

H&R GmbH & Co. KGaA

Interim Statement for the  
**1<sup>st</sup> Quarter of 2018**



# Overview

- Year-end 2017 weakness is overcome in Q1 2018
- Operating income (EBITDA) is robust, albeit below the very good prior-year level
- Sales revenues higher due to prices of raw materials
- Overall expectations for 2018 confirmed

## FINANCIAL FIGURES FOR H&R GMBH & CO. KGAA

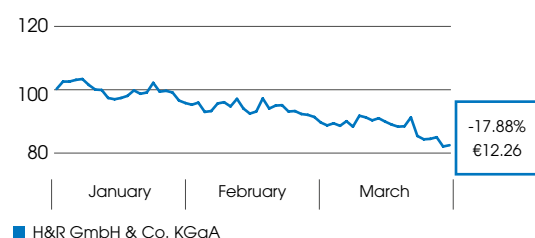
IN € MILLION	Q1 2018	Q1 2017	Change (absolute)
Sales revenues	270.9	267.4	3.5
Operating income (EBITDA)	23.7	27.4	-3.7
EBIT	15.4	18.4	-3.0
EBT	13.8	15.5	-1.7
Consolidated net income	9.9	11.2	-1.3
Consolidated income attributable to shareholders	9.9	10.5	-0.6
Consolidated earnings per share (undiluted), €	0.27	0.29	-0.02
Cash flow from operating activities	-2.9	-0.3	-2.6
Cash flow from investing activities	-14.3	-12.1	-2.2
Free cash flow	-17.3	-12.4	-4.9
Cash flow from financing activities	11.3	1.8	9.5
	<b>31/3/2018</b>	<b>31/12/2017</b>	
Balance sheet total	688.6	662.6	26.0
Net working capital	185.5	153.3	32.2
Equity	354.5	342.7	11.8
Equity ratio in %	51.5	51.7	-0.2
Number of employees as of 31 March	1,714	1,692	22

## THE SEGMENTS IN FIGURES

IN € MILLION	Q1 2018	Q1 2017	Change (absolute)
<b>Chemical-Pharmaceutical Raw Materials Refining</b>			
Sales	175.3	161.8	13.5
EBITDA	15.8	16.0	-0.2
<b>Chemical-Pharmaceutical Raw Materials Sales</b>			
Sales	82.1	92.4	-10.3
EBITDA	7.4	10.0	-2.6
<b>Plastics</b>			
Sales	15.2	15.7	-0.5
EBITDA	1.3	1.7	-0.4
<b>Reconciliation</b>			
Sales	-1.8	-2.4	0.6
EBITDA	-0.7	-0.4	-0.3

## PERFORMANCE OF THE H&R SHARE Q1 2018

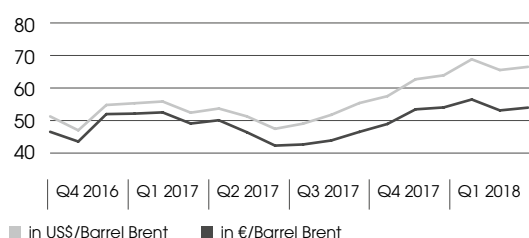
(INDEX 2/1/2018=100)



■ H&R GmbH & Co. KGaA

## OILPRICES Q4 2016 TO Q1 2018

(AVERAGE MONTHLY PRICES)



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

## Letter from the Executive Board

### Dear Shareholders, Dear Business Partners,

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Most of you will have just finished reading the 2017 Annual Report, so it is time for your H&R to share with you through this quarterly report the highlights of developments in the first quarter of 2018.

To start with, our company left behind the weak performance of the last quarter – generating only €17.1 million of operating income (EBITDA) during the fourth quarter of 2017 – and delivered a robust EBITDA of €23.7 million for the period from 1 January to 31 March 2018. While the first quarter of 2018 did not end at the same high level as the first quarter of 2017, we have to consider that the latter was one of the best first quarters seen in recent years.

