



INTERIM STATEMENT

of H&R GmbH & Co. KGaA

FOR THE 1ST QUARTER OF 2023

Overview

- First quarter of 2023 does not achieve same momentum as the prior-year quarter
- Strong improvements in cash positions
- Guidance for full year adjusted

H&R GMBH & CO. KGAA IN FIGURES

IN € MILLION	Q1/2023	Q1/2022	Change (absolute)
Sales revenue	349.0	361.8	-12.8
Operating income (EBITDA)	14.3	25.2	-10.9
EBIT	0.5	12.0	-11.5
EBT	-2.2	10.3	-12.5
Consolidated net income	-0.8	7.8	-8.6
Consolidated income attributable to shareholders	-0.9	8.1	-9.0
Consolidated income per share (undiluted) in €	-0.03	0.22	-0.25
Cash flow from operating activities	48.5	-4.8	53.3
Cash flow from investing activities	-16.6	-13.6	-3.0
Free cash flow	31.8	-18.4	50.2
Cash flow from financing activities	-29.7	16.6	-46.3
	3/31/2023	12/31/2022	
Balance sheet total	939.2	962.1	-22.9
Net working capital	222.3	260.1	-37.8
Equity	465.5	471.2	-5.7
Equity ratio (in %)	49.6	49.0	0.6
No. of employees	1,664	1,631	33

THE SEGMENTS IN FIGURES

IN € MILLION	Q1/2023	Q1/2022	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	219.5	235.9	-16.4
EBITDA	5.7	19.0	-13.3
Chemical-Pharmaceutical Raw Materials Sales			
Sales	123.1	119.8	3.3
EBITDA	6.4	6.6	-0.2
Plastics			
Sales	13.2	10.6	2.6
EBITDA	1.2	0.7	0.5
Reconciliation			
Sales	-6.7	-4.6	-2.1
EBITDA	1.0	-1.1	2.1

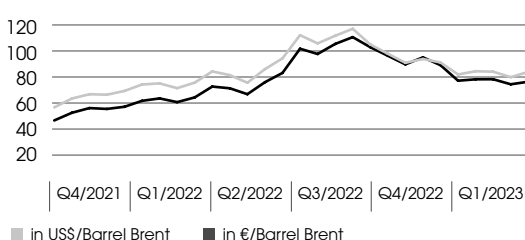
PERFORMANCE OF THE H&R SHARE Q1/2023

(INDEX 1/3/2023=100)



OIL PRICES Q4/2021 TO Q1/2023

(AVERAGE MONTHLY PRICES)



Letter from the Executive Board

Dear Shareholders, Dear Business Partners,

The past two financial years have been extremely successful for the H&R Group and certainly count among the highlights of our company's 100-plus-year history.

The underlying conditions were actually far from promising from the outset. While 2021 was still very much marked by the impacts of the Covid-19 pandemic, last year it was above all Russia's invasion of Ukraine that caused significant upheavals not only in our markets, but also in our internal workflows.

In 2022, we were able to use the momentum of the previous year's good results and achieve slightly lower but nevertheless still very good operating income in spite of some serious strains – such as procuring new feedstocks from non-Russian sources – and in the face of major uncertainty among many of our customers.

For the beginning of 2023, we not only hoped for, but also clearly expected similar momentum. We had factored a lack of further pandemic impacts into our planning, as well as a return to normal political conditions and basic economic data. As such, the income range communicated in our published 2022 annual report was an expression of this expectation.

We will most likely not be able to achieve this target to the degree we had hoped.

The chemical-pharmaceutical base materials industry continues to face some major challenges. For example, energy costs remain very high for the manufacturing industry when compared internationally. Offsetting effects such as the electricity price cap or even the industrial electricity price proposed by some in the German government are the right signals and are important. However, it currently remains to be seen when and to what extent these will offer real support. At the same time, customers were extremely price-sensitive in the first quarter, meaning we had less scope in terms of pricing than was possible last year.

Competition played quite a sizable role, too. The elimination of Russian competitors was offset in part by the supply of cheap goods from Southern Europe. Products from Russia or based on Russian feedstocks also found their way into the Western European markets by being processed in third countries.

This affected our business and earnings trend, with our figures currently indicating a dampened outlook. The drop in sales is easily explained as our sales level correlates with the rise and fall of the Brent price. Income, meanwhile, is affected by various factors. Lower inventory evaluations have a part to play, for example. The more cautious demand behavior of the customer industries in view of the overall situation is impacting volumes and therefore also capacity utilization and production costs. Operating income totaled €14.3 million as of the reporting date, based on sales in the amount of €349.0 million.

