



**Bergbau AG**

*coal illuminates life*

# Annual Report 2015



## Group key figures

	31/12/2015	31/12/2014	31/12/2013
Balance sheet figures	EUR thousand	EUR thousand	EUR thousand
Total assets	32,102	30,363	15,461
Non-current assets	2,789	1,596	223
Current assets	29,249	28,690	15,173
Shareholders' equity	3,814	3,329	2,703
Provisions	6,975	4,573	3,225
Liabilities	21,313	22,459	9,389

	2015	2014	2013
Cash flow figures	EUR thousand	EUR thousand	EUR thousand
Cash flow from current operating activities	-1,583	622	-1,552
Cash flow from investment activities	-1,352	-1,505	3,950
Cash flow from financing activities	611	0	0
Cash and cash equivalents at the end of the period	-1,976	2,586	3,470

	2015	2014	2013
Income statement figures	EUR thousand	EUR thousand	EUR thousand
Sales	111,979	128,235	118,283
EBIT *	747	773	-4,838
Net profit	179	609	-5,074

## Finance Calendar

	Expected publication date
Start of the financial year	1 January 2016
Annual financial statements 2014	30 June 2016
Annual General Meeting	11 August 2016
Interim Report 2015	30 September 2016
End of the financial year	31 December 2016

\* EBIT before non-recurring income and expenses

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

## Letter to the Shareholders

### Dear Shareholders,

Financial year 2015 proved to be especially challenging for the global commodities trade and those companies engaged in it. We offset low price levels and the complicated market situation largely through higher trading volumes, achieving considerable success with regard to these efforts. At the same time, our activities in recent months have been aimed at improving the position of HMS Bergbau AG on the international commodities markets. The expansion of our trade, which previously focused primarily on coal, to include other commodities, such as ores, metals and cement products, is intended to become another key pillar for HMS Bergbau AG in the medium term. This will allow us to offer solutions and meet the constantly growing demand for a wide range of different commodities from existing and new customers through Group structures. This strategy was initiated in financial year 2014, and we continued to systematically pursue it in 2015. In the process, HMS Bergbau AG draws on and opens up its existing network, expertise that it has acquired over the years, as well as its global transport options. At the same time, it taps into and continues to further develop new sourcing markets – especially in Asia, Africa and the Middle East – within the scope of this horizontal integration strategy. Through the planned expansion of its trading activities, HMS Bergbau AG seeks to optimise the utilisation of its capacities, to further diversify risks, to increase gross margins and to create competitive advantages.

HMS Bergbau AG also achieved success with regard to covering the value chain in the coal business, from mining and logistics to customer delivery. In 2015, for example, HMS Bergbau AG invested in the future mining of its own resources and made progress with the Silesian Coal Sp. z. o. o. project through its own exploration licences for the “Orzesze” region located in Silesia. With geological potential of significantly more than 2 billion tonnes, the reserves offer solid mining potential of roughly 672 million tonnes for the long-term mining of coking coal and steam coal.

In addition, we renewed coal marketing agreements with IchorCoal N.V., for example, and concluded new supply contracts, especially in Asia.


In view of the fact that 2015 proved to be another difficult year for the commodities industry as a whole, the reporting year for HMS Bergbau AG proceeded within management's planned parameters. While sales revenues were influenced by the strong trading business in Asia and Africa, it was nevertheless possible to largely compensate for the drop in coal prices with increased tonnage. As a result, total performance decreased year on year by 8.6 % from EUR 128.7 million to EUR 117.6 million. All the same, we succeeded in generating earnings from ordinary business activities of EUR 747,000, which was nearly on par with the level from 2014 of EUR 773,000. This amounted to a decrease of 3.5 %. Profit for the period also went down due to a higher tax burden, totalling EUR 0.2 million as at 31 December 2015 (2014: EUR 0.6 million). With total assets of EUR 32.1 million, the equity ratio improved slightly from 11.0 % to 11.9 % as at the balance sheet date on 31 December 2015. Cash and cash equivalents amounted to EUR 1.4 million as at the balance sheet date.

The beginning of financial year 2016 has shown promise, with the first signs of a recovery on the commodities markets appearing in the second quarter of 2016. Incoming orders on the European market increased as a result of the new activities of sister company HMS Bergbau AG Coal Division and the associated trading transactions of HMS Bergbau AG, as well as higher year-on-year international trading volumes. The weak prices seen in recent months in Asia, which management still believes harbours considerable growth potential with regard to overseas trade, continues to result in very cautious customer markets. However, HMS Bergbau AG has succeeded in further expanding its position there – especially in India – by establishing new business relationships.

## Management & Supervisory Board

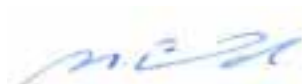
On the whole, it should be noted that HMS Bergbau AG's flexible structures have allowed it to manage the relatively difficult market conditions in recent years with considerable success compared to other competitors. At the same time, we have entered new markets in the course of the vertical and horizontal integration, which will contribute to improved earnings in future and enable HMS Bergbau AG to profit in the long term from the positive trend emerging on commodities markets. Management therefore expects a slight increase in sales revenues in the current financial year, along with gradually higher gross margins as a result of the continued vertical and horizontal integration of the trading business. These higher margins, in turn, will translate into a positive annual result for financial year 2016.

Berlin, June 2016



Heinz Schernikau

CEO



Steffen Ewald

CFO

### CEO



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

### CFO



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

### Supervisory Board

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

## Report of the Supervisory Board

### Dear Shareholders,

In financial year 2015, the Supervisory Board of HMS Bergbau AG carried out its tasks as stipulated by law and its Articles of Association and continuously monitored and advised the Management Board in its work. We regularly obtained comprehensive information on the current economic and financial position of the Group, its business performance, financial, investment and personnel planning as well as its strategic development at our regular meetings and through additional verbal and written reports submitted to us by the Management Board. These reports pertained to the current earning situation, opportunities and risks, and risk management. The Supervisory Board discussed all fundamentally important decisions in depth with the Management Board. We assessed in detail any business transactions requiring our approval. The Supervisory Board voted on reports and proposals put forward by the Management Board if and when required by law or the Articles of Association.

### Focal points of the meetings

The Supervisory Board of HMS Bergbau AG held a total of seven meetings in financial year 2015. 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 resolutions required by law and the Articles of Association were passed. The Management Board informed the Supervisory Board promptly about important matters between meetings. If necessary, resolutions were passed by circular resolution.

The strategic focus of the Group, company planning and the organisational structure, which has to be adjusted accordingly, including all resulting personnel changes in the Company and its subsidiaries, were again at the centre of the Supervisory Board's meetings in financial year 2015. We continued to successfully expand our international operations in Asia and Southern Africa during the year under review. Developments on the national and European coal market were also discussed at the Supervisory Board meetings. This was associated with issues relating to the financing of local subsidiaries' commercial transactions, including the provision of the necessary guarantees by HMS Bergbau AG.

The Supervisory Board visited the Polish coal mine project to inform itself on location about its current status and future development.

In addition, the termination agreement with Duisport agency GmbH, which includes a drastic reduction of the fixed costs and minimum handling volumes contractually guaranteed in 2014, was discussed and approved. A resolution regarding the CEO's retirement provisions was also explained and passed.

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

### Personnel changes

The members of the Supervisory Board did not change in financial year 2015. The actions of Dr. Hans-Dieter Harig, Dr. h. c. Michael Bärlein and Michaela Schernikau in financial year 2014 were approved by the Annual General Meeting on 19 August 2015.

### Annual Report 2015

The annual financial statements and consolidated financial statements of HMS Bergbau AG for financial year 2015 were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB). The Company's auditor for financial year 2015, PANARES GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, was appointed to audit the annual financial statements of HMS Bergbau AG and the consolidated financial statements, the company and group management report and the report of the Management Board on relationships with associated companies ("dependent company report") in financial year 2015.

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



opinion. The internal control system was also deemed to be effective.

All Supervisory Board members had access to the annual and consolidated financial statements, the company and group management report, the dependent company report and the corresponding audit reports in good time. We examined the documents and discussed them in detail at our meeting on 27 June 2016. Both the Management Board and auditor were present at the meeting and provided detailed answers to all questions placed by the Supervisory Board. The auditor also reported on the key points of the audit. Our own examination of the annual and consolidated financial statements, as well as the company and group management report, did not lead to any objections and we approved the audit results. After its final inspection of all documents, the Supervisory Board did not raise any objections and approved the annual financial statements of HMS Bergbau AG as at 31 December 2015 and the consolidated financial statements as at 31 December 2015, as prepared by the Management Board, at its meeting on 27 June 2016. The 2015 annual financial statements have therefore been prepared and approved in accordance with Section 172 of the German Stock Corporation Act (AktG).

On 27 June 2016, the Management Board proposed to carry HMS Bergbau AG's remaining net profit of EUR 333,198.37 forward to new account. We also examined and approved this proposal.

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

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

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

There were no conflicts of interest between the 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 in financial year 2015.

Berlin, June 2016

[Dr. Hans-Dieter Harig](#)

Chairman of the Supervisory Board

### [Members of the Supervisory Board during the reporting period](#)

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

## Investor Relations

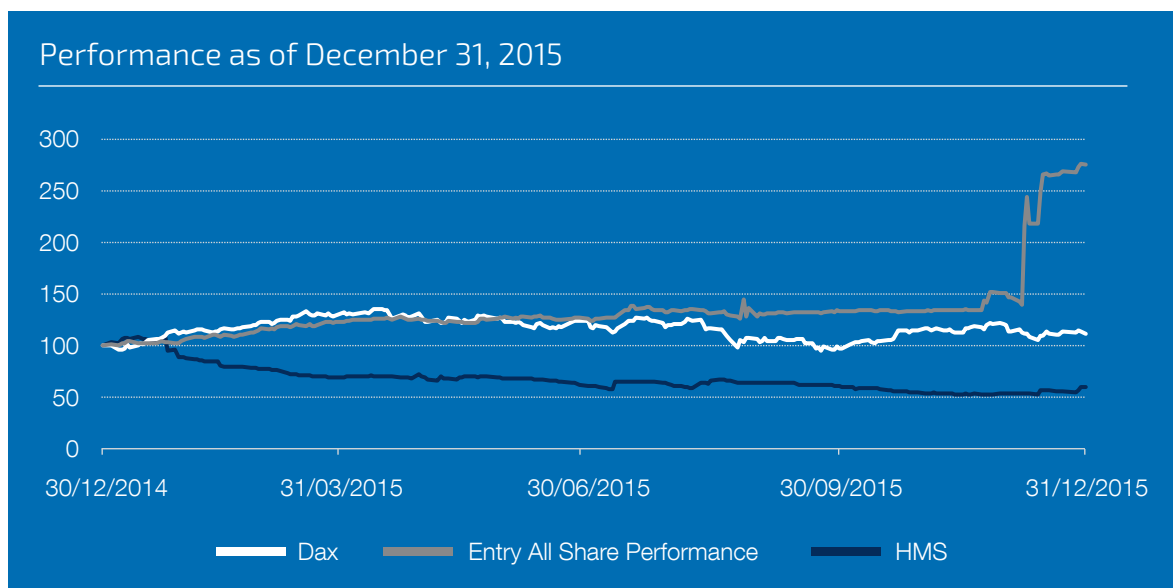
### Development of capital markets

The bulls dominated the capital markets from the start of 2015 to mid April 2015. Bolstered by the expansive monetary policy of the European Central Bank since the start of the year, and particularly the increase in the bond-buying programme to EUR 1.74 trillion in March 2015, the DAX soared to new highs at 12,374 points at the start of April 2015 after closing the previous year at 9,805 points. Following its sharp rise in the first three months of 2015, the DAX then experienced lateral movement with strong volatility until September 2015 due to fears of global economic development, the fall in the price of oil and the associated political uncertainty. The DAX then fell considerably from September, but still closed the year 9.6 % up on the previous year at 10,743 points.

While more and more investors are interested in blue chips on the capital market, smaller companies, known as small caps, are experiencing lower demand. However, the Entry All Share index, on which the HMS Bergbau share is listed, recorded significant changes over the course of the year, which were primarily caused by the movements in share prices that have a major influence on the index. The Entry All Share index rose from 732 points at the start of the year to 1,688 points as of 30 December 2015, which also marked its annual high. This meant that the Entry All Share outperformed the DAX overall in 2015.

### HMS Share Performance

Following the extremely positive performance in 2014, in which the HMS Bergbau AG share rose by over 300 %, the upward trend continued initially at the start of 2015. The HMS Bergbau share reached its annual high of EUR 12.53 on 22 January 2015. The share price then fell in line with the price of coal and the stock markets and came to EUR 8.15 on 30 December 2015. This equated to a decline for the year of 31 % (30 December 2014: EUR 11.77). Market capitalisation came to EUR 35.6 million on 30 December 2015.



