



# INTERIM STATEMENT

of H&R GmbH & Co. KGaA

# FOR THE 3<sup>RD</sup> QUARTER OF 2023

# Overview

- EBITDA of just under €67.0 million (first nine months of 2022: €103.3 million)
- Nevertheless the strongest quarter of 2023 so far
- Further marked recovery in cash positions
- Slightly more optimistic full-year EBITDA forecast

## H&R GMBH & CO. KGAA IN FIGURES

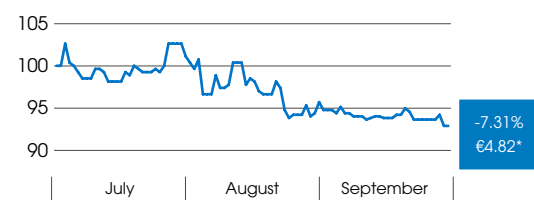
IN € MILLION	1/1-9/30/2023	1/1-9/30/2022	Change (absolute)
Sales revenue	1,036.8	1,224.5	-187.7
Operating income (EBITDA)	66.6	103.3	-36.7
EBIT	24.1	63.4	-39.3
EBT	15.2	58.2	-43.0
Income after taxes	11.5	42.8	-31.3
Income after taxes of which attributable to shareholders	11.3	40.1	-28.8
Consolidated earnings per share (undiluted) in €	0.30	1.08	-0.78
Cash flow from operating activities	101.7	-9.0	110.7
Cash flow from investing activities	-43.2	-51.3	8.1
Free cash flow	58.4	-60.3	118.7
Cash flow from financing activities	-45.6	56.7	-102.3
	9/30/2023	12/31/2022	Change (absolute)
Balance sheet total	926.9	962.1	-35.2
Net working capital	215.3	260.1	-44.8
Equity	466.9	471.2	-4.3
Equity ratio (in %)	50.4	49.0	1.4
No. of employees as of September 30	1,689	1,657	32

## THE SEGMENTS IN FIGURES

IN € MILLION	1/1-9/30/2023	1/1-9/30/2022	Change (absolute)
<b>Chemical-Pharmaceutical Raw Materials Refining</b>			
Sales	634.1	802.7	-168.6
EBITDA	43.2	74.3	-31.1
<b>Chemical-Pharmaceutical Raw Materials Sales</b>			
Sales	380.2	401.8	-21.6
EBITDA	21.9	29.6	-7.7
<b>Plastics</b>			
Sales	38.3	34.2	4.1
EBITDA	3.0	2.4	0.6
<b>Reconciliation</b>			
Sales	-15.7	-14.2	-1.5
EBITDA	-1.5	-3.1	1.6

## PERFORMANCE OF H&R SHARE Q3/2023

(INDEX 1/2/2023=100)

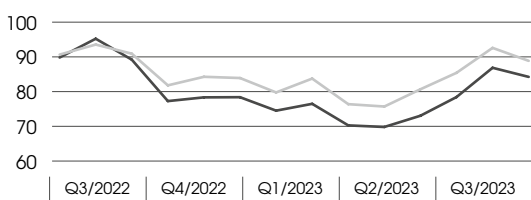


■ H&R GmbH & Co. KGaA

\* Closing price 9/30/2023

## OIL PRICES Q3/2022 TO Q3/2023

(AVERAGE MONTHLY PRICES)



■ in US\$/Barrel Brent ■ in €/Barrel Brent

## Letter From the Executive Board

### Dear Shareholders, Dear Business Partners,

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In hindsight, the third quarter appears to be the strongest three-month period of the 2023 financial year so far. Consolidated operating income (EBITDA) totaled €27.2 million (Q3/2022: €30.5 million) and was therefore almost twice as high as at the beginning of the year and close to 10% above the period from April to the end of June 2023, which likewise represented a recovery. At the other net income levels, too, the fall quarter marked an improvement over the previous quarters. In contrast, however, the good prior-year figures could not be matched. We can therefore post stable EBITDA of €66.6 million for the H&R Group over the first nine months of 2023 (first nine months of 2022: €103.3 million). Sales revenue fell to a good €1.0 billion (first nine months of 2022: €1.2 billion), due both to volumes and raw material prices. All in all, consolidated income attributable to shareholders amounted to €11.3 million (first nine months of 2022: €40.1 million). In total, H&R KGaA generated earnings per share of €0.30, with the third quarter of 2023 accounting for the largest proportion for the year so far at €0.20.

