

2022
Interim Statement for the 1st Quarter

Managing Change



H&R GmbH & Co. KGaA

Overview

- Higher raw material and energy prices drive up sales revenue
- Operating income of €25.2 million close to prior-year level
- Outlook unchanged so far despite the unpredictability of the Ukraine war and its consequences

H&R GMBH & CO. KGAA IN FIGURES

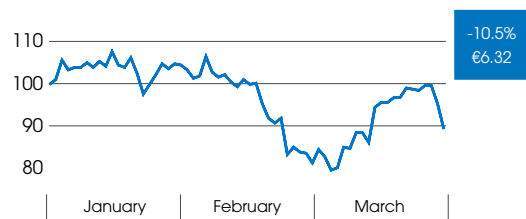
IN € MILLION	Q1/2022	Q1/2021	Change (absolute)
Sales revenue	361.8	241.4	120.4
Operating income (EBITDA)	25.2	25.7	-0.5
EBIT	12.0	13.2	-1.2
EBT	10.3	11.3	-1.0
Consolidated net income	7.8	8.0	-0.2
Consolidated income attributable to shareholders	8.1	7.2	0.9
Consolidated income per share (undiluted) in €	0.22	0.19	0.03
Cash flow from operating activities	-4.8	-4.0	-0.8
Cash flow from investing activities	-13.6	-8.2	-5.4
Free cash flow	-18.4	-12.3	-6.1
Cash flow from financing activities	16.6	28.3	-11.7
	3/31/2022	3/31/2021	
Balance sheet total	970.4	813.3	157.1
Net working capital	241.1	136.5	104.6
Equity	429.1	362.0	67.1
Equity ratio (in %)	44.2	44.5	-0.3
No. of employees	1,594	1,597	-3

THE SEGMENTS IN FIGURES

IN € MILLION	Q1/2022	Q1/2021	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	235.9	144.5	91.4
EBITDA	17.5	17.5	1.5
Chemical-Pharmaceutical Raw Materials Sales			
Sales	119.8	87.9	31.9
EBITDA	6.6	7.6	-1.0
Plastics			
Sales	10.6	10.9	-0.3
EBITDA	0.7	0.9	-0.2
Reconciliation			
Sales	-4.6	-2.0	-2.6
EBITDA	-1.1	-0.2	-0.9

PERFORMANCE OF THE H&R SHARE Q1/2022

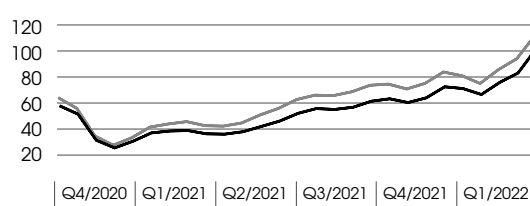
(INDEX 1/3/2022=100)



■ H&R GmbH & Co. KGaA

OIL PRICES Q4/2020 TO Q1/2022

(AVERAGE MONTHLY PRICES)



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

Letter from the Executive Board

Dear Shareholders, Dear Business Partners,

This is not how we envisaged kicking off the year 2022:

With very good results for the year 2021 under our belt, but with slightly more skepticism due to the higher raw material and energy prices at the turn of the year, we adopted more conservative targets for 2022 as a whole which were significantly below the previous year's record results.

What we had not anticipated, however, was Russian troops marching into Ukraine. We were impacted by this in a number of ways in the first quarter. Firstly, we were, of course, affected emotionally as we are being confronted with images and news which represent a great deal of suffering. The media coverage of the events shows us on a daily basis just how fragile the civilized co-existence we have achieved is. Secondly, we were affected logistically. The sanctions and our moral obligations required us to increasingly acquire raw materials from other regions and via new distributors, sometimes at short notice. And thirdly, planning for the future. The current debate regarding the cessation of gas deliveries to Germany hangs over large swathes of German industry like a sword of Damocles.

