

H&R GmbH & Co. KGaA

Semiannual Statement as of
June 30, 2018



Our First Half-Year of 2018

- Operating income (EBITDA) with €41.2 million below prior-year
- Positive contributions to income by all three segments
- Economic and political environment remains challenging

H&R GMBH & CO. KGAA IN FIGURES

IN € MILLION	1/1-6/30/2018	1/1-6/30/2017	Change (absolute)
Sales revenue	550.3	527.7	22.6
Operating income (EBITDA)	41.2	52.9	-11.7
EBIT	24.4	35.2	-10.8
EBT	20.9	30.3	-9.4
Income after taxes	15.2	22.0	-6.8
Income after taxes of which attributable to shareholders	14.9	21.4	-6.5
Consolidated earnings per share (undiluted) in €	0.41	0.58	-0.17
Cash flow from operating activities	-15.6	5.0	-20.6
Cash flow from investing activities	-24.8	-22.4	-2.4
Free cash flow	-40.5	-17.4	-23.1
Cash flow from financing activities	23.9	7.2	16.7
	6/30/2018	12/31/2017	
Balance sheet total	730.0	662.6	67.4
Net working capital	194.3	153.3	41.0
Equity	351.0	342.7	8.3
Equity ratio (in %)	48.1	51.7	-3.6
Employees (absolute)	1,678	1,692	-14

THE SEGMENTS IN FIGURES

IN € MILLION	6/30/2018	12/31/2017	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	347.5	318.6	28.6
EBITDA	25.2	33.1	-7.9
Chemical-Pharmaceutical Raw Materials Sales			
Sales	177.1	183.5	-6.4
EBITDA	14.8	19.0	-4.2
Plastics			
Sales	30.4	30.6	-0.2
EBITDA	2.7	2.7	0.0
Reconciliation			
Sales	-4.7	-5.0	0.3
EBITDA	-1.5	-1.8	0.3

* EBITDA - consolidated income before income taxes, other financial income and expenses and depreciation, amortization, impairments and appreciation of fixed assets and property, plant and equipment.

Letter from the Executive Board

Dear Shareholders, Dear Business Partners,

Some phases in day-to-day business are significantly more eventful than others. The first half of 2018 was undoubtedly an eventful one for H&R KGaA. Reason enough, therefore, to take stock of developments to date while looking ahead to the future.

Success stories and challenges balanced each other out in the first six months of this year. After reporting good annual results for 2017, one of the highest in recent years at almost €98 million despite a final quarter that was hit by maintenance measures, we started the new year in confident spirits. And indeed, the start of the year pointed in the right direction with stable results of €23.7 million in EBITDA.

The fact that we were able to offer our shareholders the prospect of a dividend payment again for the first time since 2011 was also particularly encouraging. The Annual Shareholders' Meeting in May approved our proposal to pay a dividend of €0.40 per share carrying dividend rights, and at the same time voted in favor of granting the option of payment in cash or in the form of new shares. More than 73% of our shareholders opted to receive a scrip dividend, limiting the cash outflow. By the end of June 2018, all shareholders had received either the cash payment or the shares, allowing them to participate in the solid results achieved in the 2017 financial year.

By contrast, the current financial year proved to be increasingly challenging in financial terms toward the middle of the year. After only three months, the overall mood was starting to cloud over, which – reinforced by the political disruptions that we are all too familiar with – had a particularly negative impact on our international business in the SALES segment. Many of our customers were similarly skeptical about their own prospects at the end of the first half of the year and adjusted their inventories accordingly.

At the same time, prices for our raw materials increased significantly in the first half of 2018. Whereas the price for one ton of Brent crude oil, as a price indicator for our raw materials Atres and VGO, averaged US\$48 in June 2017, we have had to pay around US\$75 in recent months. It was not possible to pass these additional costs on to customers in full by implementing corresponding price increases, either in the international business or in the REFINING segment.

This meant that we closed the first half of the year with EBITDA of €41.2 million, down considerably on the figure for the first half of 2017 (€52.9 million).

Looking at the second quarter alone, when we generated EBITDA of €17.5 million, it becomes clear that we are unlikely to live up to our original expectations for the year as a whole at this point in time. As far as adjustments to our expectations for the year are concerned, we do not believe that it makes sense to force our targets into a new corset of minimum expectations and best case scenarios in view of the unclear overall situation. As a result, we have opted not to release an updated forecast for the time being.

However, this does not mean that we are entering the second half of the year without any prospects whatsoever: As the year progresses, we should certainly be more successful in implementing our price adjustments. And with regard to the economic situation, we are confident that it will be somewhat less uncertain than in the first half of the year.

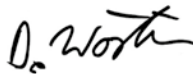
We are counting on your continued loyalty over the coming months.

Hamburg, August 2018

Sincerely yours,



Niels H. Hansen
Chairman of the Executive Board



Detlev Wösten
Member of the Executive Board

Interim Management Report

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Group Structure

Sectors and Organizational Structure

The H&R Group organizes its operating activities into two business divisions: the Chemical-Pharmaceutical Raw Materials Division and the Plastics Division. The latter is significantly smaller in terms of income.

In parallel, we operate three business segments: ChemPharm Refining, ChemPharm Sales and Plastics. Our biggest segment, ChemPharm Refining, includes the refineries in Hamburg-Neuhof and Salzbergen. As specialty refineries, the two production sites differ from conventional lubricant refineries in that they have a higher output of crude-oil-based specialty products such as plasticizers, paraffins and white oils, while base oils account for a lower percentage of production. During the course of our production processes, we create over 800 different products that are used in more than 100 client industries.

Our ChemPharm Sales segment is comprised of numerous production sites and our distribution sites worldwide. This segment's primary products include label-free plasticizers for the tire industry and paraffins for many different applications.

In the Plastics segment, we produce high-precision plastic parts and the molding tools needed to manufacture them. In addition to the headquarters in Coburg, Germany, we also operate production sites in Eastern Europe and Asia. The Plastics segment's customers include the automotive industry, the medical technology industry and other industries.

For a detailed description of our company's position and organizational structure, please refer to the section of our 2017 Annual Report entitled "Group Fundamentals", starting on page 38.

Group's Legal Structure

The Group holding company is in charge of the strategic management of our business operations. It is responsible for communicating with the public and the capital markets, and for the Group's financing. In addition, it provides various management functions and services for our subsidiaries.

As of June 30, 2018, the number of consolidated subsidiaries remained unchanged at 40.

Employees

As of June 30, 2018, the number of people employed by H&R Group had increased by 14 to 1,678 compared to the reporting date (December 31, 2017: 1,692 employees).

In the ChemPharm division, the number of employees increased by 33 during this period to 1,121 employees (December 31, 2017: 1,088). While the number of employees in Germany has increased by nine to 694 since the beginning of the year, it decreased by 24 people to 427 employees in the Sales segment.

In the Plastics segment, H&R KGaA employed 46 less staff, which decreased the headcount to 528.

The number of employees working in the Other Activities segment was unchanged at 29 on the half-year reporting date.

Subscribed Capital and Shareholder Structure

At the Company's Annual Shareholders' Meeting, a resolution was passed on the appropriation of distributable profit as what is known as a "scrip dividend". With the registration of the capital increase from approved capital, which was necessary to issue the scrip dividend, the subscribed capital (share capital) of H&R KGaA increased to €95,155,882.68 as of June 30, 2018. It is divided into 37,221,746 ordinary no-par bearer shares. This corresponds to a notional value of €2.56 per share. There are no distinct classes of shares; they are all ordinary shares. Each of these shares entitles the holder to one vote.

According to a voluntary notification made by the majority shareholder, the Hansen family, the latter's share of voting rights, held by H&R Beteiligung GmbH and attributable to the Hansen family via H&R Holding GmbH, was above the 50% threshold on June 30, 2018, amounting to 59.74% at that time.

According to this voluntary notification, the majority shareholder also held a further 1.50% of the privately owned outstanding H&R shares as of June 30, 2018.

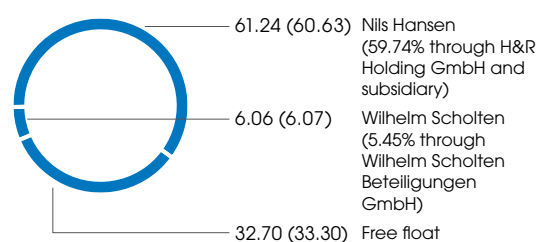
According to a notification on April 2, 2003 pursuant to the German Securities Trading Act (WpHG), on 28 March 2003, Mr Wilhelm Scholten held 6.65% of the voting rights via the company Wilhelm Scholten Beteiligungen GmbH, which is attributable to him.

