



**commodities  
for the future**

# Annual Report 2022

# Group Key Figures

BALANCE SHEET FIGURES	31/12/2022	31/12/2021	31/12/2020
	EUR thousand	EUR thousand	EUR thousand
Total assets	130,472	98,834	70,973
Non-current assets	19,724	22,194	21,273
Current assets	108,553	74,013	47,967
Shareholders' equity	32,155	21,128	17,605
Provisions	14,229	10,985	9,769
Liabilities	84,089	66,720	43,598

INCOME STATEMENT FIGURES	31/12/2022	31/12/2021	31/12/2020
	EUR thousand	EUR thousand	EUR thousand
Sales	971,914	428,133	269,680
EBITDA	15,354	5,582	5,494
Net profit*	10,390	3,201	2,810

\*EUR 10,787,677.85 net profit 2022 excluding EUR 397,471.40 pension provision effects (2021: 720,112.64 EUR pension provisions).

# Financial Calendar

1 January 2023	Start of the financial year
29. August 2023	Annual General Meeting
30 September 2023	Interim Report 2023
31 December 2023	End of the financial year
30 June 2024	Annual financial statements 2023

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The English version of the annual report and the consolidated financial statements 2022 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 SHAREHOLDERS,

The 2022 business year was marked by Russia's war of aggression against Ukraine. As a result, global economic growth in 2022, at 3.2 per cent, was significantly weaker than the OECD's original forecast. Sanctions against Russia of historic proportions, as the Western reaction to the war of aggression, as well as Europe's turning away from Russian raw materials, caused an energy crisis, which led to rapidly rising commodity prices.

Persistent supply chain disruptions driven by China's zero-covid policy and significantly rising global inflation rates also weighed on economic development.

To curb inflation, the US Federal Reserve and the European Central Bank raised key interest rates several times at close intervals until 2023, to over 5 per cent in the USA and 3.75 per cent in the euro area. Leading economic research institutes are also forecasting high rates of inflation for 2023. Further increases in interest rates by the central banks are therefore to be expected, albeit to a lesser extent. These should be accompanied by decreasing price pressure in the energy sector.

The commodity markets also faced a challenging environment in the 2022 financial year. After a strong global economic recovery leading to steadily rising commodity and energy prices in 2021, the trend was driven further by the energy crisis and concerns in many Western countries about energy security, causing the prices of almost all energy sources to rise significantly in 2022.

In the 2022 financial year, for example, the price of coal rose by around 88 per cent from approximately 121 USD/tonne at the beginning of the

year to around 228 USD/tonne at the end of December 2022 accompanied by highly volatile price trends, with achievable prices per tonne of coal of up to USD 400. At the beginning of 2023, coal prices continued to decline, reaching a level of USD 137 by 31 March 2023, which was close to the pre-war price level. However, should China's economy continue to develop positively in 2023, this may lead to a renewed increase in the competition for coal and other raw materials.

To be able to effectively compensate for such future market fluctuations and utilise them to the advantage of HMS Bergbau AG, the Company is constantly optimising its value creation through the vertical integration of production, handling and transport. The Company is also expanding into new markets, such as the USA, Africa and more countries in South East Asia, and the Far East, as well as into other product categories. This strategy enabled HMS Bergbau AG to carry out its global market activities as an international broad-based commodity trader successfully in 2022. Next to coal, other raw materials were traded, such as ores, metals, cement products and petcoke, as part of the internationalisation strategy. The trading business in Asia and Africa was also strengthened. Here, strong increases in coal consumption are forecast in the medium term that will be necessary, for industrial and power purposes. As part of the further global expansion strategy, the Company established subsidiaries in Zimbabwe as well as in Dubai, one of the most important global trading centres for raw materials.

Despite the challenging environment described above, HMS was able to generate historically strong key figures by adapting its business practices, for example, by expanding its financ-

ing options and making adjustments in its risk management. In the 2022 financial year, HMS Bergbau AG recorded almost EUR 1 billion in sales, accompanied by record profits. As at 31 December 2022, sales had reached EUR 971.9 million, representing an increase of almost 130 per cent compared to the previous financial year. The significant year-on-year increase in sales of EUR 544.2 million resulted primarily from price increases and led to above-average earnings. EBITDA amounted to EUR 15,354 thousand in the 2022 reporting period, compared to EUR 5,582 thousand in the previous 2021 financial year. Net profit amounted to EUR 10,390 thousand as at 31 December 2022, compared to EUR 3,201 thousand as at 31 December 2021. Liquidity as at the 31 December 2022 reporting date of around EUR 31.0 million (31 December 2021: EUR 26.0 million) creates additional room for manoeuvre for the further development of HMS Bergbau AG into an internationally responsible, vertically and horizontally positioned commodity trader.

Due to the economically extremely successful 2022 financial year, the Management Board and Supervisory Board will propose a dividend to the shareholders for resolution in the amount of EUR 0.77 per bearer share (previous year: EUR 0.04).

Responsible and sustainable action is important to us. In the course of 2022, as in previous years, the entire HMS Group offset its administrative and internal CO<sub>2</sub> emissions by investing in international climate protection projects. The goal is and remains the sustainable reduction of greenhouse gases in all operational activities. HMS Bergbau AG not only supports the Paris Climate Agreement but will also continue to make an active contribution to climate protection by

supporting international climate protection projects. HMS Bergbau AG also supports the reduction of the environmental impact of the energy systems including but not limited to supporting efficiency increases by promoting newest and cleanest technologies in power generation and energy usage.

Due to the short-term effects of global geopolitical upheavals, further potentially significant fluctuations in energy and commodity prices are to be expected. The management is currently unable to make any reliable forecasts regarding short-term business performance. Nevertheless, the Company is planning with a gross margin at the previous year's level of around 3 per cent and a clearly positive EBITDA in 2023.

Despite the global political turmoil, the management of HMS Bergbau AG continues to assess the medium-term operating outlook as positive. This view is based on the global increase in energy demand, which will continue to be met by coal-fired power generation (currently 36% of global electricity generation), especially in developing societies and countries, but also in many industrialised nations. The Group considers itself well positioned in this respect, above all due to its international trade relations and its local representative offices. Accordingly, the Group is also striving to achieve clearly positive results in the years ahead.

Berlin, May 2023



**DENNIS SCHWINDT**  
Chief Executive Officer



**JENS MOIR**  
Chief Financial Officer

# Report of the Supervisory Board

**DEAR LADIES AND GENTLEMEN,**

During the 2022 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 its 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 2022 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. When required, resolutions were passed by circular procedure.

The central topics in the Supervisory Board meetings in the 2022 financial year, as in previous years, were 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 Maatla Resources

(Pty.) Ltd, the Silesian Coal International Group of Companies S.A., the funding of operational activities, the international footprint of the HMS Group, the development and volatile price trends in the global fuel markets – particularly given the changed environment brought on by the energy crisis – were regular topics for discussion at the meetings. The rapid growth of the HMS Group and the related challenges were also discussed. 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 (at the start of the year), the short-, medium-, and long-term geopolitical changes, environmental protection, know-your-client processes, global CO<sub>2</sub> developments and sustainable business practices, including implementation in trade agreements, were also discussed at the Supervisory Board meetings. HMS Bergbau AG has once again made its operations CO<sub>2</sub>-neutral in the 2022 financial year.

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

## **NO PERSONNEL CHANGES IN EITHER THE MANAGEMENT BOARD OR SUPERVISORY BOARD**

The Supervisory Board remained unchanged in the 2022 financial year. In addition to Heinz Schernikau (Chairman of the Supervisory Board), the founder of HMS Bergbau AG, Dr. h. c. Michael Bärlein (Deputy Chairman of the Supervisory Board) and Patrick Brandl are represented on the Supervisory Board of HMS Bergbau AG.

There were also no changes in the Management Board of HMS Bergbau AG in financial year 2022. In addition to Dennis Schwindt, the Chief Executive Officer (CEO), Jens Moir, whose contract was recently extended until 31 March 2026, continues to serve on the Management Board as Chief Financial Officer (CFO). The Management Board therefore consists of two members.

## 2022 ANNUAL FINANCIAL STATEMENTS

The annual and consolidated financial statements of HMS Bergbau AG for the 2022 financial year were prepared in accordance with provisions of the German Commercial Code (Handelsgesetzbuch – HGB). The Company's auditor for the 2022 financial year, PANARES GmbH Wirtschaftsprüfungsgesellschaft 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 2022 financial year, in accordance with a resolution of 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.

All Supervisory Board members had access in due time to the annual and consolidated financial statements, the combined management report for the Company and the Group and the corresponding audit reports. The documents were reviewed and discussed in detail by the Supervisory Board at the meeting on 23 May

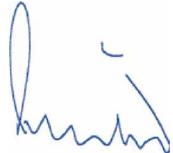
2023. Both the Management Board and auditor were present at the meeting and provided detailed answers to all questions posed by the Supervisory Board. The auditor also reported on the key findings of the audit. The examination of the annual and consolidated financial statements, as well as the combined management report for the Company and the Group by the Supervisory Board, did not lead to any objections, resulting in the approval of the audit results. Based on the final review of all documents, the Supervisory Board did not raise any objections and approved the annual financial statements of HMS Bergbau AG as at 31 December 2022 and the consolidated financial statements as at 31 December 2022, as prepared by the Management Board, at its meeting on 23 May 2023. The 2022 annual financial statements have therefore been adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board also examined and approved the proposal of the Management Board dated 17 May 2023 to distribute a dividend of EUR 0.77 per ordinary share entitled to a dividend and to carry forward the remaining unappropriated retained earnings of HMS Bergbau AG of EUR 4,237,217.80 in full to the new account.

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

The Supervisory Board would like to thank the Management Board and all employees for their commitment and dedication in the 2022 financial year.

Berlin, May 2023



**HEINZ SCHERNIKAU**

Chairman of the Supervisory Board



# Members of the Management Board

## DURING REPORTING PERIOD

### **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,

# Members of the Supervisory Board

## DURING 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 2022

While optimism and a positive economic outlook still prevailed at the end of the 2021 financial year, the overall global political situation changed abruptly as a result of Russia's war against Ukraine and, with it, the economic outlook.

Western sanctions against Russia and concerns about the war spreading to NATO countries led to rapidly rising commodity prices and high double-digit rates of inflation. In addition, multiple, closely spaced key interest rate hikes initiated by several Western-oriented central banks and growing uncertainty with regard to Europe's energy supply led to a steady deterioration in the economic outlook. This led to significant price declines in the capital markets. It was not until the fourth quarter of 2022, with recession fears subsiding and the first political successes in fighting inflation, that share prices rose again – in some cases significantly.

## PERFORMANCE OF THE STOCK MARKETS

The Dow Jones Index began the 2022 trading year at 36,357 points. The index incurred some sharp price declines amid high volatility well into the second half-year. On 30 September 2022, the index reached a low for the year of 28,725 points – almost 21 per cent below the level at the beginning of the year. Driven by more positive economic forecasts, the Dow Jones Index closed on 31 December 2022 at 33,138 points, around 8.9 per cent lower than at the beginning of 2022.

The EuroStoxx 50 and the DAX, the most important barometers of the European stock markets, also recorded negative performance similar to the Dow Jones Index. The EuroStoxx 50 started the new trading market year on 1 January 2022, not far from its all-time high of around 4,298 points. Amid high volatility, the EuroStoxx lost almost 23 per cent of its value

by the end of September 2022, marking a low for 2022 of 3,318 points. Like the global capital markets, the EuroStoxx50 performed extremely positively in the fourth quarter of 2022, closing at around 3,791 points on 31 December 2022. Nevertheless, the index recorded a total loss of 11.80 per cent in 2022.