The development in the price of feedstocks is having positive effects on the cash positions. Lower procurement costs are resulting in a significant easing in the financing of net current assets, leading to a clearly positive development in cash flow at the end of the quarter.

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 that, unlike last year, have affected our results of operations. We nevertheless firmly believe we can bring the 2023 financial year to an adequate end with an adjusted guidance range for our operating income (EBITDA) of between €70.0 million and €90.0 million.

The prerequisites for this are a recovery of the overall economic situation, our customers positively assessing their own business, effective measures in the field of politics and an easing of the competition and margin pressure.

The company itself will play a part in any improvement, too, by analyzing the cost structure

and, if necessary, postponing major investments and avoiding additional fixed costs.

As ever, we will keep you abreast of our achievements openly, extensively and promptly.

In the meantime, thank you for your continued loyalty!

Hamburg, May 2023

A handwritten signature in black ink, appearing to read 'Niels H. Hansen', written in a cursive style.

Niels H. Hansen
Sole Managing Director

Business Trend in the First Quarter of 2023

Strong 2022 Annual Results Offer Only Limited Momentum for Start of 2023

H&R GmbH & Co. KGaA's business and earnings trend momentum had already dwindled noticeably in the final quarter of 2022. A number of indicators at the turn of the year were consequently suggesting a less dynamic development in the 2023 financial year. We therefore revised our expectations downward considerably compared with the operating income of the past two years. We nevertheless remained optimistic at the time of publishing our annual report that we could achieve EBITDA for 2023 of between €95.0 million and €110.0 million.

The arguments in favor of such an expectation were valid. Firstly, there were the strong actual figures of the past two years. Secondly, the realization following year-on-year comparisons for the quarter and beyond that we had achieved very good income figures in spite of the start of the war in Ukraine as well as its consequences and uncertainties boosted our expectations of once again being able to achieve a stable and good performance in 2023. And lastly, we also saw good market-based arguments for the H&R Group's position being stronger than those of a number of our direct competitors.

This latter argument remains the case. In addition, political tools such as the electricity price cap will only have an impact in the course of the year, so we are expecting to see very positive effects on the Group's income here.

Reflecting the fact that an assessment of the economic situation can only ever be a snapshot, we nevertheless revised our expectations when we published our preliminary figures a few weeks ago and are now anticipating a best-case income figure that comes close to the previous income range.

The overall economic situation may also offer this target some momentum. For example, the ifo Institute is forecasting a recovery in industrial activity at the turn of the month from April to May due

to decreasing bottlenecks in precursor supplies and sizable drops in energy prices. The German Council of Economic Experts has made some similar conclusions and is anticipating slight growth of 0.2% in Germany's gross domestic product. With China having abandoned its strict zero-Covid policy, the experts are also anticipating that this will boost global economic growth. The Council therefore revised its latest forecast for global GDP growth in 2023 upward to 2.2%.

Results of Operations: Moderate Quarterly Results Cast Shadow on Full-Year Forecast

Based on the assumption of lower sales revenue in the amount of €349.0 million due both to volumes and raw material prices (Q1/2022: €361.8 million), the company generated consolidated operating income (EBITDA) of €14.3 million in the first quarter of the 2023 financial year, thus falling significantly short of the previous year's figure of €25.2 million. EBIT came to €0.5 million, falling from the previous year's €12.0 million, due to higher depreciation and amortization of €13.8 million. With interest expense being far higher and financing income being only marginally improved this year, income before tax (EBT) fell from €10.3 million to €-2.2 million. Meanwhile, the consolidated income attributable to shareholders was lowered by tax income and the lower share of revenue attributable to non-controlling interests, and amounted to €-0.9 million in the first quarter of 2023 (Q1/2022: €8.1 million). Mathematically, this results in a €0.25 decrease in earnings per share to €-0.03.

