

Overview

- Slower macroeconomic dynamics dampen third quarter of 2021
- EBITDA of €111.3 million nevertheless significantly above previous year
- Expectations could be exceeded by a further 10%

H&R GMBH & CO. KGAA IN FIGURES

IN € MILLION	1/1-9/30/2021	1/1-9/30/2020	Change (absolute)
Sales revenue	878.2	649.9	228.3
Operating income (EBITDA)	111.3	30.7	80.6
EBIT	73.2	-6.8	80.0
EBT	67.0	-12.8	79.8
Income after taxes	49.1	-14.2	63.3
Income after taxes of which attributable to shareholders	47.0	-14.8	61.8
Consolidated earnings per share (undiluted) in €	1.26	-0.40	1.66
Cash flow from operating activities	13.1	44.6	-31.5
Cash flow from investing activities	-38.6	-30.2	-8.4
Free cash flow	-25.5	14.4	-39.9
Cash flow from financing activities	21.1	-28.2	49.3
	9/30/2021	12/31/2020	Change (absolute)
Balance sheet total	847.1	745.7	101.4
Net working capital	219.1	106.9	112.2
Equity	402.2	346.9	55.3
Equity ratio (in %)	47.5	46.5	1.0
No. of employees as of September 30	1,572	1,585	-13

THE SEGMENTS IN FIGURES

IN € MILLION	1/1-9/30/2021	1/1-9/30/2020	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	556.2	397.5	158.7
EBITDA	89.8	15.7	74.1
Chemical-Pharmaceutical Raw Materials Sales			
Sales	299.2	229.5	69.7
EBITDA	21.8	17.8	4.0
Plastics			
Sales	32.4	29.2	3.2
EBITDA	2.3	0.2	2.1
Reconciliation			
Sales	-9.6	-6.4	-3.2
EBITDA	-2.6	-3.0	0.4

PERFORMANCE OF H&R SHARE Q3/2021

(INDEX 1/7/2021=100)

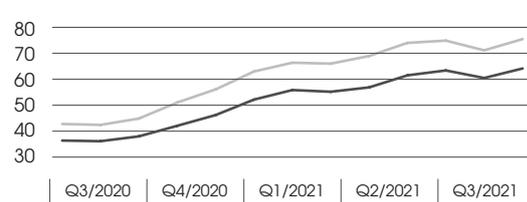


■ H&R GmbH & Co. KGaA

* Closing price 9/30/2021

OIL PRICES Q3/2020 TO Q3/2021

(AVERAGE MONTHLY PRICES)



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

Letter From the Executive Board

Dear Shareholders, Dear Business Partners,

As this quarterly report is published, we are already in the final stages of the current financial year. And the outlook for this year is quite promising. Assuming that global economic development and infection numbers do not present us with any insurmountable hurdles over the next few weeks, H&R will finish the year with a successful income figure.

As things stand today, at the end of the first three quarters of 2021, we already have achieved an EBITDA of around €111 million. This only just falls short of the estimation for the full year that we communicated in the middle of the year. Accordingly, since the publication of the preliminary third-quarter figures just under two weeks ago we have expected the previously communicated figure of “at least €115 million” to be slightly exceeded once again by the end of the year.

What can be interpreted as a “record result” at first glance is down to a great deal of hard work on our part – it is the result of the company’s systematic focus in the past, its high degree of flexibility and the commitment of its employees. These have been essential factors in H&R’s ability to take advantage of the good market conditions for the company’s own benefit. We were also able to respond adequately to the difficulties that the market presented us with at all times.

There was massive demand for many products, resulting in a number of “logistical headaches” for the producers of chemical-pharmaceutical raw materials. Adequate margins were recorded for products such as base oil. At the same time, demand exceeded capacity, at times to a significant extent. And so, there were times when it took great skill to keep all customers satisfied. Above all, recovery effects – which had already begun last fall following the first lockdown measures – continued and boosted demand.

While this was happening, the global shortage of transport capacities led to disruptions in normally

well-running trade and supply routes. Some sectors suffered as a result. The automotive industry was hit once again by the shortage of important control components from Asian producers and raw materials for the manufacture of high-grade plastic components. Even containers and packages for filling and bottling and paper were in short supply in 2021, which was a first.