Germany's benchmark index, the DAX, started the 2022 trading year at 15,884 points and closed at 13,923 points on 31 December. At the end of September 2022, the DAX also recorded its low for the year, falling to 12,114 points, amounting at that time to an almost 24 per cent decline in 2022. Due to the stock market rally in the fourth quarter of 2022, the German index closed the year „only“ around 12.4 per cent lower compared to the start of the year

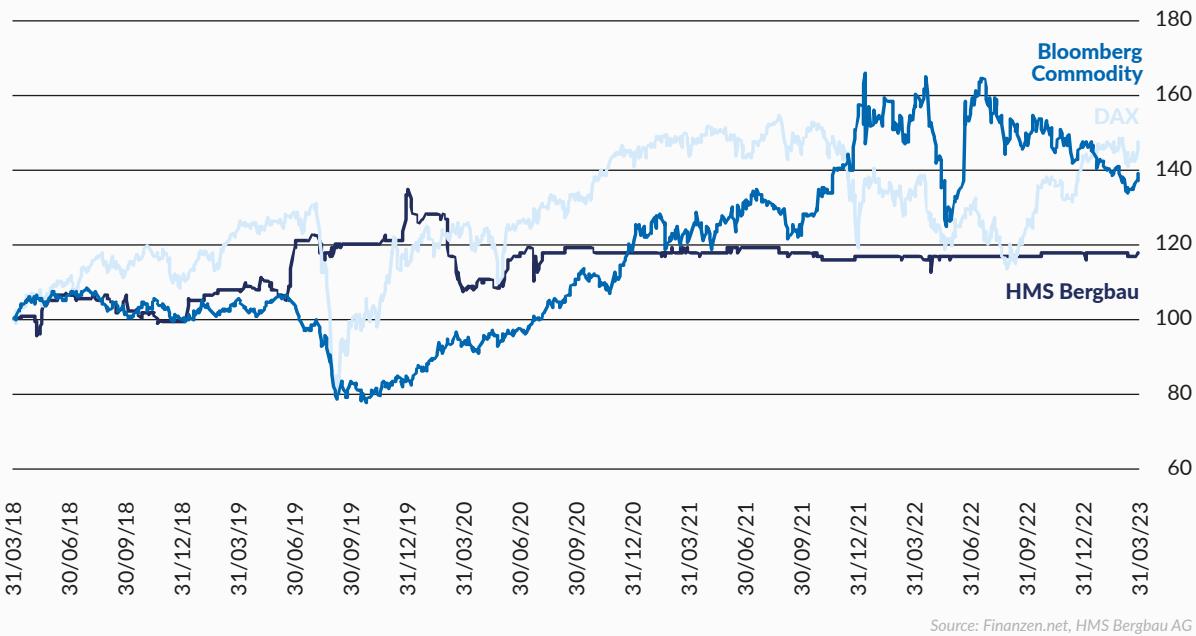
## DEVELOPMENT OF THE HMS SHARE IN 2022

In relative comparison to the DAX (-12.35 per cent), the Dow Jones (-8.85 per cent) and the EuroStoxx50 (-11.80 per cent) indices, the HMS Bergbau share performed significantly better and outperformed the aforementioned indices by around 8 to 12 per cent over the course of 2022. With an increase of 16.33 per cent, the Bloomberg Commodity Index performed significantly better than the aforementioned indices and the HMS Bergbau share.

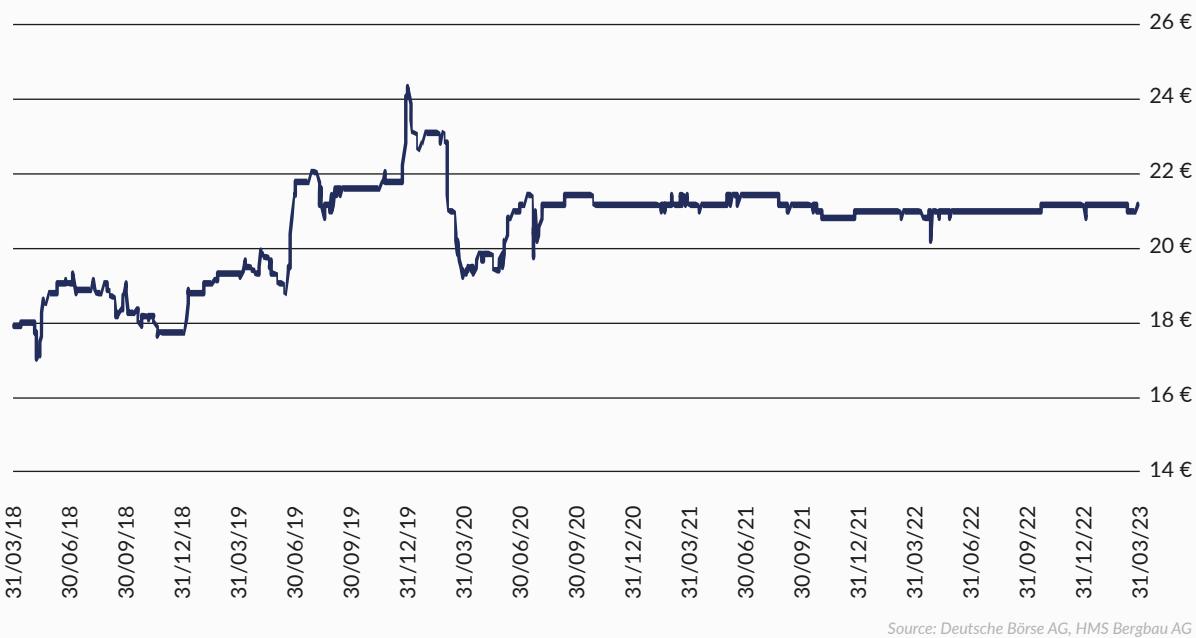
The price of the HMS Bergbau share was almost unchanged during the reporting period. Thus, the share value developed from EUR 21.20 on the last trading day of 2021 to EUR 21.00 at the end of the reporting period on 31 December 2022.

The market capitalisation of HMS Bergbau AG equalled EUR 96.4 million at the end of the 2022 trading year.

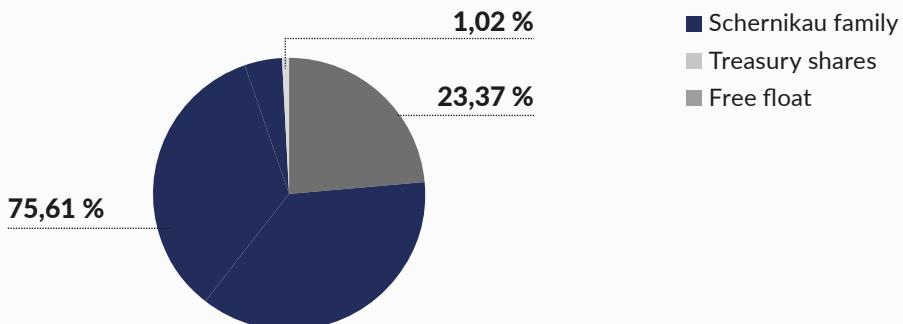
**PERFORMANCE OF HMS SHARES IN COMPARISON TO THE DAX AND BLOOMBERG  
COMMODITY INDICES FROM THE BEGINNING OF 2018 THROUGH MARCH 2023**



**HMS BERGBAU AG SHARE PRICE FROM 2018 THROUGH MARCH 2023**



## SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2022



Source: HMS Bergbau AG

As at 31 December 2022, 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. The Schernikau family holds 4.36 per cent. A total of 1.02 per cent is held as treasury shares by HMS Bergbau AG, and 23.37 per cent of the shares are in free float.

### ANNUAL GENERAL MEETING 2022 – DIVIDEND PAYMENT RESOLVED

The ordinary Annual General Meeting of HMS Bergbau AG took place on 23 August 2022 again as a virtual Annual General Meeting. In addition to the customarily proposed resolutions on the discharge of the Management Board and Supervisory Board and the election of the auditor, the agenda also included, for the first time, a proposal for a dividend distribution of EUR 0.04 per share. All agenda items were passed with almost 100 per cent of the votes represented.

This year's Annual General Meeting is scheduled for 29 August 2023. The proposed dividend will be EUR 0.77 per share.

### INVESTOR RELATIONS ACTIVITIES

In addition to the publication of the annual and half-year reports, the Management Board of HMS Bergbau AG informs shareholders promptly and comprehensively on current developments at HMS Bergbau AG via capital market announcements. All news relevant to the capital market is written and published in German and English, which exceeds the disclosure requirements for a Basic Board Listing on the Frankfurt Stock Exchange. In addition, the Investor Relations department and the Management Board are available at all times to exchange with institutional investors, financial journalists and industry analysts on topics such as the Company's business model, future prospects and other topics relevant to the capital market.

## KEY SHARE DATA AS AT 31 DECEMBER 2022

### 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	23.37 %
Dividend 2022	EUR 0.04 per share
Dividend proposal 2023	EUR 0.77 per share

### PERFORMANCE DATA

Share price on 31/12/2021 (Xetra closing price)	EUR 21.20
Share price on 30/12/2022 (Xetra closing price)	EUR 21.00
Market capitalisation on 31/12/2021	EUR 97,320,466
Market capitalisation on 31/12/2022	EUR 96,402,348

# Group Management Report HMS BERGBAU AG, BERLIN

## COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP FOR FINANCIAL YEAR 2022

### 1. OVERVIEW AND SUSTAINABILITY

The HMS Bergbau Group operating group, which as a trading and distribution partner supplies well-known international industrial consumers, cement manufacturers and energy producers with energetic and mineral raw materials such as coal and coke products, petcoke, ores, cement and fertilizers.

HMS Bergbau AG is developing into a increasingly diversified international commodity trading group. In the 2022 financial year, the Group continued its strategy of expanding its business activities to include other raw materials such as cement, beryllium, manganese ore, chrome ore, copper, clinker, sand and phosphates. 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 the mining of raw materials and transport logistics to customer deliveries. HMS Bergbau AG trades coal, more than 90 per cent of which is used in industrial applications. The main customers are mainly steel and cement producers, glassworks, paper mills and waste processing plants. Our customer base consists of private and state-owned companies from Asia, Europe, the Middle East and Africa. Less than 10 per cent of HMS's coal trading volumes are used to generate electricity in power plants.

HMS Bergbau AG exports about 90 percent of its coal trading volume to non-OECD and 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 CO<sub>2</sub> 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 for the development of 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 to greater prosperity. This economic development is a prerequisite for the inflow of financial resources that can be made available for the development of infrastructure for alternative energy production.

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

### GROUP STRUCTURE

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., HMS Bergbau Dubai FZCO, PT., HMS Bergbau Indonesia and HMS Bergbau USA Corp.

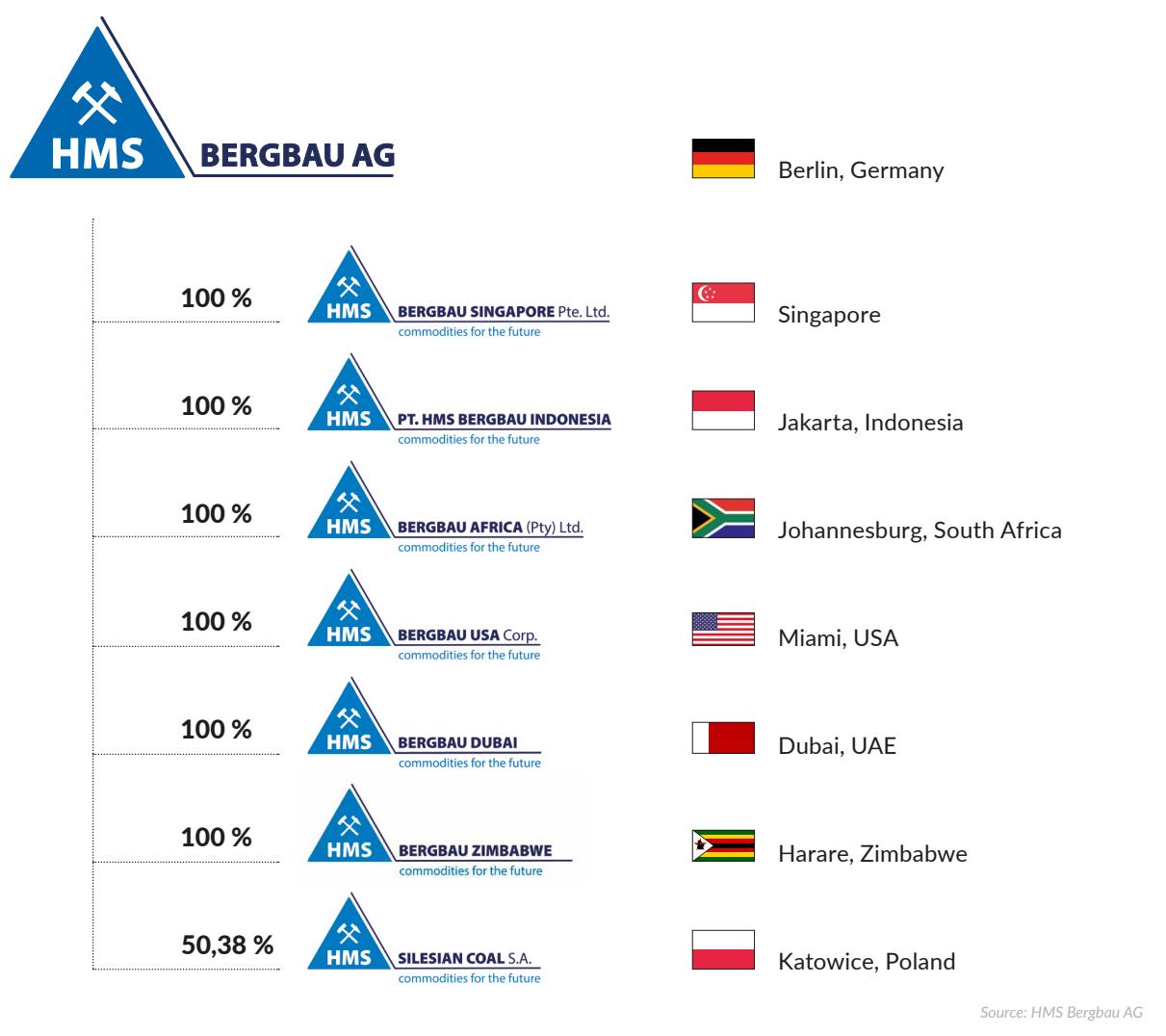
As of 31 December 2022, HMS Bergbau AG held a 50.38 per cent stake in the Group subsidiary Silesian Coal International Group of Companies S.A., Poland, which has already carried out geological explorations for the Orzesze area in Silesia. We are continuously working not only on the operational side of the project but also on further financing measures.