The ChemPharm Refining segment is a key lever regarding the H&R Group's overall income performance as this is where the main feedstock volumes are processed and the majority of our specialty products are produced. The ChemPharm Refining segment's energy-intensive production sites sold smaller volumes overall in the first quarter of 2023, among other things due to the muted outlooks in many of the customer industries. Sales also fell due to raw material prices, to

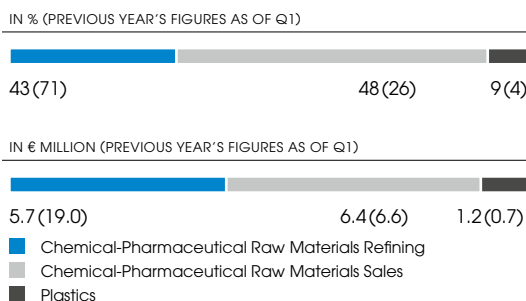
€219.5 million (Q1/2022: €235.9 million). Product prices continued to be very much determined by competition in the first quarter, in particular volumes from Southern European refineries making negotiations with a number of our customers more difficult, which in turn made passing on the above costs a sensitive issue.

As already mentioned, this situation should improve in the course of the year due to reduced availabilities as forecast by a number of competitors. It can nevertheless be assumed that countries in the southeast of the European Union in particular will benefit from their special status regarding the ongoing purchasing of Russian raw materials and will sell their own end products cheap as “oils produced in Europe”. The segment’s EBITDA came under considerable pressure and totaled €5.7 million (Q1/2022: €19.0 million).

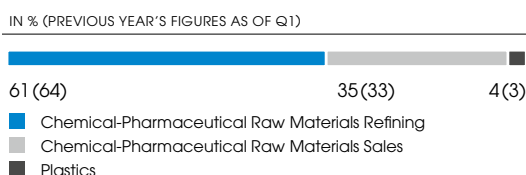
Meanwhile, the international sites of our ChemPharm Sales segment generally developed stably to slightly positively, increasing their sales to €123.1 million (Q1/2022: €119.8 million). The previous year’s good EBITDA of €6.6 million was once again almost achieved in the first quarter of 2023, at €6.4 million.

Both of the segments in the Chemical-Pharmaceutical division were responsible for 96.2% of total Group sales. The performance of the Chemical-Pharmaceutical division is likewise gratifying – the subsidiary GAUDLITZ GmbH upped its EBITDA to €1.2 million (Q1/2022: €0.7 million) in spite of the outlook for the automotive industry varying globally due to drive and future technologies. Sales also increased, from the previous year’s €10.6 million to €13.2 million in Q1/2023. Overall, the Chemical-Pharmaceutical segment accounted for around 3.8% of our sales. The Chemical-Pharmaceutical division accounted for 9.0% of income, while the other segments generated 91.0% of income.

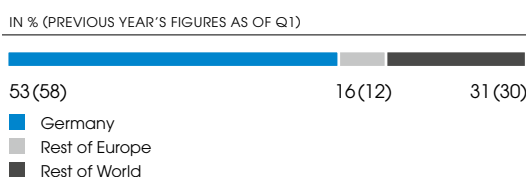
EBITDA BY SEGMENT Q1/2023



SALES BY SEGMENT IN Q1/2023



SALES BY REGION IN Q1/2023



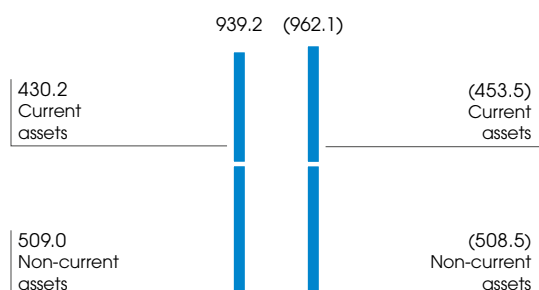
Net Assets and Financial Position: Significant Improvements in Cash Positions

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.

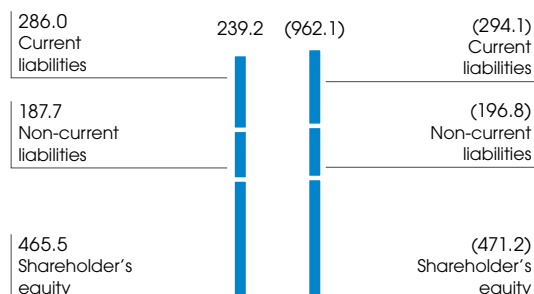
In spite of slightly negative consolidated income of €-0.8 million (Q1/2022: €7.8 million), cash flow from operating activities improved to €48.5 million in the first quarter of 2023 (Q1/2022: €-4.8 million). This was primarily due to the development in the price of raw materials, which resulted in net working capital requirements that were around €65.5 million lower. Free cash flow likewise improved significantly to €31.8 million (Q1/2022: €-18.4 million).

