



**Bergbau AG**

*coal illuminates life*

# Interim Report 2020



## Group Key Figures

	30/06/2020	31/12/2019
<b>Balance Sheet Figures</b>	EUR thousand	EUR thousand
Total assets	43,236	51,120
Non-current assets	16,728	15,337
Current assets	25,032	34,334
Shareholders' equity	14,991	15,300
Provisions	8,828	8,647
Liabilities	19,417	27,173
	30/06/2020	30/06/2019
<b>Income statement figures</b>	TEUR	TEUR
Sales	129,531	117,156
Operating income	622	751
EBITDA <sup>(1)</sup>	552	681
EBIT	512	642
Net profit / loss <sup>(2)</sup>	121	319

(1) EUR 607,128.79 half-year result excluding EUR 486,374.16 in pension provisions (30 June 2019: EUR 427,436.52 in pension provisions)

## Financial Calendar (Status: September 2020)

	Expected publication date
End of the financial year	31. December 2020
Annual financial statements 2020	30. June 2021
Interim Report 2021	30. September 2021



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The English version of the interim report and the H1 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 first half of 2020 was marked by the measures taken to combat the corona pandemic. Lockdowns, border closures, travel and transport restrictions, as well as major uncertainty in dealing with the virus, have dominated public, private and business life since the beginning of 2020.

As an international player in the commodity markets, the challenges were and continue to be great for HMS Bergbau AG, and the market conditions remain demanding.

Despite these difficult conditions in a recessionary economic environment with sharply fluctuating commodity prices, HMS Bergbau AG was once again able to slightly increase its volumes in the first six months of the current 2020 financial year and thereby offset the sharp fall in commodity prices in terms of sales. The Company also continued its strategy of expanding trading activities to include other raw materials such as ores (e.g. chrome, lithium or manganese ores), cement products and oil products. The international coal business, however, continued to play the dominant role in operations, accounting for around 90 per cent of trading volumes, particularly in Asia and Africa.

Overall, the earnings situation of the HMS Group in the first half of 2020 was stronger than in the same period of the previous year. Sales increased 11 per cent from EUR 117.2 million to EUR 129.5 million. EBITDA in the January through June 2020 period amounted to

EUR 553 thousand compared to EUR 680 thousand in the first six months of 2019. Net profit for the period amounted to EUR 121 thousand as at 30 June 2020 compared with EUR 319 thousand in the first half of 2019, despite the investments in the development of international structures and personnel. Total assets of HMS Bergbau AG as at the 30 June 2020 reporting date amounted to EUR 43.2 million, which is roughly EUR 7.9 million lower than the level as at 31 December 2019 (EUR 51.1 million). The significant reduction in receivables with a simultaneous reduction in current liabilities was primarily due to reporting date related effects. With shareholders' equity almost unchanged at EUR 15.0 million as at 30 June 2020 (31 December 2019: EUR 15.3 million), the equity ratio as at the reporting date improved significantly from 31 per cent to a current 36 per cent.

Overall, it can be stated that HMS Bergbau AG was less affected by the economic crisis in the first half-year as a result of its international positioning. The market however is expecting a weak second half of 2020. Despite sharper price competition and a steep drop in prices, management was able to continue to increase tonnage in the reporting period in addition to solidifying business relationships and concluding new contracts.

Despite the global economic impact of the measures taken to combat the coronavirus, the HMS Group is looking forward to positive developments in the energy



## Management & Supervisory Board

markets along with a steady increase in world energy consumption. Important markets for HMS Bergbau AG such as China, Indonesia and India will continue to be significant consumers of coal. Coal tends to offer these countries flexible electricity production and supply, which allows for the achievement of more prosperity and economic growth. Nevertheless, a reduction in the global raw materials business of around 10 per cent is expected for 2020.

In the current economic environment, however, it continues to be difficult to make reliable plans regarding the Company's business development. In the medium term, however, the management of HMS Bergbau AG considers the prospects to be promising. Its international positioning and steadily growing range of services should enable it to generate better results and higher sales volumes in the future. In its operating activities, HMS Bergbau AG is not only in agreement with the Paris Climate Convention, but will also continue to make an active contribution to climate protection by supporting international climate protection projects. The fundamental prerequisites for the plans of HMS Bergbau AG are the existence of relatively free markets without major trade restrictions and the successful containment of the corona pandemic.

Berlin, September 2020



**Dennis Schwindt**  
Chief Executive Officer



**Jens Moir**  
Chief Financial Officer

### Chief Executive Officer



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

### Chief Financial Officer



**Jens Moir** is the CFO of HMS Bergbau AG. Jens Moir has more than 20 years of experience as a CFO and senior finance executive in the international steel construction, oil and gas industries, with renewable energy and companies in the entertainment industry. Most recently, he advised several technology start-up companies. Mr Moir holds both British and German citizenship and has international experience in Germany, Poland, Austria and the USA.

### Supervisory Board

- ▲ Heinz Schernikau (Chairman)
- ▲ Dr. h.c. Michael Bärlein (Deputy Chairman)
- ▲ Patrick Brandl (Member)

## Macroeconomic environment

Following the noticeable upturn in the global economy in 2019, the battle against the corona pandemic has led to the worst global economic crisis in decades. The International Monetary Fund (IMF) and the OECD are expecting a significant increase in poverty and unemployment with corresponding negative forecasts. In its forecast of June 2020, the International Monetary Fund (IMF) sees a 4.9 per cent slump in the global economy, prompting it to lower its forecast for the third time in 2020.

The IMF bases its June 2020 revision primarily on the serious consequences for the labour market. Less educated workers, who could slip into poverty as a result of the pandemic, would be particularly affected.

Even though forecasts are subject to considerable uncertainty, the IMF expects global economic output to recover by 5.4 per cent in 2021.

The expectations for the two largest economic powers, the USA and China, are different. While the OECD has revised its forecast for the USA in the current year 2020 to minus 7.3 per cent and predicts an increase in economic output of 4.1 per cent in 2021, the recession in China is much less severe. The OECD expects the Chinese economy to contract a mere 2.6 per cent and believes growth of 6.8 per cent would be possible as early as 2021.

For the eurozone, the OECD is forecasting what will probably be the biggest slump in economic output since the Great Depression. In its July study, the OECD predicted a 9.1 per cent decline in economic output in 2020. In 2021, the economy is expected to recover significantly with a growth rate of 6.5 per cent.

The economy in Germany is developing comparatively well. OECD experts, for example, are forecasting a decline in economic output of 6.6 percentage points in the current year 2020. A growth rate of 5.8 per cent is estimated for 2021.

However, all of these forecasts are based on the expectation that there will not be a second lockdown of the economies.