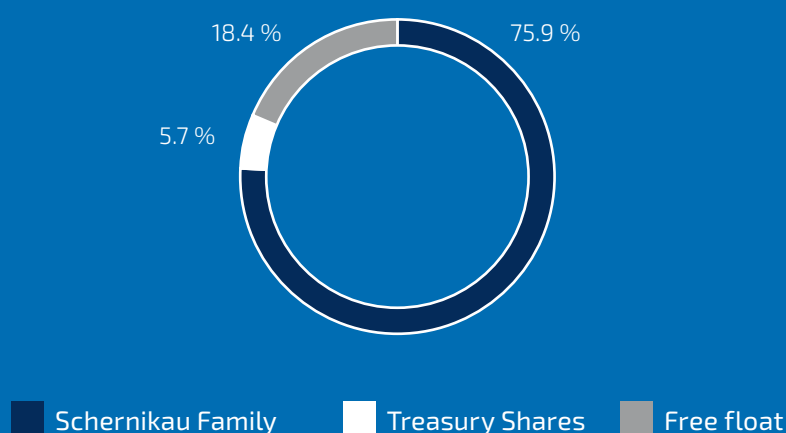


## Shareholder structure

The share capital of HMS Bergbau AG as at 30 December 2015 consists of 4,370,000 shares each with a nominal value of EUR 1.00 and therefore totals

EUR 4,370,000.00. The Schernikau family is the largest shareholder with a 75.9 % stake. HMS Bergbau AG holds 5.7 % (treasury shares), while 18.4 % is in free float.

### Shareholder structure as at December 31, 2015



## Annual General Meeting 2015

The statutory shareholders' meeting of HMS Bergbau AG was held on 19 August 2015 in Berlin. Items on the agenda included the approval of the Management Board's and Supervisory Board's actions, the selection of an auditor and a resolution on the creation of new authorised capital. The shareholders approved all points on the agenda with a majority of 99.9 % of share capital present at the statutory shareholders' meeting.

## Investor relations activities

Aside from the publication of financial reports, the company's Management Board also regularly informs shareholders promptly and comprehensively of

important matters by means of corporate news. All capital-market-relevant information is published in both English and German and exceeds the requirements of the entry standards.

In addition, the completely revised and enhanced company website also ensured transparency in shareholder communications. The Board of Directors also regularly meets with institutional investors, financial journalists and industry analysts to discuss the business model, prospects for the Company's future and other issues relevant to the capital markets.

## Key share figures at 31 December 2015

### Basic Information

ISIN/WKN	DE0006061104/606110
Stock symbol	HMU
Bloomberg symbol	HMU GY
Reuters symbol	HMUG.DE
Market segment / transparency level	Open Market / Entry Standard
Designated sponsor / listing partner	Oddo Seydler Bank AG
Investor Relations	GFEI Aktiengesellschaft
Share capital in EUR	4,370,000.00
Number of shares	4,370,000
Free float	18.4 %

### Performance data at 31 December 2015 (in EUR)

Share price on 30 December 2014 (XETRA closing price)	11.77
Share price on 30 December 2015 (XETRA closing price)	8.15
High 2015 (22 January 2015)	12.50
Low 2015 (30 October 2015)	7.80
Market capitalisation at 30 December 2015	35,615,500.00



# Group Management Report

HMS Bergbau AG, Berlin

## Summary of Group Management Report Financial Year 2015

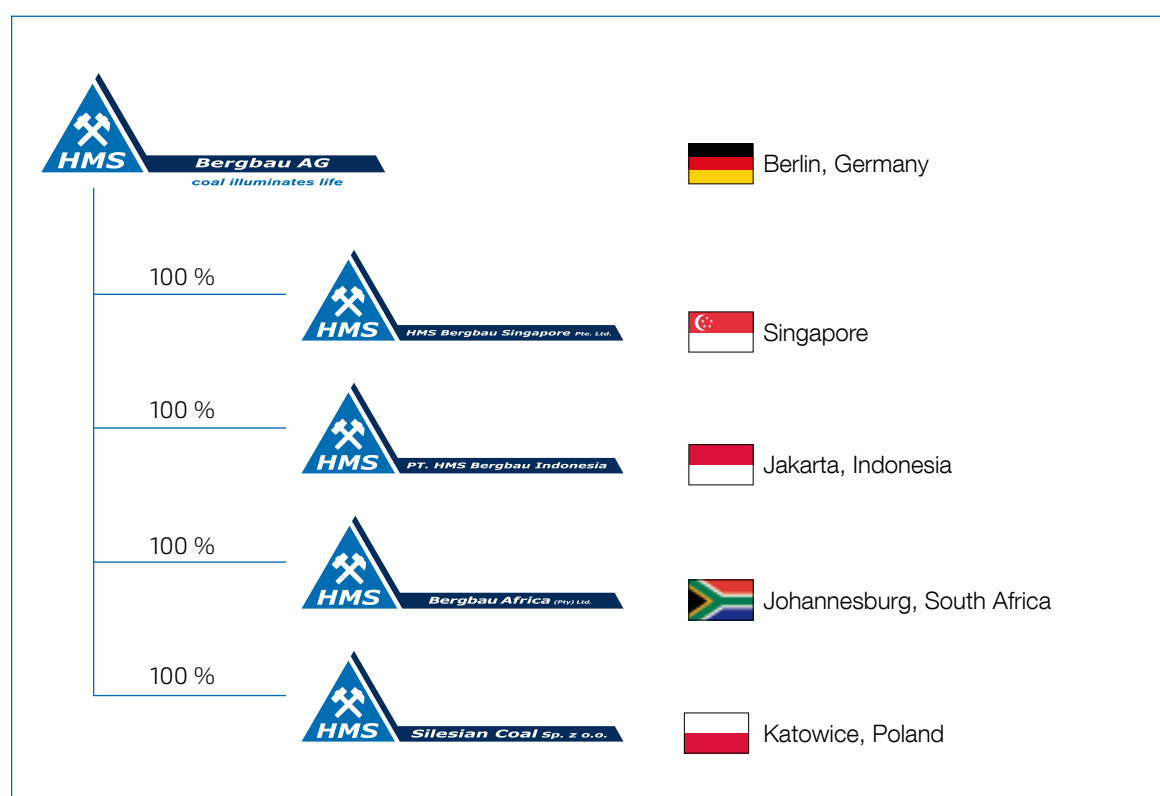
### 1. Overview

HMS Bergbau Group is a globally operating group that trades in coal and energy commodities worldwide, and supplies steam coal, coking coal and coking products to major international power plants, cement manufacturers and industrial consumers.

HMS Bergbau Group has an international network of long-standing business partners and focuses on building long-term, profitable business relationships with international producers and consumers. HMS Bergbau AG acquired the Polish company HMS Silesian Coal Sp. z o.o. in February 2014, thereby continuing to expand its international operations and focus on international growth, which is also evident from the Group subsidiaries founded in previous years, i.e. HMS Bergbau Africa (Pty) Ltd., HMS Bergbau Singapore Pte Ltd. and HMS Bergbau Indonesia.

In February 2015, HMS Bergbau AG announced the expansion of its international coal marketing activities through a new coal marketing agreement concluded with South African coal mining company IchorCoal N.V. The agreement allows HMS Bergbau AG to continue the existing cooperation with Vunene Mining Pty. Ltd., in which IchorCoal holds a majority stake, and gives the Group access to IchorCoal's other mining operations in addition to Eskom for export and domestic sales. The export shipments are handled by sea via Richards Bay.

The following table shows the HMS Bergbau Group structure and its subsidiaries as of 31 December 2015:



HMS Bergbau AG is a dynamic, goal-oriented company and a key player in international coal trade. Our strategy of observing long-term developments on the global commodity markets without losing sight of current trends continues to be based on the following fundamental factors:

### 1.1 Price developments

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

### 1.2 Internationalisation of the markets

The commodities markets are continuing to grow closer as a result of global trade and improved logistics. At the same time, market transparency is increasing thanks to trading platforms and index-based trading activities, resulting in increased competition.

### 1.3 Vertical integration

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

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

#### Strong trade business

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

#### Growth

We aim to sustainably increase earnings through vertical integration and the competitive advantages arising from it in order to generate adequate growth. This includes, in particular, the expansion of international coal marketing activities on the South African coal market through the conclusion of a new coal marketing agreement with the coal mining company IchorCoal N.V.

### Corporate culture

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

### 1.4 Horizontal integration

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

## 2. Business and economic environment

### 2.1 Global economy

According to the Kiel Institute for the World Economy (Institut für Weltwirtschaft, IfW), global economic growth slowed in 2015, as forecast. Global gross domestic product rose by 2.9 % in 2015, according to the IMF. Virtually on par with the previous year’s level, the forecasts for 2016 project growth of 2.9 %, while analysts expect a slight upturn in 2017, and with it, growth of 3.5 %. The outlook for industrialised nations in particular is marked by great uncertainty. Oil price lows, falling share prices and a string of unfavourable economic data from China are exacerbating the problem of a smooth departure from the extremely expansionary monetary policy and consequently serve as determining factors in the uncertainty of the global economic outlook. The IfW calculates that gross domestic product in the US will see growth of only 2.3 % in 2016, following growth of 2.4 % in 2015. Growth of 2.8 % will only be possible in 2017 with increasing economic momentum. In the eurozone, the IfW forecasts a slight rise in economic output of 1.5 % this year and 1.9 % next year.

While the US and Germany posted moderate growth, the performance of emerging markets in 2015 continued to be relatively weak. China experienced an economic downturn and consequently a sharp slowdown in GDP growth. In 2015, the Chinese economy therefore witnessed the weakest growth – 6.9 % – that it has seen in a quarter of a century. Growth still amounted to 7.4 % in 2014. Making a reliable forecast for the years ahead is difficult in light of the quality of the official data. Nonetheless, experts forecast that China will grow by some 6.5 % in 2016 and around 6.0 % in 2017. The economy in South America continued to weaken in 2015, as in the previous years. The target growth rate of 0.3 % that was forecast for 2016 is also still uncertain. Due to the economic crisis triggered by the global drop in oil prices and EU sanctions owing to the conflict in Ukraine, Russia suffered a sharp deterioration in economic output of -3.5 %. Analysts expect to see a slight economic recovery in 2016 and 2017, forecasting growth rates of -2.0 % and 1.6 % respectively.

In addition to the weakening global economic prospects in Russia and Ukraine, there are several signs that indicate a critical adjustment process for China, which has not happened yet, according to economic researchers. The growth rate for industrial production has stabilised, even if at a relatively low level. In terms of factors with global influence, the head of the IfW believes that incidents of terror – even following the attacks in Paris in 2015 and in Brussels in 2016 – have only had a minor impact on the economy. As long as there is no fear of these types of terrorist attacks recurring, the economic impact should remain low for now. At the same time, the IfW does not believe the slump in oil prices will have stimulating effect on the global economy.

## 2.2 Germany

Due to the high level of private consumption and government spending, the German economy once again posted relatively strong growth in 2015. Experts from the German Federal Statistical Office (Destatis) believe that the continued positive trend in consumer spending will remain the mainstay of the economic upswing in Germany. In 2015, gross domestic product (GDP) increased by 1.7 %, which put it above the average of the past ten years for the second year in a row.

The reasons given by Destatis for the rise in private consumer spending are a lack of incentives to save due to interest rates, which continue to remain low, and relief for private households thanks to lower energy prices. In addition, the situation on the labour market can be seen as historically favourable. At 2.845 million, the number of unemployed persons in March 2016 was down on the figure in February as well as on the figure for the same period the previous year. The unemployment rate stood at 6.5 %.

Due to the high costs of caring for and integrating refugees, government spending made a significant contribution to growth in 2015. The immigration of some one million people is viewed by many economists as a stimulus package, also with regard to 2016.

According to information provided by Destatis, German exports and imports were up year on year by 6.4 % and 4.2 % respectively. In 2015, exports and imports consequently exceeded the previous records set in 2014. The foreign trade surplus closed 2015 at EUR 247.8 billion – the highest level to date – and easily topped the previous record of EUR 213.6 billion from 2014. This figure stood at “just” EUR 197.6 billion in 2013.

Despite the threat of terrorism, the refugee crisis and weak economic performance by China, 2016 is dominated by an optimistic outlook. The increase in gross domestic product could noticeably exceed potential growth, such that Germany could once again see growth of 1.7 %, according to economic researchers from Destatis.

However, Destatis believes that the rate of expansion is likely to slow down slightly to 1.5 % in 2017, despite the positive development on the labour market and the ongoing favourable monetary conditions. Cheap oil prices and a weak euro are also expected to support German exports.