The Silesian Coal International Group of Companies S.A. 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. 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 group structure of the HMS Bergbau Group and its major subsidiaries as at 31 December 2022 was as follows:

## GROUP STRUCTURE AS AT 31 DECEMBER 2022



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

#### **RESPONSIBILITY AT HMS BERGBAU AG – SUSTAINABLE ACTION**

Megatrends such as energy efficiency, climate change and globalisation are currently leading to a rethink and, consequently, to a change in behaviour in almost all industries and services worldwide. The energy sector is also continuously working on new, more efficient energy generation and storage systems, which at the same time should cause a minimum of emissions. The main focus is on the safe and cost effective 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 and encourage trading partners to 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 relations 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.

#### **CO<sub>2</sub> COMPENSATION OF OWN ACTIVITIES**

HMS Bergbau AG has already been offsetting its operating activities in a climate-friendly manner since 2019. For this purpose, independent analysts determined the carbon balance, or CO<sub>2</sub> footprint, of the HMS Group, including all of its locations. The CO<sub>2</sub> 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 starting with the past financial year. To achieve this compensation, shares are acquired in international climate protection projects that are designated according to gold standards, which aim to sustainably reduce greenhouse gases and, at the same time, support the climate goals of the UN.

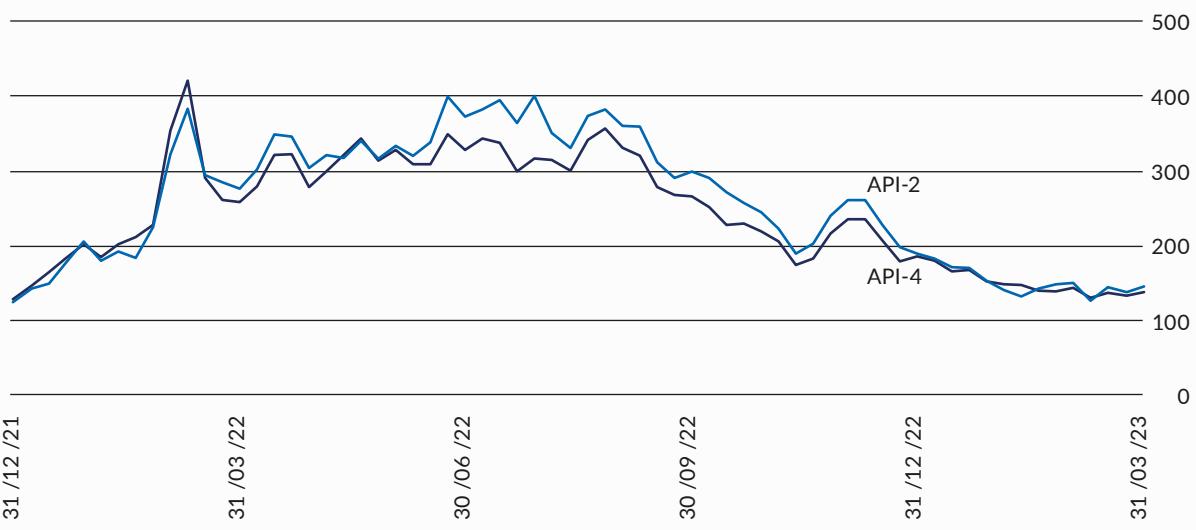
#### **1.1 PRICE DEVELOPMENT**

In the 2022 financial year, the price of coal in-

creased approximately 88 per cent, from around 121 USD/tonne at the beginning of the year to around 228 USD/tonne at the end of December 2022 amid highly volatile price movements. However, Russia's war of aggression against Ukraine and the associated energy crisis has caused the prices of almost all energy sources to rise even more significantly in the course of 2022. Prices per tonne of coal reached up to USD 400 well into the middle of 2022. At the end of 2022, coal prices fell and reached USD 137 as at 31 March 2023, which is close to the pre-war price level. To effectively compensate for possible future market fluctuations, HMS Bergbau AG has the ability to optimise its value creation through the vertical integration of extraction, handling and transport, taking into account current and future price increases. Furthermore, the Company is expanding into new markets and other product categories.

The current geopolitical situation could result in further, possibly sharp, price fluctuations. There are also discussions about replacing Russian gas. This could be achieved by extending the deadline for coal-fired power generation in Europe. Given the high degree of uncertainty, it is not possible to make a reliable price forecast.

#### **API-2 UND API-4 2022 (US\$/T)**



Source: Argus Overview 2022/23, HMS Bergbau AG

## **1.2 INTERNATIONALISATION OF MARKETS**

Commodity markets continue to converge as a result of international trade and improved logistics. At the same time, market transparency is increasing through the use of trading platforms and index-based trading activities. Although these trends fuel higher competition, internationalisation also offers HMS Bergbau AG additional opportunities to expand its business into areas such as trading in further 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. In 2022, trading activities in the Arab region were also strengthened through the establishment and initial consolidation of HMS Bergbau Dubai FZCO. Also worth noting is the establishment of HMS Bergbau Zimbabwe Private Limited in Zimbabwe, which focuses primarily on the sale of copper.

The current geopolitical crisis with Russia will also lead to an ongoing discussion about Europe's energy supply in 2023 and thus to a reassessment of independent energy supply. Considerations in large portions of the EU continue to largely exclude the import of raw materials from Russia. Thus, nuclear energy and also coal-fired power generation are increasingly becoming the focus of many Western countries in order to become independent of Russian gas for energy production in the short and medium term. HMS Bergbau AG sees opportunities for its business model, at least in the short term. The long-term development cannot currently be estimated.

## **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 commodity demand, it is imperative that we invest in our own resources. In this context, investments in exclu-

sive 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 working to build new business contacts and consolidate existing ones through our subsidiaries in the United States and the United Arab Emirates. We also plan to identify and seize short- and medium-term opportunities in Europe.

### **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, climate protection and global prosperity development are part of responsible and sustainable action for a modern company like HMS Bergbau AG. For this reason, HMS Bergbau AG has a.o. been certified CO<sub>2</sub>-friendly. HMS Bergbau AG also considers its actions as a clear competitive advantage that is also 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 now more in focus than ever before. 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 2022, 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 play an overriding role in the customer portfolio.

## **2. BUSINESS AND MACROECONOMIC ENVIRONMENT**

### **2.1 GLOBAL ECONOMY**

According to OECD analysts, global economic growth in 2022 was 3.2 per cent, which was roughly 1.3 percentage points lower than the expectations published in the OECD Economic Outlook in December 2021. This was due to the impact of Russia's war of aggression against Ukraine, the strain on household incomes from high inflation, steadily rising interest rates and ongoing disruptions by and in China, which were often still triggered by pandemic restrictions in 2022.

Growth slowed in most G20 economies in the fourth quarter of 2022. While global trade declined, a continued recovery in international tourism was noted, offsetting the decline in merchandise trade volumes.

In the Asia-Pacific region, economic development was particularly weak in the final quarter of 2022. This was due to stagnant production in Japan, trade barriers in China due to ongoing blockages caused by waves of COVID infections, and a general down-turn in the technology sector, which impacted Korea's production and exports. According to the OECD, growth was also weak in Europe at the end of 2022. In many Central and Eastern European economies, energy-intense industries saw production declines, which can be attributed to the extremely high energy prices.

OECD experts were positively surprised, on the other hand, by the persistent resilience of the labour market in the United States at the end of 2022, which cushioned the impact of higher interest rates on private investment.

Some emerging and developing economies, which were already facing economic challenges in the wake of the COVID-19 pandemic and sharp increases in numerous commodity prices after the breakout of the war in Ukraine, are now dealing with the impact of high interest rate increases in the advanced economies.

A number of emerging economies in Africa, Asia, and the Americas experienced severe economic downturns and acute balance of payments pressures in 2022.

Growth in the global economy slowed sharply in 2022 to just 3.2 per cent. This was not just well below analysts' expectations but also well below global economic output growth in 2021 (+5.8 per cent). According to OECD experts, Russia's war of aggression on Ukraine, persis-

tently high inflation, and China's COVID-19 restrictions were primarily responsible for this.

Gross domestic product in the United States grew by 2.1 per cent in 2022, significantly weaker than economic output in the eurozone, which recorded growth of 3.5 per cent in the past 2022 financial year.

According to the Institute for the World Economy (IfW), economic momentum in Germany declined in the fourth quarter of 2022 compared to the fourth quarter of the prior year. Germany's gross domestic product still rose by 1.8 per cent in 2022 as a whole, compared with 2.6 per cent in 2021.

China, the largest economy among the emerging markets, reported growth of just 1.9 per cent in 2022, after strong economic growth of 8.1 per cent in 2021 during the pandemic period. The OECD blames the low growth in 2022 on China's stringent COVID policy and the ongoing lockdowns and travel restrictions in place in 2022.

### ECONOMIC FORECASTS

In the fall of 2022, the IMF warned of the risk of a global recession. The global economy is expected to have coped somewhat better with the consequences of the Russian war of aggression in Ukraine and persistently high inflation than was still assumed in 2022. While global crises continue to weigh on the world economy, the "unexpected high resilience" of many European economies to shocks from the energy sector and China's departure from its zero-growth policy could drive the global economy in the coming years.

Despite this, the International Monetary Fund (IMF) slightly lowered its forecast for global economic growth in March 2023. The IMF largely blames persistently high inflation for lower economic growth. According to the

IMF's economic forecast, global growth is expected to weaken to 2.8 per cent in 2023, after increasing 3.4 per cent in 2022. Worth noting is that the economies in the industrialised countries are expected to grow by only 1.3 per cent, compared with IMF analyst forecasts for growth of 3.9 per cent for the emerging and developing countries.

Half of the expected global growth is expected to stem from the two major emerging economies, India and China, alone. The USA and the eurozone are anticipated to account for just one-tenth of total growth.

China's economy is forecast to grow 5.2 per cent in 2023, according to IMF experts. In 2024, gross domestic product is expected to grow by 4.5 per cent.

India is expected to grow by 5.9 per cent in 2023 and 6.3 per cent in 2024. Around 1.4 billion people are driving India's economic growth.

Forecasts for Russia, on the other hand, have improved sharply. The IMF sees Russia's economy growing by 0.7 per cent in 2023, followed by 1.3 per cent in 2024. This compares to 2022 when Russia's economy contracted by 2.2 per cent.

In the USA, the world's largest economy, growth is expected to reach 1.6 per cent in 2023 and 1.1 per cent in 2024.

The IMF's forecast for the eurozone is even more subdued. For the current 2023 financial year, the IMF forecasts growth of 0.8 per cent, and in 2024, the economy is expected to expand by 1.4 percentage points.

In Germany, gross domestic product (GDP) is expected to fall by 0.1 per cent in 2023. IMF experts anticipate economic output in 2024 to increase by 1.1 per cent.

The United Kingdom, according to IMF experts, will shrink by 0.6 per cent in 2023, bringing up the rear in the IMF's analysis.

For 2023, the IMF expects a global inflation rate of 7.0 per cent. In 2024, inflation is expected to be 4.9 per cent. It will be some time however before the goal of price stability, with inflation of 2 per cent, can be achieved.

For the industrialised countries, the IMF forecasts inflation of 4.7 per cent in 2023 and 2.6 per cent in 2024. This would at least bring levels closer again to the central bank target of 2 per cent. However, core inflation, which excludes energy and food prices, has not yet reached its peak in many countries. Despite very robust labour markets in many countries, there is no danger of a wage-price spiral. Wage increases have recently lagged behind price increases.

For Germany, the IMF experts expect a significant slowdown in consumer price increases in 2023, mainly due to the easing of price pressure in the energy sector.

Overall, the unusually rapid interest rate hikes by central banks worldwide have had an impact. If efforts to combat inflation continue, 2023 could bring a turnaround. Around 84 per cent of countries will have lower consumer price increases this year than in 2022. The full effect of the interest rate cuts is not likely to be seen until 2024, according to IMF experts.

## ECONOMIC POLICY RISKS

In its latest forecast, the IMF sees the greatest risks in the financial sector. Changes, and especially increases in refinancing costs, could jeopardise the growth of the global economy in 2023 and reduce global growth to a mere 1 per cent, according to IMF experts. The global economy as a whole is in a difficult position, they said, because inflation is not yet under control and remains well above central bank

targets. At the very least, the central bank interest rate hikes are likely to show further success and bring down inflation, although not as much as had been previously hoped.

Risks are also seen in the banking system. According to the IMF, the collapse of banks in the USA and Switzerland in the spring of 2023, which necessitated bailouts by governments and competitors, shows how fragile the financial sector is. This is one of the side effects of the hefty interest rate hikes to curb inflation. At the same time, time and again there are structural problems on balance sheets that can lead to liquidity difficulties.

The full consequences of the developments in Ukraine and the sanctions adopted against Russia, as well as increasing geopolitical crises, remain difficult to assess. We expect the impact to affect both procurement and the purchasing prices of our products. High price volatility and an impact on the transport and logistics of our products cannot be ruled out in the future. Major fluctuations on both the demand and supply side are evident, which are increasing worldwide due to the need to secure energy supplies. The full impact of this on our net assets, financial position and results of operations cannot be reliably estimated.

