2019
HALF-YEAR REPORT AS OF JUNE 30

TEAM WORK

H&R GMBH & CO. KGAA

Our First Half-Year of 2019

– Operating income (EBITDA) slightly down on the previous year at €39.7 million
– Chemical-Pharmaceutical segments contribute positively to EBITDA
– Up to €75.0 million in EBITDA forecast

H&R GMBH & CO. KGAA IN FIGURES

IN € MILLION	1/1–6/30/2019	1/1–6/30/2018	Change (absolute)
Sales revenue	550.0	550.3	-0.3
Operating income (EBITDA)*	39.7	41.2	-1.5
EBIT	18.0	24.4	-6.4
EBT	14.0	20.9	-6.9
Income after taxes	10.7	15.2	-4.5
Income after taxes of which attributable to shareholders	10.1	14.9	-4.8
Consolidated earnings per share (undiluted) in €	0.27	0.41	-0.14
Cash flow from operating activities	51.1	-15.6	66.7
Cash flow from investing activities	-30.2	-24.8	-5.4
Free cash flow	20.9	-40.5	61.4
Cash flow from financing activities	-15.1	23.9	-39.0
	6/30/2019	12/31/2018	
Balance sheet total	760.1	730.4	29.7
Net working capital	149.7	174.5	-24.8
Equity	365.2	357.4	7.8
Equity ratio (in %)	48.0	48.9	-0.9
Employees (absolute)	1,637	1,664	-27

THE SEGMENTS IN FIGURES

IN € MILLION	1/1–6/30/2019	1/1–6/30/2018	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	345.4	347.5	-2.1
EBITDA	22.9	25.2	-2.3
Chemical-Pharmaceutical Raw Materials Sales			
Sales	188.0	177.1	10.9
EBITDA	15.2	14.8	0.4
Plastics			
Sales	22.0	30.4	-8.4
EBITDA	-0.4	2.7	-3.1
Reconciliation			
Sales	-5.3	-4.7	-0.6
EBITDA	2.0	-1.5	3.5

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

Letter from the Executive Board

Dear Shareholders,
Dear Business Partners,

Writing a successful company story spanning 100 years is no mean feat. Over the course of the decades, a decision made by two partners turned the small Hamburg-based trading company for petroleum jelly and white oil into the H&R Group we know today. This growth was accompanied by the establishment and takeover of new business areas, an IPO and numerous steps towards internationalization.

Today, as part of the Hansen & Rosenthal Group, H&R KGaA is a firmly established player in the field of petroleum-based specialty products. It is a company with a stable position that is proud of its Hanseatic roots but nevertheless feels at home across the globe. And while the core of the company and its shareholder structure remain – unlike at many other “German” companies – northern German in the best sense of the term, H&R KGaA still has to overcome the very same obstacles as those faced by many other global players.

The trade conflict between the US and China is having a very direct impact on our business: As paraffins from China are no longer being purchased in the US, they are making their way on to the European market at state-subsidized export prices. This means that they are competing with our domestic products, as well as our own products from Asia. As far as base oil is concerned, we are witnessing an increasing supply from Eastern Europe – at prices that sometimes undercut the raw materials price.

All of these developments are affecting a market that is already having to cope with weaker demand, for example from the automotive industry, and has high production capacities of its own at the same time. This makes the process involved in pricing our products a complex one.

The raw materials side of things also offers little in the way of certainty, as any escalation in the conflict in the Persian Gulf would have substantial implications extending far beyond the region itself. Although rising US production promises to help compensate for a potential loss in production volumes to a certain degree, there is still production downtime in Iran, Venezuela and Libya to contend with. What is more, the US is unlikely to be available as a reliable partner for other nations in the current climate.

The pressure from market-related factors was compounded by the operational challenges that you will be all too familiar with in the first half of 2019: Although the flood-protection wall project will have been completed on time as far as the actual construction work is concerned, the question as to how the project costs will be shared remains beset by uncertainty. As you may remember, the upgrading of the flood-protection facilities at our refinery site in Hamburg will in no way contribute to our income. This means that the greater the share of the construction costs that we have to bear, the more pressure the project will put on our company.

To return to the metaphor I used earlier: Not all chapters in a company's story are the stuff of success stories. The first half of 2019 is one of these chapters. After robust annual results of almost €75 million in 2018, we were fairly confident about our prospects of improving our income when we started out in 2019. And indeed, the start of the year pointed in the right direction with stable results. Our operating income at the end of the first half of the year stands at €39.7 million (just shy of the €41.2 million achieved at the end of the first half of 2018), which is also still on track at a level that exceeds our minimum forecast. Sales are exactly on a par with the previous year's figure at €550.0 million.

If, however, we take an isolated look at the second quarter, when we generated operating income of €19.7 million, then we have to ask ourselves whether the outlook on our markets will improve considerably any time soon. The automotive industry is still reporting poor figures that will have an impact not only on our plastics business but also on our business with specialty products. The same applies to other sectors in which customers are forced to adopt a price-sensitive stance.