Given these challenges, our third quarter showed less dynamic development than the excellent previous quarter. It is likely that some of these effects will continue into the new year.

Despite all of this, we expect to achieve an excellent level of profit in 2021. This gives us a good basis for the continued transformation of our company. The next ten years will see societal changes in which avoiding carbon emissions and achieving climate neutrality will become more important to our customer industries. H&R KGaA has already amassed important expertise in a number of areas – e.g., material use of CO₂ and hydrogen, and synthesis methods – and is therefore recognized by industry associations and technology companies as an important partner for the early implementation of new process technologies and utilization techniques. Climate change is driving us forward, but it is not about to overtake us!

We are looking forward to the work that lies ahead of us. We are proud of our efforts and grateful to have your continued support.

Hamburg, November 2021

Best regards,



Niels H. Hansen
Managing Director

Business Trend in the Third Quarter of 2021

Slight Dip in Development Momentum up to End of Third Quarter of 2021

To a degree, the business trend in 2021 is reminiscent of a parabolic flight, with the income curve heading sharply upward up to the middle of the year, pinnacled at the half-year point and then dropping off slightly in the third quarter due to more muted momentum. Nevertheless, as already indicated in the summer, H&R is currently heading for the most successful income figure in the company's history.

Consolidated Income for Quarter Exceeds Previous Year

The third quarter made the second biggest contribution here, taking EBITDA in the first nine months to €36.8 million compared year-over-year with operating income of €14.1 million.

As a result of the excellent performance reported after the first half of the year, EBITDA for the first nine months came to €111.3 million (first nine months of 2020: €30.7 million). Sales in the third quarter rose from €208.1 million in 2020 to €319.7 million. Over the period from January until the end of September 2021, revenue improved from €649.9 million to €878.2 million. The situation accordingly also improved at all the other quarterly net income levels:

CHANGES IN SALES AND INCOME

IN € MILLION	Q3/2021	Q3/2020	Change (absolute)
Sales revenue	319.7	208.1	111.6
EBITDA	36.8	14.1	22.7
EBIT	24.1	1.9	22.2
EBT	22.6	-0.1	22.7
Income after taxes of which attributable to shareholders	16.0	-1.2	17.2
Consolidated earnings per share (undiluted) in €	0.43	-0.03	0.46

Fortunately, all the company segments made positive contributions to income, both for the quarter and the nine-month period.

With EBITDA of €30.9 million (Q3/2020: €8.7 million), the ChemPharm Refining segment once again contributed a significant, and considerably improved, proportion of income. Its contribution for the first nine months of the year came to €89.8 million (first nine months of 2020: €15.7 million). Sales in the segment likewise increased considerably by around 40% in the first nine months to €556.2 million (first nine months of 2020: €397.5 million). €204.2 million of this amount was attributable to the third quarter of 2021 (Q3/2020: €120.6 million).

In the first nine months, the international activities bundled in the ChemPharm Sales segment likewise generated higher income of €21.8 million (first nine months of 2020: €17.8 million). Looking at the third quarter of 2021, at €6.6 million, the income generated by ChemPharm Sales was almost on a par with the previous year (Q3/2020: €6.5 million). As such, the international business area lacks the strong momentum of the refinery business, but its income does demonstrate the segment's major stability and reliability. Sales in the period from January to September 2021 came to €299.2 million (first nine months of 2020: €229.5 million). The third quarter of 2021 contributed €108.6 million to this figure (Q3/2020: €78.6 million).

Overall, our development therefore reflects the general mood in the German economy – it continues to recover from the coronavirus crisis, but has initially forfeited some of its momentum in the second half of the year. Recovery effects, including in many of our customer industries, are coming up against ongoing precautionary measures to protect against infection. Bottlenecks in the supply of intermediate products are proving to be more persistent and more serious than anticipated and are noticeably hampering end-of-year business. 6% of global freight capacities are currently caught up in backlogs outside the ports of Los Angeles and Ningbo-Zhoushan alone. The Kiel Institute for the World Economy (IfW) accordingly revised its expectations for the year downward in its most recent economic forecast published in September.