Once again, every segment made positive contributions to income during this quarter. The €3.7 million difference in EBITDA compared to the comparable prior-year quarter was primarily attributable to the Sales segment. Due to regional factors and an overall global political uncertainty its international business activities showed less momentum than in the previous year. In line with our international expansion strategy, our main focus in the first quarter continued to be on developing additional sales and distribution networks and reinforcing existing ones. We therefore believe that the segment will perform better during the rest of the year and are confident that both sales and income will improve in the months to come. Performance was also down slightly in the Plastics segment. At the same time, our specialists in Coburg succeeded in gaining entry to the U.S. market; over the next few months, we will work on further expanding our market access. In the Refining segment, results were more or less stable. In terms of sales, we improved our pricing to reflect the higher price of crude oil (and therefore also our input costs).

The same factor that caused sales to increase compared to the previous year put considerable pressure on margins. For example, the price for a barrel of North Sea Brent stood at around US\$55 one year ago; at the end of the first quarter of 2018, it was trading at around US\$70. In gener-

al, we pass price increases on to our customers. However, due to short-term fluctuations – ranging from US\$63 to US\$71 during the quarter – this was possible only to an extent and/or will only take effect in subsequent quarters of 2018.

Overall, we rate our performance during the first quarter as positive, despite the variance in income compared to the first quarter of 2017. This demonstrates that the Company is also asserting itself in a challenging environment. The Group is in a far more stable position today than a few years ago; accordingly, results will also remain more robust. While comparisons with the prior-year quarter are both useful and appropriate from a reporting standpoint, an assessment based on the particularly strong performance during the first quarter of 2017 does not necessarily do justice to the first quarter of 2018.

In any case, we continue to believe that we must systematically pursue our strategic targets and work to make the Group less dependent on external factors.

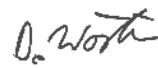
We have already described in detail in the 2017 Annual Report our economic objectives for 2018 as a whole. Based on currently available information, for the time being we consider it appropriate – despite the fact that 2018 started out more modestly than 2017 – to confirm the 2018 forecast range of €94.0 million to €106.0 million. In view of social and geopolitical challenges and the related sensitivity of market rates and product prices, we believe that it is too early to provide a more specific forecast at this time.

Hamburg, May 2018

Sincerely yours,



**Niels H. Hansen**  
Chairman of the  
Executive Board



**Detlev Wösten**  
Member of the  
Executive Board

## Business Performance in the 1st Quarter of 2018

### Overall Performance: Stable Start to the Year for H&R GmbH & Co. KGaA

In the first quarter of 2018, H&R KGaA managed to overcome the weakness of the previous quarter. EBITDA returned to a robust level in the first quarter. Despite not reaching the high level of the first quarter of 2017, performance in the first quarter of 2018 was satisfactory. Due to prices of raw materials, sales revenues were slightly higher than in Q1 2017. Once again, all business divisions made positive contributions to income. The ChemPharm Sales and Plastics segments lost momentum and were somewhat lower.

### Results of Operations: Positive consolidated income attributable to shareholders

H&R KGaA generated €23.7 million of consolidated operating income (EBITDA) in the first quarter of financial year 2018, compared with €27.4 million in the same period of 2017. Despite a decrease in depreciation and amortization, EBIT decreased from €18.4 million in the first quarter of 2017 to €15.4 million in the first quarter of 2018. With interest expense also lower this year, the change in income before tax (EBT) was more moderate, with EBT decreasing from €15.5 million to €13.8 million. As tax expense was also lower than in the previous year, the tax burden on consolidated income attributable to shareholders likewise decreased during the reporting period. Consolidated income attributable to shareholders thus amounted to €9.9 million in the first quarter of 2018, just under €600 thousand less than the prior-year figure.

#### CHANGE IN SALES AND INCOME

IN € MILLION	Q1 2018	Q1 2017	Change in %
Sales revenues	270.9	267.4	1.3
EBITDA	23.7	27.4	-13.5
EBIT	15.4	18.4	-16.3
EBT	13.8	15.5	-11.0
Consolidated income attributable to shareholders	9.9	10.5	-5.7
Consolidated earnings per share (undiluted), €	0.27	0.29	-6.9

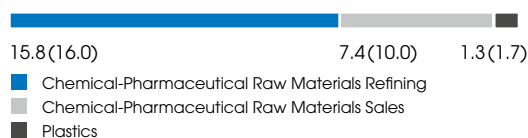
The biggest positive contribution to income again came from the ChemPharm Refining segment, whose €15.8 million contribution to operating income was almost identical to that of the previous year (Q1 2017: €16.0 million). It was therefore more stable than the international activities of the ChemPharm Sales segment, which lost momentum in the first quarter, generating €7.4 million of EBITDA (Q1 2017: €10.0 million). Nevertheless, we expect the performance of the international businesses to again be stronger over the year as a whole, benefiting in particular from increased sales efforts at the beginning of the year and expansion of our network of locations. The Plastics segment also reported lower operating income compared to the prior-year quarter, with EBITDA decreasing from €1.7 million in Q1 2017 to €1.3 million. Much to the delight of the Plastics specialists, the first orders from American customers were booked in conjunction with the move into the U.S. market.