Following the dilution of voting rights caused by the conversion of preferred shares into ordinary shares in 2008, this corresponded to a notional stake of 6.08%. The increase in share capital resulting from the use of approved capital diluted Mr Wilhelm Scholten's share of voting rights to 5.10% on September 25, 2014. According to an informal notification, this share had initially increased to a total of 6.07% as of December 31, 2015. 5.45% of this share was held via Wilhelm Scholten Beteiligungen GmbH and a further 0.62% via Ölfabrik Wilhelm Scholten GmbH and subsidiary. With the registration of the capital increase from approved capital and delivery of the new subscription shares, Mr Scholten's total holdings decreased slightly to 6.06% (5.45% via Wilhelm Scholten Beteiligungen GmbH and a further 0.61% via Ölfabrik Wilhelm Scholten GmbH and subsidiary).

The remaining 32.70% of H&R shares were in free float as of June 30, 2018.

SHAREHOLDER STRUCTURE AS OF 6/30/2018

IN % (VALUES AT THE END OF THE PREVIOUS YEAR)



Economic Environment

Macroeconomic Conditions

According to the latest figures released by the International Monetary Fund (IMF), the solid economic data seen in the previous year has continued in 2018: The lowest level of unemployment witnessed since German reunification and rising wages are expected to result in a further increase in private consumption. On the other hand, it is reported that Germany remains rather hesitant with regard to public investment. Nevertheless, the IMF expects the German economy to report growth in its gross domestic product of 2.2% in 2018.

In mid-2018, the global economy is facing a slightly gloomier outlook, not least due to the prevailing political uncertainties. Especially for the advanced economies, the IMF is somewhat more skeptical and believes that the economic growth peak has already been reached in some cases.

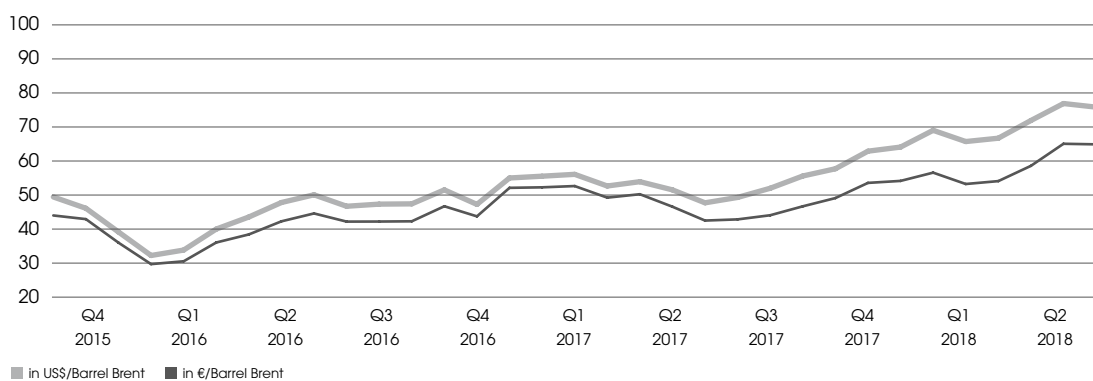
Nevertheless, the experts have kept their forecast for the increase in global output at 3.9% for 2018 and 2019.

The IMF believes that the potential escalation of the customs dispute poses a threat to global growth. Should the new levies announced by the United States and its trading partners come into effect over and above the tariffs that are already in force, this could put pressure on global economic output over the coming years. According to the IMF, however, the main parties in the customs dispute, the United States and China, should escape relatively unscathed. The experts still expect to see the Chinese economy grow by 6.6% this year and 6.4% next year.

The trading partners within the European Community are expected to be hit a bit harder: according to the data, growth in the euro area will be 0.2 percentage points lower this year at 2.2%, and 0.1 points lower next year at 1.9%.

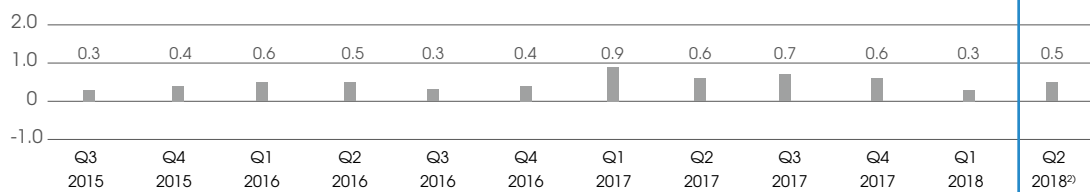
OIL PRICES Q4 2015 TO Q2 2018

(AVERAGE MONTHLY PRICES)



ECONOMIC GROWTH IN GERMANY¹⁾

ECONOMIC GROWTH OF PREVIOUS QUARTER IN %; SOURCE: DESTATIS - FEDERAL STATISTICAL OFFICE, GERMANY; DIW BERLIN



¹⁾ Gross Domestic Product (adjusted for season, price and calendar)

²⁾ estimate

Industry-Specific Climate

According to Verband der Chemischen Industrie (VCI), the German Chemical Industry Association, the chemical and pharmaceutical industry made a successful start to 2018. This means that, in the first three months of the year, Germany's third-largest sector was able to continue with the positive development seen in the previous year, reporting both higher production and rising prices. Both the demand for chemicals in

German industry and exports contributed to this trend. Overall, however, chemicals companies are no longer quite as optimistic about the economic developments that lie ahead as they were at the turn of the year. This is mainly due to political uncertainty with potentially major implications such as global trade conflicts, the unclear outcome of the Brexit negotiations or the trouble spots in the Middle East. In the middle of the year, the internal political quarrels among the governing parties are also likely to dampen the mood in the corporate sector.

Shares and Share Price Trend

Many stock markets have shown unexpectedly poor performance to date this year. After the significant gains in 2017, investors had started the new stock market year in very confident spirits. While the DAX and the U.S. Dow Jones indices still held the promise of record highs in January, also thanks to positive global economic data and the tax reform in the United States, the performance that followed was largely disappointing.

Inflation concerns and fears of higher key interest rates in the United States slammed the brakes on stock markets worldwide. U.S. sanctions against Russia and Iran and, above all, fears of a trade war sparked by U.S. President Donald Trump also led to investor losses.

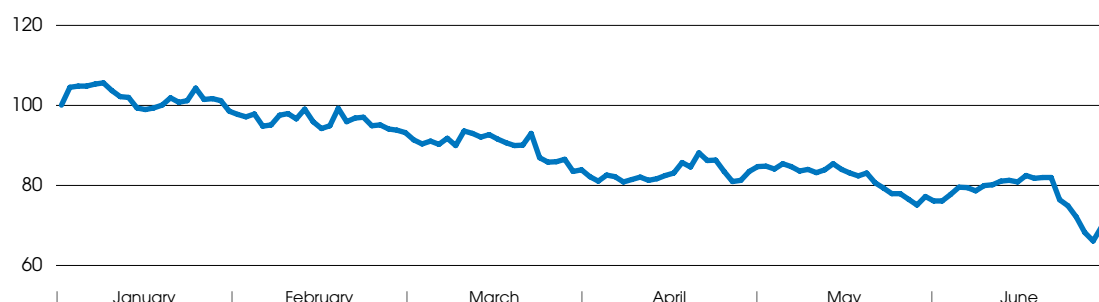
In consequence, the half-year results are disappointing: Investors incurred losses on German and European blue chips, the DAX has lost almost 5% this year so far and the euro area benchmark index, Euro Stoxx 50, has lost more than 3%. Numerous experts warn that Europe, and Germany in particular, could be the hardest hit by a trade conflict with the United States.

H&R's share price started 2018 trading at a robust €14.60 and climbed to a current annual high of €15.40 within the first two weeks of trading.

The ensuing developments, however, put the company's shares under pressure, and even the results for the 2017 financial year, which were solid overall, and the prospect of the first cash dividend since 2011 were only partially able to

PERFORMANCE OF THE H&R SHARE

(INDEX 2/1/2018=100)



KEY INDICATORS OF H&R SHARES

	1/1 to 6/30/2018	1/1 to 6/30/2017	Change (absolute)
Number of shares as of the reporting date ¹⁾	36,536,553	36,536,553	-
Earnings per share, in €	0.41	0.58	-0.17
Maximum price during the period under review, in € ²⁾	15.40	15.91	-0.51
Lowest price during the period under review, in € ²⁾	9.70	11.92	-2.22
Price as of the reporting date, in € ²⁾	9.70	12.09	-2.39
Market capitalisation as of the reporting date, in € million²⁾	354.4	433.4	-19.0

¹⁾ Registration of the capital increase from subscribed capital on June 27, 2018.