ASSETS 3/31/2023

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 12/31/2022)

**LIABILITIES 3/31/2023**

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 12/31/2022)



Cash and cash equivalents recovered and amounted to €57.4 million at the end of the quarter (Q1/2022: €48.1 million).

The balance sheet total fell to €939.2 at the end of the first quarter of 2023 (December 31, 2022: €962.1 million). On the assets side, demand levels and lower feedstock costs caused a €23.9 million reduction in inventories and therefore constituted the key cause of current assets falling from €453.5 million to €430.2 million. Non-current assets remained virtually unchanged at €509.0 million.

On the liabilities side, current liabilities to banks were reduced in particular, amounting to €102.7 million compared with €128.2 million. Trade pay-

ables increased at the same time from €99.4 million to €113.6 million. There was a moderate reduction in current liabilities overall, from €294.1 million to €286.0 million. In terms of non-current liabilities, in particular liabilities to banks and lower deferred tax liabilities led to reduced liabilities in the amount of €187.7 million (Q1/2022: €196.8 million).

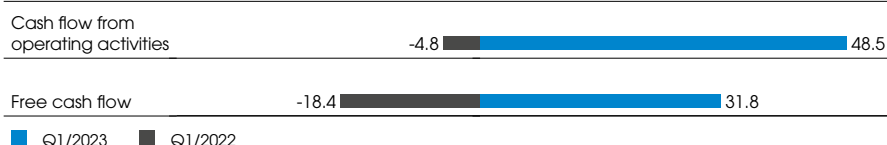
The company's equity totaled €465.5 million at the reporting date (December 31, 2022: €471.2 million). The equity ratio was 49.6% (December 31, 2022: 49.0%).

FINANCIAL POSITION

IN € MILLION	Q1/2023	Q1/2022	Change
Cash flow from operating activities	48.5	-4.8	53.3
Cash flow from investing activities	-16.7	-13.6	-3.1
Free cash flow	31.8	-18.4	50.2
Cash flow from financing activities	-29.7	16.6	-46.3
Cash and cash equivalents as of March 31	57.4	48.1	9.3

Q1/2023 CASH FLOW

IN € MILLION



Outlook: Adjustment to Guidance Range Objectively Necessary

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 first quarter of 2023, H&R KGaA is on track to fall short of this minimum sales expectation due to the lower raw material prices.

The ChemPharm Sales segment currently has a higher sales weighting of 35.3% (2023 forecast: 31.0%). At 60.9%, the ChemPharm Refining segment accounted for less than the anticipated 66.0%, while the Plastics division 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 48.1% rather than the anticipated 28%.

The Plastics segment also saw a strong improvement at 9.0% instead of 1.0%. The ChemPharm Refining segment fell short of expectations at 42.9% (forecast: 68.0%).

Overall, it can be said at the end of the first quarter of 2023 that, mathematically speaking and even if an optimistic view is taken, the EBITDA at the beginning of the year suggests the previous guidance range of €95.0 million to €110.0 million will not be achieved. The company is therefore adjusting its guidance range and now believes operating income (EBITDA) of between €70.0 million and €90.0 million can be achieved.

SALES REVENUE AND INCOME FORECAST*

	2023 forecast
	€ 1,700 million
Consolidated sales revenues	to € 1,900 million
of which Refining	66%
of which Sales	31%
of which Plastics	3%
	€ 95.0 million
Consolidated EBITDA	to € 110.0 million
of which Refining	68%
of which Sales	28%
of which Plastics	4%

* Original expectation according to the 2022 annual report

Interim Financial Statement

Consolidated Statement of Financial Position of H&R GmbH & Co. KGaA as of March 31, 2023

ASSETS

IN € THOUSAND	3/31/2023	12/31/2022
Current assets		
Cash and cash equivalents	57,368	55,997
Trade receivables	124,822	124,427
Income tax refund claims	635	946
Inventories	211,138	235,051
Other financial assets	21,462	20,190
Other assets	14,761	16,938
Current assets	430,186	453,549
Non-current assets		
Property, plant and equipment	452,900	452,529
Goodwill	17,386	17,393
Other intangible assets	17,004	16,925
Shares in holdings valued at equity	4,223	4,262
Other financial assets	12,474	12,577
Other assets	1,759	1,735
Deferred tax assets	3,283	3,102
Non-current assets	509,029	508,523
Total assets	939,215	962,072