This affords us sufficient visibility for the rest of the year and enables us to proceed with a little more optimism. While we were still anticipating €70.0 million as the lower end of the EBITDA range in the middle of the year, this starting point had already almost been reached after nine months. We currently anticipate that we will generate EBITDA of at least €80.0 million. For now, the upper end of the range, €90.0 million, remains our best-case scenario.

Following on from the two extraordinarily successful years 2021 and 2022, a result of this kind may come as a disappointment to some. However, H&R was generating operating incomes eight to ten years ago which were merely a third of its current profitability. H&R is now significantly more stable and more profitable, and has adopted an organizational structure that can handle crisis situations better and, in some cases, even turn them into advantages – here, too, the previous two years are an impressive testament.

Nevertheless, like other companies, our resilience is not unlimited. In particular as a company on a path of transformation, we need good economic parameters.

Such a supportive market environment is currently only available to us to a limited extent, and the pace has slowed significantly since COVID-19. The war in Ukraine thwarted new stimuli for greater growth, simultaneously impeding trading conditions and causing the prices for imported energy to rise. The European Economic Area has consequently weakened considerably, in particular Germany.

China, the driver of global development, has likewise so far been unsuccessful in offsetting the pandemic-related downturn and is facing the additional challenge of a crisis in the real estate sector.

The Gaza conflict entails the risk of spreading within the region while we are not yet seeing any major effects on the price of oil and therefore also on our raw materials. Furthermore, the Suez Canal, one of the key arteries of global trade, is located within the broader crisis region, but is still accessible.

We are therefore taking a critical view of how things will develop between now and the end of the year, but we are not pessimistic!

Hamburg, November 2023

Best regards,



**Niels H. Hansen**  
Managing Director

## Business Trend in the Third Quarter of 2023

### Recovery Continued up to End of September 2023

There has been a clear recovery in the business trend since the beginning of the year. The company reported a continuous increase in its key figures up to the middle of the year. The third quarter continued this trend and closed with the year's best figures so far. The parameters nevertheless remained challenging, and major demand momentum such as the pandemic-related downturn definitively having been made up for has failed to materialize. The ongoing debate regarding electricity and energy costs as a result of the war in Ukraine likewise led to rather muted behavior in many of our customer industries, resulting in our having to absorb both price- and volume-related setbacks. The company was nevertheless heading for a slightly more optimistic full-year EBITDA than was expected at the beginning of the year thanks to generally stable income and improved cash KPIs.

### Continuous Improvement in Quarterly Consolidated Income Throughout the Year

The third quarter made the biggest contribution to this so far this year, with EBITDA totaling €27.2 million in the third quarter, compared year-over-year with operating income of €30.5 million. Having got off to a muted start to the year, which could not then be offset by the continuous improvements in income the subsequent quarters, EBITDA over the first nine months came to €66.6 million (first nine months of 2022: €103.3 million). Sales fell from €418.7 million in Q3/2022 to €337.2 million in the third quarter, above all due to lower feedstock costs. Over the period from January until the end of September 2023, revenue declined from €1,224.5 million to €1,036.8 million.

The same development can be observed in all the other net income levels:

#### CHANGES IN SALES AND INCOME

IN € MILLION	Q3/2023	Q3/2022	Change (absolute)
Sales revenue	337.2	418.7	-81.5
EBITDA	27.2	30.5	-3.3
EBIT	13.0	17.2	-4.2
EBT	9.6	15.3	-5.7
Consolidated income attributable to shareholders	7.6	10.4	-2.8
Consolidated income per share (undiluted), €	0.20	0.28	-0.08

All the company segments made positive contributions to income once again, both for the quarter and the nine-month period.

With EBITDA of €20.9 million (Q3/2022: €19.4 million), the ChemPharm Refining segment made the biggest contribution to income for the quarter, and one which was an improvement on the same quarter of the previous year. Its contribution for the first nine months of the year came to €43.2 million (first nine months of 2022: €74.3 million). Sales in the segment fell by 21% in the first nine months to €634.1 million due to volumes and, in particular, raw material prices (first nine months of 2022: €802.7 million). €200.9 million of this amount was attributable to the third quarter of 2023 (Q3/2022: €268.4 million).