### 2.3 General development of the capital markets

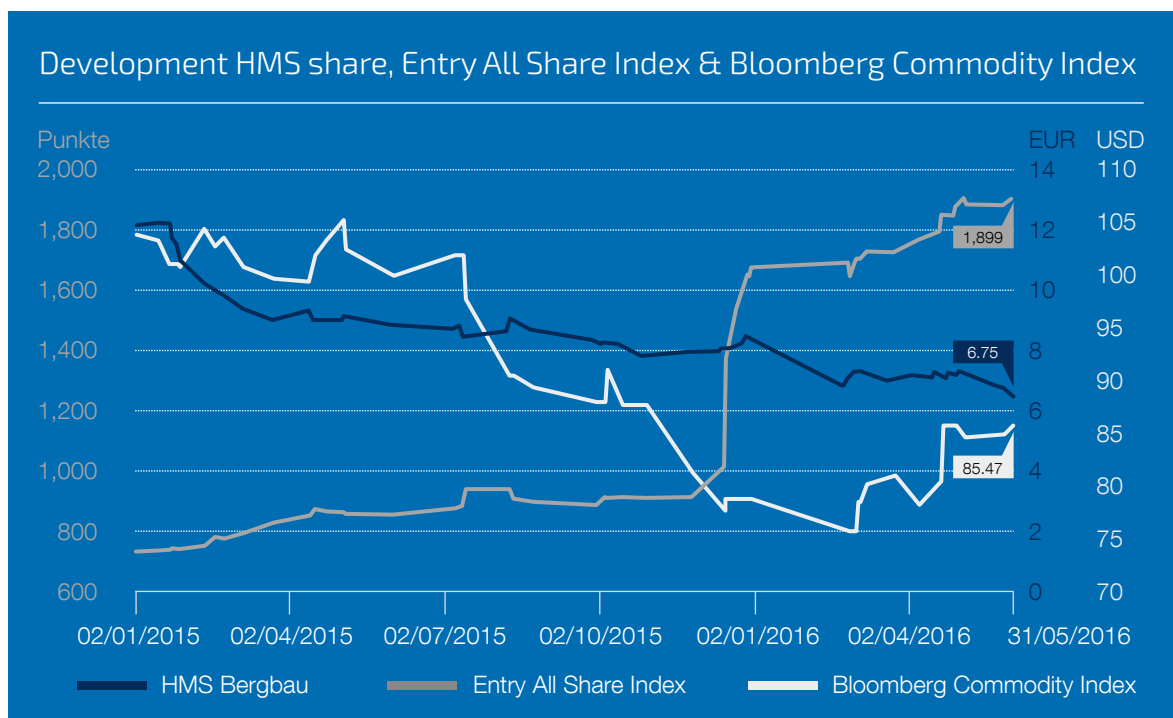
Due to the expansionary monetary policy pursued by the European Central Bank since early 2015, especially the purchase of government bonds in the overall amount of EUR 1.74 trillion, which was increased again in March 2016, the capital markets experienced a boom from early to mid-April 2015 that pushed the DAX to new records at around 12,347 points (30 December 2014: 9,805 points), which amounts to an increase of 26 %. Nonetheless, the DAX fell significantly over the course of 2015 due to a wide range of different global economic worries, the drop in oil prices and political uncertainties and conflicts – especially with regard to Ukraine and the Middle East – and closed the year with 10,743 points as at 30 December 2015. In addition to ramping up its purchase of government bonds in March 2016, the ECB also lowered the benchmark interest rate to 0 %, where it has remained since.

While the blue chips on the capital market are generating an increasing amount of interest, demand for small caps continues to dry up. All the same, the Entry All Share Index, on which HMS Bergbau AG shares are also traded, witnessed significant changes in share prices over the course of the year, which is due to the development of one share price movement in particular, which has a considerable impact on the index. The Entry All Share Index increased significantly from 732 points at the beginning of 2015 to 1,688 points as at 30 December 2015, marking its highest level in 2015.

### 2.4 Global primary energy consumption

The expansion of the international trade in goods and the ever increasing production of goods have led to a sharp rise in global energy consumption, which has more than doubled in the last four decades alone. As a result, not only has there been a change in the absolute quantity of the respective sources of energy, but also in the energy mix in particular. Renewable energy is also becoming increasingly more important.

The International Energy Agency forecasts that the need for primary energy will increase by around double the current figure of 321,000 billion kWh by 2060. These forecasts assume that the standard of living in emerging markets will have reached the level found in Western industrialised nations. According to experts in





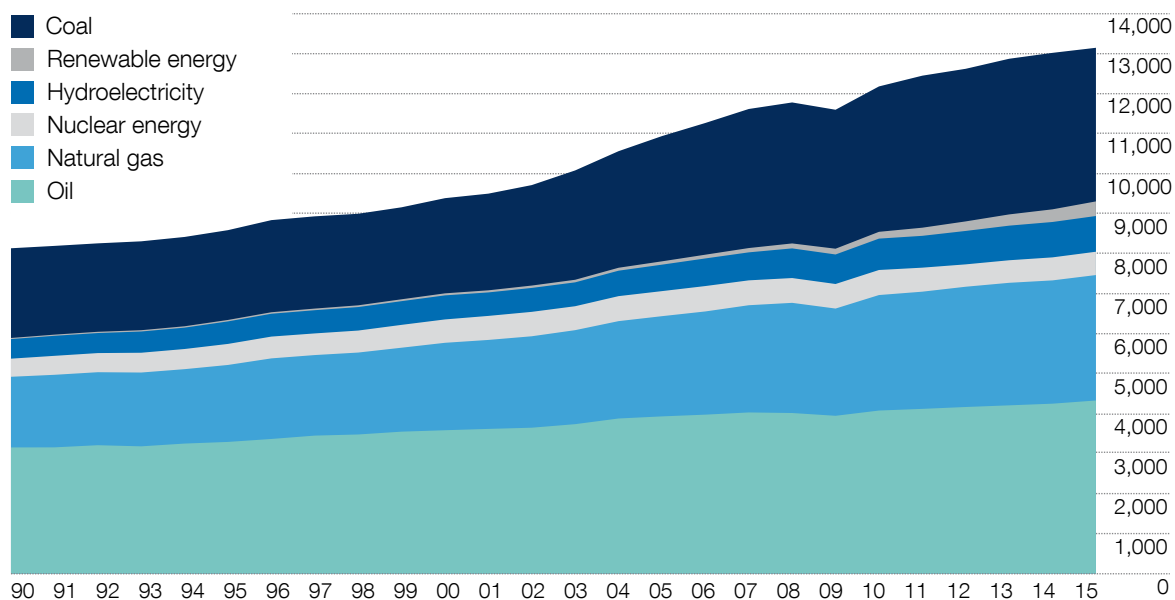
the World Energy Outlook, published annually, energy consumption is expected to increase by one-third between 2015 and 2040 – a trend that will be driven by Africa, India, China, South East Asia and the Middle East.

These same experts project that the world's supply of energy in 2040 will consist of four parts of roughly the same size: oil, gas, coal and low-carbon sources.

Global consumption of primary energy grew by only 1.0 % in 2015, putting it well below the ten-year average growth figure of 1.9 %. The emerging markets accounted for 97 % of this growth. The OECD countries recorded only a minor rise in energy consumption levels in 2015. The growth in Europe was offset by declining primary energy consumption in the US and Japan. The rise in energy consumption slowed once again in China in 2015, but nevertheless saw the largest increase in

### Primary energy consumption worldwide

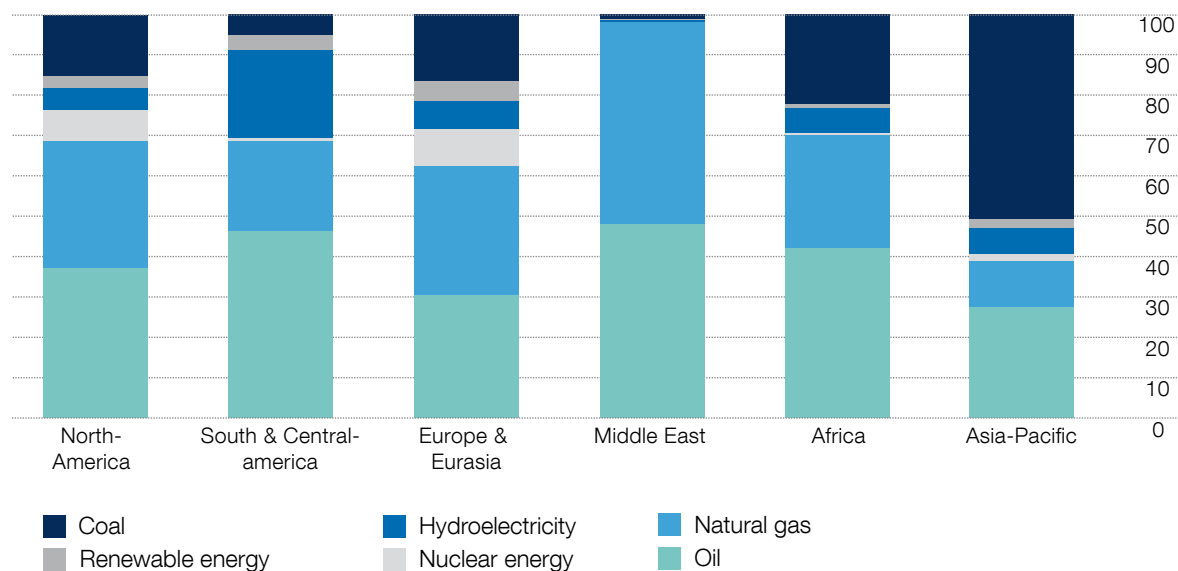
Million tons of oil equivalent



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

### Energy consumption and demand for commodities according to consumers 2015

in Percent



Source: BP Statistical Review of World Energy 2016

primary energy consumption for the 15<sup>th</sup> time in a row, while Russia recorded the largest drop.

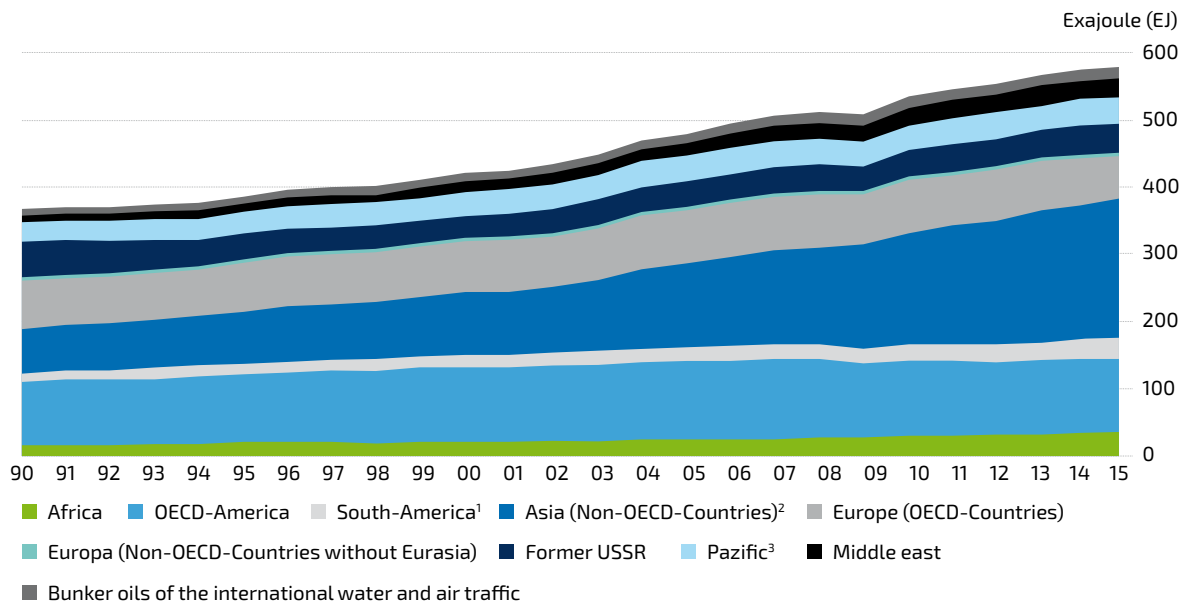
In 2015, consumption of oil and nuclear fuel increased at rates that were above average. As a result, the global share of oil with regard to primary energy consumption grew again slightly for the first time since 1999, accounting for approximately 32.9 % (previous year: 31 %). Now making up around 3 % of global primary energy consumption, the renewable energy sector continues to expand. The share of hydropower and other renewable fuels in power generation therefore reported record-high shares once again in primary energy.