We will still be able to use our quality standards to compensate for some of the price disadvantages. At the same time, we will have to keep a closer eye on costs.

We had to adjust our original annual forecast for EBITDA to a range between €75.0 million and €90.0 million after the first six months. As things stand at the moment, we expect to generate EBITDA that is close to the previous lower limit of €75.0 million.

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

Hamburg, August 2019

Sincerely yours,

Niels H. Hansen
Managing Director

Interim Management Report

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 much smaller Plastics division.

The Chemical-Pharmaceutical Raw Materials division is broken down further into the ChemPharm Refining and ChemPharm Sales segments. The ChemPharm Refining segment includes the refineries in Hamburg-Neuhof and Salzbergen. As specialty refineries, the two production sites are characterized by a high 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 more than 800 different products that are used in almost every area of life.

Our ChemPharm Sales segment is comprised of numerous production sites, and our distribution sites worldwide. This segment's core 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 corporate and organizational structure, please refer to the section of our 2018 Annual Report entitled "Group Fundamentals," starting on page 26.

Group's Legal Structure

The Group's 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, 2019, the number of consolidated subsidiaries remained unchanged at 42.

Employees

As of June 30, 2019, the number of people employed by the H&R Group had fallen by 27 to 1,637 compared to the reporting date (December 31, 2018: 1,664 employees).

In the ChemPharm division, the number of employees remained unchanged during this period at 1,149 (December 31, 2018: 1,149). Whereas the number of employees in Germany has fallen by nine to 707 since the beginning of the year, in the Sales segment it increased to 442 employees.

In the Plastics segment, H&R KGaA employed 27 fewer staff members, which reduced the headcount to 460. The number of employees working in the Other Activities segment was unchanged at 28 on June 30, 2019.

Subscribed Capital and Shareholder Structure

The share capital of H&R GmbH & Co. KGaA amounted to €95,155,882.68 as of June 30, 2019. 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.

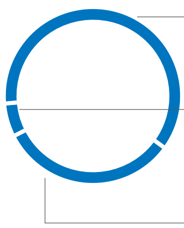
According to a voluntary notification made by the majority shareholder, the Hansen family, the latter's share of voting rights, held by/attributed to H&R Beteiligung GmbH, H&R Internationale Beteiligung GmbH and H&R Holding GmbH, was above the 50% threshold on June 30, 2019, amounting to 59.74% at that time.

According to this voluntary notification, the majority shareholder also held a further share of around 1.7% of the privately owned outstanding H&R shares as of June 30, 2019.

According to an informal notification, the proportion of the share capital attributable to the share held by our long-standing anchor shareholder, Mr. Wilhelm Scholten, amounted to 6.06% in total (5.45% via Wilhelm Scholten Beteiligungen GmbH and a further 0.61% via Ölfabrik Wilhelm Scholten GmbH and subsidiary). The remaining 32.50% of H&R shares were in free float as of June 30, 2019.

SHAREHOLDER STRUCTURE AS OF 6/30/2019

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



Economic Environment

Macroeconomic Conditions

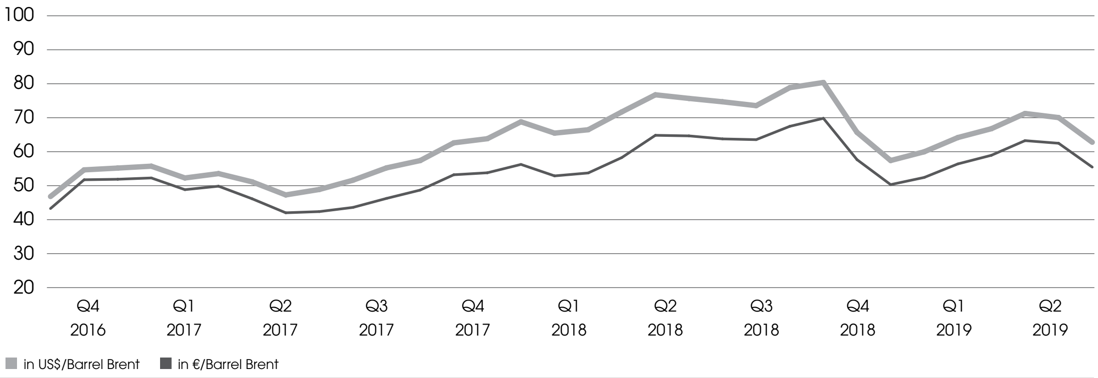
According to experts at the German Institute for Economic Research (DIW), the signals coming from industry are pointing towards weak German economic growth at the midpoint of the year. This means that gross domestic product is unlikely to show any increase at all from quarter to quarter. Although the downward trend in incoming orders has flattened out somewhat of late, business expectations among industrial companies are becoming increasingly more tepid, with sentiment among service providers starting to look less positive, too. The slowdown can likely be traced back not least to the sustained high risks – for example in light of the trade disputes started by the US, which are having a knock-on effect on German exports in particular. The slump that hit Germany's automotive manufacturers in the fall of 2018 is also having an impact. All in all, the German Institute for Economic Research expects to see growth in German gross domestic product (GDP) of 0.9% for 2019 as a whole. This means that the German economy, which is heavily reliant on exports, will have a negative impact on the euro area: The gross domestic product of the 19 EMU states looks set to increase by 1.2% based on the latest forecast, meaning that the euro area will fall short of the growth of 2% or more that it has been achieving consistently since 2015.