### Risks

The forecast described by the industrialised nations organisation, the OECD, for the years 2020 and 2021 is subject to considerable uncertainty. Not only is the economic slump in peacetime a historic one since the Great Depression, but government debt is also jumping to historically high levels.

The only parallels that current debt levels allow are to the period following the two world wars when large parts of Europe were devastated. Economically comparable is probably the world economic crisis in the 1930s. In contrast to the 1930s, however, the outlook for the world economy at least offers a glimmer of hope. There is a chance of recovery in the foreseeable future. At the same time, a renewed slump in economic output caused, for example, by a second lockdown, contains considerable global economic risks.

### Commodities

Crude oil markets were the hardest hit by the measures imposed worldwide to combat the corona pandemic. The collapse in global crude oil demand due to social distancing and travel restrictions was reflected in a dramatic drop in prices. The average price of the European reference grade of Brent crude in April 2020 was below USD 30 per barrel – or more than 60 per cent below the average price in April 2019.

In response to the drop in prices and lower demand, the OPEC+ countries agreed to cut production by around 9.7 million barrels, or 10 per cent, per day at the end of April 2020. In addition to the OPEC+ production cuts, supply declined due to the closure of unprofitable shale oil rigs in the USA.

As a result of these measures, along with the slow increase in demand for crude oil resulting from the recovery of global economic output and the gradual lifting of the lockdown measures in many countries, crude oil prices have been rising again since May.

Whereas Brent crude per barrel (=159 litres) still cost just under USD 68.20 at the beginning of the year, the price reached a low of USD 17.91 in April. On 30 June 2020, the price per barrel of oil was USD 41.11. Prices

continued to rise in July and August 2020 and reached USD 45.53 per barrel at the end of August.

The price of the fossil fuel coal continued the price trend in 2019. According to the coal price index API-2, initially, the trend in the price per tonne of coal was sharply negative, reaching a low of around USD 51.82 at the end of May 2020. The price recovered almost entirely in the period from the beginning of January 2020, when prices amounted to around USD 60 per tonne, through the end of June 2020 when a tonne of coal traded at USD 57.68 (as at 30 June 2020). On 31 August 2020, one tonne of coal cost USD 57.71, representing a price decline of less than four per cent compared to the beginning of 2020.

### Development of the HWWI commodity price index

The global spread of the coronavirus in the first half of 2020 was accompanied by a significant drop in prices on the international commodity markets. The lockdown measures imposed worldwide to contain the pandemic slowed down the global economy and had a major impact on the development of international commodity markets and affected the prices of almost all raw materials.

The slowdown in global economic activity largely reduced the demand for industrial raw materials. The drop in prices on the industrial and agricultural commodity markets, however, was mitigated by a shortage of supply due to disruptions in supply chains and production. For example, the HWWI commodity price index, which reflects the most important raw materials in the energy, food and beverages and industrial sectors, fell by 20 per cent compared to the first quarter of 2019. In the second quarter of 2020, the HWWI commodity price index fell by a further 35 per cent versus the first quarter of 2020. The steepest price decline was recorded in April 2020.

The decline in the HWWI overall index was particularly severe in March and April 2020. At one point, the index stood at 54.9 points. Nevertheless, commodity prices were able to recover significantly in May and June and, at the end of June 2020, the index stood at 107.6

points. At the beginning of 2020, the index was still at 113.7 points.

In total, however, a global reduction of about 10 per cent in the volume of power plant trading is expected for 2020 due to the pandemic.

### Primary energy consumption

The increase in global goods trade and a steady rise in the production of goods have led to a sharp increase in global energy consumption. Energy consumption has more than doubled worldwide in the last four decades alone. Not only has the absolute consumption of the various energy sources increased, but the energy mix has also changed, among others, as a result of the rise in renewable energies.

By 2060, the International Energy Agency predicts demand for primary energy will nearly double from its current level to more than 320,000 TWh. This forecast is based on the assumption that, by that time, the standard of living in emerging and developing countries will have adjusted to the level of the western industrialised nations. According to the experts from the World Energy Outlook, energy consumption in Africa, India, China, Southeast Asia and the Middle East is set to increase 30 per cent by 2040.

The BP 2019 Energy Outlook expects an increase in primary energy consumption worldwide of just 1.2 per cent p.a. on average over the next 20 years versus the 2.0 per cent rise in the period from 1998 to 2018. The increase in energy consumption is strongly linked to the growth in global economic output. However, as of the past few years, energy-saving measures have resulted in a lower increase in energy consumption compared to economic growth. Global gross domestic product is expected to double by 2040, while energy consumption is predicted to rise by just one-third. Growth is being driven by the emerging markets and, particularly, China and India. China will initially remain the largest growth market for energy, with India probably assuming this position by the end of the 2040 forecast period.

The latest BP Energy Outlook assumes that in the next 20 years, the share of renewable energies will increase

rapidly from today's 4 per cent to around 15 per cent. Together with natural gas, renewable energies are expected to contribute about 85 per cent of the increase over the next few years. Despite this increase, oil, gas and coal are to remain the dominant energy sources. The share of fossil energy sources is anticipated to fall from around 85 per cent in 2018 to about 75 per cent in 2040, albeit from a much higher base. While gas is projected to grow at a rate of around 1.7 per cent, growth in oil and coal is expected to come to a standstill.