While energy consumption in emerging markets expanded by around 1.6 % in 2015, this figure remained significantly below the ten-year average of 3.8 %. All the same, emerging markets now consume approximately 58.1 % of the energy produced worldwide. Growth of energy consumption in China slowed to just 1.5 %, while at 5.2 %, India recorded another hefty rise. OECD energy consumption saw a comparatively strong increase of 0.1 %, while the OECD reported an average annual decline of 0.3 % over the last decade, however. At 1.6 %, the EU experienced an uncharacteristic rise in energy consumption, while the US witnessed a decline of -0.9 % and Japan a decline of -1.2 %. As a result of this development, Japan saw its lowest level of energy consumption since 1991.

The current World Energy Outlook 2015 from the International Energy Agency (IEA) forecasts global energy consumption to increase by around one-third between 2013 and 2040. According to this report, global demand is only expected to increase by 1 % per year starting in 2025, which is lower than the average rate of increase recorded in the past two decades, i.e. 2 % per year. This decrease can be explained by price and policy impacts as well as structural changes in the service sector and industry. Energy consumption in Europe, North America, Japan and South Korea will likely remain low, while Asia's share of global energy demand is expected to rise quickly up to 60 %. China will likely be the largest oil consumer by 2030 (2014: 520.3 million tonnes) and overtake the US, currently holding the top spot (2014: 836.1 million tonnes) but whose oil consumption will decrease in future. According to IEA forecasts, the energy mix in 2040 will be divided almost equally among four areas (oil, gas, coal and low CO<sub>2</sub>-emitting energy sources). The demand for gas will increase by more than 50 % by 2040.

Growth rates in the global demand for coal will be significantly lower compared to the last 30 years, i.e. 0.5 % per year, according to IEA estimates. In 2040, this will amount to an estimated 6,350 million tonnes of coal equivalents. Growth in the demand for coal is being capped (or declining) due to new environmental protection policies in the major markets – US and China – but also in Europe. Coal consumption, however, will continue to increase rapidly in India. In 2040, more than 70 % of global coal production will be consumed by China, India, Indonesia and Australia alone, which further emphasises the importance of Asia for global coal trading.

## Primary energy consumption worldwide by region



<sup>1</sup>without Chile; <sup>2</sup>without Middle east; <sup>3</sup>Includes Japan, South Korea, Australia, New Zealand

Source: International Energy Agency (IEA)

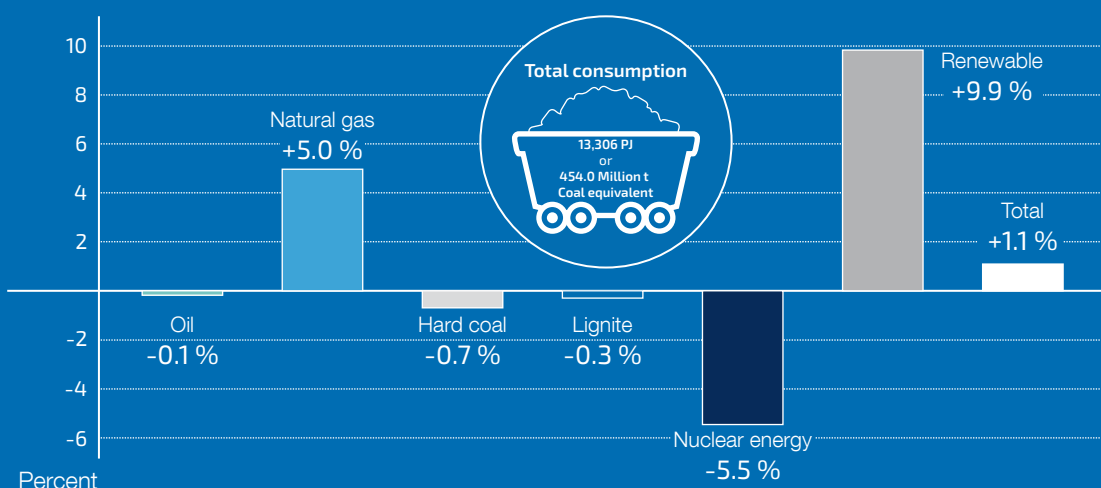
### 2.5 Energy consumption in Germany

According to figures issued by the Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V. – AG Energiebilanzen), energy consumption in Germany in 2015 totalled 13,306 petajoules (PJ), or 454.0 million tonnes of hard coal units (HCU) – up by 1.1 % on the level from the previous year. The increase is due to higher demand for heating energy as a result of cooler weather conditions in 2014. The positive economic development and increase in population according to calculations from AG Energiebilanzen

also led to a rise in energy consumption. Gains made with regard to energy efficiency helped to counteract this trend, however.

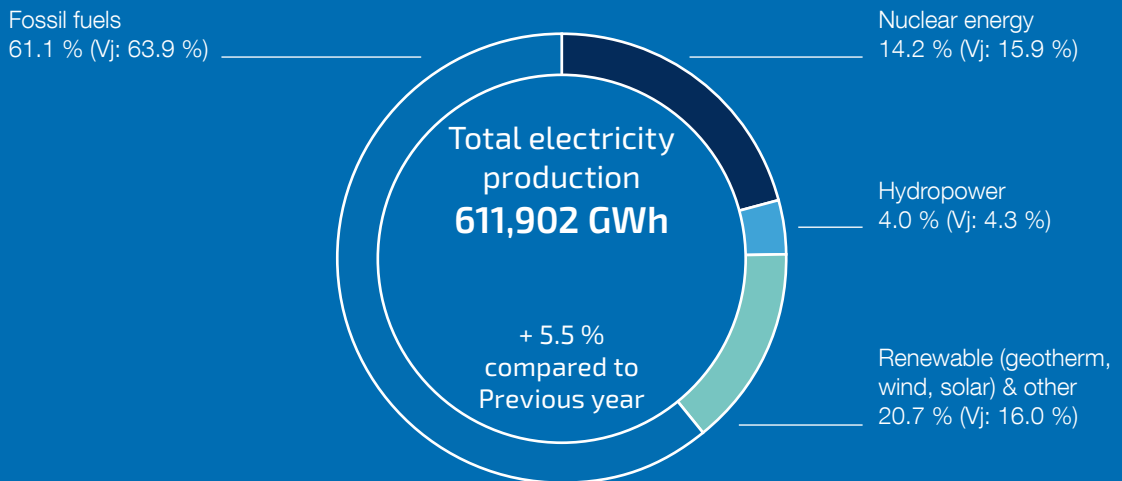
In terms of CO<sub>2</sub> emissions, however, AG Energiebilanzen believes that there will only be a minor rise when compared with the previous year on account of weather conditions, as the growth seen in energy consumption related in particular to emission-free or low-emission fuels, while the consumption of hard coal and lignite was down.

### Energy consumption in 2015 slightly above the previous year



Source: AG Energiebilanzen e.V.

## Primary energy mix in Germany in 2015



Source: International Energy Agency – Monthly electricity statistics

In 2015, **mineral oil consumption** remained virtually on par with the previous year, totalling 4,511 PJ, or 153.9 million tonnes HCU. While consumption of diesel fuel rose sharply on account of the growing demand from the transport and construction industries, the consumption of petrol sales fell slightly, as the number of passenger cars with petrol-powered engines was down in 2015.

Despite favourable prices, no increase in sales was seen with light **heating oil** either, as consumers largely met their additional needs from oil on hand.

**Natural gas sales** rose by 5.0 % year on year to 2,812 PJ, or 95.9 million HCU. This was primarily due to the comparatively cooler weather conditions in the first half of 2015 and the higher use of natural gas for heating purposes as a result. The exceptionally mild weather conditions curbed this growth during the fourth quarter of 2015, however.

Despite the increase in demand for power and the extremely low global market prices, **hard coal**

**consumption** experienced a slight drop of 0.7 % in 2015 to 1,691 PJ, or 57.7 million tonnes HCU. In Germany, more than two-thirds of all hard coal consumed is used to produce energy. Consumption attributable to the steel and iron industries was comparable to the previous year.

Sales of **lignite** were around 0.3 % lower year on year, totalling 1,567 PJ, or 53.5 million tonnes HCU. More than 90 % of such coal was used in power plants to generate heat and electricity. At more than 155 terawatt hours (TWh), electricity generated by lignite was on par with the previous year.

Consumption of **nuclear energy** saw the greatest drop in 2015, decreasing 5.5 %, which is due to the decommissioning of the power plant in Grafenrheinfeld in mid-2015.

The use of renewable energy continues to show strong growth. Consumption increased in 2015 by nearly 9.9 % to 1,669 PJ (56.9 million tonnes HCU). While electricity generated from biomass increased by more

than 2 % and the use of photovoltaics rose by 7 %, wind and hydropower experienced a major year-on-year jump of 50 %. The use of biofuels declined by 6 %.

With regard to other fuels, there was a year-on-year increase of some 2 %.

Altogether, domestic energy production covered 31 % of total consumption in the past year.

## 2.6 Decrease in carbon dioxide emissions

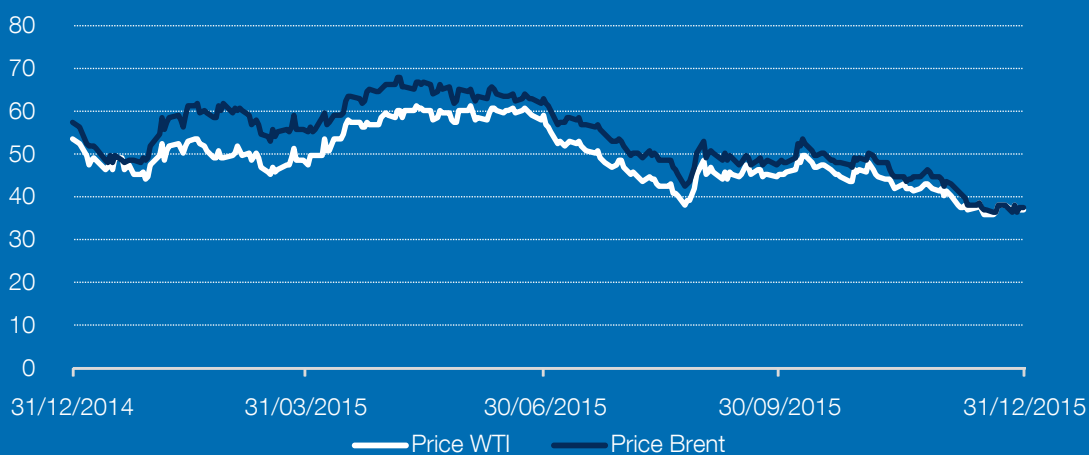
According to the information provided by consultants McKinsey & Co. (Energy Transition Index Germany 2020), following the increase in greenhouse gas emissions in 2012 and 2013, as well as improvement seen in 2014, carbon dioxide emissions in Germany worsened once again in 2015. With the most recent figure standing at 925 million tonnes (previous year: 920 million tonnes), CO<sub>2</sub> emissions are still far from the 2020 target set by German politicians of 750 million tonnes. At the same time, experts have modified their assessment of the likelihood that the target will be met from “realistic” to “unrealistic” due to the rise in power consumption.

## 2.7 Developments in crude oil prices

Since July 2014, oil prices have been trending downwards, and oil types such as WTI and Brent hit new lows in January 2016 of just barely more than USD 30 per barrel – a drop-off in prices of some 70 %. Since then, a slight trend reversal has been observed. Most recently, oil has been trading at around USD 50 per barrel, which is still a low level. However, experts still see no indication of an unmistakable turnaround. The main reason cited for the low oil prices is the oversupply on the global market, which will not decrease in the near future, experts say.

In light of the agreement reached in the nuclear conflict between Iran and the International Atomic Energy Agency, which has led to sanctions being lifted, oil-rich Iran will most likely step up production from 2.9 million barrels to 4 million barrels per day – and return to the global market once again as one of the largest suppliers, according to the IEA. It therefore cannot be ruled out that the oversupply will further increase, putting continued strain on oil prices. While oil production in the US remained relatively high in 2015, according to the US Energy Information Administration, production levels will decrease in the months ahead due to futures contracts that are set to expire and a 60 % drop in oil drilling since the beginning of 2015 (lowest level since April 2010).