#### EBITDA BY SEGMENT, Q1 2018

IN % (Q1 2017 FIGURES)



IN € MILLION (Q1 2017 FIGURES)

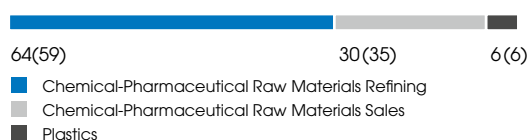


Sales revenues again increased slightly across all segments: In the current quarter, they increased €3.5 million year-on-year from €267.4 million to €270.9 million due to prices of raw materials.

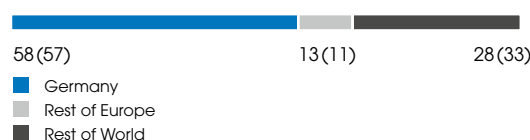
A breakdown by segment shows a familiar picture for sales: a significant proportion, 94%, was generated by the Chemical-Pharmaceutical division's Refining and Sales segments, although the composition was once again different than in the previous year. Our Plastics segment accounted for around 6% of sales.

**SALES BY SEGMENT, Q1 2018**

IN % (Q1 2017 FIGURES)

**SALES BY REGION, Q1 2018**

IN % (Q1 2017 FIGURES)



## Net Assets and Financial Position: Cash Positions Affected by Higher Costs of Raw Materials

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 raw materials are delivered to our refineries close to the reporting dates.

During the first quarter of financial year 2018, cash flow from operating activities decreased somewhat to €-2.9 million. As consolidated income was

lower, depreciation and amortization charges and interest expense had a lower impact than in the previous year; at the same time, net working capital increased by approximately €30.1 million due to the increase in prices of raw materials.

In addition, the company increased its investing activity during the first quarter of 2018, which also reduced free cash flow. As a result, free cash flow decreased from €-12.4 million in Q1 2017 to €-17.3 million. As for financing activities, fewer funds were used on the ongoing repayment of loan liabilities, which are constantly decreasing.

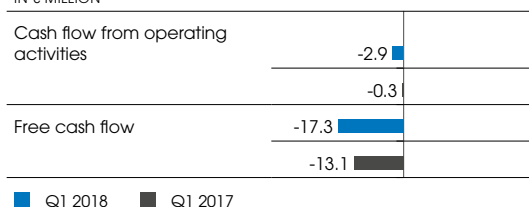
**FINANCIAL POSITION**

IN € MILLION

	Q1 2018	Q1 2017	Change in %
Cash flow from operating activities	-2.9	-0.3	n/a
Cash flow from investing activities	-14.3	-12.1	18.0
Free cash flow	-17.3	-12.4	n/a
Cash flow from financing activities	11.3	1.8	9.5
Cash and cash equivalents as of 31 March	53.3	48.0	11.2

**Q1 2018 CASH FLOW**

IN € MILLION



The balance sheet total increased from €662.6 million on 31 December 2017 to €688.6 million on 31 March 2018.

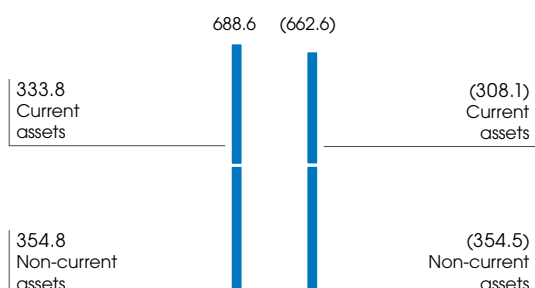
On the assets side of the balance sheet, current assets increased by around €25.7 million because

of higher trade receivables and higher inventories. Overall, non-current assets were stable.