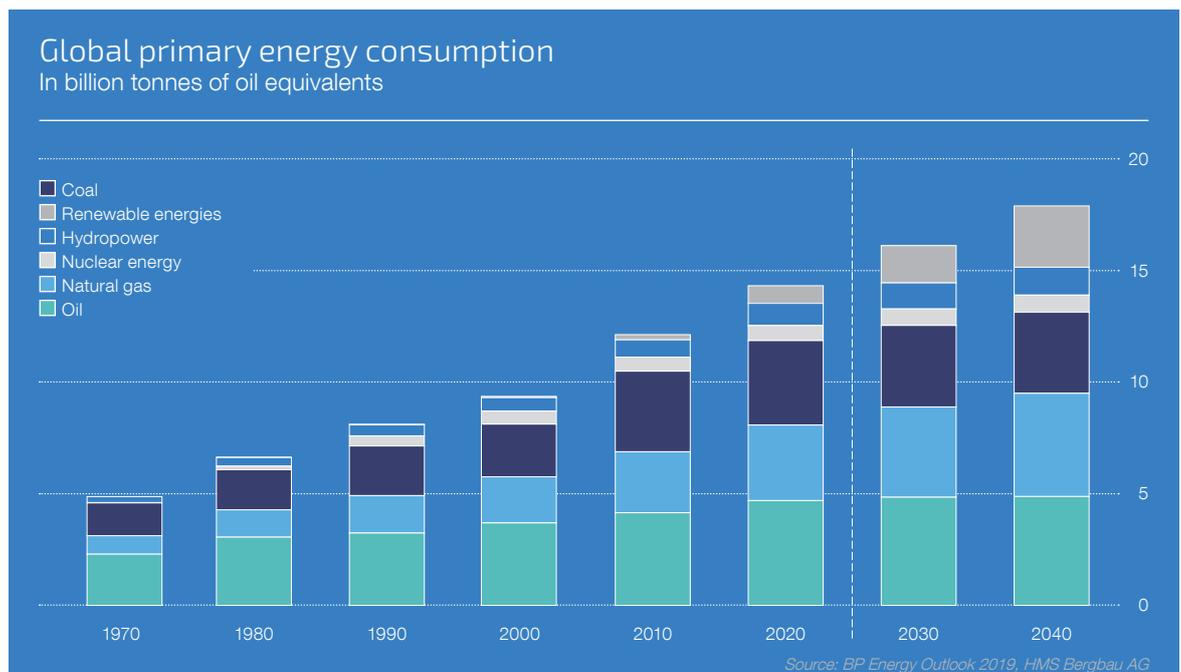
According to BP's study, global coal consumption should remain virtually unchanged. Consumption is expected to peak in the mid-2020s and then decline slightly (-0.1 per cent) until 2040. In the last 20 years, coal consumption rose by 2.7 per cent. Based on this development, gas will become the second most important source of energy after oil by 2040. Coal is predicted to be forced into third place as a primary energy source but will still continue to rank first in terms of electricity generation. The slight decline in coal is due to the in-

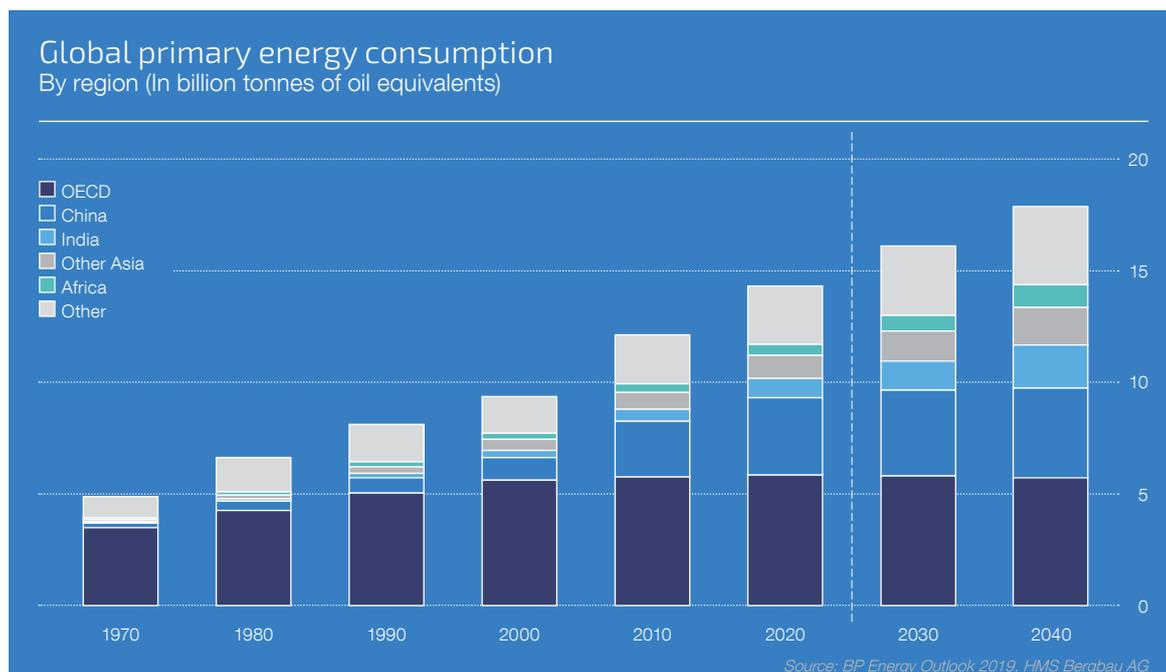
creased use of other energy sources in China. Nevertheless, China is to remain the most important market for coal and be a user of almost half of this resource by 2040.

Coal remains an inexpensive resource worldwide. The decline in coal demand in the developed world is offset by increased demand in emerging economies such as China or India. While the share of coal as a primary energy source is expected to decrease from 27 per cent in 2017 to around 21 per cent in 2040, absolute consumption is anticipated to remain roughly the same due to rising energy demand.

### Primary energy consumption in Germany

According to calculations by the Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen), energy consumption in the first half of 2020 fell by 8.8 per cent year-on-year to 5,961 petajoules (PJ), or 203.5 million tonnes of coal equivalent (tce). The decline in





consumption is mainly due to the macroeconomic effects of the corona pandemic. The rate of change in energy consumption was noticeably higher than the decline in overall economic output.

The decline in consumption affected all fossil fuels. Coal, however, accounted for almost two thirds, meaning that a significant reduction in CO<sub>2</sub> emissions of more than 13 per cent can be assumed.

Total mineral oil consumption fell by 6.7 per cent. The consumption of petrol, in particular, fell sharply (minus 13.5 per cent) accompanied by a significant drop in the consumption of diesel fuel (by 8.6 per cent). Sales of aviation fuel dropped by a dramatic 46 per cent. Only light heating oil saw an increase in sales volumes, which amounted to 28 per cent, due to favourable prices.

Natural gas consumption fell by 4.6 per cent overall as a result of the mild weather during the first two months of 2020 and the reduced use of natural gas in various industrial sectors. Sales volumes in the power station sector, on the other hand, increased.

Consumption of hard coal fell by almost 25 per cent in the first half of 2020. In the case of coal used in power stations to generate electricity and heat, there was even a decline of just under 30 per cent. This development was mainly a result of the sharply higher electricity feed-in from wind and PV plants along with the higher use of natural gas for electricity generation.

The use of coke and coal in the steel industry fell by around 19 per cent due to the economic situation.