## 2.2 RAW MATERIALS

Developments in the international commodity markets in 2022 were dominated by Russia's war of aggression against Ukraine. While a strong global economic recovery in 2021 had already led to steadily rising raw material and energy prices, this trend was significantly exacerbated by the energy crisis and concerns about energy security.

Higher prices for industrial raw materials were and continue to be particularly pronounced. For consumers, price increases and supply bottlenecks were particularly visible for construc-

tion materials and, in 2022, especially for energy prices. There is public debate as to whether the high price increases are merely due to the corona pandemic and should therefore subside in the short term or whether they indicate the start of a new commodity supercycle. A commodity supercycle is defined as a long period of demand-driven price increases that significantly exceed the average long-term price level. Since structural changes in the economy can permanently alter the demand for commodities, a supercycle requires a structural supply adjustment that takes some time, depending on the commodity. As long as supply cannot be expanded due to a lack of capacity, rising demand causes prices to rise.

The Ukraine war has undeniably driven up prices for almost all commodities. In fact, several commodity prices reached their year-to-date highs right after the war escalated in early March. The highs, which were reached in the summer of 2022, declined by the end of 2022 as supply concerns turned into demand uncertainties. This trend continued into the beginning of 2023.

Many commodity experts agree on gas prices, which are likely to remain high. Here, too, Russia's war of aggression against Ukraine was the main trigger for the jump in prices in 2022. Europe's disrupted gas supply played a predominant role due to the fact that it had previously imported most of its gas from Russia. For the time being, supply will remain difficult. Europe is feverishly looking for supply alternatives such as liquefied natural gas LNG.

If China's economy picks up during 2023, this would potentially increase competition for LNG and coal, according to the independent economic experts at Capital Economics.

UBS commodity experts foresee China's economic development in the coming year as one of the most important factors influencing commodity markets. China's lifting of COVID restrictions is expected to have a positive effect on price levels for cyclical commodities and the entire surrounding region.

### 2.3 GLOBAL PRIMARY ENERGY CONSUMPTION

The increase in global goods trade, steadily rising goods production and ongoing population growth continue to lead to strong increases in global energy consumption. In the past four decades, consumption has more than doubled. In addition to a rise in absolute consumption volumes of the respective energy sources, the energy mix has also changed, among others, due to the increase in renewable energies.

At the same time, the world is in the midst of a global energy crisis of unprecedented dimension and complexity. According to IEA experts, Europe is at the centre of this crisis, which will have far-reaching effects on global markets, politics and economics. While the tensions did not begin with Russia's war of aggression against Ukraine, they have been significantly exacerbated by it. Exceptionally sharp spikes in prices are leading to a global reassessment of energy policy and what were considered to be secure priorities. Above all, European-Russian energy relations have been permanently damaged. This is accompanied by a profound reorientation of international energy trade, which entails not only new market risks but also opportunities. The adjustment processes of previous energy crises have rarely gone smoothly. Adjustments, including those related to government commitments to clean energy, technological change, innovation, and even behavioural change will transform global ener-

gy trade and investment in infrastructure and drive the transition to a net-zero emissions energy system.

In the view of the IEA, the muted economic outlook, clouded by inflation and the energy crisis, leads to lower energy demand growth forecasts than previously assumed in 2021 and 2022. High energy prices, heightened energy security concerns and stricter climate policies, in particular, are putting an end to a decade of rapid progress for natural gas. In the IEA's Stated Policies Scenario (STEPS), annual demand growth for natural gas will slow to 0.4 per cent from now until the year 2030, down from 2.3 per cent from 2010 to 2019.

Coal, on the other hand, is seeing a temporary revival in demand from the power and industrial sectors in response to the new global environment and the sharp rise in gas prices in many regions. Efforts to reduce emissions however will again lead to a decline in coal demand. As of the end of 2030, demand is projected to be 9 per cent lower than at the beginning of the decade. Although experts expect a further increase in coal demand into 2025, which is still forecast at more than 8 billion tonnes p.a.

Despite all the turbulence in the market and the efforts to reduce emissions, coal remained the most important and, above all, flexibly available energy source in the G20 countries in 2021, accounting for 32 per cent of the primary energy mix, ahead of oil with a share of 27 per cent and gas at 22 per cent.

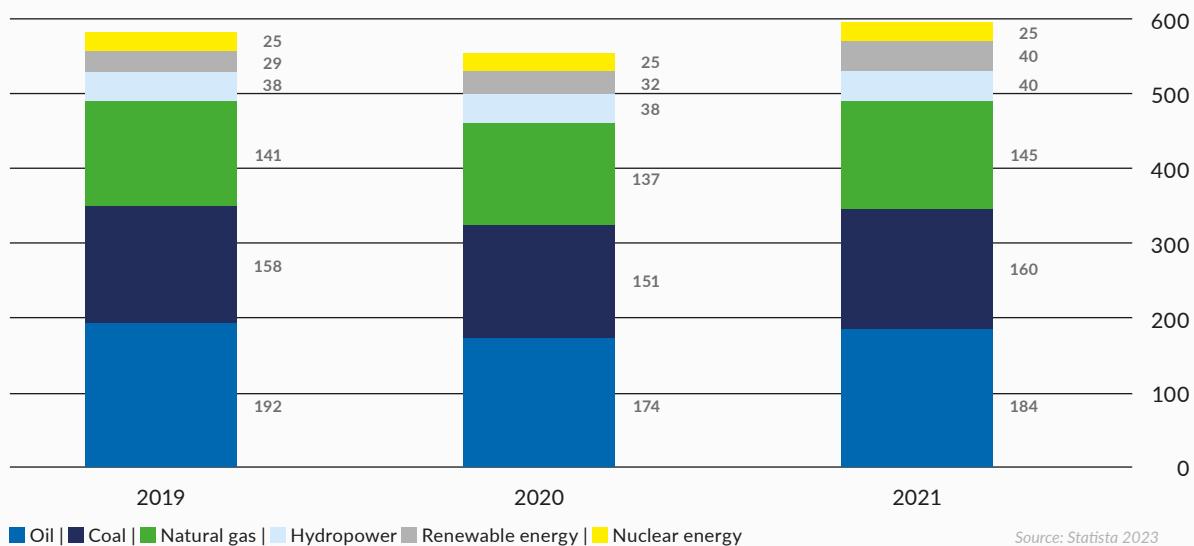
Oil demand is anticipated to increase 0.8 per cent per year and reach roughly 103 million barrels per day by 2030. Thereafter, electric vehicles and efficiency improvements are expected to lead to lower oil demand.

The fossil fuels oil, natural gas and coal are still expected to account for more than 60 per cent of global primary energy consumption in 2040.

IEA experts continue to foresee a sharp increase in world electrification. According to the report, global electricity generation is expected to grow by around 50 per cent between 2019 and 2040, more than twice as fast as primary energy consumption. The difference in the level of global electricity generation between 2019 and 2040 is equivalent to the sum of the electricity generation of the United States, China and India combined in 2019.

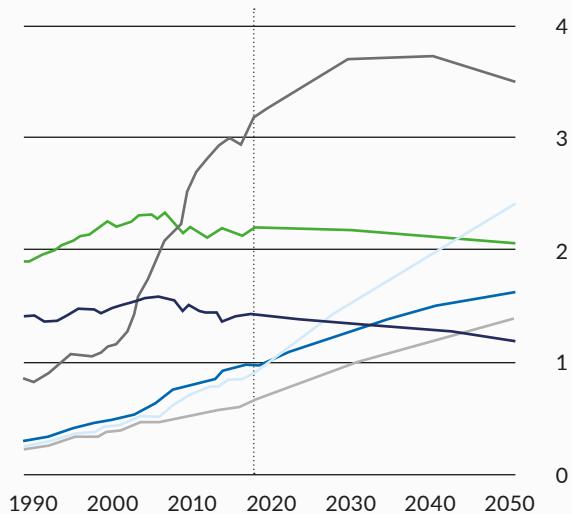
## PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE

EXAJOULE



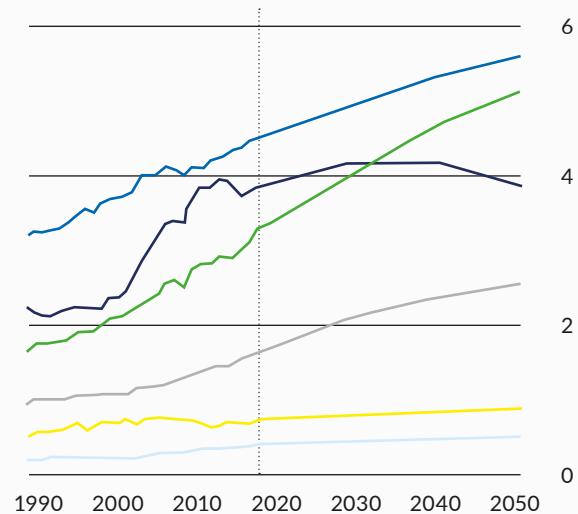
## PRIMARY ENERGY CONSUMPTION WORLDWIDE BY REGION

BILLION TONNES OF OIL EQUIVALENT



## PRIMARY ENERGY CONSUMPTION WORLDWIDE BY ENERGY SOURCE

BILLION TONNES OF OIL EQUIVALENT



Although the share of non-fossil energy in the energy mix increases substantially in the IEEJ scenario, it does not seem realistic that non-fossil energy can cover all energy consumption in the future. In the time axis up to 2050, it can therefore be assumed that a combination of fossil fuels and non-fossil energy will be made available globally. This is especially true in emerging and developing countries, where consumption is increasing significantly.

#### **INCREASING USE OF COAL**

In 2021, coal consumption already increased significantly in the G20 countries by 5.8 per cent compared to 2020, marking the largest increase since 2003. While consumption in the EU rose by almost 13 per cent, the increase in Germany was even more significant at 18 per cent. Consumption in the USA also increased by almost 15 per cent. The background to higher consumption in both regions was primarily the ambitious measures to phase out coal in favour of gas and renewables. The sharp rises in gas prices in 2021 however prompted power producers to return to coal-fired generation. With a 57 per cent share of coal consumption among the G20 countries and a growth rate averaging 4.6 per cent over the past 10 years, China remains one of the world's highest-demand countries.

#### **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 80 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-2020s, global coal consumption is anticipated to reach its peak and then decline slightly until 2040. 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.

The coal markets were shaken by sharp surges in demand in 2022. Trade flows were disrupted, prices rose, and demand exceeded 8 billion metric tonnes for the first time, up approximately 1.2 per cent compared to 2021.

Fossil fuel prices rose significantly in 2022, triggering a wave of altering demand patterns, with coal used for power generation as the main beneficiary. This sector was projected to grow by slightly more than 2 per cent in 2022, in part due to the substitution of gas in electricity generation. Industrial coal consumption, in contrast, is expected to decline by 1 per cent as a result of lower iron and steel production in a cooling global economic scenario. Global coal-fired power generation rose to record levels in 2022, reflecting high natural gas prices and significant fuel switching in power generation, not only in Europe. Coal-fired generation has also been used to offset lower hydropower and nuclear generation, as wind and solar generation failed to increase strongly enough to offset the loss of production from hydropower and nuclear. In China, coal-fired power generation increased significantly over the summer due to a heat wave and low hydropower output. In August alone, the year-on-year increase in coal-fired power generation in China was around 15 per cent.

The strongest increase in coal demand in 2022 is expected to come from India (+7 per cent/+70 Mt), followed by the European Union (+6 per

cent/+29 Mt) and China (+0.4 per cent/+18 Mt). This development is mainly reflected by the expansion in electricity production. While higher coal demand in China and India can be attributed to generally stronger demand for electricity, in the European Union, in particular, some countries have temporarily switched to higher coal-fired generation due to high gas prices. A major decline in coal consumption is evident in the United States (-6 per cent/-31 Mt.), where a switch from coal-fired to gas-fired generation took place.

In the IEA forecast, global coal demand is anticipated to exceed 8 billion tonnes by 2025. The current energy crisis, improved global economic development, weather conditions, fuel prices, and government policies can all have a major impact on coal demand.

Developments in China are expected to continue to have the greatest impact on global coal demand in the years ahead, as China's energy sector alone accounts for one-third of global coal consumption. Coal consumption in China is expected to grow 0.7 per cent per year on average through 2025. At the same time, renewable power generation capacity in China is expanding. In the period 2022 to 2025, China's renewable power generation is projected to expand by about 1,000 TWh, which is equivalent to Japan's total power generation today.

India's coal consumption has grown many times over since 2007. This trend should continue with annual growth rates of around 6 per cent.

Coal consumption in the United States and the European Union, on the other hand, is forecast to decline through 2025.

Despite crises, rising inflation and strained supply chain conditions, coal demand is expected

to continue to grow in the years ahead, according to IEA experts. Tight natural gas supplies and the resulting high gas prices are driving some countries and companies to rely more on relatively cheap coal. Heat waves and droughts in some regions of the world significantly reduced electricity generation from hydropower. In addition, nuclear power generation was exceptionally weak in 2022, especially in Europe, as a result of France's shutdown of a significant portion of its nuclear power due to maintenance capacity constraints. All of these bottlenecks were offset by coal-fired generation.