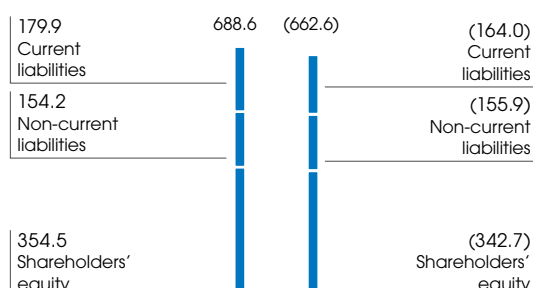
On the liability side, current liabilities, in particular, increased by around €15.9 million, with the decrease in trade payables being offset by increases in other liabilities, liabilities to banks and other provisions. Overall, the non-current items on the liability side were virtually unchanged. Due to higher retained earnings compared to the reporting date, equity increased from €342.7 million to €354.5 million. Despite the higher balance sheet total, the equity ratio decreased only slightly from 51.7% on 31 December 2017 to 51.5%.

**ASSETS 31/3/2018**

IN € MILLION (PREVIOUS YEAR'S FIGURES 31/12/2017)

**LIABILITIES AND SHAREHOLDERS' EQUITY 31/3/2018**

IN € MILLION (PREVIOUS YEAR'S FIGURES 31/12/2017)



## Outlook: Overall Expectations Confirmed

When the 2017 Annual Report was published, the company had set target sales for the year at a figure of at least €950.0 million and had stated percentage expectations for the individual segments. Overall, following the first quarter of 2018, H&R KGaA is on track to generate sales at the upper end of the expected range, reflecting a stronger weighting in the Refining segment. However, H&R believes the Sales segment's performance will be stronger for the rest of the year because of measures it took during the first quarter of 2018 to expand its regional presence.

All in all, the company started the current financial year with stable quarterly figures. Given the impact of fluctuations in prices of raw materials, the sensitivity of market rates and product prices, as well as social and geopolitical challenges, H&R KGaA considers it advisable, for the time being, to confirm its 2018 forecast range of €94.0 million to €106.0 million and to refrain from a more specific forecast at this early stage.

**SALES AND INCOME EXPECTATIONS**

	2018 Forecast
<b>Consolidated Sales</b>	<b>€950 million to €1.1 billion</b>
of which Refining	60%
of which Sales	34%
of which Plastics	6%
<b>EBITDA Konzern</b>	<b>~ € 94.0 Mio. bis € 106.0 Mio.</b>
of which Refining	65%
of which Sales	31%
of which Plastics	4%

Broken down by share of EBITDA, the segments are close to the projected expectations. In terms of overall expectations, the first quarter of 2018 definitely indicates that we have room for improvement.

# Interim Financial Statement

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

as of 31 March 2018

### ASSETS

IN € THOUSAND	31/3/2018	31/12/2017
<b>Current assets</b>		
Cash and cash equivalents	53,307	58,952
Trade receivables	129,966	107,479
Income tax refund claims	187	259
Inventories	136,957	129,150
Other financial assets	4,479	4,076
Other assets	8,907	8,194
<b>Current assets</b>	<b>333,803</b>	<b>308,110</b>
<b>Non-current assets</b>		
Property, plant and equipment	295,527	292,631
Goodwill	22,452	22,446
Other fixed assets	18,923	19,467
Shares in holdings valued at equity	4,659	4,469
Other financial assets	5,691	6,489
Other assets	1,388	1,393
Deferred tax assets	6,165	7,606
<b>Non-current assets</b>	<b>354,805</b>	<b>354,501</b>
<b>Total assets</b>	<b>688,608</b>	<b>662,611</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	31/3/2018	31/12/2017
<b>Current liabilities</b>		
Liabilities to banks	54,440	44,384
Trade payables	81,394	83,328
Income tax liabilities	8,652	7,442
Other provisions	13,581	11,599
Other financial liabilities	4,430	5,597
Other liabilities	17,412	11,647
<b>Current liabilities</b>	<b>179,909</b>	<b>163,997</b>
<b>Non-Current Liabilities</b>		
Liabilities to banks	67,274	68,351
Pension provisions	76,855	77,598
Other provisions	3,285	3,223
Other financial liabilities	2	2
Other liabilities	1,755	1,792
Deferred tax liabilities	5,064	4,904
<b>Non-current liabilities</b>	<b>154,235</b>	<b>155,870</b>
<b>Equity</b>		
Subscribed capital	93,404	93,404
Capital reserve	41,364	41,364
Retained earnings	182,305	171,989
Other reserves	39	-1,004
<b>Equity of H&amp;R GmbH &amp; Co. KGaA shareholders</b>	<b>317,112</b>	<b>305,753</b>
Non-controlling interests	37,352	36,991
<b>Equity</b>	<b>354,464</b>	<b>342,744</b>
<b>Total liabilities and shareholders' equity</b>	<b>688,608</b>	<b>662,611</b>