This third point clearly illustrates how structural failings in Germany's energy policy resulted in major dependency. This now needs to be reduced. The current measures, in particular the search for energy supply alternatives, are therefore the right step to be taking in the opinion of the H&R Group, too. However, as a company in the chemical-pharmaceutical industry, we are reliant on also being able to maintain our production in the short term. While we may be perceived by many as "just the chemical industry", the absence of our products, some of which are essential, would have grave consequences – without chemical-pharmaceutical raw materials and products, there would be no tires for bikes or electric vehicles. Without paraffins, organic milk would leak out of a Tetra Pak carton and drywall would not stay straight. Moisturizer would turn

into powder and muesli would trickle out of its unsealed packaging unhindered.

Allow me to repeat myself – H&R stands for some 800 products for close to 100 different customer industries. Integrated into supply and value chains, our industry makes a significant contribution to our country's economic strength and common good. As the co-owners of H&R, you are, of course, already aware of these facts. It is nonetheless important to me that I mention them here once again.

The chemical-pharmaceutical industry is currently facing some major challenges. And it is important to us that we make use of every lever with foresight in order to strengthen our ability to act. It is for this reason that we have once again argued in favor of not paying a dividend.

Our figures ostensibly paint a very different picture. They barely indicate any burden from the war in Ukraine. All the segments made a positive contribution to income in Q1/2022 and lifted consolidated income to €8.1 million, equating to a year-over-year improvement of around €0.9 million.

The income achieved was on the basis of sales in the amount of €361.8 million. These are first and foremost higher revenues year-over-year due to raw material prices (Q1/2021: €241.4 million).

What insights can we and, of course, also you draw from these first three months? On the whole, we can look back on a start to the year featuring all kinds of difficult external factors. We nonetheless achieved a good result for the quarter under the circumstances. In addition, we appear to currently still be in an adequate position when it comes to justifying the higher raw material prices vis-à-vis our customers. Arguments such as quality and delivery capacity help here.

Achieving our full-year forecast of €80.0 million to €95.0 million as published in the 2021 annual report will come down to us exploiting our strengths and making our own luck. If the current conditions largely remain in place (or even improve slightly), this would currently put us on course for the upper end of the range. If German-Russian relations deteriorate further, resulting in gas deliveries being stopped, the cards would be reshuffled. However, we currently see no reason for this coming to pass. We are therefore leaving our expectations for operating income in 2022 at the published level for the time being.

Hamburg, May 2022

Sincerely yours,



Niels H. Hansen
Sole Managing Director

Business Trend in the First Quarter of 2022

Strong 2021 Annual Results Lead to a Stable First Quarter of 2022

H&R started the financial year with the momentum of the previous year's good results. At the same time, there were already signs at the turn of the year that raw material and energy costs would rise, suggesting less dynamic development in the 2022 financial year. We nevertheless remained optimistic that we could justify the additional costs to our customers and pass these on in the form of modified prices.

Russian troops marched into Ukraine while the figures for the annual financial statements were still being compiled, resulting in additional challenges. We evaluated these events, including with regard to our earnings trend, but came to the conclusion that we would not amend our expectations as published in the 2021 annual report for the time being.

"Official" economic data was likewise marked by similar uncertainties. For example, the Ifo Institute considered two scenarios for its forecast update in March 2022 in order to accommodate the incalculables regarding how the Russia-Ukraine war might proceed. In a baseline scenario, the assumption was made that raw material prices, supply bottlenecks and uncertainties would increase only temporarily. In the alternative scenario, the situation is ratcheted up to the middle of the year, before beginning to gradually ease again. Based on these assumptions, gross domestic product is likely to increase this year by just 3.1% (baseline scenario) or 2.2% (alternative scenario), thus falling noticeably short of the assumptions expected prior to the outbreak of the war (3.7%).