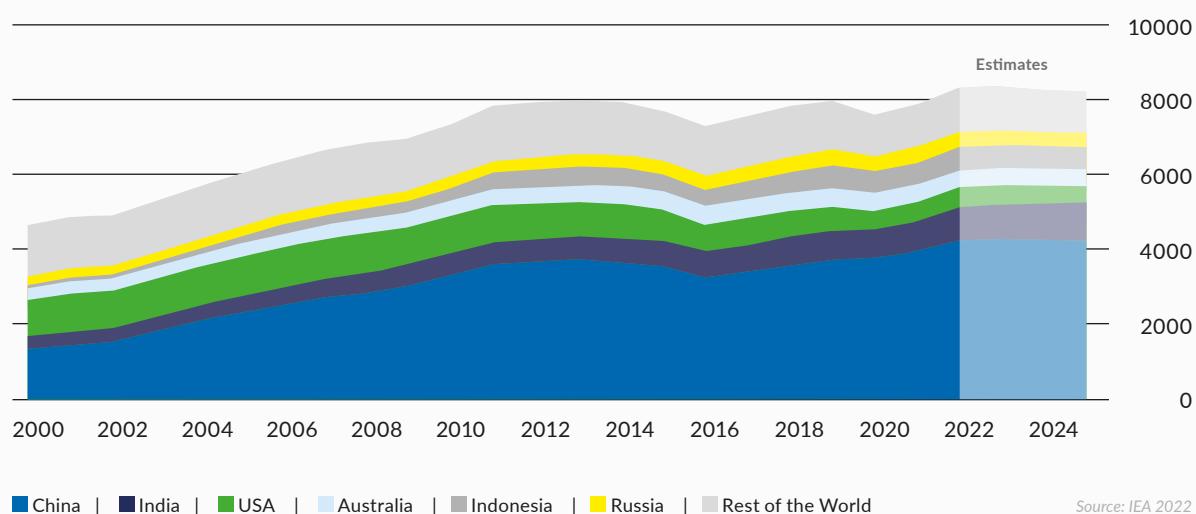
Coal remains a flexible, low-cost resource worldwide. While IEA experts forecast that coal demand in advanced economies will decline in the coming years as renewables increasingly displace it for power generation, coal demand in the world's advanced economies will continue to decline. The decline in coal demand in the developed world, however, is forecast to be offset by higher demand in emerging and developing economies in Asia. These economies are expected to increase coal consumption to boost their economic growth, despite their growing investment in renewables.

Next to India, the greatest increases in energy demand are expected in Indonesia, Brazil, China and the Middle East. 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.

Public opposition to coal is growing, so many countries are considering implementing stronger climate and environmental policies. At the same time, renewable energies are becoming steadily more competitive. Despite all this, the trend towards less coal is uneven worldwide, including in Europe.

## GLOBAL COAL PRODUCTION 2000 TO 2025

MILLION TONS



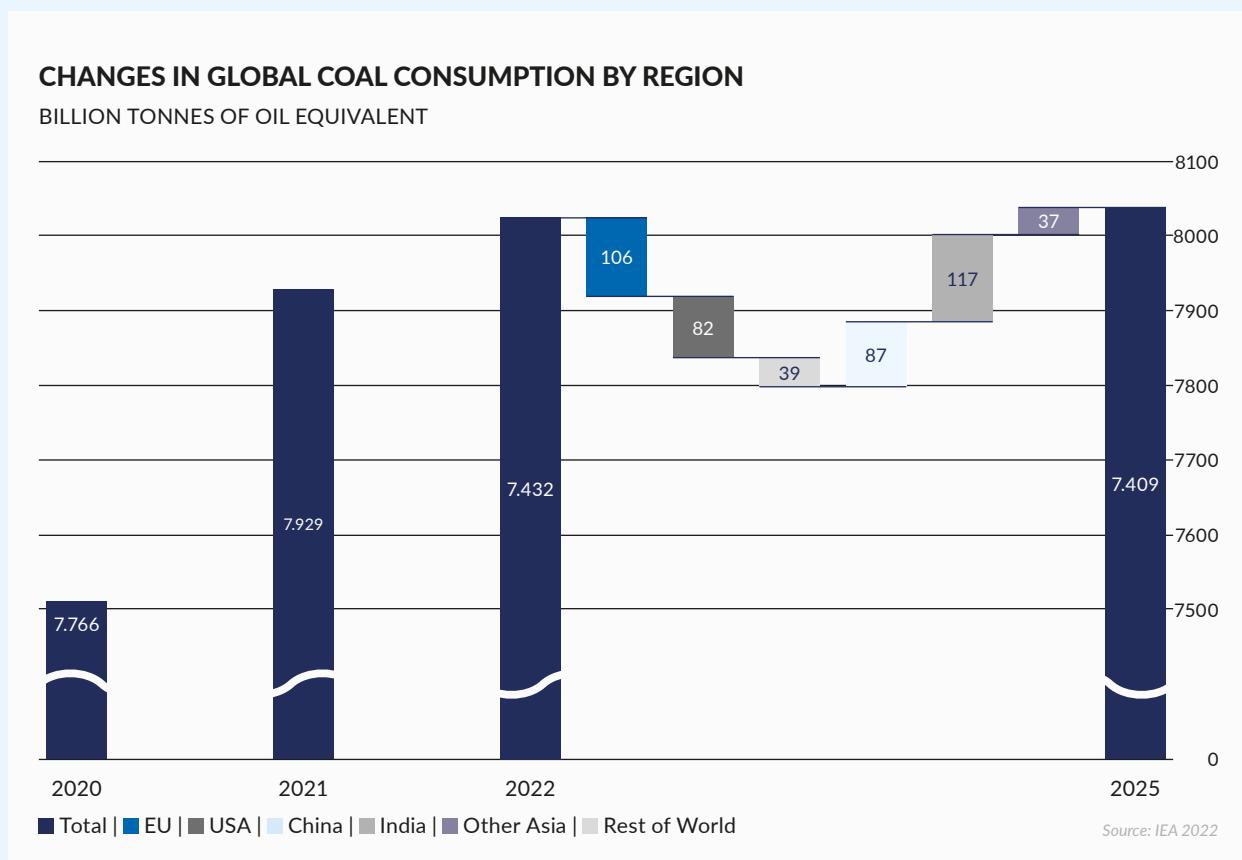
Source: IEA 2022

Russia's war of aggression against Ukraine triggered a series of sanctions against Russia from a wide range of countries and companies. Russia is the world's third-largest coal exporter. Sanctions have led to a restructuring of global trade flows, as buyers from Europe, in particular, are now looking for alternative supply options. Furthermore, some of the Russian coal previously shipped to Europe by rail or from northwestern Russian ports cannot be rerouted to the east or south due to a lack of rail capacity. This has led to a decline in Russian exports and a narrowing of the market. The gap left by Russian coal shipments to Europe has largely been filled by South Africa, Colombia, and other smaller producers such as Tanzania and Botswana. Indonesia, which began the year by banning coal exports to meet its own domestic needs, again proved its flexibility when it shifted exports to Europe to make up for the Russian shortfall. The United States, on the other hand, is no longer a swing supplier. Faced with investment, labour shortages and transportation bottlenecks, U.S. coal exports are expected to decline slightly despite the high prices.

In 2022, an all-time high for coal production was recorded by China and India. The world's two largest coal consumers are also the largest coal producers and largest coal importers. In response to price increases and supply shortages in 2021 and 2022, both countries expanded their domestic coal production.

In India, coal production reached 800 million tonnes for the first time in 2021. Around 1 billion tonnes of coal are set to be produced by 2025.

Indonesia, the third-largest global coal producer, also reached a peak in terms of coal production in 2022. In contrast to coal importers India and China, coal exports in Indonesia play an important economic role.



## 2.5 COAL PRICES, COAL PRODUCERS AND COAL TRADE

According to calculations by the VDKi, global hard coal production increased by more than 5 per cent to 7.4 billion tonnes in 2021. China has repeatedly recorded a considerable increase in production of 200 million tonnes in 2021 due to the rapid economic recovery. But India, the USA and Russia, Vietnam and Colombia also benefited from the high demand and increased their production.

Electricity generation from hard coal increased by 26.7 per cent in 2021. The use of hard coal in the power plants was favoured by the extreme price increase of the competitive energy gas as well as the weather-related lower electricity feed-in from wind power plants.

Seaborne trade also increased by 2.3 per cent to 1,137 million tonnes. The exports of the largest hard coal exporting countries increased, with the exception of Australia and South Africa. Compared to the previous year, Russia, with an increase of 13 per cent, and the USA, with an increase of 44 per cent, were even able to surpass the exports of 2019.

German hard coal imports increased significantly by 24.5 per cent or 7.2 million tonnes to around 39 million tonnes in 2021. Imports of coking coals increased by 16 per cent, and imports of steam coals by 28 per cent.

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.

The increase in world trade in hard coal in 2021 is, as in the years before the pandemic year 2020, due in particular to growing demand in the ASEAN countries, and this, 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.

## 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 primarily steel and cement producers, followed by industrial companies such as glassworks, paper mills and waste processing plants. 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, 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, starting with 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 to new employees in the reporting year.

### 3. GROUP RESULTS OF OPERATIONS

The results of operations of the HMS Group for the 2022 financial year compared to the previous year are as follows:

	31/12/2022		31/12/2021		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
<b>TOTAL PERFORMANCE</b>	<b>971,914</b>	<b>100</b>	<b>427,742</b>	<b>100</b>	<b>544,172</b>	<b>&gt; 100,0</b>
Cost of materials	943,834	97	413,244	97	530,591	> 100,0
Personnel costs	6,629	1	2,862	1	3,768	> 100,0
Depreciation and amortisation	681	0	393	0	288	73
Other operating expenses						
,/-, other operating earnings	5,874	1	5,832	1	42	1
Taxes (excluding income taxes)	5	0	4	0	1	18
<b>OPERATING EXPENSES</b>	<b>957,023</b>	<b>99</b>	<b>422,334</b>	<b>99</b>	<b>534,689</b>	<b>&gt; 100,0</b>
<b>OPERATING RESULT</b>	<b>14,891</b>	<b>2</b>	<b>5,408</b>	<b>1</b>	<b>9,482</b>	<b>&gt; 100</b>
Financial result	-836		-661		-175	-27
Allocation to pension provisions (1/15 of allocation under German Accounting Law Modernisation Act [BilMoG])	-223		-223		0	0
<b>EBITDA</b> (earnings before interest, taxes, depreciation and amortization)	<b>15,354</b>		<b>5,582</b>		<b>9,772</b>	<b>&gt; 100</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>13,831</b>		<b>4,524</b>		<b>9,307</b>	<b>&lt; -100</b>
Income taxes	-3,441		-1,324		-2,117	> 100
<b>NET PROFIT*</b>	<b>10,390</b>		<b>3,201</b>		<b>7,190</b>	<b>&gt;100</b>

\*EUR 10,787,677.85 net profit 2022 excluding EUR 397,471.40 pension provision effects (2021: 720,112.64 EUR pension provisions).

Sales in 2022 were significantly influenced by higher coal prices and strong global demand for raw materials. The continued strong trading business in Asia with higher tonnages also contributed to the increase in sales of around 127 per cent compared to the level of sales in the prior year. In 2022, Asia and Africa accounted for around 92 per cent of the volumes traded by the Group. Notable orders of magnitude were achieved in these regions, particularly in India and Bangladesh. The cost of materials ratio changed slightly year-over-year, amounting to 97.1 per cent in the 2022 reporting period, compared to 96.6 per cent in 2021.

Personnel costs in 2022 increased significantly year-on-year from EUR 2,862 thousand to EUR 6,629 thousand. Nevertheless, the personnel cost ratio remained constant, also compared to the prior year, at 0.7 per cent.

Depreciation and amortisation amounted to EUR 681 thousand in 2022, compared with EUR 393 thousand in 2021. Driving the slight increase in 2022 was an extraordinary write-down of non-current assets. There were no extraordinary write-downs of any significant magnitude in 2021.

Other expenses, net of other income, resulted primarily from legal and consulting fees, vehicle and travel costs, fulfillment costs and occupancy costs. These costs totaled EUR 5,874 thousand in 2022, almost unchanged from the prior-year figure of EUR 5,832 thousand.

EBITDA also developed extremely positively, almost tripling from EUR 5,582 thousand in 2021 to EUR 15,354 thousand in 2022. Here, too, the main reason for the increase was the positive operating development.