Price development of WTI and Brent 2015 (in USD)

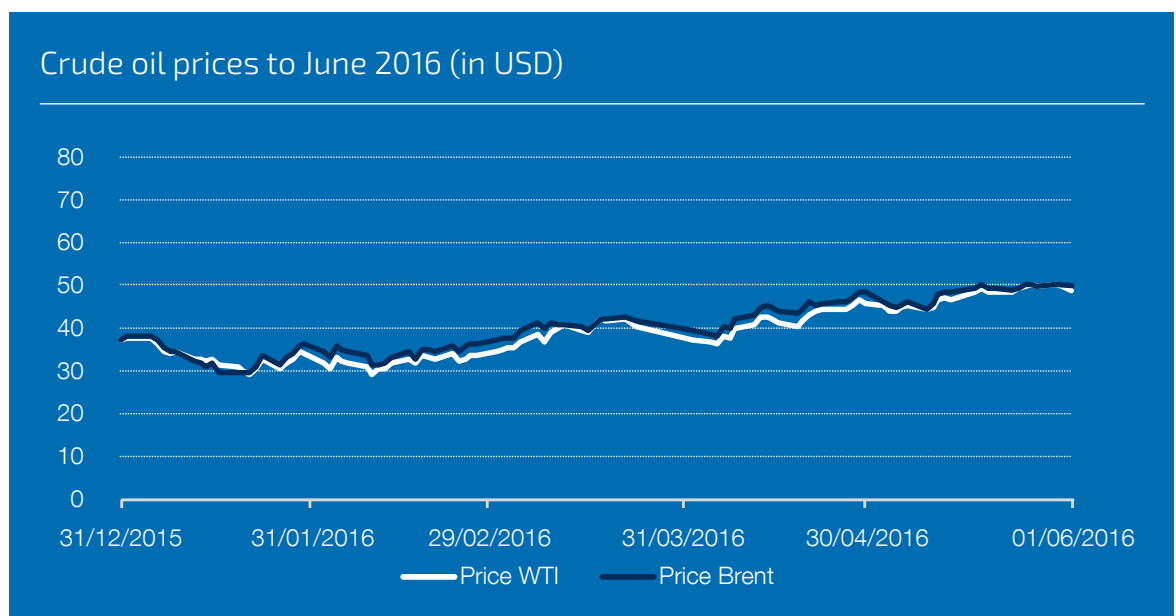


In contrast to the US, oil production was even expanded in Russia during the financial year 2015. Last year, Russia's oil output exceeded 534 million tonnes (2014: 527 million tonnes), which is the highest amount produced there since the collapse of the Soviet Union in 1991.

The members of the Organization of the Petroleum Exporting Countries (OPEC) and other key oil-producing nations, such as Russia, came together at a meeting in early 2016, where countries such as Saudi Arabia, Qatar, Venezuela and Russia temporarily agreed to freeze oil output at the levels from January. However, they made this deal contingent upon other export nations limiting production as well.

The cap is supposed to remain in effect initially until 1 October 2016. Another round of negotiations is scheduled to take place in Russia in October 2016 to review the progress in curbing the drop in oil prices.

The steep drop in oil prices has also had an impact on the prices for alternative fuels. Many countries, such as India and Indonesia, have taken advantage of this price collapse to continue reducing subsidies for fossil fuels. According to the World Energy Outlook 2015, the demand for oil will pick up by 2020, increasing on average each year by 900,000 barrels per day.



Source: [finanzen.net/rohstoffe/oelpreis/historisch/](http://finanzen.net/rohstoffe/oelpreis/historisch/) SIX Financial Information

## 2.8 Developments in the energy consumption of coal

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

Nevertheless, global consumption saw a slight decrease in 2015 for the first time in two decades. According to the International Energy Agency (IEA), this

is due primarily to the development in China, where the onset of a structural change and an economic slowdown have led to a decline in the consumption of coal. Nonetheless, China, which accounts for around 50 % of consumption, still remains the largest consumer, producer and importer of coal. Experts from the IEA expect that the share of coal in the primary energy mix will decrease overall from 29 % to 27 % by 2020, but will continue to increase significantly in absolute terms.

However, the trend towards less coal is not uniform worldwide, which can be illustrated taking India as an example. Currently, 25 % or 300 million people in the country still live without electricity. This figure



is considerably higher than in any other developing country, with the exception of Nigeria, where some 50 % of the population still lives without electricity. In India, Prime Minister Narendra Modi aims to provide all inhabitants with access to electricity by 2022. Due to this ambitious target, the country's need for coal for generating electricity and for industry will rise to such an extent that India, with the share of coal expected to account for almost half of the entire energy mix in 2040, will see the largest growth in demand for the fuel by far.

In addition to India, Indonesia, Brazil, the Middle East and China (which is currently the largest consumer of energy) will also likely experience a very significant increase in energy requirements. As a result, experts estimate that global energy consumption will rise by one-third by the year 2035.

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

the African countries looking to expand their electricity network.

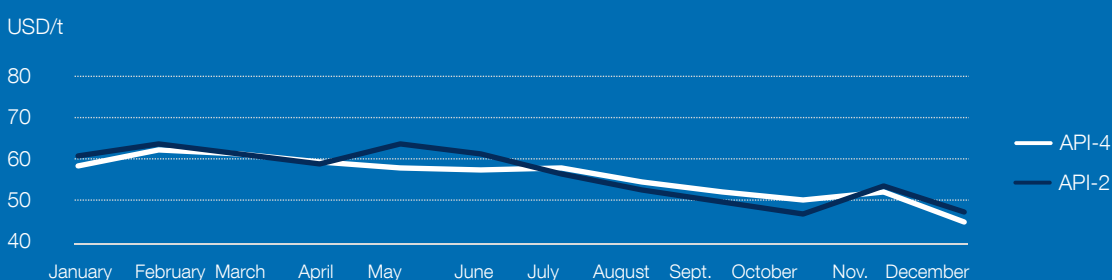
## 2.9 Coal prices

According to an analysis of the German Coal Importer Association (Verein der Kohleimporteure e.v. – VDKi), China and India will continue to have a decisive impact on the developments on the international hard coal market. The development of coal export-producing countries such as Russia (150 million tonnes/plus 7 million tonnes), Indonesia (325 million tonnes/plus 32 million tonnes), Australia (2015: 386 million tonnes) and Colombia (79 million tonnes/plus 2.5 million tonnes) play a major role on the global market. At 65 million tonnes, the US exported some 17 million fewer tonnes than in 2014.

According to surveys conducted by VDKi, Germany imported approximately 54 million tonnes of the fossil fuel in 2015, which is a decline of around 4 % compared to 2014, and it consumed a little more than 57.7 million tonnes of hard coal. Of this amount, 89 % was covered by imports and 11 % by domestic production.

Coal prices also went down in 2015. The decline is clearly evident from the two key coal price indices API 2 and API 4. According to the API 2, the price of coal dropped by 18.27 % from USD 58.95 per tonne at the beginning of the year to USD 48.18 per tonne at the end of 2015. The API 4 coal price index opened the year at USD 60.69 per tonne and closed 2015 at USD 49.97 per tonne, a decline of 17.66 %.

### API-2 and API-4 in 2015



### 2.10 Trade

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

HMS Bergbau Group's main customers include power plant operators, steel and cement manufacturers. We also supply industrial companies, such as glassworks, paper factories and waste processing plants.

Our customers include private companies as well as government entities originating from Asia, Europe, the Middle East and Africa.

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

### 2.11 Vertical integration

We intend to secure a reliable supply for consumers in the long term by accessing resources and coal through marketing agreements with international suppliers. In addition to this, HMS Bergbau Group plans to mine its resources itself in future. This strategy was systematically pursued in 2015.

With the conclusion of a new coal marketing agreement in February 2015 with Vunene Mining Pty. Ltd, which is the majority shareholder in South African company IchorCoal Group, HMS Bergbau Group extended the existing cooperation and also gained access to additional mining operations of IchorCoal for export and domestic sales not associated with Eskom (largest power supplier in Africa). As in the previous year, export shipments are being handled by sea through Richards Bay Coal Terminal (RBCT) – the world's largest coal export terminal. The extension and expansion of the agreement regarding export marketing of the mining activities for the entire IchorCoal Group strengthens HMS Bergbau Group's position on the international coal market.

The wholly owned Group subsidiary Silesian Coal Sp. z o.o, which has already completed geological explorations of the "Orzesze" region in Silesia, is now ready to apply for the mining licence for the deposits that have been explored. It plans to connect the Orzesze reserves to power plants and coking coal by using the infrastructure available at the neighbouring Krupinski mine, which belongs to the JSW Group. With this development, HMS Bergbau Group intends to cover another step along the value chain. It would enable the cost-effective extraction of a reserve of more than 650 million tonnes with a relatively minor investment volume. This step would produce sustainable competitive advantages in the European market for HMS.

### 2.12 Horizontal integration

The expansion of global trade to include other commodities (apart from coal), such as ores, metals and cement products, is intended to become another key pillar for HMS Bergbau AG in the medium term. In this way, it will be possible to offer solutions for and meet the constantly growing demand for a wide range of different commodities from existing and new customers through HMS structures. This strategy was already systematically pursued in financial year 2015. In the process, HMS Bergbau AG draws on and opens up its existing network, expertise that it has acquired over the years, as well as its global transport options. At the same time, it taps into and continues to further develop new sourcing markets – especially in Asia, Africa and the Middle East – within the scope of this horizontal integration strategy. Through the expansion of its activities, HMS Bergbau AG seeks to optimise the utilisation of its capacities, to further diversify risks, to increase gross margins and finally to create competitive advantages.

### 2.13 Logistics

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

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

### 2.14 Research and development

HMS Bergbau AG does not engage in research and development.

### 2.15 Employees

International competition for qualified employees remains high. In its pursuit of long-term employment relationships between staff and HMS Group, management continues to focus on ongoing employee development, together with highly specialised and continuing training. In keeping with this strategy, we have hired additional employees, particularly in the Asian and South African markets, and are planning to continue hiring. Risks resulting from employee fluctuation are accounted for with succession and substitute planning. We conducted training for employees, particularly for those who are new.



### 3. Consolidated results of operations

Results of operations of HMS Group in financial year 2015 compared to the previous year were as follows:

	31/12/2015 EUR thousand	%	31/12/2014 EUR thousand	%	Veränderung EUR thousand	%
Revenues	111,979	100.0	128,235	100.0	-16,256	-12.7
<b>Total performance</b>	<b>111,979</b>	<b>100</b>	<b>128,235</b>	<b>100</b>	<b>-16,256</b>	<b>-13</b>
Cost of materials	110,102	98	122,515	96	-12,413	-10
Personnel costs	2,196	2	2,311	2	-115	-5
Depreciation and amortisation	120	0	123	0	-3	-3
Other operating expenses						
./. other operating earnings	-2,019	-2	2,387	2	-4,406	< -100.0
Taxes (excluding income taxes)	3	0	3	0	0	-6
Tax expenses	110,400	99	127,339	99	-16,939	-13
<b>Operating result</b>	<b>1,579</b>	<b>1</b>	<b>896</b>	<b>1</b>	<b>683</b>	<b>76</b>
Earnings from investment and financial result	-834		-126		-708	< -100.0
<b>Earnings before income taxes</b>	<b>744</b>		<b>770</b>		<b>-26</b>	<b>-3</b>
Extraordinary expenses	223		223		0	0
Income taxes	-343		62		-405	< -100
<b>Annual result</b>	<b>179</b>		<b>609</b>		<b>-430</b>	<b>-71</b>

Sales revenues were influenced by the strong trade business in Asia and Africa. The effect of the decrease in coal prices on sales revenue could only be partially compensated by increased volumes. More than 90 % of the Group's volumes were traded in Asia and Africa in 2015. The materials usage ratio rose slightly, compared to the previous year, due to decreasing prices.

Personnel costs decreased slightly year on year, from EUR 2,311 thousand to EUR 2,196 thousand. The personnel costs ratio remained almost unchanged at approximately 2 %. Depreciation and

amortisation in the 2015 reporting period amounted to EUR 120 thousand, down from EUR 123 thousand in the 2014 financial year.

Other expenses, less other earnings, primarily related to legal and consulting expenses, vehicle and travel expenses, delivery costs, occupancy costs and money transfer costs. The increase in other operating earnings primarily related to recharged costs, royalty income and other consultancy services provided to business partners, which were lower in the previous year.

#### 4. Group net assets

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

	31/12/2015 EUR thousand	%	31/12/2014 EUR thousand	%	Veränderung EUR thousand	%
<b>Assets</b>						
Non-current assets	2,789	9	1,596	5	1,193	75
Receivables	19,637	61	20,637	68	-1,000	-5
Cash and cash equivalents	1,361	4	2,586	9	-1,225	-47
Other assets	8,315	26	5,545	18	2,770	50
	32,102	100	30,364	100	1,738	6
<b>Capital</b>						
Shareholders' equity	5,227	16	5,721	19	-494	-9
Own shares	-1,413	-4	-2,392	-8	979	-41
Non-current liabilities	6,599	21	3,863	13	2,736	71
Current liabilities	21,689	68	23,172	76	-1,483	-6
	32,102	100	30,364	100	1,738	6

The increase in fixed assets is mainly due to investments of approximately EUR 2.4 million made by Silesian Coal Sp. z o.o. in the development of the Orzesze hard coal field, which are reported under advance payments and assets under construction. Receivables relate primarily to trade receivables from customers in Asia. The decrease of approximately EUR 1,000 compared to the prior year is primarily due to the balance sheet date. Other assets are mainly comprised of receivables from recharged costs, royalty income and other consultancy services provided to business partners, which contributed to an increase in this item.