With its exposure to the automotive sector, the Plastics segment is similarly feeling the effects of the circumstances as described above, for exam-

ple due to the automotive suppliers calling off components irregularly as they themselves are struggling with an insufficient supply of urgently needed control chips. We are nevertheless benefiting considerably in 2021 from the restructuring measures implemented in recent years and can report significantly improved operating income over the first nine months and in the third quarter – EBITDA amounted to €0.5 million in Q3/2021 (Q3/2020: €0.4 million), while the nine-month figure even came to €2.3 million (first nine months of 2020: €0.2 million). Despite the challenges, the income for the quarter remained on a par year-over-year at €10.9 million and even slightly increased year-over-year in the first nine months to €32.4 million (Q3/2020: €11.0 million; first nine months of 2020: €29.2 million).

EBITDA BY SEGMENT, FIRST NINE MONTHS OF 2021

IN % (FIRST NINE MONTHS OF 2020 FIGURES)



IN € MILLION (FIRST NINE MONTHS OF 2020 FIGURES)



SALES BY SEGMENT, FIRST NINE MONTHS OF 2021

IN % (FIRST NINE MONTHS OF 2020 FIGURES)



Legend:
■ Chemical-Pharmaceutical Raw Materials Refining
■ Chemical-Pharmaceutical Raw Materials Sales
■ Plastics

SALES BY REGION, FIRST NINE MONTHS OF 2021

IN % (FIRST NINE MONTHS OF 2020 FIGURES)



Legend:
■ Germany
■ Rest of Europe
■ Rest of World

Cash Positions Reflect Higher 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.

Based on significantly improved consolidated income, the cash flow from operating activities came to €13.1 million at the end of the first nine months of 2021 (first nine months of 2020: €44.6 million). The improvements achieved in many cash positions were offset not only by slightly higher depreciation and amortization, but also and above all by considerably higher net working capital burdens, which put a strain on cash flow from operating activities.

In a comparison of the individual quarters, the change in the net working capital requirement was less of a burden, so that the operating cash flow recovered significantly in the third quarter to €12.0 million (Q3/2020: €5.2 million).

The free cash flow most recently amounted to €-25.5 million (first nine months 2020: €14.4 million). The value for the third quarter also decreased, it was €-1.1 million instead of €0.8 million.

CASH FLOW, FIRST NINE MONTHS OF 2021

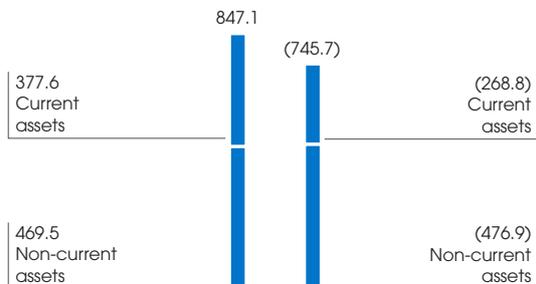
IN € MILLION

Cash flow from operating activities	13.1	44.6
Free cash flow	-25.5	14.4

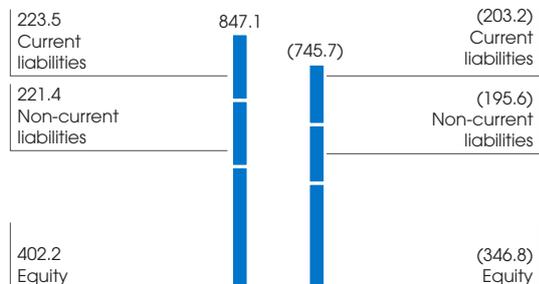
Legend:
■ First nine months of 2021
■ First nine months of 2020

ASSETS AS OF 9/30/2021

IN € MILLION (FIGURE AS OF 12/31/2020)

**LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 9/30/2021**

IN € MILLION (FIGURE AS OF 12/31/2020)



The balance sheet total increased from €745.7 million on December 31, 2020, to €847.1 million. On the assets side of the statement of financial position, current assets increased from €268.8 million to €377.6 million, primarily due to higher

trade receivables and a buildup of inventories. Non-current assets reported a slight decrease and amounted to €469.5 million due in particular to lower deferred tax assets (December 31, 2020: €476.9 million).