Results of Operations: Stable Quarterly Results in Spite of Uncertain Situation

Based on the assumption of higher sales revenue in the amount of €361.8 million due to raw material prices (Q1/2021: €241.4 million), the company gen-

erated consolidated operating income (EBITDA) of €25.2 million in the first quarter of the 2022 financial year, thus falling just shy of the previous year's figure of €25.7 million. EBIT decreased from €13.2 million in the previous year to €12.0 million due to slightly higher depreciation and amortization. With interest expense being slightly higher and financing income lower this year, income before tax (EBT) fell from €11.3 million to €10.3 million. Meanwhile, the previous year's consolidated income attributable to shareholders amounted to €8.1 million in the first quarter of 2022 (Q1/2021: €7.2 million). Mathematically, this results in a €0.03 increase in earnings per share to €0.22.

A very positive income contribution was once again made by the ChemPharm Refining segment. Its sales volumes were similar to those seen in the first quarter of 2021, but sales were extremely stable in terms of prices and margins. Demand also increased significantly overall in the first three months of 2022. In particular, customers sought to order additional volumes to circumvent further price adjustments. We responded to this appropriately, taking into account the volumes available at the time as well as the price increases to be expected. Sales revenue amounted to €235.9 million (Q1/2021: €144.5 million). We currently expect the adequate situation to continue, at least in April and May 2022. All in all, the segment's EBITDA came to €19.0 million in the first quarter of 2022 (Q1/2021: €17.5 million).

The international activities of the ChemPharm Sales segment likewise improved, albeit at a slightly lower level, resulting in sales in the amount of €119.8 million (Q1/2021: €87.9 million). In contrast, operating income dropped to €6.6 million, putting it €1.0 million lower year-over-year (Q1/2021: €7.6 million). Unlike in the refinery business, the Covid-19 pandemic remained noticeable in large parts of Asia, above all in China. The closure of ports there once again interrupted supply chains and sent logistics costs soaring or put a strain on transport capacities. We nevertheless consider the positioning of our international operations and our good network spanning a large number of regions, sectors and customers to be one of the main advantages of our business model and expect to see a stable or even improved performance over the year as a whole.

Both of the segments in the Chemical-Pharmaceutical division were responsible for 97.1% of total Group sales.

At the beginning of the year, the Plastics segment was once again dominated by the competitive situation in the automotive sector – the war in Ukraine meant that electronic components manufactured there were no longer available to the German car manufacturers in sufficient quantities, if at all, and production was therefore ceased in some cases. The segment accordingly fell €0.2 million shy of its operating income in the same quarter of last year and achieved EBITDA of €0.7 million in comparison to €0.9 million in Q1/2021. Overall, the Plastics segment accounted for around 2.9% of our sales.

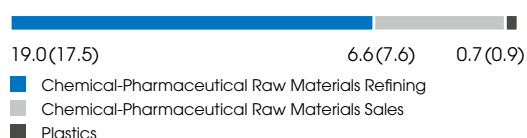
The Plastics division accounted for 2.8% of income, while the other segments generated 97.2% of income.

EBITDA BY SEGMENT Q1/2022

IN % (Q1/2021 FIGURES)

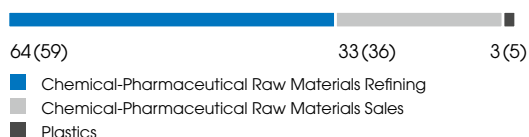


IN € MILLION (Q1/2021 FIGURES)



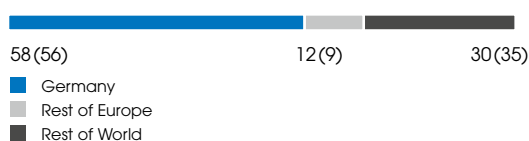
SALES BY SEGMENT IN Q1/2022

IN % (Q1/2021 FIGURES)



SALES BY REGION IN Q1/2022

IN % (Q1/2021 FIGURES)