Non-current liabilities include pension obligations. The year-on-year increase as at the balance sheet date, 31 December 2015, is, on the one hand, due to the ongoing discounting of provisions and, on the other, due to the elimination of the previously offset reinsurance policy. Current liabilities are mainly comprised of liabilities to suppliers and liabilities from trade financing transactions. The year-on-year decrease is mainly due to the balance sheet date.

## 5. Group financial position

Cash and cash equivalents developed as follows in financial year 2015:

	2015 EUR thousand
<b>1. Cash flow from current operating activities</b>	<b>-1,583</b>
<b>2. Cash flow from investment activities</b>	<b>-1,352</b>
<b>3. Cash flow from financing activities</b>	<b>611</b>
<b>4. Cash and cash equivalents at the end of the period</b>	
Change in cash and cash equivalents affecting payment	-2,325
Other changes in cash and cash equivalents	0
Cash and cash equivalents at the start of the period	348
Cash and cash equivalents at the end of the period	-1,976
<b>5. Composition of cash and cash equivalents</b>	
Cash and cash equivalents	1,361
Current liabilities to credit institutions	-3,337
Cash and cash equivalents at end of period	-1,976

Cash flow from current operating activities is primarily a reflection of the decrease in the annual result and the increase in working capital. Cash flow from investment activities primarily related to the investment in the development of the Orzesze hard coal field (EUR 1,265 thousand) made by Silesian Coal Sp. z o.o. in 2015. Cash flow from financing activities related to the sale of 79,403 own shares.



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

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

via this company. In other words, the activities of HMS Bergbau AG largely determine the situation of the entire HMS Group. The annual financial statements of HMS Bergbau AG are prepared in accordance with German Commercial Law (HGB) and the German Stock Corporation Act (AktG). The following table provides an overview:

	31/12/2015 EUR thousand	%	31/12/2014 EUR thousand	%	Veränderung EUR thousand	%
Revenue (= Total performance)	70,085	100	60,522	100	9,563	16
Cost of materials	67,033	96	57,954	96	9,079	16
Personnel costs	1,495	2	1,259	2	236	19
Depreciation and amortisation	35	0	39	0	-4	-10
Other operating expenses						
./. other operating earnings	-241	0	-63	0	-177	< -100.0
Taxes (excluding income taxes)	3	0	2	0	1	30
Tax expenses	68,326	98	59,191	98	9,135	15
<b>Operating result</b>	<b>1,759</b>	<b>3</b>	<b>1,331</b>	<b>2</b>	<b>428</b>	<b>32</b>
Earnings from investment and financial result	-345		76		-420	< -100.0
<b>Earnings before income taxes</b>	<b>1,414</b>		<b>1,406</b>		<b>8</b>	<b>1</b>
Extraordinary expenses -	-223		-223		0	0
Income taxes	-26		-143		118	82
<b>Net profit</b>	<b>1,166</b>		<b>1,040</b>		<b>126</b>	<b>12</b>

### 6.1 Results of operations

Ordinary trading activities have a major influence on results of operations of HMS Bergbau AG. The rise in revenue was due to a considerable increase in volume, despite a simultaneous decrease in prices. The local companies and HMS Bergbau AG are active in strongly developing markets in Asia and Africa. Thus, 99 % of sales revenue is generated in Africa and Asia. The cost of materials ratio improved slightly compared to the previous year, by 1.4 %. The personnel costs ratio in

the reporting period was on par with the previous year. Other operating expenses less other earnings are mainly due to delivery costs, the recharging of other Group company services, vehicle and travel expenses, legal and consulting expenses, as well as money transfer costs. They were offset by other operating earnings, which mainly related to recharged costs, royalty income and other consultancy services provided to business partners in 2015.

## 6.2 Net assets

	31/12/2015 EUR thousand	%	31/12/2014 EUR thousand	%	Veränderung EUR thousand	%
<b>Assets</b>						
Non-current assets	6,926	22	5,125	22	1,801	35
Receivables	15,523	50	14,253	62	1,269	9
Cash and cash equivalents	871	3	406	2	465	> 100.0
Other assets	7,694	25	3,393	15	4,301	> 100.0
	31,014	100	23,178	100	7,836	34
<b>Capital</b>						
Shareholders' equity	9,767	32	8,970	39	797	9
Own shares	-1,413	-5	-2,392	-10	979	-41
Non-current liabilities	6,599	21	3,863	17	2,736	71
Current liabilities	16,061	52	12,738	54	3,323	26
	31,014	100	23,178	100	7,836	34

As HMS Bergbau AG engages in trading activities, its net assets are mainly influenced by receivables from customers as well as current trade payables and liabilities to banks. Changes are largely related to the balance sheet date. Furthermore, net assets are influenced by shares in the associated companies and the loans to the Indonesian and African HMS companies. Current liabilities comprise liabilities to suppliers as well as liabilities from trade financing transactions. Other assets are mainly comprised of receivables from recharged costs, royalty income and other consultancy services provided to business partners, which have contributed to an increase in this item.

Non-current liabilities include pension obligations. The year-on-year increase as at the balance sheet date, 31 December 2015, is due to the ongoing discounting of provisions and the elimination of the previously offset reinsurance policy.

## 6.3 Financial position

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

## 6.4. General statement

Our financial performance indicators, which the Executive Board uses to manage the Company and monitors constantly, are sales, gross margin and EBITDA. We were unable to achieve the sales forecasted in the previous year for the entire HMS Group due to ongoing price pressure. Sales revenue therefore amounted to EUR 111,979 thousand in financial year 2015, down from EUR 128,235 thousand in 2014. HMS AG's sales revenue rose significantly, from EUR 60,522 thousand in financial year 2014 to EUR 70,085 thousand. The Group's gross margin decreased from 4.5 % in 2014 to 1.7 % in 2015. Meanwhile, HMS AG's gross margin increased from 3.0 % to 4.4 %. At EUR 1,476 thousand (previous year: EUR 796 thousand), Group EBITDA was up considerably. However, in financial year 2014 this item was negatively impacted by EBITDA of EUR -527 thousand recorded by HMS Coal & Coke Trading GmbH, which was sold effective as at 30 June 2014. HMS AG's EBITDA (EUR 1,571 thousand; previous year: EUR 1,147 thousand) was influenced by the reversal of the impairment losses on the loan to the Indonesian HMS company in 2014 (EUR 1,362 thousand). Overall, we did not fully achieve the earnings forecast in the previous year.

## 7. Events after the balance sheet date

There were no events of particular significance for the net assets, financial position and results situation, which occurred after the close of the financial year.

## 8. Risks and opportunities

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

### 8.1 Price fluctuations

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

### 8.2 Financial risks

Exchange rate and interest rate fluctuations can have a significant impact on HMS Group's earnings. The Company's financial risk management therefore aims primarily to hedge currency risks via currency forwards without entering into speculative transactions. Furthermore, we attempt to eliminate currency differences in financing, purchasing and sales. All Group companies are obliged to assess and, where necessary, hedge all exchange rate risks. Changes to interest rates, or in other words risks from interest-bearing liabilities, as well as a risk premium and currency-specific differences

are accounted for as financing costs and included in the assessment of each transaction. If deemed appropriate in the long term in a risk management context, and after evaluation of all possible scenarios, we exchange variable interest rates for fixed interest rates.

### 8.3 Credit rating of business partners and counterparty risk

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

### 8.4 Political risks

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

### 8.5 Investment risks

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

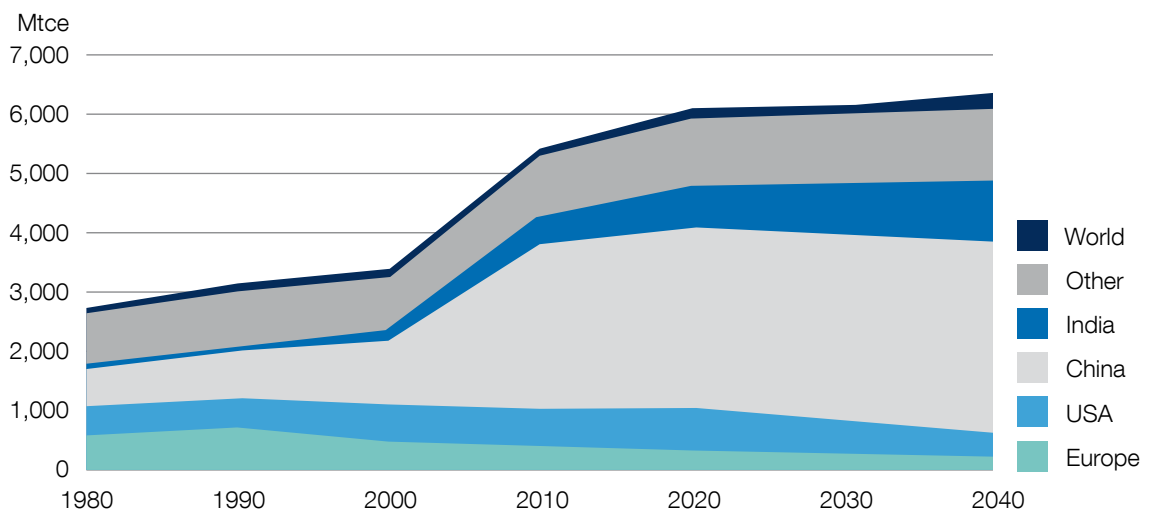
### 8.6 Risks and opportunities resulting from Company strategy

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

### 9. Forecast report

Compared to other energy sources, coal continues to have the largest reserves and resources in the world. Figures compiled by the German Federal Institute for Geosciences and Natural Resources (BGR) for *Energiestudie 2014* (Energy Study 2014) indicate that reserves are sufficient to last a further 120 to 200 years, depending on the type of coal and global economic developments. It is an established fact that the remaining coal reserves are sufficient to cover expected demand for many decades to come. Scientific and market analyses show that the percentage of coal used in global energy production will continue to rise at an above-average rate. According to the IEA (International Energy Agency), hard coal is set to remain the most commonly used commodity for the industrial production of electricity. The chart below illustrates how the growth of industry, particularly in Asia but later also in Africa, is compensating for the global decline in coal-generated electricity. The largest driver of this development is the growing world population, which is set to reach 8.2 billion by 2030, and will certainly lead to rising energy consumption. The share of coal in global electricity production will rise from 40% today to 45% in 2030. Over the next 50 years, a primary energy matrix without coal is unimaginable.

### Global coal demand by region



The steady rise in global energy consumption seen in recent years, with coal being the primary energy source, will continue in the years ahead. Coal prices are likely to continue their upward trend in the future, driven by very strong growth in industrial demand from the Pacific region, population growth and generally increasing per capita consumption. The management of HMS Bergbau AG expects the Pacific region to continue growing in importance as a large sales market. As in previous years, the HMS Group is, therefore, increasing its strategic focus on Asia. It is the opinion of management that Indonesia will become one of the most important mining markets besides South Africa in the coming years as it has excellent resources, favourable mining conditions and a central location in the Pacific region. We see significant growth potential here, particularly for securing large coal resources in order to remain a reliable partner in volatile markets. By securing our own resources, we are aiming to guarantee supply in the long term for our end customers in both the Asian and southern African markets.

We anticipate rising prices in the global market. Securing our own resources, and consequently expanding the value chain to include all steps from production to end customer sales, therefore both play an essential part in strengthening our market position in the long term. Particularly in light of the known dangers of nuclear power and the current difficulties in realising the transition to renewable energies, we do not expect demand for fossil fuels to decline in Europe. Coal-generated electricity is a flexible form of energy supply and will retain its significance, in Europe and elsewhere. Our efforts in Europe continue to focus on renewing expired contracts and concluding new contracts with European power plant operators as well as expanding and consolidating our market position in niche products, such as coking coal and coke products. In Africa and Asia, we are focussing on building long-term relationships with suppliers and customers in order to share in the increasing importance of both regions in the world coal trade. In financial years 2016 and 2017, our principal task remains to regain market share in Europe while pushing ahead with the expansion of our business in Asia and Africa. At the same time, we need to adhere to our strategy of expanding the value chain, particularly by means of entering into and realising exclusive marketing and cooperation agreements, as well as developing internal capabilities.