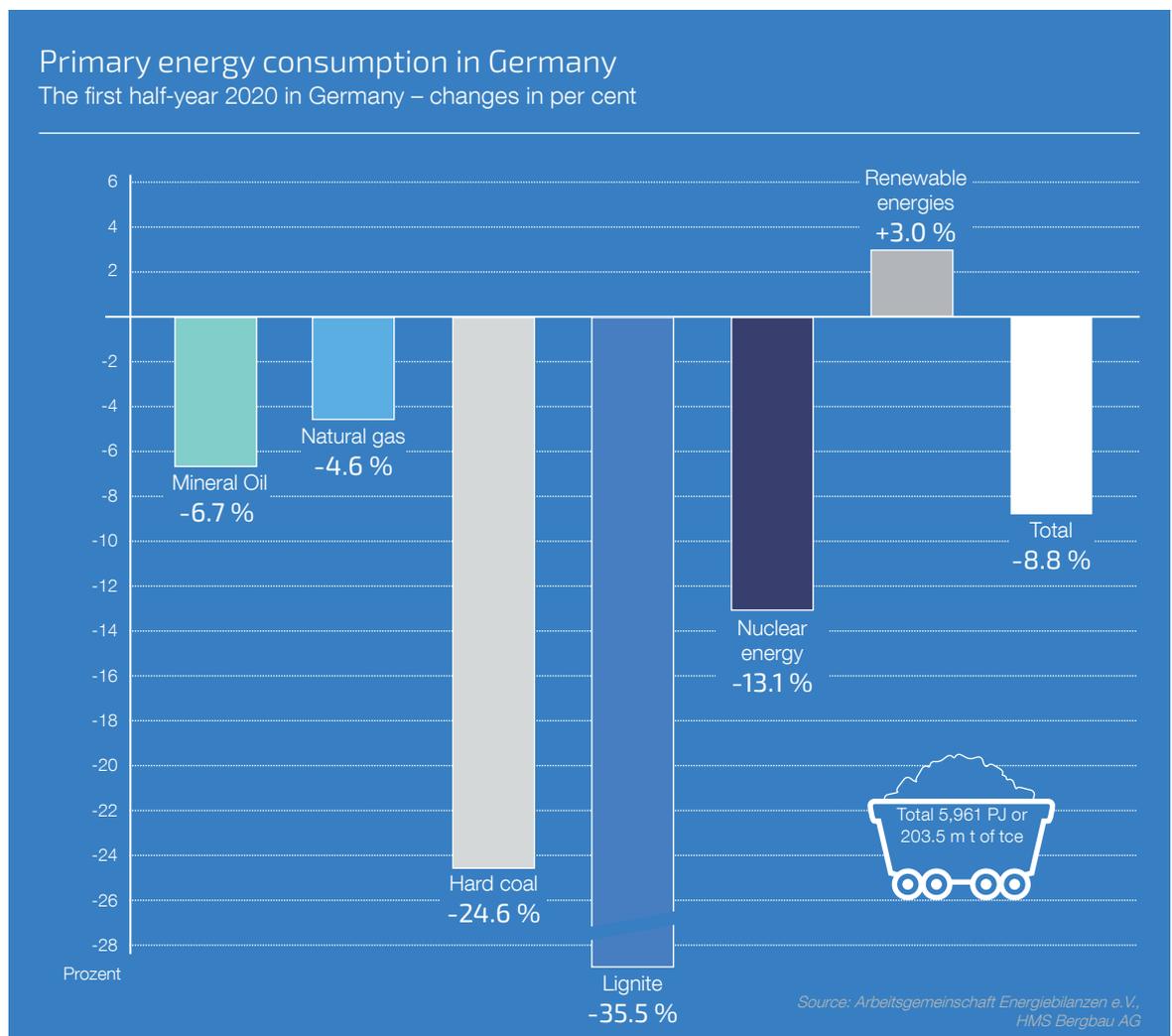
Lignite consumption fell by 35.5 per cent in the first six months of 2020. This substantial decline was mainly due to the sharp rise in electricity generation from renewables, the transition of further lignite power plants to standby mode for back-up, and the impact of the corona pandemic on the domestic and European electricity markets.

In the nuclear energy sector, electricity generation fell by around 13 per cent in the first half of 2020 as a result of the scheduled shutdown of the Philipsburg power plant at the end of 2019.

Renewable energies, in contrast, increased their contribution to total energy consumption by a total of 3 per cent in the first half of 2020. Wind power and solar energy each increased by 10 per cent as a result of favourable weather conditions. Energy generation from biomass declined by 1 per cent, whereas hydroelectric power stations supplied 1 per cent more electricity in the first six months of 2020.

Low electricity consumption, also in neighbouring countries, and historically low natural gas prices led to significant shifts in the European electricity generation structure.

Germany's negative electricity exchange balance with its neighbouring countries was therefore much lower in the first half of 2020 than in the same period of the pre-



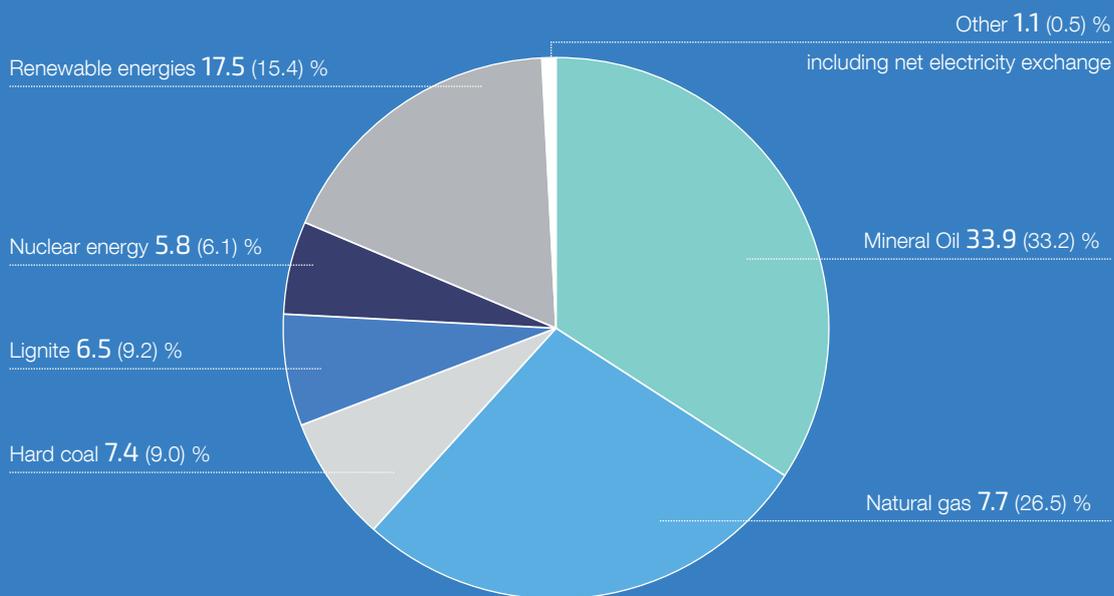
vious year. Not only did the volume of electricity flowing into Germany from abroad increase significantly, but also the flows of electricity from Germany to neighbouring countries declined.