Net Assets and Financial Position: Cash Positions Under Pressure

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. Cash flow from operating activities amounted to €-4.8 million in the first quarter of the 2022 financial year and was therefore down year-over-year (Q1/2021: €-4.0 million). Based on lower consolidated income of €7.8 million, slightly higher depreciation and amortization and, above all, significant changes in the net working capital requirement of €-30.4 million initially had an impact. Together with a drop of €2.9 million in other net assets, cash flow remained in the red. Higher cash outflows for investments in projects additionally burdened free cash flow. This accordingly fell to a total of €-18.4 million (Q1/2021: €-12.3 million).

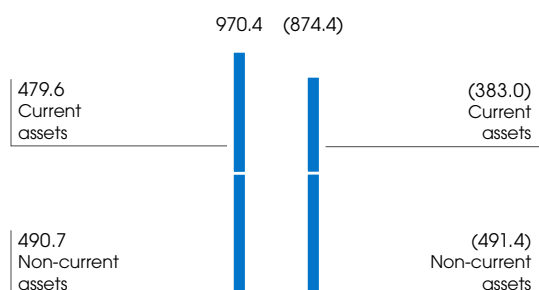
Cash and cash equivalents amounted to €48.1 million at the end of the quarter (Q1/2021: €72.5 million).

The balance sheet total increased from €874.4 million on December 31, 2021, to €970.4 million on March 31, 2022. On the assets side of the statement of financial position, there was a sharp increase in particular in current assets due to the valuation on the reporting date of inventories and trade receivables (March 31, 2022: €479.6 million; December 31, 2021: €383.0 million), whereas non-current assets remained stable (March 31, 2022: €490.7 million; December 31, 2021: €491.4 million).

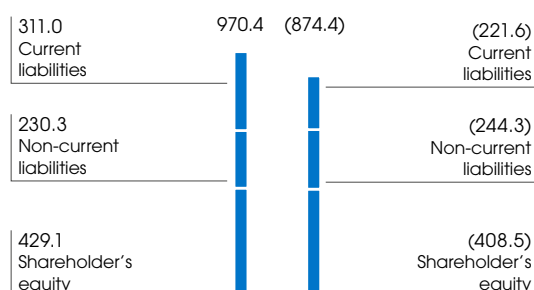
On the liabilities side, too, current liabilities increased in particular (March 31, 2022: €311.0 million; December 31, 2021: €221.6 million), with a significant proportion of current liabilities attributable to trade payables (March 31, 2022: €142.7 million; December 31, 2021: €94.6 million) and other financial liabilities (March 31, 2022: €30.5 million; December 31, 2021: €17.8 million). Of the non-current liabilities (March 31, 2022: €230.3 million; December 31, 2021: €244.3 million), in particular liabilities to banks and pension provisions fell.

ASSETS 3/31/2022

IN € MILLION (PREVIOUS YEAR'S FIGURES 12/31/2021)

**LIABILITIES AND SHAREHOLDERS' EQUITY 3/31/2022**

IN € MILLION (PREVIOUS YEAR'S FIGURES 12/31/2021)



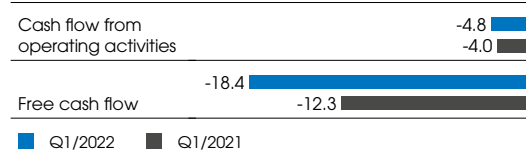
Equity improved from €408.5 million to €429.1 million due to higher retained earnings compared to the reporting date. However, the equity ratio dropped slightly to 44.2% as a result of the higher balance sheet total (December 31, 2021: 46.7%).