#### 4. GROUP NET ASSETS

The net assets of HMS Group as at 31 December 2022 can be summarised as follows:

	31/12/2022		31/12/2021		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
<b>ASSETS</b>						
Non-current assets	19,724	15	22,914	23	-3,190	-14
Advance payments	10,608	8	1,320	1	9,289	> 100,0
Receivables	62,901	48	44,738	45	18,163	41
Cash and cash equivalents	31,049	24	25,976	26	5,073	20
Other assets	6,189	5	3,885	4	2,304	59
	<b>130,472</b>	<b>100</b>	<b>98,834</b>	<b>100</b>	<b>31,639</b>	<b>32</b>
<b>CAPITAL</b>						
Shareholders' equity	32,560	25	21,534	22	11,026	51
Own shares	-405	0	-405	0	0	0
Non-current liabilities	17,788	14	17,590	18	197	1
Current liabilities	80,530	62	60,115	61	20,415	34
	<b>130,472</b>	<b>100</b>	<b>98,834</b>	<b>100</b>	<b>31,639</b>	<b>32</b>

Non-current assets as at 31 December 2022 amounted to EUR 19,724 thousand, or approximately EUR 3,190 thousand less than as at the 31 December 2021 reporting date. The changes resulted primarily from the reduction in the balance sheet item other loans from EUR 11,288 thousand to EUR 8,606 thousand as at 31 December 2022. The reduction resulted from the repayment of loans issued.

Advance payments made amounted to EUR 10,608 thousand as at 31 December 2022, compared with EUR 1,320 thousand as at the previous year's reporting date. These are related to coal deliveries in the first quarter of 2023.

Receivables increased by EUR 18,163 thousand to EUR 62,901 thousand as at the 31 December 2022 reporting date, compared to EUR 44,738 thousand as at 31 December 2021. The change is largely due to the increase in trade receivables as at the reporting date, which are related to the development of sales and will gradually

decrease after the 31 December 2022 reporting date. Cash and cash equivalents increased by EUR 5,073 thousand to EUR 31,049 thousand as at 31 December 2022.

Non-current liabilities, including pension and similar obligations, amounted to EUR 17,788 thousand as at the 31 December 2022 reporting date. At the end of 2021, non-current liabilities totalled EUR 17,590 thousand. Non-current liabilities include a bond in the amount of EUR 8,473 thousand.

Current liabilities comprise mainly liabilities to suppliers and trade finance liabilities. The largest line item, 'trade payables', amounted to EUR 63,221 thousand compared to EUR 53,655 thousand as at the 31 December 2021 reporting date. The increase in current liabilities to EUR 80,530 thousand (+EUR 20,415 thousand compared to reporting date of 31 December 2021) was mainly reporting date-related and a result of sharply higher sales volumes.

## 5. GROUP FINANCIAL POSITION

Cash and cash equivalents in the 2022 financial year developed as follows:

	2022 EUR thousand	2021 EUR thousand
<b>1. Cash flow from current operating activities</b>	<b>-1,228</b>	<b>15,346</b>
<b>2. Cash flow from investment activities</b>	<b>2,253</b>	<b>-882</b>
<b>3. Cash flow from financing activities</b>	<b>-360</b>	<b>7,520</b>
<b>4. Cash and cash equivalents at the end of the period</b>		
Change in cash and cash equivalents affecting payment	<b>665</b>	<b>21,984</b>
Cash and cash equivalents at the start of the period	23,235	1,251
Cash and cash equivalents at the end of the period	23,900	23,235
<b>5. Composition of cash and cash equivalents</b>		
Cash and cash equivalents	31,049	25,976
Current liabilities to credit institutions	-7,149	-2,741
Cash and cash equivalents at the end of the period	<b>23,900</b>	<b>23,235</b>

In the 2022 financial year, the cash flow from operating activities equalled EUR -1,228 thousand, which was affected by the reporting date. In comparison with the previous year, it should be noted that as at 31 December 2022, short-term trading transactions were financed with around EUR 9 million of the Company's own cash and cash equivalents and not via external credit lines from banks, as in previous years.

Cash flow from investing activities amounted to EUR 2,253 thousand in the 2022 financial year, compared to EUR -882 thousand as at 31 December 2021. The positive net amount was mainly due to cash inflows from the repayment of loans.

Cash flow from financing activities amounted to EUR -360 thousand as at the reporting date, compared to EUR 7,520 thousand in 2021. While only dividend payments and the repayment of long-term loans were responsible for the balance in 2022, a bond in the amount of EUR 8,000 thousand was issued in 2021.

Cash and cash equivalents at the end of the period increased slightly from EUR 23,235 thousand as at 31 December 2021 to EUR 23,900 thousand as at the year-end reporting date for the 2022 financial year.

## 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:

	31/12/2022 EUR thousand	%	31/12/2021 EUR thousand	%	Change EUR thousand	%
<b>TOTAL PERFORMANCE</b>	<b>860,556</b>	<b>100</b>	<b>416,989</b>	<b>100</b>	<b>443,568</b>	<b>&gt; 100,0</b>
Cost of materials	849,187	99	406,645	98	442,542	> 100,0
Personnel costs	3,935	1	2,025	1	1,910	94
Depreciation and amortisation	17	0	14	0	3	24
Other operating expenses						
./. other operating earnings	4,594	1	4,786	1	-192	-4
Taxes (excluding income taxes)	5	0	4	0	1	18
<b>OPERATING EXPENSES</b>	<b>857,738</b>	<b>100</b>	<b>413,474</b>	<b>99</b>	<b>444,264</b>	<b>&gt; 100,0</b>
<b>OPERATING RESULT</b>	<b>2,818</b>	<b>1</b>	<b>3,515</b>	<b>1</b>	<b>-697</b>	<b>-20</b>
Financial result	-162		-257		95	37
Allocation to pension provisions (1/15 of allocation under German Accounting Law Modernisation Act [BilMoG])	-223		-223		0	0
<b>EBITDA</b> (earnings before interest, taxes, depreciation and amortization)	<b>2,617</b>		<b>3,310</b>		<b>-693</b>	<b>-21</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>2,433</b>		<b>3,034</b>		<b>-601</b>	<b>-20</b>
Income taxes	-1,711		-904		-807	-89
<b>NET PROFIT*</b>	<b>722</b>		<b>2,130</b>		<b>-1,408</b>	<b>-66</b>

\*EUR 1,119,544.04 net profit 2022 excluding EUR 397,471.40 pension provision effects (2021: 720,112.64 EUR pension provisions).

### 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 106.4 per cent was based on the strong trading business in Asia with higher tonnages coupled with sharply higher coal prices. The rise in prices was already evident starting in the second half of 2020. The energy crisis in connection with Russia's war of aggression against Ukraine again significantly increased raw material prices. 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 increased slightly from 97.5 per cent in the 2021 financial year to 98.7 per cent in the 2022 reporting period. The increase is primarily attributable to the high demand pressure for coal in the first half of 2022. Other operating expenses net of other income resulted mainly from the cost of goods sold, passing on charges for other services provided by Group companies, vehicle and travel costs, as well as legal and consulting costs. Earnings be-

fore income taxes in the 2022 reporting period, at EUR 2,433 thousand, was below the previous year's level of EUR 3,034 thousand. The reason for the lower year-on-year result was

primarily the increase in personnel costs, which rose in line with general business development.

## 6.2 NET ASSETS

	31/12/2022 EUR thousand	%	31/12/2021 EUR thousand	%	Change EUR thousand	%
<b>ASSETS</b>						
Non-current assets	14,817	13	20,253	21	-5,436	-27
Advance payments	10,608	9	1,320	1	9,289	> 100,0
Receivables	59,119	51	47,636	49	11,483	24
Cash and cash equivalents	28,295	25	25,815	26	2,480	10
Other assets	2,612	2	3,047	3	-435	-14
	<b>115,452</b>	<b>100</b>	<b>98,071</b>	<b>100</b>	<b>17,381</b>	<b>18</b>
<b>CAPITAL</b>						
Shareholders' equity	22,254	19	21,713	22	540	3
Own shares	-381	0	-390	0	9	-2
Non-current liabilities	17,645	15	17,590	18	54	0
Current liabilities	75,935	66	59,158	60	16,777	28
	<b>115,452</b>	<b>100</b>	<b>98,071</b>	<b>100</b>	<b>17,381</b>	<b>18</b>

In the course of the significant sales growth of HMS Bergbau AG in 2022, the balance sheet ratios also changed. Non-current assets amounted to EUR 14,871 thousand as at 31 December 2022, compared to EUR 20,253 thousand at the end of 2021. The changes are primarily the result of a reduction in other loans, which decreased from EUR 11,288 thousand to EUR 8,606 thousand, as well as from a reduction in loans to affiliated companies (2022: EUR 1,704 thousand; 2021: EUR 4,492 thousand).

Advance payments made amounted to EUR 10,608 thousand on the balance sheet as at 31 December 2022, compared with EUR 1,320 thousand as at the same date in the previous year. In contrast to previous years, the HMS Bergbau AG financed transactions not only with debt, but had also by making advance payments using its own liquidity.

Due to the expanded trading activities of HMS Bergbau AG, as well as higher raw material prices, receivables increased from EUR 47,636 thousand as at 31 December 2021 to EUR 59,119 thousand as at 31 December 2022. Cash and cash equivalents reported on the balance sheet were also higher, increasing to EUR 28,295 thousand as at 31 December 2022, compared to EUR 25,815 thousand at the end of 2021.

On the equity and liabilities side of the balance sheet, equity improved from EUR 21,713 thousand at year-end 2021 to EUR 22,254 thousand as at 31 December 2022.

Non-current liabilities amounted to EUR 17,645 thousand as at 31 December 2022, compared with EUR 17,590 thousand as at the comparable prior-year reporting date. Current liabilities, which largely consist of trade payables to

suppliers and trade finance payables, increased from EUR 59,158 thousand to EUR 75,935 thousand as at 31 December 2022. Changes in this line item were primarily due to volume and reporting date factors.

### 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 manages and monitors activities on an ongoing basis, are sales, gross margin and EBITDA. The HMS Group was able to significantly exceed the EBITDA forecast made in the previous year due to the rapid increase in raw material prices and the accompanying solid trading results. EBITDA of the HMS Group amounted to EUR 15,354 thousand in the 2022 financial year, compared to EUR 5,582 thousand in 2021. For HMS Bergbau AG, EBITDA was slightly lower in the 2022 financial year and amounted to EUR 2,617 thousand, compared to EUR 3,310 thousand in 2021. This decrease was due mainly to higher personnel costs, which were attributable to the general business development.

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

Group sales in the 2022 financial year amounted to EUR 971,914 thousand, or approximately 127 per cent higher year-on-year (2021: EUR 427,742 thousand). The sales of HMS Bergbau AG also increased significantly by more than 106 per cent from EUR 416,989 thousand in the 2021 financial year to EUR 860,556 thousand in the reporting year.

The Group's gross margin deteriorated slightly from 3.4 per cent in 2021 to 2.9 per cent in 2022. The gross margin of HMS Bergbau AG

amounted to 1.9 per cent in the 2022 financial year (previous year: 2.5 per cent). Sales and EBITDA thus significantly exceeded the forecast in the 2021 Annual Report.

## 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 reassessed 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 risks 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 strives 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 RISK**

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, 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 enable 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 RISK**

The Company no longer sees any risk arising from the global impact of the corona-virus (COVID-19), provided that no further societal or economic restrictions are applied by policymakers.

The Company only sees a risk to the achievement of its sales and profitability targets with respect to possible 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 such mutations on corporate planning cannot be assessed at this time.

#### **7.8. RISK OF GEOPOLITICAL CONFLICTS**

The full consequences and developments in Ukraine and the sanctions adopted against Russia are still unclear. Political and economic tensions between the People's Republic of China and the United States of America are also increasing. We expect such conflicts to continue

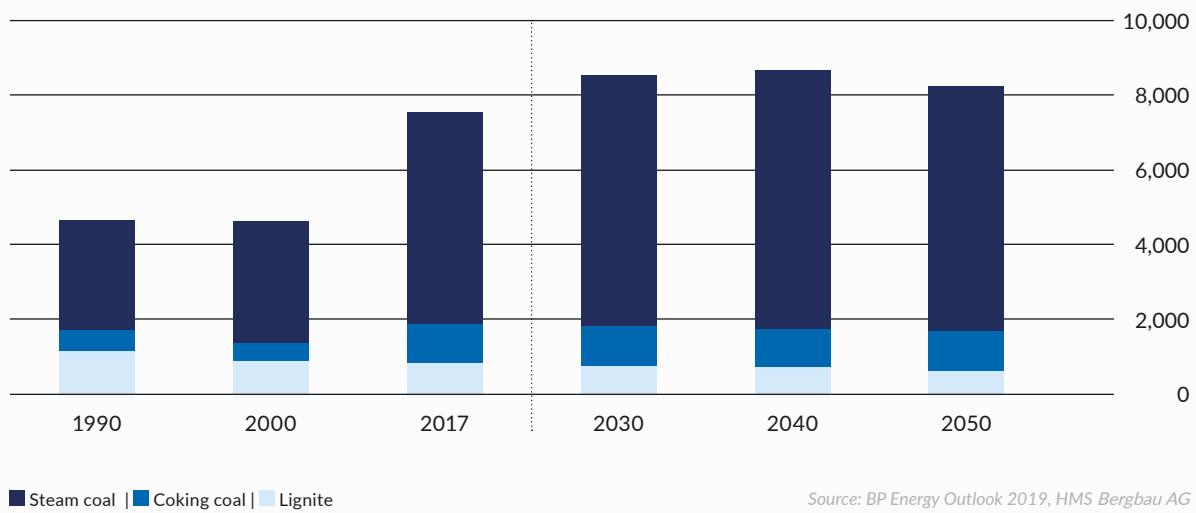
to have a strong impact on both the procurement and purchasing prices of our products. Price volatility is expected to continue to increase due to geopolitical tensions and to have an impact on the transportation and logistics of our products. It is virtually impossible to calculate and assess what short- and medium-term impact global political developments will have on the demand and supply side. An early warning system has been implemented to enable us to react as quickly as possible to changes in the market. We cannot yet estimate the full impact of these events on our net assets, financial position and results of operations.