The shares of the various energy sources in the national energy mix continued to shift in the first half of 2020. With the exception of renewables, all energy sources recorded declines. Germany's overall energy supply is based on a broad range of energy sources.

The shares of the various energy sources in the national energy mix shifted in favour of renewables and natural gas in the first half of 2020, with overall consumption significantly lower as a result of the corona pandemic. Mineral oil maintained a more or less stable share of the market, whereas the shares of hard coal and lignite continued to decrease significantly. Still, a broad energy mix continues to characterise the market.

## Evolution of the shares of energy sources in primary energy consumption

The first half-year 2020 in Germany – changes in per cent



Source: Arbeitsgemeinschaft Energiebilanzen e.V.,  
HMS Bergbau AG

## Investor Relations

### Development of the capital markets

The capital market trend at the end of 2019 carried on to the beginning of the first half of 2020, causing many indices to post new highs.

With the significant increase in global COVID-19 infection rates and the recognition that the disease is not a harmless virus but rather a global pandemic, stock prices around the world plummeted dramatically. Within just a few weeks, some of the major leading indices lost well over 40 per cent of their market value.

Despite the lockdowns in several countries following the sharp rise in the number of people infected with COVID-19, many shares recovered surprisingly quickly. The expected global recession of minus 4.9 per cent in 2020 (IMF forecast) was counteracted by various economic stimulus packages, monetary policy measures and higher social spending to cushion the severe humanitarian and economic impact of the COVID-19 crisis.

Current forecasts by the European Union for the eurozone predict a slump in economic output of around 8.3 per cent in 2020, whereby the German economy, at around 6.3 per cent, is expected to slow down slightly less than the rest of the eurozone. A significant surge in growth is not expected until 2021, with the economic level of 2019 not expected to be reached until 2022.

To mitigate the economic consequences of the pandemic, the ECB's corporate bond purchase programme was massively increased and expanded. The bond purchase programme PEPP (Pandemic Emergency Purchase Programme) has a volume of EUR 1.35 trillion and has been extended until the end of June 2021. Under the PEPP, the European Central Bank acquires government bonds from eurozone countries, which currently benefits particularly hard-hit economies such as Italy.

Despite all of the uncertainty, the stock market performance has been solely positive from mid-March onwards and, as at 31 August 2020, many indices were not far from their old highs.

The Dow Jones Index started the trading year at 28,518 points and even recorded a new all-time high of 29,552 points in mid-February. As the pandemic situation worsened, the index went on to lose around 11,000 points by the end of March. By 30 June 2020, the world's most important stock market barometer reached 25,824 points and had already made up most of the losses. On 31 August 2020, the market closed at 28,422 points, which was the same level as at the beginning of the year.

The performance of the European stock markets was similar to that of the Dow Jones until the end of August 2020. The initial sharp rise in stock prices at the beginning of the year was followed by massive price slumps in the wake of pandemic developments and their economic impact. The expressed political will to adopt further billion-euro monetary policy measures if necessary, also ultimately fuelled the indices in Europe, which, by the end of August 2020, like the Dow Jones, had almost reached the same levels they had at the start of the year.

Germany's benchmark DAX index started the 2020 trading year at 13,249 points and marked a new all-time high of 13,789 points by mid-February 2020. After losing over 40 per cent of its value by mid-March, the DAX index began a pronounced bull market. By the end of August 2020, the index had already reached the 13,000 level, which was close to its level at the start of the year.

### Development of the HMS share

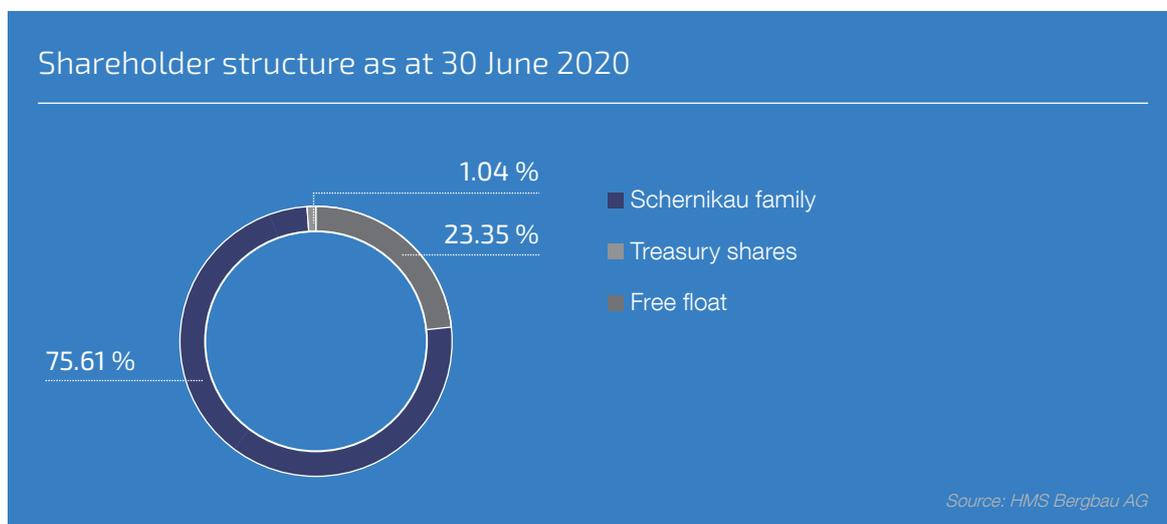
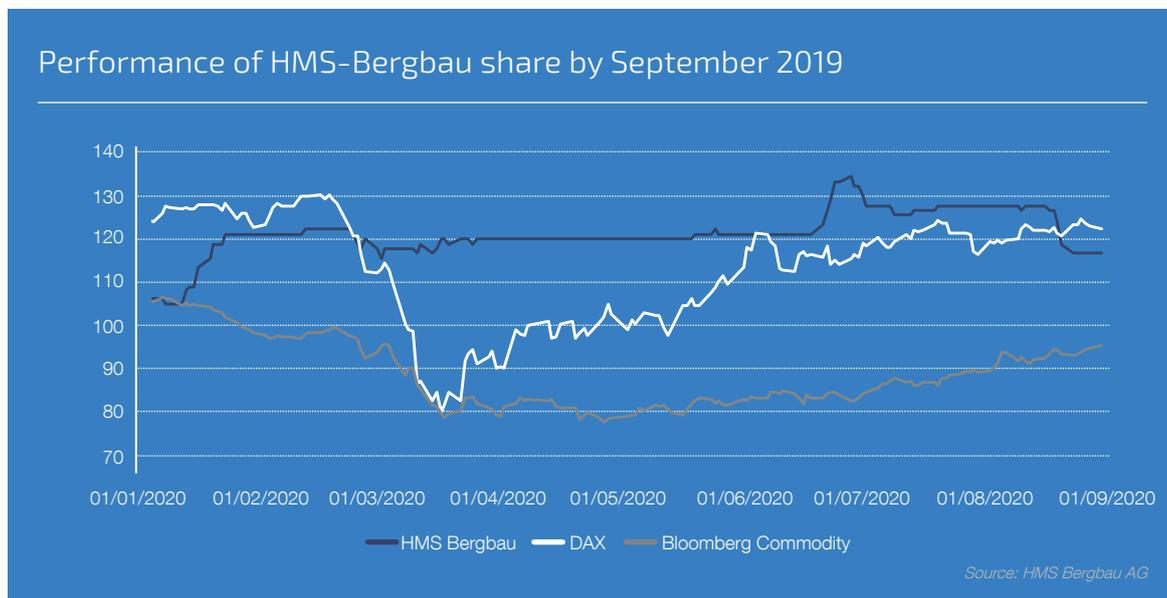
The Bloomberg Commodity Index was also unable to escape the global downturn on the capital markets caused by the pandemic. Following a high of around 80.89 points at the beginning of 2020, it reached its lowest point of around 59.08 points on 28 April 2020. Similar to the international indices, the Commodity Index recovered steadily thereafter, but at a slightly slower pace, reaching 64.55 points at 30 June 2020. By 31 August 2020, the Commodity Index was able to climb to 73.20 points.