²⁾ Corresponding XETRA closing price.

compensate for this trend. The publication of robust quarterly figures and the confirmation of the company's guidance range also only provided limited relief in view of the difficult political environment. Nevertheless, the company's long-term investors remained loyal to the company. At the Annual Shareholders' Meeting, they approved the management's proposal to issue the distributable profit with the option of either a cash or a scrip dividend, in order to maintain the company's liquidity, with a large majority. The capital market adopted something of a wait-and-see attitude to the implementation of this procedure – a partial distribution of €0.40 in cash per share carrying dividend rights on June 19 and the allocation of the new subscription shares on June 29 – meaning that individual sales executed before the end of the first six months had an unduly negative impact

on the share price. However, investors were happy to buy the shares at a price of below €10, meaning that the shares closed trading at around €10.20 on June 30.

Irrespective of the share price performance, the majority of analysts continued to rate the company's prospects as positive and some placed the target share price at over €20.00. The shares are currently being covered by Baader Bank, Kepler Cheuvreux, Commerzbank and DZ Bank. There has also been a significant increase in interest from institutional investors, the majority of whom we informed about our business model and outlook – mainly by conference calls, one-on-one interviews at home and abroad and in on-site visits – during the first half of the year.

Net Assets, Financial Position and Results of Operations

Results of Operations

Mixed Earnings Performance and Higher Sales Revenues

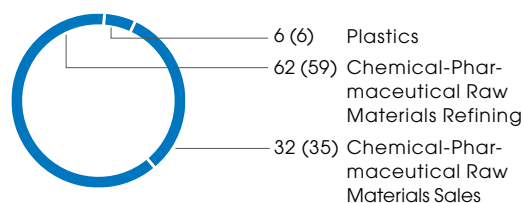
During the first half of the 2018 financial year, consolidated sales totaled €550.3 million, up by 4.3% on the prior-year figure (first half of 2017: €527.7 million). This increase is primarily attributable to higher costs of raw materials.

By far the biggest contribution to sales (94.5%) again came from our Chemical-Pharmaceutical business, which is composed of the ChemPharm Refining (62.3%) and ChemPharm Sales (32.2%) segments. Together, the two segments contributed €519.9 million to sales. The Plastics division contributed €30.4 million to sales, which corresponds to a share of 5.5%.

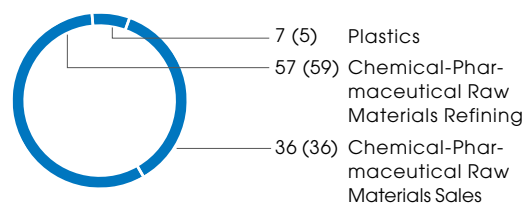
The regional focus of our business activities continues to be Germany, where 57.3% of sales were generated. This percentage includes transactions

**REVENUE BY SEGMENT
IN THE FIRST HALF OF 2018**

IN % (IN THE FIRST HALF OF 2017)

**OPERATING RESULT BY SEGMENTS
IN THE FIRST HALF OF 2018**

IN % (IN THE FIRST HALF OF 2017)



with our sales partner, the Hansen & Rosenthal Group, which in turn generates a large proportion of its sales abroad. The actual percentage of products purchased by foreign end customers is therefore higher than reported. Of the remaining sales, other European countries accounted for 12.8%, while the rest of the world contributed 29.9%.

In the first six months of the 2018 financial year, the H&R Group reported an operating income (EBITDA) of €41.2 million, down in a year-on-year comparison (first half of 2017: €52.9 million). The closing phase of the second quarter, in particular, came as a disappointment and fell well short of expectations.

Consolidated income before interest and taxes and after depreciation and amortization (EBIT) was down to €24.4 million (first half of 2017: €35.2 million), with earnings before taxes (EBT) falling from €30.3 million to €20.9 million. Although the weaker company results overall led to a reduction in income tax expense, the consolidated income attributable to shareholders nevertheless fell from €21.4 million to €14.9 million. Earnings per share closed at €0.41, compared with €0.58 in the first six months of 2017.

SALES AND EARNINGS DEVELOPMENT

IN € MILLION	1/1-6/30/2018	1/1-6/30/2017	Change in absolute terms
Sales revenues	550.3	527.7	22.6
Operating income (EBITDA)	41.2	52.9	-11.7
EBIT	24.4	35.2	-10.8
EBT	20.9	30.3	-9.4
Consolidated income attributable to shareholders	14.9	21.4	-6.5
Consolidated income per share (undiluted) in €	0.41	0.58	-0.17

Segment results

ChemPharm Refining. Sales by the Group's biggest segment increased by 9.1% to €347.5 million in the first six months of 2018 (first half of 2017: €318.6 million). This increase was mainly attributable to a year-on-year increase in prices for the raw materials we use.

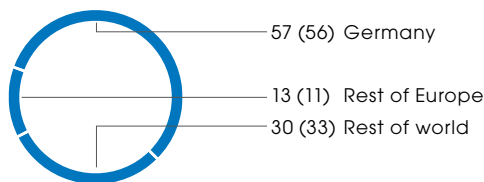
At the beginning of the year, Brent crude oil was already trading at an average price of US\$69.06 in January, significantly higher than in the same

period of last year (January 2017: US\$55.45). By the middle of the year, crude oil prices had risen to US\$75.94. This more than offset windfall profits from inventories of raw materials previously purchased at favorable prices.

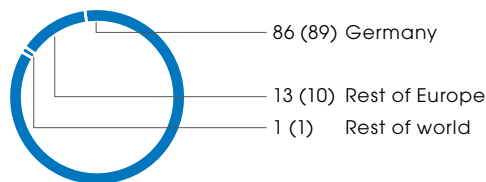
The segment's operating income (EBITDA) declined significantly, especially in the second quarter, due to a combination of price and volume effects. In particular, it was not possible to implement necessary price increases adequately and

**REVENUE BY REGION
IN THE FIRST HALF OF 2018**

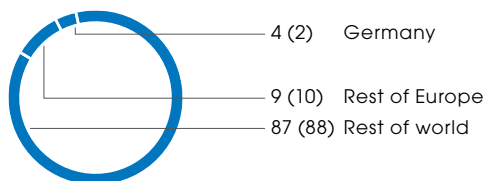
IN % (IN THE FIRST HALF OF 2017)


**REVENUE BY REGION
IN THE CHEMPHARM REFINING SEGMENT
IN THE FIRST HALF OF 2018**

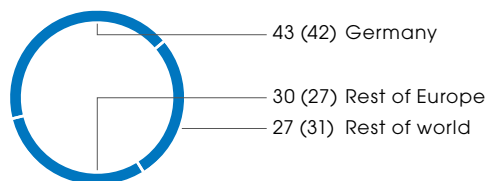
IN % (IN THE FIRST HALF OF 2017)


**REVENUE BY REGION
IN THE CHEMPHARM SALES SEGMENT
IN THE FIRST HALF OF 2018**

IN % (IN THE FIRST HALF OF 2017)


**REVENUE BY REGION
IN THE PLASTICS SEGMENT
IN THE FIRST HALF OF 2018**

IN % (IN THE FIRST HALF OF 2017)



quickly enough due to the fact that our customers were also faced with less dynamic prospects. Total income came to €25.2 million (first half of 2017: €33.1 million).

ChemPharm Sales. In the internationally operating Sales segment, sales revenues decreased by 3.5% to €177.1 million (first half of 2017: €183.5 million). Overall, the segment reported about 22.1% decrease in operating income (EBITDA), from €19.0 million during the prior-year period to €14.8 million.

Although the H&R Group has established a broad international basis in the markets, the global economic challenges remain exacting and difficult.

Plastics. At €30.4 million, sales in the Plastics segment were almost identical to the previous year (first half of 2017: €30.6 million). In terms of income, the segment also remained stable: Operating income (EBITDA) was exactly on par with the prior-year period at €2.7 million. This recov-

ery was mainly due to business activities in Germany.

Strong Trend in Orders Continues

The Chemical-Pharmaceutical Raw Materials division once again enjoyed strong demand in the first half of 2018. We also recorded robust order figures for the Plastics division during the reporting period, primarily in the Plastic Parts and Tool-making segments.

Trends in the Main Items of the Income Statement

As a result of the higher price of raw materials, our cost of materials rose by 7.5% to €425.4 million during the first six months (first half of 2017: €395.5 million), i.e., at a faster rate than the sales revenues generated. Accordingly, the material expense ratio changed from 73.7% in the prior-year period to 76.9%. Personnel expenses only changed by 0.9%, from €43.1 million in the first half of the previous year to €43.5 million in the first half of 2018.