## Income Statement of H&amp;R GmbH &amp; Co. KGaA

for the period from 1 January to 31 March 2018

IN € THOUSAND	Q1 2018	Q1 2017
Sales revenues	270,866	267,444
Changes in inventories of finished and unfinished goods	4,761	-144
Other operating income	8,661	5,574
Cost of materials	-211,460	-198,031
Personnel expenses	-21,717	-20,864
Depreciation, amortization and impairment of fixed assets and property, plant and equipment	-8,336	-8,955
Other operating expenses	-27,581	-26,836
<b>Operating result</b>	<b>15,194</b>	<b>18,188</b>
Income from holdings valued at equity	190	220
Financing income	618	436
Financing expenses	-2,237	-3,345
<b>Income before tax (EBT)</b>	<b>13,765</b>	<b>15,499</b>
Income taxes	-3,841	-4,328
<b>Consolidated income</b>	<b>9,924</b>	<b>11,171</b>
of which attributable to non-controlling interests	23	694
<b>of which attributable to shareholders of H&amp;R GmbH &amp; Co. KGaA</b>	<b>9,901</b>	<b>10,477</b>
Earnings per share (undiluted), €	0.27	0.29
Earnings per share (diluted), €	0.27	0.29



## Consolidated Cash Flow Statement of H&R GmbH & Co. KGaA for the period from 1 January to 31 March 2018

IN € THOUSAND		Q1 2018	Q1 2017
1.	Consolidated income	9,924	11,171
2.	Income taxes	3,841	4,328
3.	Net interest income	2,186	3,251
4.	+/- Depreciation/appreciation of fixed assets	8,336	8,954
5.	+/- Increase/decrease in non-current provisions	-652	-549
6.	+ Interest received	51	94
7.	- Interest paid	-1,617	-2,943
8.	+/- Income tax received/paid	-2,181	-1,062
9.	+/- Other non-cash expenses/income	-594	700
10.	+/- Increase/decrease in current provisions	1,967	717
11.	-/+ Gain/loss from the disposal of fixed assets	-3	-147
12.	-/+ Changes in net working capital	-30,078	-25,656
13.	+/- Changes in remaining net assets/other non-cash items	5,899	864
<b>14.</b>	<b>= Cash flow from operating activities (sum of items 1 to 13)</b>	<b>-2,921</b>	<b>-278</b>
15.	+ Proceeds from disposals of property, plant and equipment	18	161
16.	- Payments for investments in property, plant and equipment	-14,439	-10,636
17.	- Payments for investments in intangible assets	-29	-99
18.	+ Proceeds from disposals of financial assets	797	-
19.	- Payments for investments in financial assets	-683	-1,575
<b>20.</b>	<b>= Cash flow from investing activities (sum of items 15 to 19)</b>	<b>-14,336</b>	<b>-12,149</b>
<b>21.</b>	<b>= Free cash flow (sum of items 14 and 20)</b>	<b>-17,257</b>	<b>-12,427</b>
22.	+ Dividends received from holdings valued at equity	-	162
23.	- Payments for settling financial liabilities	-5,857	-19,664
24.	+ Proceeds from taking up financial liabilities	17,115	21,280
<b>25.</b>	<b>= Cash flow from financing activities (sum of items 22 to 24)</b>	<b>11,258</b>	<b>1,778</b>
<b>26.</b>	<b>+/- Changes in cash and cash equivalents (sum of items 14, 20 and 25)</b>	<b>-5,999</b>	<b>-10,649</b>
<b>27.</b>	<b>+ Cash and cash equivalents at the beginning of the period</b>	<b>58,952</b>	<b>57,999</b>
28.	Change in cash and cash equivalents due to changes in exchange rates	354	608
<b>29.</b>	<b>= Cash and cash equivalents at the end of the period</b>	<b>53,307</b>	<b>47,958</b>