The share price of HMS Bergbau AG remained stable again despite the turbulence on the capital markets. After the share was quoted at EUR 19.10 on the last trading day of 2019, the share price reached an all-time high of EUR 24.20 at the end of June 2020. On 31 August 2020, HMS Bergbau AG shares were quoted at EUR 21.00 – marking an almost 10 per cent increase compared to the beginning of the reporting period on 1 January 2020.

The market capitalisation of HMS Bergbau AG at the beginning of the 2020 trading year was EUR 87.7 mil-

lion. After trading on the Frankfurt Stock Exchange at times at just under EUR 110 million, HMS Bergbau AG reached a market capitalisation as at 31 August 2020 of around EUR 96.4 million. All in all, the HMS Bergbau share once again continued the positive performance it has sustained for a number of years.

The shares of HMS Bergbau AG have been listed on the Basic Board of the Frankfurt Stock Exchange since the beginning of March 2017.



## Shareholder structure

As at 31 December 2019, 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 holds 34.28 per cent. A total of 1.04 per cent is still held by HMS Bergbau AG as treasury stock, and 23.35 per cent is attributable to the free float.

## 2020 Annual General Meeting

The Annual General Meeting of HMS Bergbau AG was held as a virtual general meeting and took place on 8 September 2020. The meeting's agenda included the proposed resolutions on the appropriation of unappropriated retained earnings, the discharge of the Manage-

ment Board and Supervisory Board and the election of the auditor. A vote was also taken on the resolution authorising the acquisition of treasury shares. A new composition of the Supervisory Board was also on the agenda. For example, Heinz Schernikau, the founder of HMS Bergbau AG, resigned from the Management Board as planned at the end of June 2020 in order to regulate the future fate of the Company from the Supervisory Board. Besides Heinz Schernikau and Dr h.c. Michael Bärlein, new member Patrick Brandl was elected to the Supervisory Board by the Annual General Meeting. At 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.

## Key share information as at 31 August 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	22.86 %

### Performance data

Share price on 31 December 2019 (Xetra closing price)	EUR 19.10
Share price on 30 June 2020 (Xetra closing price)	EUR 23.80
Share price as of 31 August 2020 (Xetra closing price)	EUR 21.00
Market capitalisation on 31 December 2019	EUR 87,680,231
Market capitalisation on 30 June 2020	EUR 109,255,994
Market capitalisation on 31 August 2020	EUR 96,402,348

# Management Report

## Business performance in the first half of 2020

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 as ore, cement and fertilisers.

In the first half of 2020, HMS Bergbau AG continued its strategy of business expansion to include additional raw materials such as ore, cement and oil products and plans to develop into an international raw material trading company. The focus of its activities remains the coal business. HMS Bergbau AG has spent decades building its widely recognised expertise throughout the entire value chain from mining to logistics to customer deliveries. A total of 90 per cent of the coal exported by HMS Bergbau AG is used in the industrial sector, mainly in cement production as well as in steel, paper and sugar plants. Only about 10 per cent of the quantities are used in power plants.

## Corporate responsibility at HMS Bergbau AG

### Contribution to Paris Climate Agreement

It is worth highlighting that HMS Bergbau AG exports about 90 per cent of its products to developing countries, including Bangladesh, Pakistan, Vietnam, China and India. These countries, including China, were exempted in the Paris Climate Agreement from the worldwide decisions to reduce CO<sup>2</sup> in the interest of the climate. The rationale for the exception of these countries was their lack of alternatives to the basic energy supply of coal. These countries often lack both the financial resources and sufficient capacity for wind and solar energy. For this reason, all UN resolutions support de-

veloping countries in their use of fossil fuels until viable alternatives are available. By supplying these countries, we contribute to their economic development and thus make an active, albeit indirect, contribution to the achievement of the Paris Climate Agreement.

### CO<sup>2</sup> Neutrality

HMS Bergbau AG seeks to have its operational activities certified as climate-neutral by the year 2025. For this purpose, independent analysts have determined not only the CO<sup>2</sup> balance of the HMS Group, including all its locations, but also the CO<sup>2</sup> footprint. The CO<sup>2</sup> emissions calculated in this manner, which includes factors such as energy and water consumption, travel expenses, the company's own transport of goods, as well as the commuting behaviour of its approximately 40 employees, will be offset immediately on an annual basis. In order to compensate for this, shares are acquired in international climate protection projects, which are reported according to Gold Standards and aim at a sustainable reduction in greenhouse gases while supporting the UN's climate goals.