Despite higher capital expenditure, depreciation and amortization remained below prior-year level, falling from €17.8 million to €16.8 million.

With the cost of financing (€4.5 million) slightly lower than in the prior-year period, the company posted income before tax (EBT) of €20.9 million, compared with €30.3 million in the first half of 2017.

The lower net income resulted in lower income tax expenses in the first half of 2018, which slightly eased the burden on consolidated income attributable to shareholders compared with the other net income levels. As of June 30, 2018, it totaled €14.9 million (first half of 2017: €21.4 million).

Net Assets and Financial Position

Analysis of the Cash Flow Statement

In the first six months of 2018, the Group generated a cash flow from operating activities of €-15.6 million based on lower consolidated income (first half of 2017: €5.0 million). Despite a slight increase in capital expenditures, depreciation and amortization were down slightly on the first half of 2017, namely from €17.8 million to €16.8 million.

By contrast, the changes in the prices of raw materials had a major impact that is reflected in the changes in net working capital. At the end of the first half of 2018, they amounted to €-43.2 million (first half of 2017: €-24.3 million) and almost completely explain the difference to the previous year.

Our investments in maintenance and modernization measures as well as innovative projects to

ensure the future viability of our locations were in line with the previous year. Overall, cash flow from investing activities totaled €24.8 million, compared to €22.4 million in the first half of 2017.

The increased cost of raw materials is also reflected in the free cash flow (the sum of cash flow from investing activities and operating activities), which fell from €-17.4 million to €-40.5 million in the first six months of 2018.

Cash flow from financing activities showed an overall inflow of €23.9 million (first half of 2017: €7.2 million). The payment of the cash dividend of €7.2 million and the lower redemption of financial liabilities in the amount of €-12.4 million were offset by cash inflows from new financial liabilities totaling €43.0 million.

At €59.0 million, cash and cash equivalents were higher at the beginning of the period (2017: €58.0 million), declining to €42.7 million at the end of June 2018 (June 30, 2017: €45.8 million). H&R Group's long-term liquidity continues to be guaranteed by the available cash and cash equivalents and the credit lines granted to us.

Analysis of the Statement of Financial Position

Due to the higher raw materials prices, H&R Group's total assets had increased considerably by the end of the first half of the year, increasing by 10.2% to €730.0 million (December 31, 2017: €662.6 million).

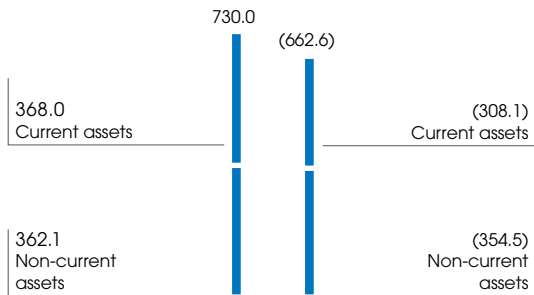
On the assets side, there was a significant decrease in cash and cash equivalents from €59.0 million at the end of 2017 to €42.7 million.

FINANCIAL POSITION

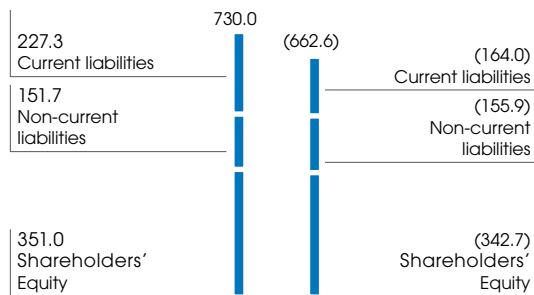
IN € MILLION	1/1 to 6/30/2018	1/1 to 6/30/2017	Change (absolute)
Cash flow from operating activities	-15.6	5.0	-20.6
Cash flow from investing activities	-24.8	-22.4	-2.4
Free cash flow	-40.5	-17.4	-23.1
Cash flow from financing activities	23.9	7.2	16.7
Cash and cash equivalents as of 6/30	42.7	45.8	-3.1

ASSETS AS OF 6/30/2018

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

**LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 6/30/2018**

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



Trade receivables had increased by 24.6% to €133.9 million by the end of the reporting period; the valuation of inventories increased even more significantly, rising by around 32.8% compared with the year-end figure to €171.6 million (December 31, 2017: €129.2 million).

Overall, current assets increased significantly (by 19.4%) to €368.0 million (December 31, 2017: €308.1 million); as a proportion of total assets, they increased from 46.5% to 50.4%.

Non-current assets changed by a moderate 2.1% as against the year-end 2017 figure of €354.5 million to €362.1 million. As a percentage of the balance sheet total, they fell from 53.5% as of December 31, 2017 to 49.6% at the end of the reporting period.

On the liability side, current liabilities changed by around 38.6% overall, amounting to €227.3 million (December 31, 2017: €164.0 million). The €32.1 million increase in liabilities to banks to €76.5 million (December 31, 2017: €44.4 million) and the €27.9 million increase in trade payables to €111.2 million (December 31, 2017: €83.3 million) were offset by lower provisions totaling €10.6 million (December 31, 2017: €11.6 million)

and other financial liabilities totaling €4.7 million (December 31, 2017: €5.9 million).

As a percentage of the balance sheet total, current liabilities increased from 24.8% at the end of 2017 to 31.1% at the end of the first half of 2018.

Non-current liabilities stood at €151.7 million and were down on the end of 2017 (€155.9 million) due to lower liabilities to banks. Their percentage of the balance sheet total (20.8%) was down as of June 30, 2018 (December 31, 2017: 23.5%).

Retained earnings including consolidated income remained constant at €172.3 million (December 31, 2017: €172.0 million). As of 30 June 2018, equity totaled €351.0 million and was 2.4%, or €8.2 million, higher than on the reporting date. Taking into account the higher balance sheet total, however, this represents another reduction in the equity ratio to 48.1% (December 31, 2017: 51.7%).

There have been no material changes in unrecognized assets since year-end 2017, nor have any new unrecognized financing instruments been used. No companies were acquired or sold in the reporting period.

Report on Opportunities and Risks

Please refer to page 89 of our 2017 Annual Report for a discussion of the potential opportunities of the H&R Group. On the same page, you will also find a description of our opportunity management system. For a description of existing risks and the risk management system, please consult pages 79 to 91 of the 2017 Annual Report.

In the Executive Board's view, there continue to be no risks of a magnitude that could pose an existential threat to the company as a going concern.

Research and Development

During the reporting period, our research and development (R&D) expenses totaled €1,281 thousand (first half of 2017: €1,095 thousand). This means that the R&D ratio (the ratio of R&D expenditures to sales) was virtually unchanged at 0.20% (first half of 2017: 0.22%).

Employees in our R&D department focused their work in the Chemical-Pharmaceutical Division on the ongoing development of products from par-

affins, plasticizers and white oils as well as other crude-oil based specialty products. In addition, we continued to intensively research processes for increasing our production processes' added value.

In the Plastics Division, we concentrated primarily on the development of innovative plastic parts for the automotive industry, medical technology and other industries.

Key Events Following the Reporting Date

Between June 30, 2018 and the editorial deadline for this report, there was one event with a material impact on net assets, financial position or results of operations. In July, we were able to conclude

the contract for a new credit line over €200 million with an international banking syndicate. This will secure the Group's capital loans for at least five years.

Outlook

Experts consider global economic upswing to be ongoing

The experts at the International Monetary Fund (IMF) believe that the prospects for an additional increase in global economic output remain positive. According to the economic experts, global production is expected to increase from 3.7% in 2017 to 3.9% in both 2018 and 2019. However, this is a trend that is more likely to benefit the world's emerging markets and developing countries. As far as the advanced economies are concerned, on the other hand, the experts forecast a stagnating growth of 2.4% for 2018, a figure they expect to drop back to 2.2% in 2019. The euro area is even expected to reach this 2.2% threshold before the end of 2018, with its growth rate tipped to dwindle to 1.9% in 2019.

Germany is expected to report slightly better growth, although the predictions of 2.2% for 2018 and 2.1% for the following year are unlikely to match the development seen in the past (2017: 2.5%).

The IMF cites the risks associated with increasingly isolationist U.S. economic policies and corresponding countermeasures taken by its trading partners, the EU and China, as key factors influencing its forecasts. It also predicts that the pace of growth will show less uniform development than in the past.