FINANCIAL POSITION

IN € MILLION	7/1- 9/30/2021	7/1- 9/30/2020	Change (absolute)	1/1- 9/30/2021	1/1- 9/30/2020	Change (absolute)
Cash flow from operating activities	12.0	5.2	6.8	13.1	44.6	-31.5
Cash flow from investing activities	-13.1	-4.4	-8.7	-38.6	-30.2	-8.4
Free cash flow	-1.1	0.8	-1.9	-25.5	14.4	-39.9
Cash flow from financing activities	3.7	-6.8	10.5	21.1	-28.2	49.3
Cash and cash equivalents as of September 30	51.4	76.7	-25.3	51.4	76.7	-25.3

On the liabilities side, current liabilities increased by approximately €20.3 million to €223.5 million. While trade payables in particular and also liabilities to banks fell, other liabilities and other provisions rose. Non-current items on the liabilities side increased to €221.4 million (December 31, 2020: €195.6 million), mainly due to higher liabilities to banks.

Equity increased by €55.3 million due to an improvement in retained earnings, amounting to €402.2 million on the reporting date compared with €346.9 million. The equity ratio increased to 47.5% (December 31, 2020: 46.5%).

Outlook: Overall Expectations as Amended in the Fall May Be Exceeded

When the 2020 annual report was published, the company had set an annual sales target of at least €900.0 million and had stated percentage expectations for the individual segments. Following the end of the third quarter of 2021, H&R KGaA is above the original sales forecast. In terms of percentage split, the Refining segment's sales contribution after the first three quarters is 62%. At 34% and 4% respectively, the Sales and Plastics segments recorded slightly higher sales revenue than forecast at the beginning of the year.

In comparison, the Refining segment not only clearly dominates Group EBITDA, making a contribution to income of around 78%, but is also well above the forecast from the beginning of the year. This is at the expense in particular of the Sales segment (20%) and, to a lesser degree, of the Plastics segment (2%).

Based on the good performance, we amended our original guidance of €60.0 million to €75.0 million in the course of the year, most recently communicating an expectation of at least €115.0 million and potentially exceeding this by up to 10%. We continue to uphold this target.

SALES AND INCOME FORECAST

	Forecast 2021
Consolidated sales	€900 million to €1,100 million
of which Refining	66%
of which Sales	31%
of which Plastics	3%
Consolidated EBITDA*	“minimum of €115.0 million”
of which Refining	65%
of which Sales	32%
of which Plastics	3%

* Originally: €60.0 million to €75.0 million; adjusted upon the publication of the preliminary figures for the first half-year of 2021 and the preliminary figures for the first nine months of 2021

Interim Statement

Consolidated Statement of Financial Position of H&R GmbH & Co. KGaA as of September 30, 2021

ASSETS

IN € THOUSAND	9/30/2021	12/31/2020
Current assets		
Cash and cash equivalents	51,378	55,029
Trade receivables	131,089	81,578
Income tax refund claims	395	72
Contract assets	–	476
Inventories	154,815	105,758
Other financial assets	24,517	17,821
Other assets	15,445	8,080
Current assets	377,639	268,814
Non-current assets		
Property, plant and equipment	416,753	412,246
Goodwill	17,643	17,376
Other intangible assets	14,055	14,265
Shares in holdings valued at equity	2,488	2,922
Other financial assets	10,269	11,578
Other assets	1,561	1,355
Deferred tax assets	6,729	17,159
Non-current assets	469,498	476,901
Total assets	847,137	745,715

LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	9/30/2021	12/31/2020
Current liabilities		
Liabilities to banks	82,645	87,449
Trade payables	66,776	80,453
Income tax liabilities	8,297	2,663
Contract liabilities	3,826	2,210
Other provisions	19,703	9,351
Other financial liabilities	18,186	10,173
Other liabilities	24,095	10,945
Current liabilities	223,528	203,244
Non-current liabilities		
Liabilities to banks	73,972	43,006
Pension provisions	78,250	82,211
Other provisions	3,608	3,535
Other financial liabilities	37,639	37,678
Other liabilities	24,681	25,819
Deferred tax liabilities	3,252	3,340
Non-current liabilities	221,402	195,589
Equity		
Subscribed capital	95,156	95,156
Capital reserve	46,427	46,867
Retained earnings	212,347	162,702
Other reserves	4,448	2,858
Equity of H&R GmbH & Co. KGaA shareholders	358,378	307,583
Non-controlling interests	43,829	39,299
Equity	402,207	346,882
Total liabilities and shareholders' equity	847,137	745,715