## Corporate structure

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

The corporate structure of the HMS Bergbau Group and its major subsidiaries as at 30 June 2020 was as follows:

Corporate structure as at 30 June 2020



Source: HMS Bergbau AG



## Group results of operations

The **results of operations** of the HMS Group in the first half of the 2020 financial year compared to the same period in 2019 were as follows:

	30/06/2020 EUR thousand	%	30/06/2019 EUR thousand	%	Change EUR thousand	%
Revenues	129,531	100	117,157	100	12,374	11
<b>Total performance</b>	<b>129,531</b>	<b>100</b>	<b>117,157</b>	<b>100</b>	<b>12,374</b>	<b>11</b>
Cost of materials	125,807	97	113,278	97	12,529	11
Personnel costs	1,166	1	895	1	271	30
Depreciation and amortisation	40	0	39	0	1	3
Other operating expenses						
./. other operating earnings	1,894	2	2,192	2	-298	-14
Tax expenses	2	0	2	0	0	0
<b>Operating expenses</b>	<b>128,909</b>	<b>100</b>	<b>116,406</b>	<b>99</b>	<b>12,503</b>	<b>11</b>
<b>Operating result</b>	<b>622</b>	<b>1</b>	<b>751</b>	<b>1</b>	<b>-129</b>	<b>-17</b>
Earnings from investment and financial result	-342		-321		-21	-7
Sale of shares	0		0		0	
Allocation to pension provisions (1/15 of allocation under German Accounting Law Modernisation Act [BilMoG])	-111		-111		0	0
<b>Earnings before income taxes</b>	<b>169</b>		<b>319</b>		<b>-150</b>	<b>-47</b>
Extraordinary expenses	0		0		0	
Income taxes	-48		0		-48	-
<b>Net profit*</b>	<b>121</b>		<b>319</b>		<b>-198</b>	<b>-62</b>

\*EUR 607 thousand half-year result excluding EUR 486 thousand in pension provisions (as at 30 June 2019: EUR 427 thousand in pension provisions)

The HMS Group's results of operations were higher in the first half of 2020 than in the same period of the previous year. Further increases in trading volumes more than compensated for the relatively sharp drop in commodity prices. Sales of the HMS Bergbau Group increased by 11 per cent from EUR 117.2 million to EUR 129.5 million. The cost of materials ratio remained stable in percentage terms. The cost of materials amounted to EUR 125.8 million in the reporting period, compared to EUR 113.3 million in the first half of 2019. Personnel costs increased to EUR 1,166 thousand in the first six months of the current 2020 financial year compared to

EUR 895 thousand in the same period of the previous year, mainly due to the international expansion of HMS Bergbau AG.

As at 30 June 2020, the HMS Group generated a net profit of EUR 121 thousand, compared to EUR 319 thousand in the first half of 2019. The main reason for the decline in profit was the expansion in personnel and the associated costs. Other reasons include the more intense price competition resulting from the global economic crisis and the sharp drop in commodity prices.

## Group net assets

The **net assets** of the HMS Group as at 30 June 2020 compared to 31 December 2019 were as follows:

	30/06/2020		31/12/2019		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
<b>Assets</b>						
Non-current assets	16,728	39	15,337	30	1,391	9
Inventories	0	0	0	0	0	
Receivables	20,490	47	27,554	54	-7,064	-26
Cash and cash equivalents	3,069	7	5,077	10	-2,008	-40
Other assets	2,949	7	3,152	6	-203	-6
	<b>43,236</b>	<b>100</b>	<b>51,120</b>	<b>100</b>	<b>-7,884</b>	<b>-15</b>
<b>Capital</b>						
Shareholders' equity	15,391	36	15,706	31	-315	-2
Own shares	-399	-1	-406	-1	7	-2
Non-current liabilities	8,079	19	7,713	15	366	5
Current liabilities	20,165	47	28,107	55	-7,942	-28
	<b>43,236</b>	<b>100</b>	<b>51,120</b>	<b>100</b>	<b>-7,884</b>	<b>-15</b>

The total assets of HMS Bergbau AG amounted to EUR 43.2 million as at the 30 June 2020 reporting date, which was roughly EUR 7.9 million lower than the level of EUR 51.1 million as at 31 December 2019. This decline was due to a sharp reduction in receivables and a simultaneous reduction in current liabilities. These declines were primarily reporting date-related, annually recurring effects.

Non-current assets amounted to EUR 16.7 million as at 30 June 2020 (31 December 2019: EUR 15.3 million). As a result of the reduction in receivables, current assets decreased to EUR 26.5 million as at 30 June 2020 (31 December 2019: EUR 35.8 million). Liquidity amounted to EUR 3.1 million as at 30 June 2020, compared to EUR 5.1 million as at 30 June 2019.

On the liabilities side, equity remained almost unchanged in absolute terms at EUR 15.0 million as at 30 June 2020 (31 December 2019: EUR 15.3 million). The equity ratio improved significantly as of the reporting date to a level of 36 per cent compared to 31 per cent. Current liabilities also changed significantly and declined by EUR 7.9 million to EUR 20.2 million (31 December 2019: EUR 28.1 million).

All other balance sheet items recorded only slight changes due to postings as at the reporting date.

## Trading

Trustworthy, stable business relationships with customers and suppliers form the foundation of the successful international trading activities of the HMS Bergbau Group.

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

HMS Bergbau Group cooperates with renowned and reliable producers, mainly located in Indonesia, South Africa, Russia, Poland, and North and South America. In addition, we are responsible for the representation of selected international coal producers. HMS Bergbau Group also handles the complete marketing of coal in selected markets.

## Vertical integration

In order to increase our coverage of mining to logistics and delivery to the customer within the value chain and to ensure future supply security in the face of growing energy demand, investments in our own resources are indispensable. In this context, investments in exclusive marketing agreements make particular economic sense for HMS Bergbau AG.

## Horizontal integration

The expansion of global trade to include other commodities is expected to represent a further important pillar of HMS Bergbau AG in the medium term. The constantly growing demand for a wide variety of commodities from both our existing and new customers is intended to be offered and covered by the HMS Bergbau structures. New markets, especially in the USA, Asia, Africa and the Middle East, are the focus of attention to enable us to continuously open up and develop existing

and new sourcing markets for HMS Bergbau AG. This strategy of horizontal integration was also consistently pursued in the 2019 financial year. The existing network and expertise built up over the years, as well as proven transport alternatives, 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 as well as a favourable outlook in terms of risk diversification and gross margins.

The share of deliveries to non-power plant customers is also constantly on the rise. In 2019, 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 only to a limited extent. The steel and cement industries play a key role in our customer portfolio.

## Logistics business unit

The HMS Bergbau Group offers its customers and business partners a complete range of services from the timely supply of raw materials to organising the entire transport logistics. The service portfolio of our highly professional and experienced team ranges from the chartering of ships, the organisation of inland transportation, port handling, warehouse management as well as coal preparation to technical monitoring, as required.

For example, the HMS Bergbau Group in South Africa organises all of the logistics needs for its partners – from truck transport to rail transport and port handling – thereby providing a high degree of delivery reliability to its suppliers and customers.

## Subsequent events

There were no material events after the reporting date.