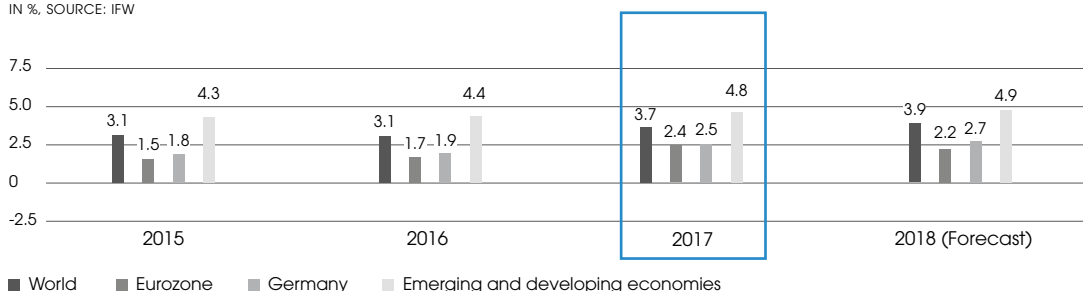
All in all, these expectations are consistent with the feedback received from the industries and markets that are relevant to us. In many areas, customers and market participants are less optimistic about their prospects than they were in the past, and are adopting a more cautious approach than we expected.

This means that negotiations regarding price adjustments for our products are currently proving difficult, although they are also unavoidable due to the development in raw material prices: The price of crude oil peaked at over US\$80.00 in the first half of 2018 and averaged US\$75.94 in June. This represents an increase of around 44% compared to the average price during the first half of 2017 (US\$52.73).

On the basis of the half-year figures, and in particular also the current developments and outlook for the start of the third quarter, the Management Board has analyzed and reviewed its previous expectations. At present - also in view of the global economic challenges - the company is no longer sufficiently confident that it will be able to achieve its original earnings targets and adhere to the previous EBITDA range of €94.0 million to €106.0 million. H&R Group will revise its expectations when it feels that it is in a position to provide a well-founded outlook. Until then, the Executive Board will refrain from releasing any specific forecasts.

GLOBAL ECONOMIC GROWTH FORECAST

IN %, SOURCE: IFW



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

as of June 30, 2018

ASSETS

IN € THOUSAND	6/30/2018	12/31/2017
Current assets		
Cash and cash equivalents	42,693	58,952
Trade receivables	133,930	107,479
Income tax refund claims	140	259
Inventories	171,551	129,150
Other financial assets	7,431	4,076
Other assets	12,211	8,194
Current assets	367,956	308,110
Non-current assets		
Property, plant and equipment	302,327	292,631
Goodwill	22,457	22,446
Other fixed assets	18,420	19,467
Shares in holdings valued at equity	4,155	4,469
Other financial assets	5,749	6,489
Other assets	3,164	1,393
Deferred tax assets	5,808	7,606
Non-current assets	362,080	354,501
Total assets	730,036	662,611

EQUITY AND LIABILITIES

IN € THOUSAND	6/30/2018	12/31/2017
Current liabilities		
Liabilities to banks	76,494	44,384
Trade payables	111,205	83,328
Income tax liabilities	7,378	7,442
Other provisions	10,562	11,599
Other financial liabilities	4,747	5,597
Contract liabilities	4,368	-
Other liabilities	12,580	11,647
Current liabilities	227,334	163,997
Non-current liabilities		
Liabilities to banks	64,575	68,351
Pension provisions	77,400	77,598
Other provisions	3,340	3,223
Other financial liabilities	2	2
Other liabilities	1,717	1,792
Deferred tax liabilities	4,683	4,904
Non-current liabilities	151,717	155,870
Equity		
Subscribed capital	95,158	93,404
Capital reserve	46,877	41,364
Retained earnings	172,255	171,989
Other reserves	-1,042	-1,004
Equity of H&R GmbH & Co. KGaA shareholders	313,248	305,753
Non-controlling interests	37,737	36,991
Equity	350,985	342,744
Total liabilities and shareholders' equity	730,036	662,611

Consolidated Income Statement of H&R KGaA

January 1 to June 30, 2018

IN € THOUSAND	1/1-6/30/2018	1/1-6/30/2017	4/1-6/30/2018	4/1-6/30/2017
Sales revenue	550,320	527,693	279,454	260,249
Changes in inventories of finished and unfinished goods	4,873	6,723	112	6,867
Other operating income	14,595	10,715	5,934	5,141
Cost of materials	-428,156	-395,548	-216,696	-197,517
Personnel expenses	-43,454	-43,083	-21,737	-22,219
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-16,836	-17,775	-8,500	-8,820
Other operating expenses	-57,188	-53,922	-29,607	-27,086
Income from operations	24,154	34,803	8,960	16,615
Income from holdings valued at equity	198	347	8	127
Financial income	1,062	844	444	408
Financing expenses	-4,525	-5,673	-2,288	-2,328
Income before taxes (EBT)	20,889	30,321	7,124	14,822
Income taxes	-5,660	-8,308	-1,819	-3,980
Consolidated income	15,229	22,013	5,305	10,842
of which attributable to non-controlling interests	348	648	325	-46
of which attributable to shareholders of H&R GmbH & Co. KGaA	14,881	21,365	4,980	10,888
Earnings per share (undiluted), €	0.41	0.58	0.14	0.30
Earnings per share (diluted), €	0.41	0.58	0.14	0.30

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

January 1 to June 30, 2018

IN € THOUSAND	1/1-6/30/2018	1/1-6/30/2017	4/1-6/30/2018	4/1-6/30/2017
Income after taxes	15,229	22,013	5,305	10,842
of which attributable to non-controlling interests	348	648	325	-46
of which attributable to total comprehensive income of shareholders of H&R GmbH & Co. KGaA	14,881	21,365	4,980	10,888
Positions that will not be reclassified into profit or loss				
Remeasurement of defined benefit pension plans	-	3,631	-585	1,695
Deferred income taxes	-	-1,053	170	-413
Change in the amount included in equity (remeasurement of defined benefit pension plans)	-	2,578	-415	1,282
Positions that may subsequently be reclassified into profit or loss				
Changes in the fair value of financial assets available for sale	-11	-35	-1	4
Reclassified into profit or loss	-153	-	-	-
Deferred income taxes	3	10	0	-1
Changes recognized outside profit and loss (financial assets available for sale)	-161	-25	-1	3
Changes in the currency translation adjustment recognized in equity	521	-7,810	-1,020	-9,492
Other comprehensive income	360	-5,257	-1,436	-8,207
of which attributable to non-controlling interests	398	-2,208	60	-1,978
of which attributable to shareholders of H&R GmbH & Co. KGaA	-38	-3,049	-1,496	-6,229
Total comprehensive income	15,589	16,756	3,869	2,635
of which attributable to non-controlling interests	746	-1,560	385	-2,024
of which attributable to shareholders of H&R GmbH & Co. KGaA	14,843	18,316	3,484	4,659

Consolidated Statement of Changes in Group Equity

as of 30 June 2018

2018

IN € THOUSAND	Subscribed capital	Capital reserves	Retained earnings	Other reserves/ cumulative other comprehensive income		Equity share attributable to shareholders of H&R GmbH & Co. KGaA	Non-controlling interests	Total
				Market valuation of financial assets	Foreign currency translation differences			
1/1/2018	93,404	41,364	171,989	164	-1,168	305,753	36,991	342,744
Capital increase	1,754	5,513	-	-	-	7,267	-	7,267
Dividends	-	-	-14,615	-	-	-14,615	-	-14,615
Consolidated income	-	-	14,881	-	-	14,881	348	15,229
Other comprehensive income	-	-	-	-161	123	-38	398	360
Total comprehensive income	-	-	14,881	-161	123	14,843	746	15,589
6/30/2018	95,158	46,877	172,255	3	-1,045	313,248	37,737	350,985

2017

€ THOUSAND	Subscribed capital	Capital reserves	Retained earnings	Other reserves/ cumulative other comprehensive income		Equity share attributable to shareholders of H&R GmbH & Co. KGaA	Non-controlling interests	Total
				Market valuation of financial assets	Foreign currency translation differences			
1/1/2017	91,573	42,753	136,271	196	5,006	275,799	41,598	317,397
Issuance of bonus shares	1,831	-1,831	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Consolidated income	-	-	21,365	-	-	21,365	648	22,013
Other comprehensive income	-	-	2,578	-25	-5,602	-3,049	-2,208	-5,257
Total comprehensive income	-	-	23,943	-25	-5,602	18,316	-1,560	16,756
6/30/2017	93,404	40,922	160,214	171	-596	294,115	40,038	334,153