We had a relatively promising start to financial year 2016. Incoming orders in the European market increased as a result of the new activities of sister company HMS Bergbau AG Coal Division and the associated trading transactions of HMS Bergbau AG, as well as increased international trading volumes. And there are further opportunities relating to the marketing of American coking coal and coke products. Weak prices in Asia in recent months continue to result in a very cautious customer markets. However, HMS continued to develop its position in Asian markets, particularly India. Management continues to see considerable growth potential for overseas trade in Asia. In 2016 there is a particular focus on the Korean, Taiwanese, Vietnamese, Philippine and Japanese sales markets. The decrease in prices meant that no shipments resulting from marketing agreements could be made to Africa in 2015. However, such shipments are planned for the second half of 2016. In the spring, after an idle period of more than 25 years, underground mining resumed at the mine in Vunene. The existing marketing agreements were extended to include the resulting capacities. Management expects this agreement to generate significant deliveries in the future, resulting in increased sales revenues and margins.

In light of initial signs of a recovery on the commodities markets in the second quarter of 2016, management notes that HMS Bergbau AG's flexible structures allowed it to endure the difficult market conditions in recent years with relative success. Meanwhile, the Company entered new markets in the course of its vertical and horizontal integration, which should result in improved earnings, and allow HMS Bergbau AG to increase its long-term market share and profit from the emerging positive trend on commodities markets. In the current financial year, management therefore anticipates a slight increase in sales revenues along with slightly higher gross margins as a result of the greater vertical and horizontal integration of the Company's trading business. The anticipated positive trend also means we expect a positive annual result for financial year 2016 at the level achieved in 2015.

## 10. Main features of the remuneration System

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

## 11. Hedges

No hedges were entered into in the reporting period.

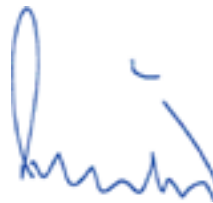
## 12. Closing statement in accordance with Section 312 (3) of the German Stock Corporation Act (AktG)

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

## 13. Forward-looking statements

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

Berlin, 29 March 2016



Heinz Schernikau  
CEO



Steffen Ewald  
CFO





**Bergbau AG**

*coal illuminates life*

## Consolidated Balance Sheet as of December 31, 2015

## Assets

		31/12/2015	31/12/2014
	EUR	EUR	EUR
A. Non-current assets			
I. Intangible assets			
1. Licences, industrial property rights, similar rights and values and licences in such rights and values	15,220.53		12,376.00
2. Property, plant and equipment	155,515.49		205,952.95
		170,736.02	218,328.95
II. Property, plant and equipment			
1. Other equipment, office and factory equipment	169,863.43		183,486.44
2. Deposits paid / plant under construction	2,423,515.31		1,158,550.56
		2,593,378.74	1,342,037.00
III. Financial assets			
Investments in associated companies		25,000.00	35,801.21
		2,789,114.76	1,596,167.16
B. Current assets			
I. Receivables and other assets			
1. Requests from deliveries and services	19,636,968.07		20,636,815.28
2. Other assets	8,251,507.41		5,466,730.12
		27,888,475.48	26,103,545.40
II. Cash and bank balances			
Cash and bank balances		1,360,955.30	2,586,180.44
		29,249,430.78	28,689,725.84
C. Prepaid expenses		63,265.32	77,008.56
		32,101,810.86	30,362,901.56

## Shareholders' equity and liabilities

		31/12/2015	31/12/2014
	EUR	EUR	EUR
<b>A. Shareholders' equity</b>			
<b>I. Subscribed capital</b>	<b>4,201,096.00</b>		<b>4,121,693.00</b>
<b>II. Capital reserve</b>	<b>3,906,305.88</b>		<b>3,375,014.97</b>
<b>Paid In Capital</b>		<b>8,107,401.88</b>	<b>7.496.707,97</b>
<b>III. Profit reserves</b>			
1. Statutory reserve	5,112.92		5,112.92
2. Other profit reserves	273,158.45		273,158.45
		<b>278,271.37</b>	<b>278,271.37</b>
<b>IV. Consolidated net loss</b>	<b>-4,387,475.77</b>		<b>-4,566,110.97</b>
<b>V. Difference in equity due to currency conversion</b>	<b>-184,691.03</b>		<b>119,657.59</b>
		<b>-4,572,166.80</b>	<b>-4,446,453.38</b>
		<b>3,813,506.45</b>	<b>3,328,525.96</b>
<b>B. Provisions</b>			
1. Pension provisions and similar obligations	6,599,218.00		3,862,810.68
2. Tax provisions	97,739.66		353,321.83
3. Other provisions	278,175.82		356,980.70
		<b>6,975,133.48</b>	<b>4,573,113.21</b>
<b>C. Liabilities</b>			
1. Liabilities to banks	3,337,331.52		2,238,027.14
2. Trade payables	13,882,274.91		16,986,190.93
3. Other liabilities	4,093,564.50		3,235,124.70
		<b>21,313,170.93</b>	<b>22,459,342.77</b>
<b>D. Deferred income</b>		<b>0.00</b>	<b>1,919.62</b>
		<b>32,101,810.86</b>	<b>30,362,901.56</b>

## Consolidated Income Statement 2015

	2015 EUR	2014 EUR
1. Revenues	111,979,263.24	128,234,655.76
2. Other operating earnings	5,604,278.30	452,760.33
- thereof from currency translation: EUR 231 thousand (previous year: EUR 219 thousand)		
	117,583,541.54	128,687,416.09
3. Cost of materials		
Costs for raw materials and supplies and for goods purchased	-110,007,692.33	-122,154,240.24
Cost for services purchased	-94,055.28	-361,137.38
	-110,101,747.61	-122,515,377.62
4. Personnel costs		
a) Wages and salaries	-1,616,000.41	-1,710,273.08
b) Social security costs and pension support costs - thereof for pensions EUR 429 thousand (prev. EUR 339 thousands)	-579,519.55	-600,412.76
	-2,195,519.96	-2,310,685.84
5. Depreciation and amortisation		
Amortisation of intangible assets and depreciation of property, plant and equipment	-119,741.45	-122,722.89
6. Other operating expenses	-3,584,925.62	-2,839,787.69
- thereof from currency translation: EUR 874 thousand (prev. EUR 382 thousand)		
7. Income from investments of associated companies	0.00	339.46
8. Other interest and similar earnings	212,878.19	576,496.18
9. Interest and similar expenses	-1,047,348.16	-702,599.75
- thereof from discounting of pension obligations: EUR 562 thousand (prev. EUR 645 thousand)		
<b>10. Earnings from ordinary activities</b>	<b>747,136.93</b>	<b>773,077.94</b>
11. Extraordinary expenses	-222,748.92	-222,748.32
12. Income taxes	-342,920.86	62,159.98
13. Other taxes	-2,831.95	-3,295.03
<b>14. Net profit / loss</b>	<b>178,635.20</b>	<b>609,194.57</b>
15. Gain / loss carried forward	-4,566,110.97	-5,470,248.94
16. Profit or loss attributable to minority interest	0.00	294,943.40
<b>17. Consolidated net loss</b>	<b>-4,387,475.77</b>	<b>-4,566,110.97</b>
<b>Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>	<b>1,478,599.43</b>	<b>799,156.08</b>
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>1,358,857.98</b>	<b>676,433.19</b>

# Consolidated Cash Flow Statement 2015

	2015 EUR thousand
<b>1. Cash flow from current operating activities</b>	
Net earnings for the period (in the previous year Including share attributable to minority interests)	179
Depreciation of fixed assets	120
Increase in provisions	2,402
Income from the disposal of consolidated subsidiaries	0
Other non-cash expenses (+) / income (-)	-1,456
Loss due to the disposal of assets	
Change in inventories, trade receivables and other assets	-1,771
Decrease (prev. increase) in inventories, trade payables and other liabilities	-2,247
Interest expense (+) / interest income (-)	834
Expenses (+) / income (-) from extraordinary items	223
Income tax expense (+) / tax benefit (-)	343
Income tax payments	-245
Other	36
<b>Cash flow from current operating activities</b>	<b>-1,583</b>
<b>2. Cash flow from investment activities</b>	
Cash outflow for investments in property, plant and equipment	-1,317
Cash inflow from disposals of fixed assets	0
Cash outflow for investments in intangible assets	-10
Cash outflow for the acquisition of shares in consolidated subsidiaries, net of cash acquired	0
Cash outflow for investments in associated companies	0
Cash outflow for payments for investments in holdings	-25
<b>Cash flow from investment activities</b>	<b>-1,352</b>
<b>3. Cash flow from financing activities</b>	
Proceeds from supplying of equity	611
<b>Cash flow from financing activities</b>	<b>611</b>
<b>4. Cash and cash equivalents at the end of the period</b>	
Changes affecting payment (Subtotals 1 – 3)	-2,325
Changes in exchange rates, basis of consolidation and measure	0
Changes in cash and cash equivalents from the change in the basis of consolidation	0
Cash and cash equivalents at the start of the period	348
<b>Cash and cash equivalents at the end of the period</b>	<b>-1,976</b>
<b>5. Composition of cash and cash equivalents</b>	
Cash and cash equivalents	1,361
Current liabilities	-3,337
<b>Cash and cash equivalents at the end of the period</b>	<b>-1,976</b>

## Consolidated Statement of Changes in Shareholders' Equity 2015

	Parent company				
	Subscribed capital common shares	Capital reserve	Accumulated other consolidated net earnings		Group's share
			Generated consolidated shareholders' equity	Balancing item from currency conversion	
	EUR	EUR	EUR	EUR	EUR
<b>31/12/2013</b>	4,121,693.00	3,375,014.97	-5,191,977.57	332,916.35	2,637,646.75
Changes in the basis of consolidation	0.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	-213,258.76	-213,258.76
	0.00	0.00	0.00	-213,258.76	-213,258.76
Consolidated net income / loss	0.00	0.00	904,137.97	0.00	904,137.96
<b>31/12/2014</b>	4,121,693.00	3,375,014.97	-4,287,839.60	119,657.59	3,328,525.95
Changes in the basis of consolidation	79,403.00	531,290.91	0.00	0.00	610,693.91
Other changes	0.00	0.00	0.00	-304,348.62	-304,348.62
	4,201,096.00	3,906,305.88	-4,287,839.60	-184,691.03	3,634,871.24
Consolidated net income / loss	0.00	0.00	178,635.20	0.00	178,635.19
<b>31/12/2015</b>	4,201,096.00	3,906,305.88	-4,109,204.40	-184,691.03	3,813,506.43

	Minority interest		Consolidated shareholders' equity
	Minority capital	Shareholders' equity	
	EUR	EUR	EUR
	65,136.78	65,136.78	2,702,783.53
	229,806.62	229,806.62	229,806.62
	0.00	0.00	-213,258.76
	229,806.62	229,806.62	16,547.86
	-294,943.40	-294,943.40	609,194.56
	0.00	0.00	3,328,525.95
	0.00	0.00	610,693.91
	0.00	0.00	-304,348.62
	0.00	0.00	3,634,871.24
	0.00	0.00	178,635.19
	0.00	0.00	3,813,506.43



## Statement of Changes in Non-Current Assets as of December 31 , 2015

	Cost						
	01/01/2015	Currency conversion	Change in the basis of consolidation	Additions	Disposals	Reclassifications	31/12/2015
	EUR	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	19,825.29	0.00	0.00	9,964.50	0.00	0.00	29,789.79
2. Goodwill	252,187.29	0.00	0.00	0.00	0.00	0.00	252,187.29
	272,012.58	0.00	0.00	9,964.50	0.00	0.00	281,977.08
<b>II. Property, plant and equipment</b>							
1. Other equipment, office and factory equipment	505,604.07	-4,812.58	0.00	53,798.60	2,790.12	0.00	551,799.97
2. Deposits paid / plant under construction	1,158,550.56	1,376.91	0.00	1,263,587.83	0.00	0.00	2,423,515.31
	1,664,154.64	-3,435.67	0.00	1,317,386.43	2,790.12	0.00	2,975,315.28
<b>III. Investments</b>							
Investments	74,149.10	0.00	0.00	25,000.00	35,801.21	0.00	63,347.89
	<b>2,010,316.31</b>	<b>-3,435.67</b>	<b>0.00</b>	<b>1,352,350.93</b>	<b>38,591.33</b>	<b>0.00</b>	<b>3,320,640.25</b>

Accumulated amortisation and depreciation								Book values	
01/01/2015	Currency conversion	Change in the basis of consolidation	Additions	Disposals	Reclassifications	31/12/2015		31/12/2015	31/12/2014
EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR
7,449.29	0.00	0.00	7,119.97	0.00	0.00	14,569.26		15,220.53	12,376.00
46,234.34	0.00	0.00	50,437.46	0.00	0.00	96,671.80		155,515.49	205,952.95
53,683.63	0.00	0.00	57,557.43	0.00	0.00	111,241.06		170,736.02	218,328.95
322,117.63	0.00	0.00	62,184.02	2,365.12	0.00	381,936.53		169,863.44	183,486.44
0.00	0.00	0.00	0.00	0.00	0.00	0.00		2,423,515.31	1,158,550.56
704,540.00	0.00	0.00	62,184.02	2,365.12	0.00	381,936.53		2,593,378.75	1,342,037.00
38,347.89	0.00	0.00	0.00	0.00	0.00	38,347.89		25,000.00	35,801.21
<b>796,571.51</b>	<b>0.00</b>	<b>0.00</b>	<b>119,741.45</b>	<b>2,365.12</b>	<b>0.00</b>	<b>531,525.48</b>		<b>2,789,114.77</b>	<b>1,596,167.16</b>

# Notes to the Consolidated Financial Statements

HMS Bergbau AG, Berlin

Financial Year 2015

## I. General information

The consolidated financial statements of HMS Bergbau AG for financial year 1 January to 31 December 2015 were prepared in accordance with German commercial law and the additional regulations of the German Stock Corporation Act (AktG), applying the relevant regulations of the German Accounting Law Modernisation Act (BilMoG).