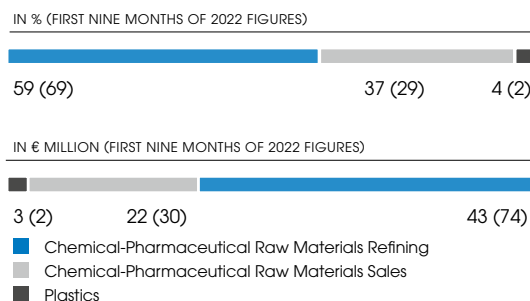
Meanwhile, the international activities bundled in the ChemPharm Sales segment generated significantly higher income of €21.9 million in the first nine months (first nine months of 2022: €29.6 million). Looking at the third quarter of 2023, at €8.1 million, the income generated by ChemPharm Sales was also lower year-over-year (Q3/2022: €10.9 million). As such, this international segment performed with a stronger dynamic than the refinery business over the nine-month period, but was comfortably surpassed by the two major production sites in the third quarter. Sales in the period from January to September 2023 came to €380.2 million (first nine months of 2022: €401.8 million). The third quarter of 2023 contributed €129.0 million to this figure (Q3/2022: €141.9 million).

Overall performance in the business area of chemical-pharmaceutical specialty products was by no means left untouched by the macroeconomic developments. We nevertheless consider our own performance to be quite stable and for the most part better than suggested by the generally pessimistic sentiment in the German economy. Although GDP growth dwindled in the past two quarters, H&R was able to post increases quarter after quarter. There were various mixed factors at play here: While demand fell in some customer industries, the margins nevertheless remained satisfactorily stable. The cap placed on the industrial electricity price provided the German economy with important momentum, and the procurement costs for feedstocks were well below the previous year's conflict-related price increases.

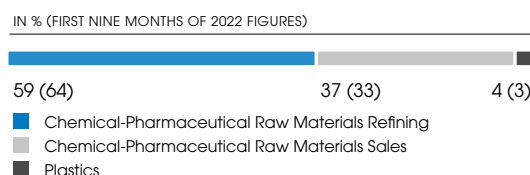
With its exposure to the automotive sector, the Plastics segment similarly felt the effects of the circumstances as described above. In particular, planning for the automotive suppliers' calling off of components was difficult as this fluctuated greatly.

It was in this environment that the company headquarters in Coburg advanced the restructuring it initiated some years ago. Going forward, the site in the Czech Republic in particular will be upgraded and will take on a large proportion of the European production capacities. Acting as a technical center, Coburg will contribute important ideas for innovation and process optimization. Our business in this segment reported some significantly improved operating results for the nine-month period. EBITDA totaled €3.0 million in the first nine months of 2023 (first nine months of 2022: €2.4 million). The third quarter itself made no contribution to income (Q3/2023: €1.1 million). At €38.3 million, sales in the first nine months were higher than the prior-year figure of €34.2 million. The third quarter of 2023 loses out in a year-over-year comparison, at €12.0 million (Q3/2022: €13.1 million).

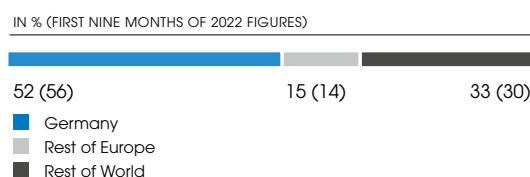
#### EBITDA BY SEGMENT, FIRST NINE MONTHS OF 2023



#### SALES BY SEGMENT, FIRST NINE MONTHS OF 2023

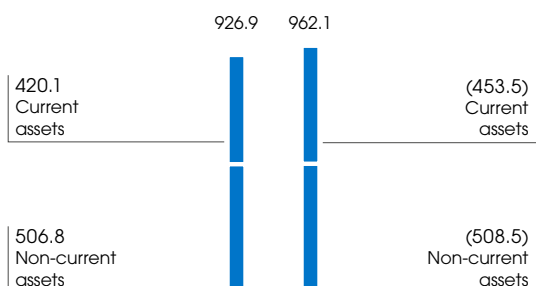


#### SALES BY REGION, FIRST NINE MONTHS OF 2023

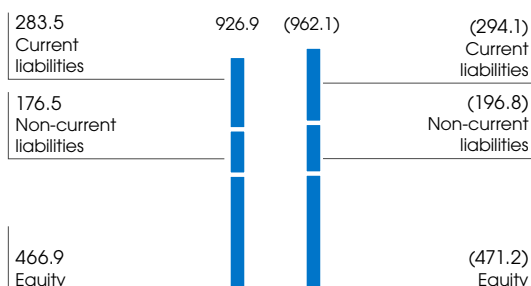


**ASSETS AS OF 9/30/2023**

IN € MILLION (FIGURE AS OF 12/31/2022)

**LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 9/30/2023**

IN € MILLION (FIGURE AS OF 12/31/2022)



## Net Assets and Financial Position: Recovery in Cash Positions Reflects Lower Raw Material Prices

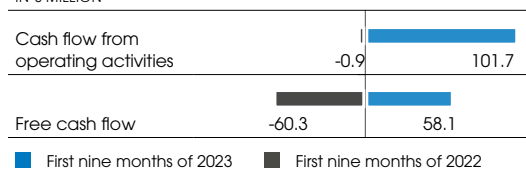
With our business model, there is a high degree of volatility inherent in the cash flow. This is attributable to changes in net working capital, in particular when the prices of the raw materials we use fluctuate or when raw materials are delivered to our refineries close to the reporting dates.

In spite of lower consolidated income of €11.5 million (previous year: €42.8 million), the cash flow from operating activities came to €101.7 million at the end of the first nine months of 2023 (first nine months of 2022: €-9.0 million). This massive improvement was attributable first and foremost to significant easing in the procurement of feedstocks. Changes in net working capital came to €133.8 million. A comparison of the individual quarters shows that the third quarter of 2023 also played a significant part in the company's improved nine-month performance, with cash flow from operating activities of €44.9 million (Q3/2022: €-7.6 million).

The free cash flow most recently amounted to €58.4 million (first nine months of 2022: €-60.3 million). The figure for the third quarter also improved from €-31.6 million to €33.8 million.

**CASH FLOW IN THE FIRST NINE MONTHS OF 2023**

IN € MILLION



The balance sheet total fell from €962.1 million on December 31, 2022, to €926.9 million. On the assets side of the statement of financial position, current assets declined from €453.5 million to €420.1 million, primarily due to reduced inventories. Non-current assets, on the other hand, remained constant at €506.8 million (December 31, 2022: €508.5 million).

On the liabilities side, current liabilities fell by approximately €10.6 million to €283.5 million, due primarily to lower liabilities to banks. With regard to non-current items on the liabilities side, too, the reduction from €196.8 million to €176.5 million was due primarily to lower liabilities to banks, as well as reduced pension provisions and lease liabilities.

Based on improved retained earnings coupled with lower other reserves, equity totaled €466.9 million at the reporting date, compared with €471.2 million on December 31, 2022. The equity ratio increased to 50.4% (December 31, 2022: 49.0%).

**FINANCIAL POSITION**

IN € MILLION	7/1- 9/30/2023	7/1- 9/30/2022	Change (absolute)	1/1- 9/30/2023	1/1- 9/30/2022	Change (absolute)
Cash flow from operating activities	44.9	-7.6	52.5	101.7	-9.0	110.7
Cash flow from investing activities	-11.1	-24.0	12.9	-43.2	-51.3	8.1
Free cash flow	33.8	-31.6	65.4	58.4	-60.3	118.7
Cash flow from financing activities	-20.5	31.1	-51.6	-45.6	56.7	-102.3
Cash and cash equivalents as of September 30	66.8	47.0	19.8	66.8	47.0	19.8

## Outlook: Minimum Forecast Revised Upward

When the 2022 annual report was published, the company had set an annual sales target of at least €1.7 billion based on the expectation of higher feedstock prices and had stated percentage expectations for the individual segments. Following the end of the third quarter of 2023, H&R KGaA is on track to fall short of this minimum sales forecast due to the lower raw material prices.

The ChemPharm Sales segment currently has a higher sales weighting of 36.7% (2023 forecast: 31.0%). At 59.6%, the ChemPharm Refining segment accounted for less than the anticipated 66.0%, whereas the Plastics division likewise generated higher revenue than forecast at the beginning of the year at 3.8% (2023 forecast: 3.0%).

In terms of the percentage share of EBITDA, meanwhile, the ChemPharm Sales segment not only made the largest contribution to income in absolute terms in the first quarter of 2023, but also significantly exceeded the forecast with a share of around 32.7% rather than the anticipated 28%.

The Plastics segment also saw a slight improvement at 4.0% instead of 1.0%. The ChemPharm Refining segment fell short of expectations at 62.8% (forecast: 68.0%).