## 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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### Ties Kaiser

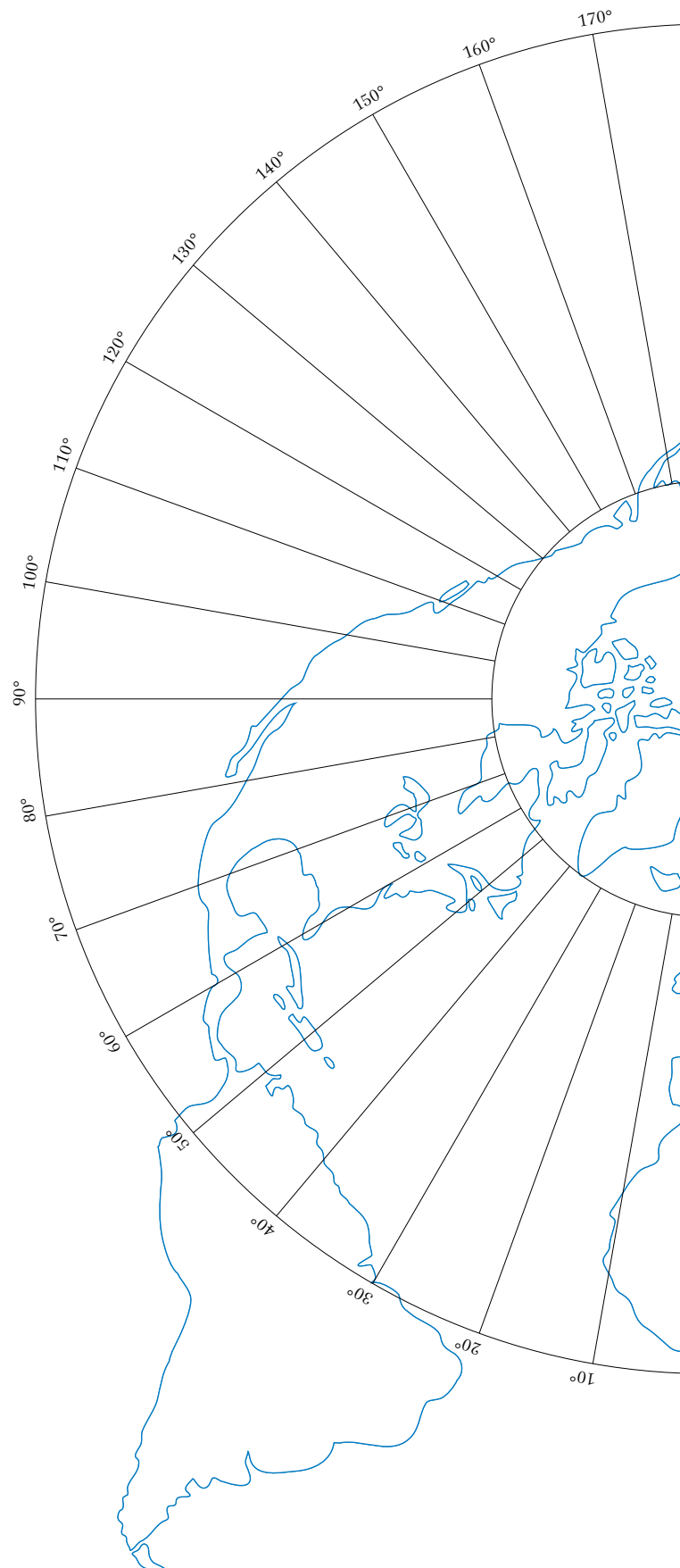
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E-mail: [ties.kaiser@hur.com](mailto:ties.kaiser@hur.com)

# Financial Calendar

24 May 2018	Annual Shareholders' Meeting in Hamburg
15 August 2018	Q2 2018 Interim Report
15 November 2018	Q3 2018 Interim Report

## Disclaimer

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 GmbH & Co. KGaA's control or ability to make precise estimates, such as future market and economic conditions; the behavior of other market participants; the ability to successfully integrate acquired businesses and to achieve anticipated synergies; and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. H&R GmbH & Co. KGaA does not intend, nor does H&R GmbH & Co. KGaA assume any separate obligation, to update forward-looking statements to reflect events or developments occurring after the publication of this interim report.



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