### **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



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, copper, 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 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 2023 financial year.

Subject to the still unforeseeable consequences of the Russia-Ukraine war, and despite a fallen commodity price level, the Company is planning sales of around EUR 1 billion in 2023, with a gross margin at the previous year's level of around 3 percent and a clearly positive EBITDA of around EUR 15 million. Under this

premise and without taking into account the possible consequences of the Russia-Ukraine war that cannot yet be quantified, there are currently no discernible risks that could jeopardise the Company's continued 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. HEDGE TRANSACTIONS**

The HMS Group enters into price and hedge transactions on individual physical transactions when necessary.

## **11. CLOSING COMMENTS PURSUANT TO SECTION 312 (3) AKTG**

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



## **12. FORWARD-LOOKING STATEMENTS**

This management report 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.

Berlin, 31 March 2023



**DENNIS SCHWINDT**

Chief Executive Officer



**JENS MOIR**

Chief Financial Officer

# Consolidated Balance Sheet

AS OF 31 DECEMBER 2022

## ASSETS

	31/12/2022 EUR	31/12/2021 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	10,257.00	0.00
2. Company value	2,368,405.90	2,672,201.45
	<b>2,378,662.90</b>	<b>2,672,201.45</b>
<b>II. Fixed assets</b>		
1. Technical equipment and machinery	872,465.45	1,020,720.19
2. Other equipment, office and factory equipment	55,981.01	47,605.96
3. Advance payments and assets under construction	7,786,016.81	7,737,844.89
	<b>8,714,463.27</b>	<b>8,806,171.04</b>
<b>III. Financial assets</b>		
1. Shares in associated companies	25,171.49	147,422.37
2. Other loans receivable	8,606,142.32	11,288,446.05
	<b>8,631,313.81</b>	<b>11,435,868.42</b>
	<b>19,724,439.98</b>	<b>22,914,240.91</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Advance payments	10,608,126.55	1,319,609.39
<b>II. Receivable and other assets</b>		
1. Trade receivables	62,901,215.38	44,738,074.70
2. Receivables from associates	3,381,856.23	623,609.67
3. Other assets	612,631.34	1,355,737.61
	<b>66,895,702.95</b>	<b>46,717,421.98</b>
<b>III. Cash and cash equivalents</b>	<b>31,049,392.80</b>	<b>25,976,253.07</b>
	<b>108,553,222.30</b>	<b>74,013,284.44</b>
<b>C. ACCRUALS AND DEFERRALS</b>	<b>407,472.80</b>	<b>166,974.04</b>
<b>D. DEFERRED TAXES</b>	<b>1,787,329.67</b>	<b>1,739,006.25</b>
	<b>130,472,464.75</b>	<b>98,833,505.64</b>

		<b>LIABILITIES</b>
	31/12/2022 EUR	31/12/2021 EUR
<b>A. SHAREHOLDERS' EQUITY</b>		
I. Subscribed equity		4,543,804.00
II. Capital reserve		10,399,081.94
		<b>9,669,579.35</b>
III. Profit reserves		
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>
IV. Consolidated net profit	15,161,760.47	4,823,882.26
V. Exchange differences	-772,520.73	-860,726.52
	<b>14,389,239.74</b>	<b>3,963,155.74</b>
VI. Minority interests	2,544,525.48	2,673,917.00
	<b>32,154,922.53</b>	<b>21,128,342.46</b>
<b>B. PROVISIONS</b>		
1. Pension provisions and similar obligations	8,766,085.20	8,848,613.80
2. Tax provisions	2,921,012.07	1,268,225.74
3. Other provisions	2,541,487.03	867,951.87
	<b>14,228,584.30</b>	<b>10,984,791.41</b>
<b>C. LIABILITIES</b>		
1. Bonds	8,472,500.00	8,192,500.00
2. Liabilities to banks	7,798,188.50	3,390,412.79
3. Advance payments received	3,881,320.17	176,584.85
4. Trade payables	63,220,937.14	53,655,103.43
5. Verbindlichkeiten gegenüber Gesellschaftern	11,228.31	0.00
6. Other liabilities		
- thereof from taxes EUR 74 thousand (previous year: EUR 71 thousand)		
- therof for social security EUR 8 thousand (previous year: EUR 5 thousand)	704,783.80	1,305,770.70
	<b>84,088,957.92</b>	<b>66,720,371.77</b>
	<b>130,472,464.75</b>	<b>98,833,505.64</b>

# Consolidated Income Statement

(1 JANUARY - 31 DECEMBER 2022)

	2022 EUR	2021 EUR
<b>1. Sales</b>	971,913,778.95	427,742,134.48
<b>2. Other operating earnings</b>	905,157.22	390,382.35
- thereof from currency translation: EUR 853 thousand (previous year: EUR 363 thousand)		
	<b>972,818,936.17</b>	<b>428,132,516.83</b>
<b>3. Cost of materials</b>		
a) Costs for goods purchased	-943,834,318.72	-409,612,638.22
b) Costs for services purchased	0.00	-3,630,922.30
	<b>-943,834,318.72</b>	<b>-413,243,560.52</b>
<b>4. Personnel costs</b>		
a) Wages and salaries	-6,410,108.16	-2,703,919.47
b) Social security costs and pension support costs - thereof for pensions EUR 47 thousand (previous year: EUR 64 thousand)	-219,130.78	-157,724.29
	<b>-6,629,238.94</b>	<b>-2,861,643.76</b>
<b>5. Amortisation</b>		
a) Amortisation of intangible assets and fixed assets	-681,123.40	-392,693.13
<b>6. Other operating expenses</b>		
- thereof from currency translation: EUR -453 thousand (previous year: EUR -616 thousand)	-7,001,755.67	-6,445,369.10
<b>7. Other interest and similar earnings</b>	447,794.95	474,222.69
<b>8. Interest and similar expenses</b>		
- thereof from discounting of pension obligations: EUR -265 thousand (previous year: EUR -665 thousand)	-1,284,272.68	-1,135,280.74
<b>9. Income taxes</b>		
- thereof from the allocation to deferred assets : EUR 3 thousand (previous year: EUR -188 thousand)	-3,440,929.19	-1,323,538.33
<b>10. EARNINGS AFTER TAXES</b>	<b>10,395,092.52</b>	<b>3,204,653.94</b>
<b>11. Other taxes</b>	-4,886.07	-4,130.45
<b>12. NET PROFIT FOR THE PERIOD*</b>	<b>10,390,206.45</b>	<b>3,200,523.49</b>
<b>13. Profit carryforward (previous year: Loss carryforward)</b>	4,823,882.26	1,568,984.01
<b>14. Withdrawal from retained earnings (dividend)</b>	-181,719.76	0.00
<b>15. Result to be allocated to minorities interest (loss)</b>	129,391.52	54,374.76
<b>16. Consolidated balance sheet profit</b>	<b>15,161,760.47</b>	<b>4,823,882.26</b>
<b>EBITDA</b> (Earnings Before Interest, Taxes, Depreciation and Amortisation)	<b>15,353,622.84</b>	<b>5,581,943,45</b>

\* 2022 net profit of EUR 10,878,368.73 excluding EUR 488,162.28 of pension provisions (2020 pension provisions of EUR: 720,112.64)

# Consolidated Cash Flow Statement

(1 JANUARY - 31 DECEMBER 2022)

	2022 EUR thousand	2021 EUR thousand
<b>1. CASH FLOW FROM CURRENT OPERATING ACTIVITIES</b>		
Net earnings for the period	10,390	3,201
Depreciation of fixed assets	681	393
Increase (+)/decrease (-) in provisions	-511	-962
Other non-cash expenses/income (incl. pension provision)	1,066	-144
Increase (+)/decrease (-) in inventories, trade receivables and other assets	-29,641	-6,246
Increase (+)/decrease (-) in inventories, trade payables and other liabilities	12,481	17,120
Interest expenses (+)/interest income (-)	865	661
Income tax expense (+)/tax benefit (-)	3,441	1,324
<b>Cash flow from current operating activities</b>	<b>-1,228</b>	<b>15,346</b>
<b>2. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Cash outflow for investments in property, plant and equipment	-639	-639
Cash outflow for investments in intangible assets	-14	0
Cash outflow for investments in associated companies	-70	0
Cash outflow for issuing loans	0	-902
Cash inflow from the repayment of loans	2,682	659
<b>Cash flow from investment activities</b>	<b>2,253</b>	<b>-882</b>
<b>3. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash inflow from equity injections	0	13
Cash inflow from sale of own shares	9	0
Cash outflow from dividend payments	-182	0
Raising of long-term loans	0	8,000
Interest payments on long-term loans	85	-253
Repayment of long-term loans	-271	-240
<b>Cash flow from financing activities</b>	<b>-360</b>	<b>7,520</b>
<b>4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Changes affecting payment (Subtotals 1 – 3)	665	21,984
Cash and cash equivalents at the start of the period	23,235	1,251
<b>Cash and cash equivalents at the end of the period</b>	<b>23,900</b>	<b>23,235</b>
<b>5. COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	31,049	25,976
Current liabilities	-7,149	-2,741
<b>Cash and cash equivalents at the end of the period</b>	<b>23,900</b>	<b>23,235</b>

# Consolidated Statement of Changes in Shareholders' Equity

AS OF 31 DECEMBER 2022

		GROUP'S EQUITY	
		Subscribed capital common shares	Capital reserve
			Generated consolidated shareholders' equity
		EUR	EUR
<b>31/12/2020</b>		<b>4,542,820.00</b>	<b>9,657,479.55</b>
Issuance of treasury shares		599.00	12,099.80
Currency translation differences		0.00	0.00
		4,543,419.00	9,669,579.35
Consolidated net income		0.00	3,254,898.25
<b>31/12/2021</b>		<b>4,543,419.00</b>	<b>9,669,579.35</b>
Issuance of treasury shares		385.00	8,125.00
Conversion of convertible loans		0.00	721,377.59
Currency translation differences		0.00	0.00
Dividend		0.00	-181,719.76
		4,543,804.00	10,399,081.94
Consolidated net income		0.00	10,519,597.97
<b>31/12/2022</b>		<b>4,543,804.00</b>	<b>10,399,081.94</b>
			<b>15,440,031.84</b>

**MINORITY SHAREHOLDERS**

<b>Accumulated remaining consolidated income Currency translation adjustments</b>	<b>Group's share</b>	<b>Minority interest</b>	<b>Accumulated remaining consolidated income Currency translation adjustments</b>	<b>Shareholders' equity</b>	<b>Group equity</b>
<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>-1,170,134.66</b>	<b>14,877,420.27</b>	<b>2,873,687.30</b>	<b>-145,395.54</b>	<b>2,728,291.76</b>	<b>17,605,712.03</b>
0.00	12,698.80	0.00	0.00	0.00	12,698.80
309,408.14	309,408.14	0.00	0.00	0.00	309,408.14
-860,726.52	15,199,527.21	2,873,687.30	-145,395.54	2,728,291.76	17,927,818.97
0.00	3,254,898.25	0.00	-54,374.76	-54,374.76	3,200,523.49
<b>-860,726.52</b>	<b>18,454,425.46</b>	<b>2,873,687.30</b>	<b>-199,770.30</b>	<b>2,673,917.00</b>	<b>21,128,342.46</b>
0.00	8,510.00	0.00	0.00	0.00	8,510.00
0.00	721,377.59	0.00	0.00	0.00	721,377.59
88,205.79	88,205.79	0.00	0.00	0.00	88,205.79
0.00	-181,719.76	0.00	0.00	0.00	-181,719.76
-772,520.73	19,090,799.08	2,873,687.30	-199,770.30	2,673,917.00	21,764,716.08
0.00	10,519,597.97	0.00	-129,391.52	-129,391.52	10,390,206.45
<b>-772,520.73</b>	<b>29,610,397.05</b>	<b>2,873,687.30</b>	<b>-329,161.82</b>	<b>2,544,525.48</b>	<b>32,154,922.53</b>