Overall, it can be said at the end of the third quarter of 2023 that, mathematically speaking and even if a cautious view is taken of the closing quarter, the EBITDA suggests it is highly likely that the previous minimum forecast of €70.0 million will be achieved. The company is therefore adjusting its guidance range and now believes operating income (EBITDA) of between €80.0 million and €90.0 million can be achieved.

**SALES AND INCOME FORECAST**

	2023 Forecast
<b>Consolidated sales</b>	<b>€1,700 million to €1,900 million</b>
of which Refining	66%
of which Sales	31%
of which Plastics	3%
<b>Consolidated EBITDA*</b>	<b>"minimum of €80.0 million"</b>
of which Refining	68%
of which Sales	28%
of which Plastics	4%

\* Originally: €70.0 million to €90.0 million; adjusted upon the publication of the preliminary figures for the first nine months of 2023.



## Interim Financial Statement

### Consolidated Statement of Financial Position of H&R GmbH & Co. KGaA

as of September 30, 2023

#### ASSETS

IN € THOUSAND	9/30/2023	12/31/2022
<b>Current assets</b>		
Cash and cash equivalents	66,841	55,997
Trade receivables	124,017	124,427
Income tax refund claims	914	946
Contract assets	-	-
Inventories	198,845	235,051
Other financial assets	13,749	20,190
Other assets	15,740	16,938
<b>Current assets</b>	<b>420,106</b>	<b>453,549</b>
<b>Non-current assets</b>		
Property, plant and equipment	450,712	452,529
Goodwill	17,373	17,393
Other intangible assets	17,259	16,925
Shares in holdings valued at equity	3,746	4,262
Other financial assets	13,296	12,577
Other assets	1,760	1,735
Deferred tax assets	2,619	3,102
<b>Non-current assets</b>	<b>506,765</b>	<b>508,523</b>
<b>Total assets</b>	<b>926,871</b>	<b>962,072</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	9/30/2023	12/31/2022
<b>Current liabilities</b>		
Liabilities to banks	103,430	128,225
Trade payables	107,599	99,392
Income tax liabilities	7,817	6,660
Contract liabilities	2,944	2,519
Other provisions	26,463	18,780
Other financial liabilities	16,889	14,841
Other liabilities	18,269	23,646
<b>Current liabilities</b>	<b>283,411</b>	<b>294,063</b>
<b>Non-current liabilities</b>		
Liabilities to banks	53,468	63,782
Pension provisions	50,336	54,312
Other provisions	2,791	2,759
Other financial liabilities	36,982	41,091
Other liabilities	22,436	22,181
Deferred tax liabilities	10,525	12,720
<b>Non-current liabilities</b>	<b>176,538</b>	<b>196,845</b>
<b>Equity</b>		
Subscribed capital	95,156	95,156
Capital reserve	46,427	46,427
Retained earnings	283,426	272,789
Other reserves	-3,568	9,269
<b>Equity of H&amp;R GmbH &amp; Co. KGaA shareholders</b>	<b>421,441</b>	<b>423,641</b>
Non-controlling interests	45,481	47,523
<b>Equity</b>	<b>466,922</b>	<b>471,164</b>
<b>Total liabilities and shareholders' equity</b>	<b>926,871</b>	<b>962,072</b>



## Consolidated Income Statement of H&R GmbH & Co. KGaA

January 1 to September 30, 2023

IN € THOUSAND	1/1-9/30/2023	1/1-9/30/2022	7/1-9/30/2023	7/1-9/30/2022
Sales revenue	1,036,797	1,224,522	337,245	418,714
Changes in inventories of finished and unfinished goods	-25,856	15,761	9,259	-5,057
Other operating income	21,299	27,518	6,621	10,907
Cost of materials	-786,162	-980,831	-265,631	-326,774
Personnel expenses	-78,603	-75,307	-26,080	-27,959
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-42,467	-39,849	-14,207	-13,273
Other operating expenses	-100,545	-108,339	-34,050	-39,314
<b>Operating result</b>	<b>24,463</b>	<b>63,475</b>	<b>13,157</b>	<b>17,244</b>
Income from holdings valued at equity	-347	-61	-131	-57
Financing income	963	420	505	116
Financing expenses	-9,856	-5,640	-3,968	-1,999
<b>Income before tax (EBT)</b>	<b>15,223</b>	<b>58,194</b>	<b>9,563</b>	<b>15,304</b>
Income taxes	-3,754	-15,363	-2,101	-3,897
<b>Consolidated income</b>	<b>11,469</b>	<b>42,831</b>	<b>7,462</b>	<b>11,407</b>
of which attributable to non-controlling interests	153	2,731	-107	1,043
<b>of which attributable to shareholders of H&amp;R GmbH &amp; Co. KGaA</b>	<b>11,316</b>	<b>40,100</b>	<b>7,569</b>	<b>10,364</b>
Earnings per share (undiluted), €	0.30	1.08	0.20	0.28
Earnings per share (diluted), €	0.30	1.08	0.20	0.28