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

for the period from January 1 to June 30, 2018

IN € THOUSAND		1/1 to 30/6/2018	1/1 to 30/6/2017	1/4 to 30/6/2018	1/4 to 30/6/2017
1.	Consolidated income	15,229	22,013	5,305	10,842
2.	Income taxes	5,660	8,308	1,819	3,980
3.	net interest income	4,363	5,496	2,177	2,245
4.	+/- Depreciation/appreciation of fixed assets	16,836	17,775	8,500	8,821
5.	+/- Increase/decrease in non-current provisions	-870	-1,114	-218	-565
6.	+ Interest received	162	177	111	83
7.	- Interest paid	-3,390	-4,806	-1,773	-1,863
8.	+/- Income tax received, paid or owed	-5,877	-9,273	-3,696	-8,211
9.	+/- Other non-cash expenses/income	-752	-747	-158	-1,447
10.	+/- Increase/decrease in current provisions	357	-3,803	-1,610	-4,520
11.	-/+ Gain/loss from the disposal of fixed assets	-563	-136	-560	11
12.	-/+ Changes in net working capital	-43,188	-24,296	-13,110	1,360
13.	+/- Changes in remaining net assets/other non-cash items	-3,600	-4,568	-9,499	-5,432
14.	= Cash flow from operating activities (sum of items 1 to 13)	-15,633	5,026	-12,712	5,304
15.	+ Proceeds from disposals of property, plant and equipment	1,354	179	1,336	18
16.	- Payments for investments in property, plant and equipment	-26,189	-20,661	-11,750	-10,025
17.	- Payments for investments in fixed assets	-121	-382	-92	-283
18.	- Proceeds from investments in financial assets	797	-	-	-
19.	- Payments for investments in financial assets	-683	-1,575	-	-
20.	= Cash flow from investing activities (sum of items 15 to 19)	-24,842	-22,439	-10,506	-10,290
21.	Free cash flow (sum of items 14 and 20)	-40,475	-17,413	-23,218	-4,986
22.	- Dividend paid by H&R KGaA	-7,171	-	-7,171	-
23.	+ Dividends received from joint ventures	512	162	512	-
24.	- Payments for settling financial liabilities	-12,436	-24,845	-6,579	-5,181
25.	+ Proceeds from taking up financial liabilities	43,005	31,840	25,890	10,560
26.	= Cash flow from financing activities (sum of items 22 to 25)	23,910	7,157	12,652	5,379
27.	+/- Changes in cash and cash equivalents (sum of items 14, 20 and 26)	-16,565	-10,256	-10,566	393
28.	+ Cash and cash equivalents at the beginning of the period	58,952	57,999	53,307	47,958
29.	+/- Change in cash and cash equivalents due to changes in exchange rates	306	-1,921	-48	-2,529
30.	= Cash and cash equivalents at the end of the period	42,693	45,822	42,693	45,822

Selected Explanatory Notes

as of June 30, 2018

Principles and Methods

The present condensed interim consolidated financial statements of H&R GmbH & Co. KGaA (shortened form: H&R KGaA) as of June 30, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and mandatory as of the reporting date, as were the annual consolidated financial statements as of December 31, 2017; in particular, the regulations of IAS 34 on interim reporting were applied. The quarterly report submitted here and the associated interim consolidated management report have not been reviewed or checked in accordance with Article 317 of the German Commercial Code (Handelsgesetzbuch).

All interim financial statements of the companies included in the interim consolidated financial statements were drawn up on the basis of uniform accounting and valuation principles which were also used as the basis for the annual consolidated financial statements as of December 31, 2017.

Please refer to the notes to the annual consolidated financial statements for more information on the accounting, valuation and consolidation methods used as well as a detailed explanation of the exercise of the options under IFRS, keeping in mind that interim reporting is an informative tool that builds on the consolidated financial statements. These methods apply accordingly, with the exception of those accounting regulations that are applied for the first time in the current financial year.

Accounting regulations applied for the first time in the current financial year

H&R KGaA has applied IFRS 9 “Financial Instruments” for the first time as of January 1, 2018. In particular, IFRS 9 contains new rules on classifying and measuring financial assets, accounting for impairment losses on financial assets and the recognition of hedging relationships. The classification and measurement of financial assets will, in the future, depend on the business model of the company and the characteristics of the contractual cash flows associated with the financial asset, and does not lead to any significant changes for the consolidated financial statements of H&R KGaA. The new accounting for impairment results in the recognition of expected losses, as opposed to the incurred losses that were recognized in the past. In the consolidated financial statements of H&R KGaA, this does not lead to any significant changes in the accounting risk provisions for defaults resulting from expected credit risks associated with financial assets. The aim of the new accounting rules for hedge accounting is to focus more on a company’s economic risk management. Since H&R KGaA did not apply hedge accounting in the previous period, and does not apply it in the current period, this has no effect on the consolidated financial statements. With the exception of the establishment of new valuation categories and the according changes to the notes, the first-time application of IFRS 9 has no material impact on the net assets, financial position or results of operations of H&R KGaA. The following table shows the reconciliation of the valuation categories from IAS 39 to IFRS 9:

IFRS 9 VALUATION CATEGORIES OF FINANCIAL INSTRUMENTS

	IAS 39	IFRS 9	Carrying amounts according to IAS 39 12/31/2017	Carrying amounts according to IFRS 9 1/1/2018
Financial assets				
Cash and cash equivalents	Loans and advances	Measured at amortized cost	58,952	58,952
Trade receivables	Loans and advances	Measured at amortized cost	107,479	107,479
Other financial assets				
Loans and receivables	Loans and advances	Measured at amortized cost	3,840	3,840
Other current securities	Assets held for trading	Measured at fair value through profit or loss	76	76
Financial assets available for sale	Assets held for sale	Measured at amortized cost		1,052
		Measured at fair value through other comprehensive income	2,082	1,030
Financial liabilities				
Trade payables	Financial liabilities at acquisition cost	Measured at amortized cost	83,328	83,328
Liabilities to banks	Financial liabilities at acquisition cost	Measured at amortized cost	112,735	112,735
Other financial liabilities				
Derivatives without hedge accounting item	Liabilities held for trading	Measured at fair value through profit or loss	1,216	1,216
Other financial liabilities	Financial liabilities at acquisition cost	Measured at amortized cost	4,383	4,383

In May 2014, the IASB published IFRS 15 “Revenue from Contracts with Customers”, which will govern revenue recognition as a central standard in the future. IFRS 15 replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” as well as the corresponding interpretations, and is to be applied to financial years beginning on or after January 1, 2018 as a mandatory requirement. H&R KGaA has applied IFRS 15 for the first time as of January 1, 2018.

IFRS 15 provides for a five-step model for revenue recognition that is applicable to all contracts with customers. In line with this model, the amounts that are expected to be received as consideration for the transfer of goods or the rendering of services to customers must be recognized as sales revenue. As soon as the customer has control over the goods or services, the revenue is recorded either over time or at a specific point in time. In addition, IFRS 15 requires the two new balance sheet items “Contractual assets” and “Contractual liabilities”, which leads to changes in the presentation of H&R KGaA’s statement of financial position compared to the previous presentation.

The transition to IFRS 15 at H&R KGaA is based on the modified retrospective method, according to which any effects of initial application as of January 1, 2018 are cumulatively recognized in retained earnings and the comparative periods are presented in accordance with the previous regulations. H&R KGaA is hardly affected by the changes resulting from IFRS 15 compared to the previous regulations. H&R KGaA generates sales revenues predominantly from the sale of products and, to a lesser extent, from services. Within this context, the contracts on which the revenue recognition is based largely contain only one performance obligation. Variable remuneration components and construction contracts are of secondary importance for H&R KGaA. As a result, the first-time application of this standard has no material impact on H&R KGaA’s net assets, financial position or results of operations apart from the required changes in presentation in the statements of financial position. The following table shows the accounting changes resulting from the introduction of IFRS 15:

IFRS 15 CHANGES IN ACCOUNTING FOR THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 1, 2018

IN € THOUSAND	12/31/2017	Changes due to the first-time application of IFRS 15	1/1/2018
Current liabilities			
Other provisions	11,599	-1,872	9,727
Contractual liabilities	-	5,351	5,351
Other liabilities	11,647	-3,479	8,168
Other current liabilities	140,751	-	140,751
Total current liabilities	163,997	-	163,997

Contract liabilities essentially comprise prepayments received on contracts and obligations from sales transactions, which were previously disclosed under other liabilities or current provisions.