# Statement of Changes in Current Assets

AS OF 31 DECEMBER 2022

PROCUREMENT AND MANUFACTURING COSTS						
	01/01/2022	Currency conversion	Additions	Disposals	Re-classifications	31/12/2022
	EUR	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>						
1. Licences, industrial property rights, similar rights and values and licences in such rights and values	44,097.22	0.00	13,789.00	699.00	0.00	57,187.22
2. Goodwill	3,239,705.34	0.00	0.00	0.00	0.00	3,239,705.34
	<b>3,283,802.56</b>	<b>0.00</b>	<b>13,789.00</b>	<b>699.00</b>	<b>0.00</b>	<b>3,296,892.56</b>
<b>II. Property, plant and equipment</b>						
1. Technical equipment and machinery	1,095,992.77	-2,385.94	0.00	0.00	0.00	1,093,606.83
2. Other equipment, office and factory equipment	582,144.72	-814.81	29,538.83	52,699.84	0.00	558,168.89
3. Deposits paid / plant under construction	7,737,844.89	-268,629.25	316,801.17	0.00	0.00	7,786,016.81
	<b>9,415,982.38</b>	<b>-271,830.00</b>	<b>346,340.00</b>	<b>52,699.84</b>	<b>0.00</b>	<b>9,437,792.54</b>
<b>III. Investments</b>						
1. Investments	210,770.26	10,000.00	69,619.81	0.00	0.00	290,390.07
2. Other loans receivable	12,988,446.05	0.00	0.00	2,682,303.73	0.00	10,306,142.32
	<b>13,199,216.31</b>	<b>10,000.00</b>	<b>69,619.81</b>	<b>2,682,303.73</b>	<b>0.00</b>	<b>10,596,532.39</b>
	<b>25,899,001.25</b>	<b>-261,830.00</b>	<b>429,748.81</b>	<b>2,735,702.57</b>	<b>0.00</b>	<b>23,331,217.49</b>

**ACCUMULATED AMORTISATION AND DEPRECIATION**

01/01/2022	Currency conversion	Additions	Disposals	Re-classifications	31/12/2022
					EUR
44,097.22	0.00	3,532.00	699.00	0.00	46,930.22
567,503.89	0.00	303,795.55	0.00	0.00	871,299.44
<b>611,601.11</b>	<b>0.00</b>	<b>307,327.55</b>	<b>699.00</b>	<b>0.00</b>	<b>918,229.66</b>
75,272.58	-3,401.91	149,270.71	0.00	0.00	221,141.38
534,538.76	-2,305.47	22,654.44	52,699.84	0.00	502,187.89
0.00	0.00	0.00	0.00	0.00	0.00
<b>609,811.33</b>	<b>-5,707.38</b>	<b>171,925.16</b>	<b>52,699.84</b>	<b>0.00</b>	<b>723,329.27</b>
63,347.89	0.00	201,870.69	0.00	0.00	265,218.58
1,700,000.00	0.00	0.00	0.00	0.00	1,700,000.00
<b>1,763,347.89</b>	<b>0.00</b>	<b>201,870.69</b>	<b>0.00</b>	<b>0.00</b>	<b>1,965,218.58</b>
<b>2,984,760.33</b>	<b>-5,707.38</b>	<b>681,123.40</b>	<b>53,398.84</b>	<b>0.00</b>	<b>3,606,777.51</b>

**BOOK VALUES**

31/12/2021	31/12/2020
EUR	EUR
10,257.00	0.00
2,368,405.90	2,672,201.45
<b>2,378,662.90</b>	<b>2,672,201.45</b>
872,465.45	1,020,720.19
55,981.01	47,605.96
7,786,016.81	7,737,844.89
<b>8,714,463.27</b>	<b>8,806,171.05</b>
25,171.49	147,422.37
8,606,142.32	11,288,446.05
<b>8,631,313.81</b>	<b>11,435,868.42</b>
<b>19,724,439.98</b>	<b>22,914,240.92</b>

# Notes to the Consolidated Financial Statements

HMS BERGBAU AG, BERLIN, GERMANY

## FINANCIAL YEAR 2022

### 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 2022 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.

In the 2021 financial year, 51% of the shares in Maatla Energy (Pty) Ltd, Botswana, were acquired for a purchase price of EUR 0.2 thousand; the acquisition was still subject to conditions precedent as at 31 December 2022.

### IV. CONSOLIDATION PRINCIPLES

The annual financial statements of the subsidiaries included in the consolidated financial statements were prepared as at 31 December 2022, 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.

Name	Head-quarters	Interest in %	Equity in EUR thousands	Annual result in EUR thousands
HMS Bergbau Africa (Pty) Ltd.	Johannesburg	100	-348	338
HMS Bergbau Singapore (Pte) Ltd.	Singapore	100	13,252	6,705
PT. HMS Bergbau Indonesia	Jakarta	100	-4,539	-97
Silesian Coal International Group of Companies S.A.	Katowice	50.4	154	-293
HMS Bergbau USA Corp.	Miami	100	642	291
HMS Bergbau FZCO Dubai	Dubai	100	3,300	3,350
HMS BERGBAU ZIMBABWE PVT LTD	Harare	100	-82	-82

## **1. INFORMATION ON 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, also in the case of entities established prior to the reporting year, capital was consolidated based on the values as at the entities' establishment. 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 reporting 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 reporting date.

**Cash and cash equivalents** are recognised at their nominal amounts.

**Deferred tax assets** result 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 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.

**Pension obligations** relate to fixed pensions of former Management Board members and one sitting Supervisory Board member and 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 trend of 0%, a discount rate of 1.78% (previous year: 1.87%) 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), amounted to EUR 361 thousand (previous year: EUR 598 thousand). The first-time application of the German Accounting Law Modernisation Act (BilMoG) in the 2010 financial year resulted in an amount 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 2,896 thousand of this amount was allocated as at 31 December 2022. The remaining amount of EUR 445 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** are to affiliated companies. Disposals and additions resulted from the repayment or extension of loans.

**Advance payments** are related to trade transactions that will be settled in subsequent periods; in the prior year, they were due from shareholders.

All **receivables and other assets** (with the exception of liabilities to banks) continued to have

remaining terms of less than one year, as in the prior year. Of the trade receivables, EUR 0 thousand (previous year: EUR 1,022 thousand) are due from shareholders and result from trading transactions.

**Deferred tax assets** result from the difference in valuation of the pension provision (EUR 1,736 thousand) and unrealised foreign currency effects (EUR 51 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 2022 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 1,787 thousand) is restricted from distribution.

The **subscribed capital** of EUR 4,590,588.00 (previous year: EUR 4,590,588.00) continues, as in the previous year, to consist of 4,590,588 ordinary bearer shares with a nominal value of EUR 1.00 each. A total of 385 treasury shares were sold to employees in the financial year. An amount of EUR 1.00 each was attributable to the share capital (EUR 385.00). A total of 46,784 (0.01%) in treasury shares were held as at the reporting date.

The **capital reserve** of EUR 9,585,904.35 results from the difference between the nominal amount and the issue amount achieved. The increase of EUR 8,125.00 results from the premium from the sale 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** amounted to EUR 8,766 thousand. In 2022, pensions amounting to EUR 480 thousand were recognised. For actuarial reasons, a reversal of provisions in the amount of EUR 91 thousand was recognised in personnel expenses. The compounding of interest and

the change in the discount rate resulted in an interest expense of EUR 265 thousand (previous year: EUR 665 thousand), which was recognised in the income statement.

**Other provisions** concern primarily costs for the preparation and audit of the financial statements (EUR 150 thousand, previous year: EUR 155 thousand), Supervisory Board remuneration (EUR 62 thousand, previous year: EUR 64 thousand) and personnel provisions (EUR 2,322 thousand, previous year: EUR 560 thousand).

Of the **liabilities to banks**, EUR 7,149 thousand (previous year: EUR 2,466 thousand) is related to trade financing of individual back-to-back transactions and EUR 180 thousand to overdraft facilities. A total of EUR 60 thousand of overdraft facilities is repaid quarterly, resulting in the entire facility (previous year: EUR 240 thousand) having a remaining term of less than one year (previous year: EUR 180 thousand with 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 250 thousand (previous year: EUR 250 thousand) and greater than five years for EUR 156 thousand (previous year: EUR 219 thousand). The other components continue to have a remaining term of less than one year, as in the previous year.

All **trade payables and other liabilities** have a remaining term of less than one year. Of the trade payables, EUR 0 thousand (previous year: EUR 432 thousand) are due to shareholders and result from trading transactions. Other liabilities include liabilities to shareholders of EUR 0 thousand (previous year: EUR 893 thousand).

## CONTINGENT LIABILITIES AS DEFINED BY 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 2022, the purchase obligations from contracts concluded amounted to EUR 73,306 thousand, all relating to the 2023 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 291 thousand
Between 1 and 5 years	EUR 156 thousand

#### VIII. NOTES TO THE CONSOLIDATED INCOME STATEMENT

**Sales** of EUR 971,914 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 (78%), Africa (17%), Europe/Other countries (5%).

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

**Other operating income** includes, among other items, income from currency translation amounting to EUR 853 thousand (previous year: EUR 363 thousand).

**Other operating expenses** are mainly attributable to legal and consulting fees of EUR 2,543 thousand (previous year: EUR 2,434 thousand), vehicle and travel expenses of EUR 770 thousand (previous year: EUR 467 thousand), fulfilment costs of EUR 1,340 thousand (previous year: EUR 1,639 thousand), occupancy costs

of EUR 216 thousand (previous year: EUR 223 thousand), and 1/15th of the allocation to pension provisions, equal to EUR 223 thousand (previous year: EUR 223 thousand), resulting from the change in measurement pursuant to Section 253 (1) sentence 2 HGB. Expenses from currency translation amounted to EUR 453 thousand (previous year: EUR 616 thousand).

The **financial result** includes interest expenses on pension obligations of EUR 265 thousand (previous year: EUR 665 thousand).

The expense from **income taxes** resulted from the carryover of deferred tax assets (addition recognised in profit or loss of EUR 48 thousand; previous year: addition of EUR 188 thousand).

#### 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:

Dennis Schwindt	Chief Executive Officer
Jens Moir	Chief Financial Officer

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

During the financial year, the **Supervisory Board** consisted of the following members:

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**Heinz Schernikau**

retired, Chairman of the Supervisory Board

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**Dr. h.c. Michael Bärlein**

Attorney, Berlin,

Deputy Chairman of the Supervisory Board

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**Patrick Brandl**

Merchant

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In 2022, the members of the Supervisory Board received remuneration of EUR 242 thousand and advances and cost reimbursements of EUR 307 thousand for their activities as members of the Supervisory Board or additional advisory activities. There are provisions for unpaid statutory remuneration for 2022 in the total amount of EUR 62 thousand.

**2. AUDITOR'S FEE**

The fee for the audit of the financial statements amounted to EUR 45 thousand (previous year: EUR 39 thousand). In addition, the auditing company provided other assurance services amounting to EUR 0 thousand (previous year: EUR 0 thousand) and other services amounting to EUR 9 thousand (previous year: EUR 10 thousand) in the year 2022.

**3. AVERAGE NUMBER OF EMPLOYEES IN THE FINANCIAL YEAR**

In the 2022 financial year, an average of 33 employees (15 women, 18 men) were employed.

**4. AMOUNTS RESTRICTED FOR 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 361 thousand and deferred tax assets (Section 268 (8) HGB) of EUR 1,736 thousand are restricted from distribution, for a total of EUR 2,097 thousand (previous year: EUR 2,337 thousand).

**5. SUBSEQUENT EVENTS**

There were no events after the reporting date that would be of particular significance for the assessment of the net asset, financial position and results of operations.

**6. APPROPRIATION OF PROFIT OF THE PARENT COMPANY**

The unappropriated retained earnings for the past 2022 financial year reported in the annual financial statements of HMS Bergbau AG, which were prepared in accordance with the principles of German commercial law and stock corporation law, amount to EUR 7,737,217.80 (previous year: EUR 7,196,864.52). Of this amount, EUR 2,096,585.77 (previous year: EUR 2,336,833.25) is subject to a distribution restriction. At the Annual General Meeting, the Management Board and the Supervisory Board will propose to distribute a dividend of EUR 0.77 per ordinary share entitled to a dividend. This corresponds to a distribution of EUR 3,500,000.00 from unappropriated retained earnings. The remaining amount of EUR 4,237,217.80 is to be carried forward. Any treasury shares held by the Company are not entitled to dividends. The number of ordinary shares entitled to dividends may change before the date of the Annual General Meeting. In this case, a correspondingly adjusted proposal for the appropriation of unappropriated retained earnings will be submitted to the Annual General Meeting, maintaining a distribution of EUR 0.77 per ordinary share entitled to a dividend.

Berlin, 31 March 2023

**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 2022, 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 2022 through 31 December 2022, 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 2022.

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 2022 and its results of operations for the financial year from 1 January 2022 through 31 December 2022;
- 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 un-

derlying 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, 31 May 2022

**PANARES GmbH**

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

**WENNING**

Auditor

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## Legal Notice

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

information or future events. This annual report of HMS Bergbau AG does represent annual financial statements in accordance with German commercial law and the regulations of the German Stock Corporation Act; information or figures contained in this report have been subject to an official audit by an auditor. This report is for reference only within the scope of HMS Bergbau AG's disclosure obligations in accordance with the general terms and conditions of Deutsche Börse AG concerning OTC trading on the Frankfurt Stock Exchange.

The English version of the annual report and the consolidated financial statements 2021 of HMS Bergbau AG is a one-to-one translation. The English version is not audited; in the event of variances, the German version shall take precedence over the English translation.

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