGB. Expenses from currency translation amounted to EUR 374 thousand.

The **financial result** includes interest expenses on pension obligations of EUR 679 thousand.

The benefit from **income taxes** resulted from the carryover of deferred tax assets (addition of EUR 191 thousand recognised in profit or loss).

IX NOTES TO 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. OTHER NOTES

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	until 30 June 2020	
Mr Dennis Schwindt	Chief Executive Officer	as of 1 July 2020	(previously Chief Operating Officer)
Mr Steffen Ewald	Chief Financial Officer	until 31 August 2020	
Mr Jens Moir	Chief Financial Officer	as of 1 September 2020	

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 consisted of the following members:

Dr Hans-Dieter Harig	Engineer, retired	Chairman	until 8 September 2020
Mr Heinz Schernikau	retired	Chairman	as of 8 September 2020
Dr h.c. Michael Bärlein	Attorney, Berlin	Deputy Chairman	
Ma Michaela Schernikau	Merchant	Managing Director	until 8 September 2020
Mr Patrick Brandl	Merchant	Managing Director	as of 8 September 2020

The members of the Supervisory Board received remuneration of EUR 98 thousand for their activities in 2020, which was entirely attributable to unpaid remuneration in prior years. The Company has recognised a provision totalling EUR 44 thousand for the remuneration stipulated by the Company's Articles of Association for the 2020 financial year and prior years.

2. AUDITOR'S FEE

The fee for the audit of the financial statements amounted to EUR 39 thousand. In addition, the auditing company provided other assurance services amounting to EUR 13 thousand and other services amounting to EUR 7 thousand in the year 2020.

3. AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL YEAR

In the 2020 financial year, an average of 35 employees (14 women, 21 men) were employed.

4. AMOUNTS RESTRICTED FROM DISTRIBUTION

The difference between seven-year and ten-year average interest rates for the valuation of pension provisions (Section 253 (6) sentence 2 HGB) of EUR 817 thousand and deferred tax assets (Section 268 (8) HGB) of EUR 1,551 thousand are restricted from distribution (total amount of EUR 2,368 thousand).

5. SUBSEQUENT EVENTS

Within the scope of a private placement, the Company raised debt financing in the amount of EUR 8 million. The bond was fully subscribed by a German investment company. In lieu of a bond repayment at maturity, the investment company may convert its receivables into shares in Silesian Coal International Group of Companies S.A. of HMS Bergbau AG. In addition to expanding its business processes, HMS Bergbau AG plans to invest the liquid funds primarily in the operating activities of Silesian Coal International Group of Companies S.A.

6. APPROPRIATION OF PROFIT OF THE PARENT COMPANY

The unappropriated retained earnings of the parent company amounting to EUR 5,066,429.73 will be carried forward to the new account. Of this amount, EUR 2,367,641.74 is subject to a distribution restriction.

Berlin, June 2021

DENNIS SCHWINDT
Chief Executive Officer

JENS MOIR
Chief Financial Officer

Independent Auditor‘s Report

TO HMS BERGBAU AG, BERLIN,

STATEMENT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020, 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 2020 through 31 December 2020, 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 2020.

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 2020 and its results of operations for the financial year from 1 January 2020 through 31 December 2020;

- 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, 25 June 2021

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