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

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

The income statement was prepared using the total cost method.

## II. Basis of consolidation

### 1. Information on all Group companies

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

Name	Headquarter	Share in %	Shareholder's equity EUR thousand	Annual result EUR thousand
HMS Bergbau AG Iron Ore Division	Berlin	100	10	-1
HMS Bergbau Africa (Pty) Ltd.	Johannesburg	100	-247	-606
HMS Bergbau Singapore (Pte) Ltd.	Singapore	100	731	20
PT. HMS Bergbau Indonesia	Jakarta	100	-3,530	-246
Silesian Coal Sp. z o.o.	Katowice	100	-371	-223

### 2. Investments

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

- ▲ Carbo-KH, Kemerovo, Russia (inactive)
- ▲ Masawu Coal (Pty) Ltd., South Africa
- ▲ STELNA Holding GmbH, Vienna
- ▲ Studzionka Coal Production Sp. z o.o., Katowice

The shares in STELNA Holding GmbH, Vienna, were acquired in 2015.

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

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

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

## III. Consolidation principles

The annual financial statements of the consolidated subsidiaries were prepared on 31 December 2015, the same balance sheet date as the parent Company.

### 1. Capital consolidation method

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

### 2. Date of initial consolidation

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

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

### 3. Debt consolidation

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

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

Intragroup sales are offset against corresponding intragroup expenses.

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

Intercompany profits from intragroup deliveries and services did not arise.

## IV. Currency conversion principles

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

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

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

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

## V. Accounting and valuation principles

### Accounting and valuation

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

**Intangible assets** are valued at cost less amortisation.

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

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

Cash and cash equivalents were recognised at their nominal amounts.

Defined pension obligations are calculated according to the projected unit credit method, using the "2005 G" mortality tables compiled by Prof. Klaus Heubeck, assuming a fluctuation and salary trend of 0 %, a discount rate of 4.31 % (previous year: 4.53 %) and a pension trend of 2.0 % (previous year: 2.0 %). Section 253 (2) and (6) HGB, revised version, were voluntarily applied as of 31 December 2015. The discount rate was selected on the basis of the ten-year average assessment. The difference between the seven-year average interest rate and the ten-year average interest rate, which is subject to a payout block (Section 253 (6) sentence 2 HGB, revised version), amounted to EUR 439,945.00. In financial year 2010, due to the first-time application of the German Accounting Law Modernisation Act (BilMoG), the amount allocated for pension provisions, calculated in accordance with actuarial principles, came to EUR 3,341 thousand, which will be spread over a period of 15 years pursuant to Article 67 (1), sentence 1, of the Introductory Act to the German Commercial Code (EGHGB). EUR 1,336 thousand of this sum was allocated as of 31 December 2015. The remaining amount, which comes to EUR 2,005 thousand, will be recorded to pension obligations, in an annual amount of EUR 223 thousand until the year 2024.

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

Liabilities are recognised at their settlement value.

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

## VI. Notes on the consolidated balance sheet

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

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

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

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

Pension obligations stood at EUR 6,599 thousand. Due to the payout (EUR 1,445 thousand) in the financial year of the reinsurance solely serving to fulfil pension obligations, which was offset against the provision in the previous year, there was no further option to offset assets as of the balance sheet date.

Other provisions mainly concern acquisition costs of EUR 85 thousand, Supervisory Board remuneration of EUR 100 thousand and personnel provisions of EUR 57 thousand.

Deferred taxes arise largely from the difference in valuation of the provision for pensions and from the valuation of the loss carry-forward assessed as utilizable in the future. The calculation of the temporary differences uses the corporation and business tax rates for the financial year of 30.18 %. Calculation of taxes as of 31 December 2015 once again, as on the previous year's balance sheet date, resulted in a deferred tax asset surplus. The Company has exercised the option in Section 274 HGB not to capitalise the tax relief calculated.

The subscribed capital in the amount of EUR 4,370,000.00 is comprised of 4,370,000 common bearer shares with a nominal value of EUR 1.00 each. In the financial year, 79,403 treasury shares were sold, each of which accounts for EUR 1.00 of share capital (EUR 79,403.00). The portfolio of treasury shares stood at 168,904 units as of 31 December 2015.

The capital reserve of EUR 3,906,305.88 results from the difference between the nominal value and the issue price. The increase of EUR 531,290.91 results from the sale of 79,403 treasury shares.

Liabilities to banks amounted to EUR 3,337 thousand as of the balance sheet date (previous year: EUR 2,238 thousand); all had terms of less than one year.

## VII. Notes on the consolidated income statement

**Sales** of EUR 111,979 thousand were generated in the financial year, mainly from the trade in coal products such as steam coal, coking coal and anthracite. Broken down by region, sales were generated in Asia (54 %), Africa (45 %) and Europe (1 %).

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

**Other operating earnings** primarily include earnings from the recharging of Group company services, licensing income and currency translation.

**Other operating expenses** result primarily from legal and consulting expenses (EUR 589 thousand), vehicle and travel expenses (EUR 649 thousand), delivery costs (EUR 1,904 thousand), occupancy costs (EUR 227 thousand), currency translation (EUR 874 thousand) as well as money transfer costs (EUR 126 thousand).

The **financial result** includes interest expenses on pension obligations of EUR 562 thousand.

**Extraordinary expenses** include 1/15th of the addition of pension provisions resulting from the change in valuation pursuant to Section 253 (1) sentence 2 HGB.

## VIII. Notes on the consolidated cash flow statement

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

## VIII. Other notes

### 1. Members of the Management Board and Supervisory Board

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

- ▲ Herrn Heinz Schernikau, CEO,
- ▲ Herrn Steffen Ewald, CFO (since 1 March 2015)

The total remuneration of the Management Board in financial year 2015 – excluding additions to pension provisions – was EUR 357 thousand (previous year: EUR 307 thousand).

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

- ▲ Herr Dr. Hans-Dieter Harig; engineer, retired, Chairman.
- ▲ Herr Dr. h.c. Michael Bärlein; lawyer, Berlin, Deputy Chairman
- ▲ Frau Michaela Schernikau; businesswoman, Managing Director, Berlin.

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

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

### 2. Remuneration of members of the Supervisory Board

The members of the Supervisory Board did not receive any remuneration for their activities in 2015. A corresponding allocation to provisions of EUR 50 thousand was taken into account for the remuneration for 2014 and 2015 respectively.

### 3. Other financial obligations

On 31 December 2015, the Group's purchase obligations from traded contracts amounted to EUR 5,891 thousand, all relating to 2016.

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

Up to 1 year	EUR 242 thousand
Between 1 and 5 years	EUR 157 thousand
More than 5 years	EUR 0 thousand

### 4. Contingent liabilities within the meaning of Section 251 HGB

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

### 5. Auditor's fee

The auditor's fee came to EUR 35 thousand. In addition, other services in the amount of EUR 13 thousand were performed by the auditor in 2015.

### 6. Annual average number of employees

An average of 26 employees (12 female, 14 male) were employed in the financial year from 1 January 2015 to 31 December 2015.

### 7. Types of shares

HMS Bergbau AG has share capital worth EUR 4,370,000.00, divided into:

4,370,000 common bearer shares at a nominal value of EUR 1.00 each, of which HMS Bergbau AG holds 168,904 as treasury shares.

### 8. Authorised capital

On the balance sheet date, HMS Bergbau AG had EUR 2,185,000.00 in authorised capital.

Berlin, 29 March 2016



Heinz Schernikau  
CEO



Steffen Ewald  
CFO





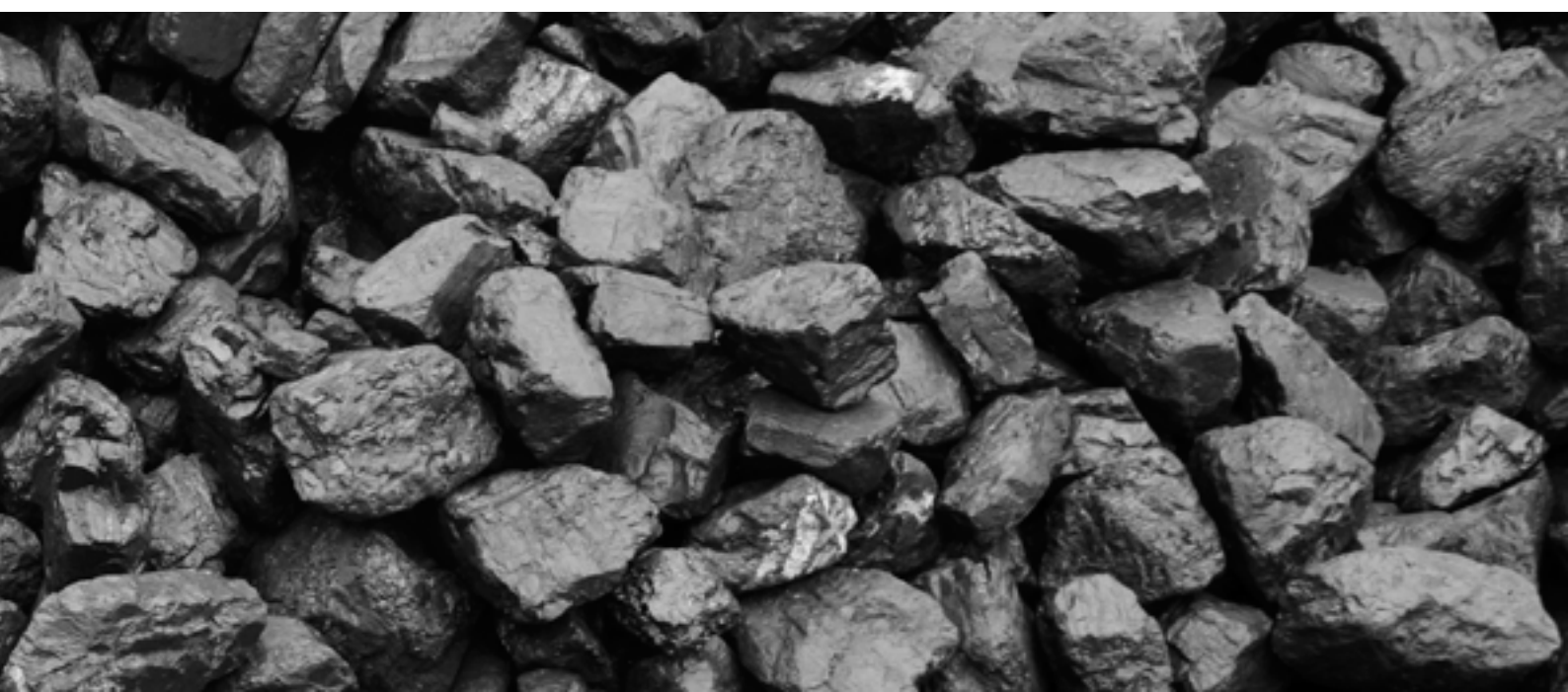
## Auditor's report

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

“We have audited the consolidated financial statements prepared by HMS Bergbau AG, Berlin, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity, together with the group management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.



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

Berlin, 27 June 2016

PANARES GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Wenning

Wirtschaftsprüfer  
[German Public Auditor]



## Legal notice

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

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

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<sup>RO</sup> Representative Offices