For the relevant items in the financial statements as of June 30, 2018, the following table shows the reconciliation from the new accounting method pursuant to IFRS 15 to the previous accounting method pursuant to IAS 18:

RECONCILIATION OF IFRS 15 TO IAS 18 AS OF JUNE 30, 2018

IN € THOUSAND	6/30/2018 IFRS 15	Reconciliation	6/30/2016 IAS 18
Current liabilities			
Other provisions	10,562	1,658	12,220
Contract liabilities	4,368	-4,368	-
Other liabilities	12,580	2,710	15,290
Other current liabilities	199,824	-	199,824
Total current liabilities	227,334	-	227,334

Changes in Core Parameters

Changes in the underlying core parameters primarily involve exchange rates and the interest rates used to calculate pension commitments.

The table below shows the exchange rates used for translating selected foreign currencies into euros:

EXCHANGE RATES FOR THE MAIN CURRENCIES

€/	Closing rate 6/30/2018	Closing rate 6/30/2017	Closing rate 12/31/2017	Average price 1/1-6/30/2018	Average price 1/1-6/30/2017
US Dollar	1.1658	1.1412	1.1993	1.2108	1.0825
British Pound	0.88605	0.87930	0.88720	0.87973	0.86004
Australian Dollar	1.5787	1.4851	1.5346	1.5693	1.4356
South African Rand	16.0484	14.9200	14.8054	14.8895	14.3100
Thai Baht	38.565	38.744	39.121	38.424	37.569
Chinese Renminbi	7.7170	7.7385	7.8044	7.7100	7.4418

The discount rate used to calculate the present value of pension commitments as of June 30, 2018 remained unchanged as against December 31, 2017 at 2%.

Capital increase via scrip dividend

At the Annual Shareholder's Meeting held on 25 May 2018, H&R KGaA approved the distribution of a dividend of €0.40 per share, which corresponds to a total volume of €14,615 thousand. Shareholders had the option of receiving the dividend either in cash or in the form of new shares. 73.2% of shareholders made use of the latter option, which led to the issue of 685,193 new shares carrying a dividend entitlement from January 1, 2018 at a subscription price of €10.864. Following the deduction of expenses associated with raising equity of €177 thousand, equity was therefore increased by €7,267 thousand, of which €1,754 thousand was attributable to subscribed capital and €5,513 thousand to the capital reserves. Due to the usage of the option to receive dividend in the form of new shares the amount shown in consolidated cash flow statement for dividend payments reduced from €14,615 thousand to €7,171 thousand.

Seasonal and Business Cycle Factors

Business cycle and seasonal factors are described in detail in the interim consolidated management report sections entitled "Economic Environment" and "Net Assets, Financial Position and Results of Operations".

Scope of Consolidation

Including H&R KGaA, the scope of consolidation as of June 30, 2018 included 40 companies (December 31, 2017: 38 companies), of which 20 domestic and 20 foreign companies were included in the consolidated group for the interim financial statements (December 31, 2017: 19 domestic and 19 foreign companies). The additions relate to a new company established in the Plastics segment at the Coburg site and H&R India Sales, which was included in the consolidated financial statements for the first time. In addition, four companies were included in the consolidated financial statements using the equity method, as was also the case on December 31, 2017.

Earnings per Share

Pursuant to IAS 33, the earnings per share figure is determined by dividing consolidated income

by the average number of shares during the reporting period. The increase in H&R KGaA's share capital, which took effect on June 19, 2018, resulted in the following changes in the average number of ordinary shares in circulation:

	1/1-6/30/2018	1/1-6/30/2017	4/1-6/30/2018	4/1-6/30/2017
Number of shares issued at the beginning of the period	36,536,553	36,536,553	36,536,553	36,536,553
Issuance of new shares effective June 19, 2018	685,193	-	685,193	-
Number of shares issued at the end of the period	37,221,746	36,536,553	37,221,746	36,536,553
Average number of shares in circulation	36,578,195	36,536,553	36,619,379	36,536,553
Consolidated income attributable to shareholders in € thousand	14,881	21,365	4,980	10,888
Average number of shares in circulation	36,578,195	36,536,553	36,619,379	36,536,553
Earnings per ordinary share (undiluted) in €	0.41	0.58	0.14	0.30
Earnings per ordinary share (diluted) in €	0.41	0.58	0.14	0.30

The diluted earnings per share ratio is equal to the basic earnings per share ratio, because H&R KGaA has not issued any potentially dilutive ordinary shares.

Consolidated Income Statement, Consolidated Statement of Financial Position and Consolidated Cash Flow Statement

Detailed explanatory notes on the income statement, statement of financial position and cash flow statement can be found in the interim consolidated management report sections entitled “Results of Operations” and “Net Assets and Financial Position”.

Events after the Reporting Date

Between June 30, 2018 and the editorial deadline for this report, there was one event with a material impact on the net assets, financial position or results of operations of H&R KGaA. In July, we were able to conclude the contract for a new credit line over €200 million with an international banking syndicate. This will secure the Group’s capital loans for at least five years.

Employees

As of June 30, 2018, 1,678 (June 30, 2017: 1,645) employees were employed Group-wide, of whom 630 (June 30, 2017: 630) were employed in foreign Group companies.

Details on H&R KGaA

H&R KGaA has no operating business of its own. As a holding company, it is responsible for the strategic management of the Group companies that are organized in divisions and it also decides how to efficiently allocate funds within the Group. The holding company also provides centralized administrative services and makes management resources available to the Group companies.

Segment Reporting

1 January to 30 June 2018

	Chemical-Pharmaceutical Raw Materials			
	Chemical-Pharmaceutical Raw Materials Refining		Chemical-Pharmaceutical Raw Materials Sales	
IN € THOUSAND	2018	2017	2018	2017
External sales	342,807	313,578	177,098	183,547
Consolidated sales	4,673	5,003	-	-
Sales revenue by segment	347,480	318,581	177,098	183,547
EBIT	13,102	20,362	10,775	14,640
EBITDA	25,184	33,111	14,847	18,985
Investments in property, plant and equipment	23,344	18,389	1,507	1,519

RECONCILIATION OF THE OPERATING INCOME TO CONSOLIDATED INCOME

IN € THOUSAND	2018	2017
Operating income of segments (EBITDA)	42,695	54,750
Reconciliation	-1,507	-1,825
Operating income (EBITDA) of H&R KGaA	41,188	52,925
Depreciation and amortization	-16,836	-17,775
Financial income	-3,463	-4,829
Income taxes	-5,660	-8,308
Consolidated income	15,229	22,013

Disclosures on financial instruments

The following table shows the carrying amounts of the individual financial assets and liabilities for the different categories of financial assets according to IFRS 9:

6/30/2018

IN € THOUSAND	Carrying amount on statement of fin. position	Statement of financial position acc. to IFRS 9			Non-financial assets and liabilities	
		Measured at amortized cost	At fair value without impact on net income	At fair value through profit or loss	Fair value (for information)	
Financial assets						
Cash and cash equivalents	42,693	42,693	-	-	-	42,693
Trade receivables	133,930	133,930	-	-	-	133,930
Other financial assets	13,180	11,196	223	129	1,632	13,180
Total financial assets	189,803	187,819	223	129	1,632	189,803
Financial liabilities						
Trade payables	111,205	111,205	-	-	-	111,205
Liabilities to banks	141,069	141,069	-	-	-	141,378
Other financial liabilities	4,749	3,655	-	1,094	-	4,749
Total financial liabilities	257,023	255,929	-	1,094	-	257,332

Plastics		Reconciliation					
Plastics		Other activities		Consolidation/Reconciliation		Total	
2018	2017	2018	2017	2018	2017	2018	2017
30,415	30,568	-	-	-	-	550,320	527,693
-	-	-	-	-4,673	-5,003	-	-
30,415	30,568	-	-	-4,673	-5,003	550,320	527,693
2,072	2,062	-1,669	-1,863	72	-51	24,352	35,150
2,664	2,654	-1,579	-1,774	72	-51	41,188	52,925
757	371	20	6	-	-	25,628	20,285

12/31/2017

IN € THOUSAND	Statement of financial position acc. to IFRS 9				Non-financial assets and liabilities	
	Carrying amount on statement of fin. position	Measured at amortized cost	At fair value without impact on net income	At fair value through profit or loss		Fair value (for information)
Financial assets						
Cash and cash equivalents	58,952	58,952	-	-	-	58,952
Trade receivables	107,479	107,479	-	-	-	107,479
Other financial assets	10,565	7,759	1,030	144	1,632	10,565
Total financial assets	176,996	174,190	1,030	144	1,632	176,996
Financial liabilities						
Trade payables	83,328	83,328	-	-	-	83,328
Liabilities to banks	112,735	112,735	-	-	-	114,533
Other financial liabilities	5,599	4,383	-	1,216	-	5,599
Total financial liabilities	201,662	200,446	-	1,216	-	203,460

At level one, fair values acc. to IFRS 13 are calculated primarily on the basis of quoted prices on active markets for identical assets or liabilities. If this is not possible, level two involves using observable market transactions for comparable assets or liabilities. At the last level three, the fair values result from models that use parameters for the valuation of assets or liabilities that are based on non-observable market data.