FINANCIAL POSITION

IN € MILLION	Q1/2022	Q1/2021	Change in %
Cash flow from operating activities	-4.8	-4.0	-0.8
Cash flow from investing activities	-13.6	-8.2	-5.4
Free cash flow	-18.4	-12.3	-6.1
Cash flow from financing activities	16.6	28.3	-11.7
Cash and cash equivalents as of March 31	48.1	72.5	-24.4

Q1/2022 CASH FLOW

IN € MILLION



■ Q1/2022 ■ Q1/2021

Outlook: Currently No Grounds for Correcting the Guidance Range

When the 2021 annual report was published, the company had set an annual sales target of at least €1.1 billion based on the raw material prices and had stated percentage expectations for the individual segments. Following the end of the first quarter of 2022, H&R KGaA is seemingly on track to achieve this minimum sales expectation.

The ChemPharm Sales segment currently has a sales weighting of 33.1% (2022 forecast: 33%). The ChemPharm Refining segment accounted for 64.0% of sales exactly as anticipated, while the Plastics division generated slightly less sales revenue than forecast at the beginning of the year at 2.9% (2022 forecast: 3.0%).

In terms of the percentage share of EBITDA, meanwhile, the ChemPharm Sales segment accounted for around 26.2% in the first quarter of 2022 rather than the anticipated 31.0%. The Plastics segment fared slightly better at 2.8% instead of 1.0%. The key driver of income remained the ChemPharm Refining segment at 71.0% (forecast: 68.0%).

Overall, it can be said at the end of the first quarter of 2022 that, mathematically speaking and being optimistic, the EBITDA at the beginning of the year suggests an overall figure at the upper end of the guidance range of €80.0 million to €95.0 million. Nothing has changed regarding this assump-

tion in the first three months of the year, even in view of the Ukraine war.

It nonetheless remains to be seen whether the situation in Eastern Europe may have an even greater impact on the western developed countries. In particular the structural failings of the past few decades and German industry's dependence on Russian gas as an energy supply could compromise further development for a long time. The extent to which we will be able to remain within the forecast range depends on how the global economy develops and how strong potential catch-up effects prove to be.

In spite of the current incalculables including in particular fluctuations in raw material prices, the sensitivity of market rates and product prices, and the overall geopolitical situation, we are currently sticking to the published targets. We will monitor developments carefully and will review and further refine our expectations following the half-year results.

SALES REVENUE AND INCOME FORECAST	
	2022 forecast
	€ 1,000 million to € 1,300 million
Consolidated sales revenues	
of which Refining	64%
of which Sales	33%
of which Plastics	3%
Consolidated EBITDA	€ 80.0 million to € 95.0 million
of which Refining	68%
of which Sales	31%
of which Plastics	1%

Interim Financial Statement

Consolidated Statement of Financial Position of H&R GmbH & Co. KGaA as of March 31, 2022

ASSETS

IN € THOUSAND	3/31/2022	12/31/2021
Current assets		
Cash and cash equivalents	48,081	48,924
Trade receivables	155,323	125,634
Income tax refund claims	426	554
Inventories	228,453	177,044
Other financial assets	33,753	15,872
Other assets	13,612	14,993
Current assets	479,648	383,021
Non-current assets		
Property, plant and equipment	433,498	432,358
Goodwill	17,396	17,392
Other intangible assets	17,158	15,105
Shares in holdings valued at equity	2,493	2,430
Other financial assets	15,905	16,183
Other assets	1,677	1,670
Deferred tax assets	2,617	6,222
Non-current assets	490,744	491,360
Total assets	970,392	874,381

EQUITY AND LIABILITIES

IN € THOUSAND	3/31/2022	12/31/2021
Current liabilities		
Liabilities to banks	72,427	54,155
Trade payables	142,704	94,625
Income tax liabilities	8,059	7,703
Contract liabilities	4,638	3,679
Other provisions	26,965	20,222
Other financial liabilities	30,475	17,751
Other liabilities	25,710	23,454
Current liabilities	310,978	221,589
Non-current liabilities		
Liabilities to banks	84,714	87,620
Pension provisions	69,442	81,219
Other provisions	3,650	3,610
Other financial liabilities	45,564	44,638
Other liabilities	23,362	23,627
Deferred tax liabilities	3,557	3,602
Non-current liabilities	230,931	244,316
Equity		
Subscribed capital	95,156	95,156
Capital reserve	46,427	46,427
Retained earnings	228,693	212,342
Other reserves	12,229	8,676
Equity of H&R GmbH & Co. KGaA shareholders	382,505	362,601
Non-controlling interests	46,620	45,875
Equity	429,125	408,476
Total liabilities and shareholders' equity	970,392	874,381