## Consolidated Balance Sheet as of 30 June 2020 (unaudited)

### Assets

	EUR	30/06/2020 EUR	31/12/2019 EUR
<b>A. Non-current assets</b>			
<b>I. Intangible assets</b>			
1. Licences, industrial property rights, similar rights and values and licences in such rights and values	2,703.06		5,024.27
2. Company value	292,894.77		309,792.55
		<b>295,597.83</b>	<b>314,816.82</b>
<b>II. Fixed assets</b>			
1. Other equipment, office and factory equipment	44,584.43		46,589.38
2. Technical equipment and machinery	75,569.08		104,793.17
3. Advance payments and assets under construction	6,618,688.25		6,289,673.21
		<b>6,738,841.76</b>	<b>6,441,055.76</b>
<b>III. Financial assets</b>			
1. Shares in associated companies	12,500.00		443,230.59
2. Other loans receivable	9,680,819.43		8,138,008.78
		<b>9,693,319.43</b>	<b>8,581,239.37</b>
		<b>16,727,759.02</b>	<b>15,337,111.95</b>
<b>B. Current assets</b>			
<b>I. Inventories</b>			
1. Products		<b>0.00</b>	<b>0.00</b>
<b>II. Receivable and other assets</b>			
1. Trade receivables	20,490,016.87		27,410,957.50
2. Receivables from associates	0.00		142,397.34
3. Other assets	1,473,036.73		1,703,298.33
		<b>21,963,053.60</b>	<b>29,256,653.17</b>
<b>III. Cash-in-hand and bank deposits</b>		<b>3,068,538.06</b>	<b>5,077,159.40</b>
		<b>25,031,591.66</b>	<b>34,333,812.57</b>
<b>C. Accruals and deferrals</b>		<b>116,769.34</b>	<b>89,504.36</b>
<b>D. Deferred taxes</b>		<b>1,359,750.28</b>	<b>1,359,750.28</b>
		<b>43,235,870.30</b>	<b>51,120,179.16</b>

## Liabilities

	EUR	30/06/2020 EUR	31/12/2019 EUR
<b>A. Shareholders' equity</b>			
<b>I. Subscribed equity</b>	4,543,074.00		4,542,774.00
<b>II. Capital reserve</b>	9,661,592.07		9,654,752.07
		<b>14,204,666.07</b>	<b>14,197,526.07</b>
<b>III. Profit reserves</b>			
1. Statutory reserve	5,112.92		5,112.92
2. Other profit reserves	273,158.45		273,158.45
		<b>278,271.37</b>	<b>278,271.37</b>
<b>IV. Contributions made to implement the capital increase</b>		<b>0.00</b>	<b>0.00</b>
<b>V. Consolidated net loss</b>	-1,161,137.91		-1,324,939.75
<b>VI. Exchange differences</b>	-1,053,784.88		-617,342.17
<b>VII. Minority interests</b>	2,723,339.73		2,766,386.94
		<b>508,416.94</b>	<b>824,105.02</b>
		<b>14,991,354.38</b>	<b>15,299,902.46</b>
<b>B. Difference from capital consolidation</b>			
		<b>0.00</b>	<b>0.00</b>
<b>C. Provisions</b>			
1. Pension provisions and similar obligations	8,079,206.27		7,712,832.11
2. Tax provisions	504,997.48		578,015.24
3. Other provisions	243,587.82		356,552.28
		<b>8,827,791.57</b>	<b>8,647,399.63</b>
<b>D. Liabilities</b>			
1. Liabilities to banks	1,918,979.17		6,075,163.28
2. Advance payments received	0.00		1,178,263.91
3. Trade payables	17,112,302.14		17,769,279.80
4. Liabilities to shareholders	212,961.06		456,921.66
5. Other liabilities	172,481.98		1,693,248.42
		<b>19,416,724.35</b>	<b>27,172,877.07</b>
<b>E. Accruals and deferrals</b>			
		<b>0.00</b>	<b>0.00</b>
		<b>43,235,870.30</b>	<b>51,120,179.16</b>

## Consolidated Income Statement as of 30 June 2019 (unaudited)

	30/06/2020 EUR	30/06/2019 EUR
1. Sales	129,530,732.17	117,156,881.07
2. Other operating earnings	28,431.57	49,091.28
	129,559,163.74	117,205,972.35
3. Cost of materials		
Costs for raw materials and supplies and for goods purchased	-125,806,843.76	-113,278,061.78
Cost for services purchased	0.00	0.00
	-125,806,843.76	-113,278,061.78
4. Personnel costs		
a) Wages and salaries	-1,084,074.71	-733,687.89
b) Social security costs and pension support costs	-82,214.14	-160,954.74
	-1,166,288.85	-894,642.63
5. Depreciation and amortisation		
Amortisation of intangible assets and depreciation of fixed assets	-39,971.73	-38,922.14
6. Other operating expenses	-2,033,658.47	-2,352,317.12
7. Other interest and similar earnings	186,980.54	232,075.90
8. Depreciation of financial assets and securities held as current assets	0.00	0.00
9. Interest and similar expenses	-528,918.45	-553,693.72
<b>10. Earnings from ordinary activities</b>	<b>170,463.02</b>	<b>320,410.86</b>
11. Income taxes	-47,887.83	0.00
12. Other taxes	-1,820.56	-1,875.87
<b>13. Net profit for the period<sup>(1)</sup></b>	<b>120,754.63</b>	<b>318,534.99</b>
<b>EBITDA</b>	<b>552,372.66</b>	<b>680,950.82</b>

(1) EUR 607,128.79 half-year result excluding EUR 486,374.16 in pension provisions as at 30 June 2019; EUR 427,436.52 in pension provisions)

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The report includes forward-looking statements that reflect the current opinion of HMS Bergbau AG's management with regard to future events. Any statement contained in this report reflecting or building upon intentions, assumptions, expectations, forecasts and underlying assumptions is a forward-looking statement. These statements are based upon plans, estimates and forecasts that are currently available to HMS Bergbau AG's management. They therefore only refer to the day on which they were made. Forward-looking statements are naturally subject to risks and uncertainties, which could result in actual developments differing significantly from these forward-looking statements or events implied or expressed therein. HMS Bergbau AG does not assume any liability for such statements and does not intend to update such statements in view of new information or future events. This half-year report ("interim report") of HMS Bergbau AG does not represent annual financial statements in accordance with German commercial law and the regulations of the German Stock Corporation Act; no information or figures contained in this report have been subject to an official audit by an auditor. This report is for reference only within the scope of HMS Bergbau AG's disclosure obligations in accordance with the general terms and conditions of Deutsche Börse AG concerning OTC trading on the Frankfurt Stock Exchange.

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