For financial instruments that are not measured at fair value, the agreed maturity dates are generally within twelve months of the reporting date. It is therefore assumed that their carrying amounts as of the reporting date correspond to their fair value.

The financial instruments of H&R KGaA measured at fair value are allocated to the levels described above by category as follows:

IN € THOUSAND	6/30/2018			12/31/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Measured at fair value without impact on net income	225	-	-	1,030	-	-
Measured at fair value through profit or loss	76	-	-	76	-	-
Total	301	53	-	1,106	85	-
Financial Liabilities						
Measured at fair value through profit or loss	-	1,094	-	-	1,216	-
Total	-	1,094	-	-	1,216	-

The level 2 financial instruments are interest rate and currency swaps recognized at fair value. The fair values are determined using yield curves that are observable on the market. There were no reclassifications between the individual levels in the 2018 financial year.

Disclosures of Relationships with Related Parties under IAS 24

Related party transactions are carried out on arm's-length terms. There are no material transactions with unconsolidated subsidiaries.

The majority of related party transactions are executed with the Hansen family companies (herein after referred to as Hansen & Rosenthal).

There is a mutual business relationship with Hansen & Rosenthal. Goods deliveries for chemical-pharmaceutical products from the Salzbergen site are made under a long-term distribution and supply contract under which the relevant Hansen & Rosenthal company purchases the products and then resells them to its end customers under its own name and for its own account. Furthermore, deliveries are made on the basis of a long-term commission contract for the marketing of certain products from the Hamburg site, for which Hansen & Rosenthal receives a commission. In addition, production and IT services as well as staffing

services are provided by subsidiaries of the H&R Group for the Hansen & Rosenthal Group.

Revenue of €255,901 thousand (previous year: €242,655 thousand) was generated from goods and services to Hansen & Rosenthal in the 2018 financial year. The majority of this is attributable to the supply of chemical-pharmaceutical products (2018: €213,427 thousand; previous year: €201,341 thousand) and to services in connection with contract production (€39,777 thousand; previous year: €38,701 thousand). Goods and services purchased from Hansen & Rosenthal in the 2018 financial year amounted to €52,818 thousand (previous year: €50,679 thousand). This mainly relates to the purchase of chemical-pharmaceutical products (€49,188 thousand; previous year: €46,607 thousand).

As of June 30, 2018, receivables due from Hansen & Rosenthal amounted to €61,611 thousand (December 31, 2017: €47,083 thousand); liabilities owed to Hansen & Rosenthal came to €15,582 thousand (December 31, 2017: €5,170 thousand).

Revenue of €803 thousand (previous year: €438 thousand) was generated from goods and services provided to joint ventures in the 2018 financial year. Goods and services purchased from joint ventures in the 2018 financial year amounted to €3,440 thousand (previous year: €3,337 thousand). These relate primarily to the purchase of energy and IT services.

As of June 30, 2018, receivables due from joint ventures amounted to €499 thousand (December 31, 2017: €253 thousand); liabilities owed to joint ventures came to €167 thousand (December 31, 2017: €118 thousand).

H&R KGaA set up an Advisory Board in October 2012 to provide advice to the Executive Board. Expenses of €63 thousand were incurred for the activities of the Advisory Board in 2018 (previous year: €62 thousand). The fees paid to members of the management bodies of H&R KGaA under consultancy contracts amounted to €70 thousand in 2018 (previous year: €70 thousand). As of June 30, 2018, liabilities to Board members amounted to €233 thousand (December 31, 2017: €465 thousand).

Contingent Liabilities

On the reporting date, H&R KGaA had joint liability for pension commitments totaling €45 thousand (December 31, 2017: €45 thousand).

Other Financial Liabilities

Financial liabilities under long-term rental and lease agreements and other obligations stretching over several years are shown in the following table:

IN € THOUSAND	6/30/2018	12/31/2018
Due within one year	10,351	12,539
Due > 1 year and < 5 years	17,925	20,244
Due > 5 years	25,963	27,350
Total	54,239	60,133

Order Commitments

Capital expenditures for which contractual obligations existed on the reporting date but which have not yet been incurred totaled €8,200 thousand as of June 30, 2018 (December 31, 2018: €20,188 thousand).

Attestation by the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated financial statements give a true and fair view of the results of operations, net assets and financial position of the Group. Furthermore, the interim management report of the Group provides a true and fair view of the Group's business development and performance, including the business income and situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Salzbergen, August 2018

The Executive Board

Financial Calendar

November 15, 2018

Q3 2018 Interim Report

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.

Contact

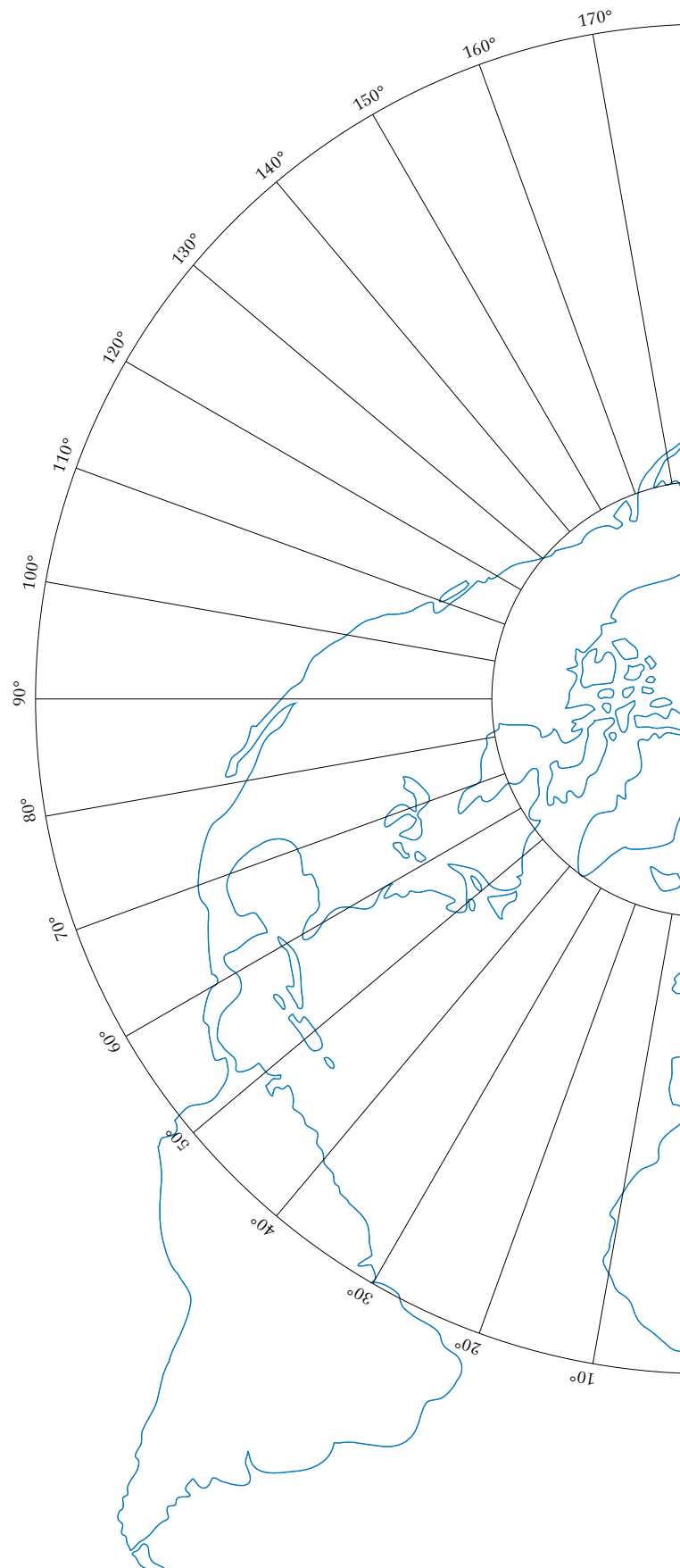
If you have questions or would like further information, please contact:

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