EQUITY AND LIABILITIES

IN € THOUSAND	3/31/2023	12/31/2022
Current liabilities		
Liabilities to banks	102,680	128,225
Trade payables	113,649	99,392
Income tax liabilities	6,488	6,660
Contract liabilities	1,664	2,519
Other provisions	23,571	18,780
Other financial liabilities	16,328	14,841
Other liabilities	21,617	23,646
Current liabilities	285,997	294,063
Non-current liabilities		
Liabilities to banks	60,593	63,782
Pension provisions	53,035	54,312
Other provisions	2,789	2,759
Other financial liabilities	39,911	41,091
Other liabilities	21,787	22,181
Deferred tax liabilities	9,582	12,720
Non-current liabilities	187,697	196,845
Equity		
Subscribed capital	95,196	95,156
Capital reserve	46,427	46,427
Retained earnings	273,153	272,789
Other reserves	3,928	9,269
Equity of H&R GmbH & Co. KGaA shareholders	418,664	423,641
Non-controlling interests	46,857	47,523
Equity	465,521	471,164
Total liabilities and shareholders' equity	939,215	962,072

Income Statement of H&R GmbH & Co. KGaA

for the period from January 1 to March 31, 2023

IN € THOUSAND	3/31/2023	3/31/2022
Sales revenues	349,010	361,804
Changes in inventories of finished and unfinished goods	-21,528	5,215
Other operating income	7,123	6,972
Cost of materials	-262,035	-292,879
Personnel expenses	-26,265	-23,387
Depreciation, amortization and impairment of fixed assets and property, plant and equipment	-13,845	-13,210
Other operating expenses	-31,963	-32,553
Operating result	497	11,962
Income from holdings valued at equity	-39	64
Financing income	230	109
Financing expenses	-2,932	-1,812
Income before tax (EBT)	-2,244	10,323
Income taxes	1,408	-2,484
Consolidated income	-836	7,839
of which attributable to non-controlling interests	111	-255
of which attributable to shareholders of H&R GmbH & Co. KGaA	-947	8,094
Earnings per share (undiluted), €	-0.03	0.22
Earnings per share (diluted), €	-0.03	0.22

Consolidated Cash Flow Statement of H&R GmbH & Co. KGaA for the period from January 1 to March 31, 2023

IN TE		3/31/2023	3/31/2022
1.	Consolidated income	-836	7,839
2.	Income taxes	-1,408	2,484
3.	Net interest income	2,701	1,703
4.	+/- Depreciation/appreciation on fixed assets and intangible assets	13,845	13,210
5.	+/- Increase/decrease in non-current provisions	-583	-617
6.	+ Interest received	230	109
7.	- Interest paid	-2,184	-1,416
8.	+/- Income tax received/paid	-869	-1,210
9.	+/- Other non-cash expenses/income	13	-204
10.	+/- Increase/decrease in current provisions	4,834	6,642
11.	-/+ Gain/loss from the disposal of fixed assets	-	-
12.	-/+ Changes in net working capital	35,048	-30,414
13.	+/- Changes in remaining net assets/other non-cash items	-2,338	-2,935
14.	= Cash flow from operating activities (sum of items 1 to 13)	48,454	-4,809
15.	+ Proceeds from disposals of property, plant and equipment	6	-
16.	- Payments for investments in property, plant and equipment	-15,630	-10,914
17.	- Payments for investments in intangible assets	-1,025	-2,654
18.	= Cash flow from investing activities (sum of items 15 to 17)	-16,649	-13,568
19.	= Free cash flow (sum of items 14 and 18)	31,805	-18,377
20.	- Payments for settling financial liabilities	-69,933	-29,140
21.	+ Proceeds from taking up financial liabilities	40,226	45,708
22.	= Cash flow from financing activities (sum of items 20 to 21)	-29,707	16,568
23.	+/- Changes in cash and cash equivalents (sum of items 14, 18 and 22)	2,098	-1,809
24.	+ Cash and cash equivalents at the beginning of the period	55,997	48,924
25.	+/- Change in cash and cash equivalents due to changes in exchange rates	-727	966
26.	= Cash and cash equivalents at the end of the period	57,368	48,081

Financial Calendar

May 23, 2023	Annual Shareholders' Meeting in Hamburg
August 18, 2023	2023 Half-year Report
November 17, 2023	Q3/2023 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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