Income Statement of H&R GmbH & Co. KGaA

for the period from January 1 to March 31, 2022

IN € THOUSAND	Q1/2022	Q1/2021
Sales revenues	361,804	241,351
Changes in inventories of finished and unfinished goods	5,215	12,329
Other operating income	6,972	7,192
Cost of materials	-292,879	-188,902
Personnel expenses	-23,387	-21,765
Depreciation, amortization and impairment of fixed assets and property, plant and equipment	-13,210	-12,559
Other operating expenses	-32,553	-24,441
Operating result	11,962	13,205
Income from holdings valued at equity	64	-32
Financing income	109	80
Financing expenses	-1,812	-1,967
Income before tax (EBT)	10,323	11,286
Income taxes	-2,484	-3,274
Consolidated income	7,839	8,012
of which attributable to non-controlling interests	-255	777
of which attributable to shareholders of H&R GmbH & Co. KGaA	8,094	7,235
Earnings per share (undiluted), €	0.22	0.19
Earnings per share (diluted), €	0.22	0.19

Consolidated Cash Flow Statement of H&R GmbH & Co. KGaA for the period from January 1 to March 31, 2022

IN € THOUSAND		Q1/2022	Q1/2021
1.	Consolidated income	7,839	8,012
2.	Income taxes	2,484	3,274
3.	Net interest income	1,703	1,887
4.	+/- Depreciation/appreciation on fixed assets and intangible assets	13,210	12,559
5.	+/- Increase/decrease in non-current provisions	-617	-534
6.	+ Interest received	109	80
7.	- Interest paid	-1,416	-1,932
8.	+/- Income tax received/paid	-1,210	-1,561
9.	+/- Other non-cash expenses/income	-204	-256
10.	+/- Increase/decrease in current provisions	6,642	2,808
11.	-/+ Gain/loss from the disposal of fixed assets	-	3
12.	-/+ Changes in net working capital	-30,414	-27,403
13.	+/- Changes in remaining net assets/other non-cash items	-2,935	-979
14.	= Cash flow from operating activities (sum of items 1 to 13)	-4,809	-4,042
15.	+ Proceeds from disposal of companies	-	240
16.	+ Proceeds from disposals of property, plant and equipment	-	1
17.	- Payments for investments in property, plant and equipment	-10,914	-8,062
18.	- Payments for investments in intangible assets	-2,654	-399
19.	= Cash flow from investing activities (sum of items 15 to 18)	-13,568	-8,220
20.	= Free cash flow (sum of items 14 and 19)	-18,377	-12,262
21.	- Payments for settling financial liabilities	-29,140	-41,089
22.	+ Proceeds from taking up financial liabilities	45,708	69,387
23.	= Cash flow from financing activities (sum of items 21 to 22)	16,568	28,298
24.	+/- Changes in cash and cash equivalents (sum of items 14, 19 and 23)	-1,809	16,036
25.	+ Cash and cash equivalents at the beginning of the period	48,924	55,029
26.	+/- Change in cash and cash equivalents due to changes in exchange rates	966	1,480
27.	= Cash and cash equivalents at the end of the period	48,081	72,545

Financial Calendar

May 24, 2022	Annual Shareholders' Meeting in Hamburg
August 15, 2022	2022 Half-year Report
November 15, 2022	Q3/2022 Interim Report

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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Disclaimer

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