## Consolidated Cash Flow Statement of H&amp;R GmbH &amp; Co. KGaA

January 1 to September 30, 2023

IN € THOUSAND		1/1-9/30/2023	1/1-9/30/2022	7/1-9/30/2023	7/1-9/30/2022
1.	Consolidated income	11,469	42,831	7,462	11,407
2.	Income taxes	3,754	15,363	2,101	3,897
3.	Net interest income	9,251	5,221	3,464	1,884
4.	+/- Depreciation and amortization/appreciation on intangible assets	42,477	39,849	14,217	13,273
5.	+/- Increase/decrease in non-current provisions	-1,204	-1,838	-688	-609
6.	+ Interest received	605	420	147	116
7.	- Interest paid	-6,508	-4,096	-2,122	-1,409
8.	+/- Income tax received/paid or owed	-4,725	-13,175	-1,818	-2,566
9.	+/- Other non-cash expenses/income	1,070	-403	896	-185
10.	+/- Increase/decrease in current provisions	7,888	6,267	3,803	7,994
11.	-/+ Gain/loss from the disposal of intangible assets	297	763	187	576
12.	-/+ Changes in net working capital	38,910	-94,914	13,092	-35,895
13.	+/- Changes in remaining net assets/other non-cash items	-1,609	-5,265	4,170	-6,131
14.	<b>= Cash flow from operating activities (sum of items 1 to 13)</b>	<b>101,675</b>	<b>-8,977</b>	<b>44,911</b>	<b>-7,648</b>
15.	- Payments for the acquisition of companies	-	-2,500	-	-2,500
16.	+ Proceeds from disposals of property, plant and equipment	566	51	-	24
17.	- Payments for investments in property, plant and equipment	-41,318	-44,498	-10,649	-20,278
18.	- Payments for investments in intangible assets	-3,020	-4,392	-1,021	-1,236
19.	+ Dividends received from holdings valued at equity	169	-	-	-
20.	+ Dividends received from other holdings	357	-	-	-
21.	<b>= Cash flow from investing activities (sum of items 15 to 20)</b>	<b>-43,246</b>	<b>-51,339</b>	<b>-11,144</b>	<b>-23,990</b>
22.	<b>= Free cash flow (sum of items 14 and 21)</b>	<b>58,429</b>	<b>-60,316</b>	<b>33,767</b>	<b>-31,638</b>
23.	- Dividend paid by H&R KGaA	-3,722	-	-	-
24.	- Payments for settling financial liabilities	-113,982	-118,918	-31,136	-17,046
25.	+ Proceeds from taking up financial liabilities	72,117	175,575	10,654	48,100
26.	<b>= Cash flow from financing activities (sum of items 23 to 25)</b>	<b>-45,587</b>	<b>56,657</b>	<b>-20,482</b>	<b>31,054</b>
27.	<b>+/- Changes in cash and cash equivalents (sum of items 14, 21 and 26)</b>	<b>12,842</b>	<b>-3,659</b>	<b>13,285</b>	<b>-584</b>
28.	<b>+ Cash and cash equivalents at the beginning of the period</b>	<b>55,997</b>	<b>48,924</b>	<b>53,068</b>	<b>47,253</b>
29.	+/- Changes in cash and cash equivalents due to changes in exchange rates	-1,998	1,738	488	334
30.	<b>= Cash and cash equivalents at the end of the period</b>	<b>66,841</b>	<b>47,003</b>	<b>66,841</b>	<b>47,003</b>

# Forward-Looking Statements

This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond H&R KGaA's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators.

If any of these risks, or other risks and uncertainties, occur, or if the assumptions underlying any of the statements herein prove incorrect, actual results may be materially different from those expressed or implied by these statements. H&R KGaA does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the publication of this report.

# Financial Calendar

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May 28, 2024

Annual Shareholders' Meeting, Hamburg

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# Contact

If you have any questions concerning our company or if you would like to sign up for the company mailing list, please contact our Investor Relations team:

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