Consolidated Income Statement of H&R KGaA

January 1 to September 30, 2021

IN € THOUSAND	1/1-9/30/2021	1/1-9/30/2020	7/1-9/30/2021	7/1-9/30/2020
Sales revenue	878,161	649,891	319,743	208,053
Changes in inventories of finished and unfinished goods	30,833	-22,577	12,549	-7,085
Other operating income	20,702	15,959	5,456	5,257
Cost of materials	-666,931	-477,634	-246,219	-144,835
Personnel expenses	-69,844	-61,428	-25,497	-20,290
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-38,021	-37,470	-12,718	-12,179
Other operating expenses	-81,598	-73,835	-29,222	-26,959
Operating result	73,302	-7,094	24,092	1,962
Income from holdings valued at equity	-62	326	16	-15
Financing income	709	430	177	68
Financing expenses	-6,918	-6,439	-1,713	-2,117
Income before tax (EBT)	67,031	-12,777	22,572	-102
Income taxes	-17,957	-1,389	-6,450	-719
Consolidated income	49,074	-14,166	16,122	-821
of which attributable to non-controlling interests	2,062	666	74	390
of which attributable to shareholders of H&R GmbH & Co. KGaA	47,012	-14,832	16,048	-1,211
Earnings per share (undiluted), in €	1.26	-0.40	0.43	-0.03
Earnings per share (diluted), in €	1.26	-0.40	0.43	-0.03

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

January 1 to September 30, 2021

IN € THOUSAND		1/1- 9/30/2021	1/1- 9/30/2020	7/1- 9/30/2021	7/1- 9/30/2020
1.	Consolidated income	49,074	-14,166	16,122	-821
2.	Income taxes	17,957	1,389	6,450	719
3.	Net interest income	5,220	6,010	1,677	2,050
4.	+/- Depreciation and amortization/appreciation on fixed assets and intangible assets	39,152	37,470	12,718	12,232
5.	+/- Increase/decrease in non-current provisions	-874	-1,362	-468	-422
6.	+ Interest received	709	430	177	68
7.	- Interest paid	-4,801	-6,229	-1,296	-1,577
8.	+/- Income tax received/paid	-4,514	-42	-1,485	-2,475
9.	+/- Other non-cash expenses/income	-1,056	709	-643	110
10.	+/- Increase/decrease in current provisions	10,201	2,809	6,541	2,337
11.	-/+ Gain/loss from the disposal of fixed assets	449	-52	-123	-59
12.	-/+ Changes in net working capital	-107,009	-10,253	-29,129	-10,283
13.	+/- Changes in remaining net assets/other non-cash items	8,588	27,843	1,469	3,321
14.	= Cash flow from operating activities (sum of items 1 to 13)	13,096	44,556	12,010	5,200
15.	+ Proceeds from the sale of companies	240	-	-	-
16.	- Payments for the acquisition of companies	-1,850	-	-1,500	-
17.	+ Proceeds from disposals of property, plant and equipment	3	18	-	17
18.	- Payments for investments in property, plant and equipment	-35,639	-29,743	-10,670	-4,262
19.	- Payments for investments in intangible assets	-1,389	-456	-934	-167
20.	= Cash flow from investing activities (sum of items 15 to 19)	-38,635	-30,181	-13,104	-4,412
21.	= Free cash flow (sum of items 14 and 20)	-25,539	14,375	-1,094	788
22.	+ Dividends received from joint ventures	153	-	-	-
23.	- Payments for settling financial liabilities	-130,574	-72,226	-50,771	-22,217
24.	+ Proceeds from taking up financial liabilities	151,538	43,998	54,265	15,443
25.	= Cash flow from financing activities (sum of items 22 to 24)	21,117	-28,228	3,694	-6,774
26.	+/- Changes in cash and cash equivalents (sum of items 14, 20 and 25)	-4,442	-13,853	2,600	-5,986
27.	+ Cash and cash equivalents at the beginning of the period	55,029	94,794	48,682	84,989
28.	+/- Change in cash and cash equivalents due to changes in exchange rates	771	-4,268	96	-2,330
29.	= Cash and cash equivalents at the end of the period	51,378	76,673	51,378	76,673

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

April 7, 2022

Annual Report 2021

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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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