The Organisation for Economic Co-operation and Development (OECD) is concerned about the global economy given the trade conflicts referred to above and believes the outlook to be rather gloomy. The tension between the United States and China alone would be sufficient to curtail global growth for another two to three years.

As far as this year is concerned, the OECD is only predicting global economic growth of 3.2%, compared with 3.5% in 2018. The forecast for next year is unchanged at 3.4%.

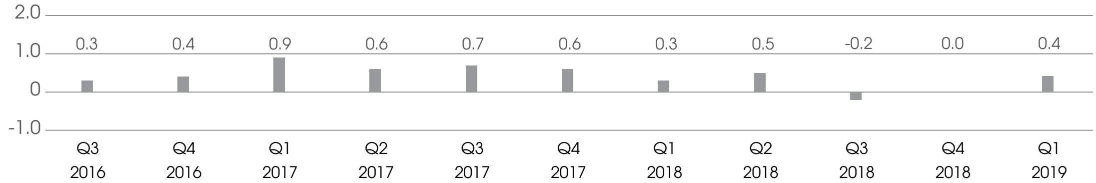
OIL PRICES Q4/2016–Q2/2019

(AVERAGE MONTHLY PRICES)



ECONOMIC GROWTH IN GERMANY[1)]

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



1) Gross domestic product (adjusted for season, price and calendar)

Industry-Specific Climate

The chemical-pharmaceutical industry was unable to continue with the high level of performance seen in the previous year in the first six months of 2019. In light of the difficult global environment – slower global economic growth, a weak industrial sector in parts of Europe, and markets that were unsettled by the political trade conflicts – production fell dramatically by 6.5% compared with the same period the previous year. Volumes sold and business income also declined considerably. In addition, the industry's business expectations for the future are also looking less than optimistic. The German Chemical Industry Association VCI expects to see a moderate recovery, at best, as the year progresses.

This global economic and political environment has prompted the VCI to revise its forecast for 2019 as a whole downward.

Share and Share-Price Trend

After the first six months, almost all of the relevant German indices were able to report performance of between 16% and 21% since the start of the year.

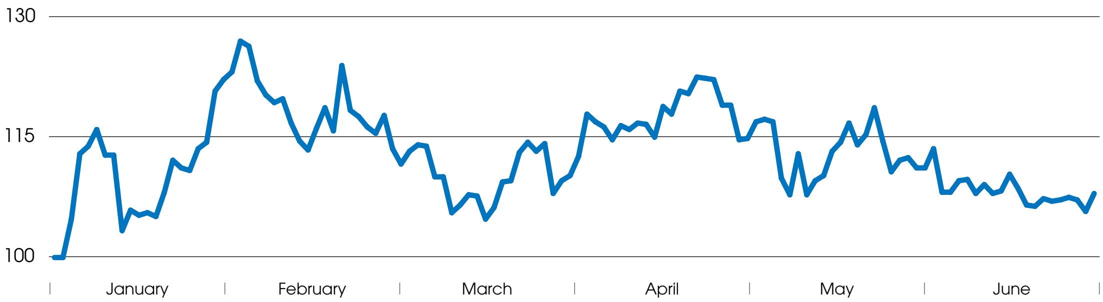
Despite this performance, which has been encouraging on the whole since the start of the year, the leading indicators are pointing towards a mixed picture, at best, over the coming months. While the signals for consumption are looking positive, the situation in the industrial sector is looking increasingly gloomy. If the known risks (including customs policy, the threat of a hard Brexit, increasing political turbulence in core EU countries) come more to the fore again, this could stand in the way of more pronounced stock market gains, or could even result in setbacks, in the course of the year.

All in all, German stocks are lagging behind their international counterparts. This is confirmed by DZ Bank in its most recent analysis of the world's largest companies by market capitalization. Out of the top 500 companies, only around one in thirty is headquartered in Germany. The world we know today is much more technology-based than it was only a few years ago, with technology companies from the US and China accounting for seven out of ten of the world's most valuable companies.

The oil/gas and chemicals industries, on the other hand, look set to rank among the key industries in technology-oriented times, too. H&R's shares have also gained more than 10% since January 1, 2019. Nevertheless, it is another case of: "We could have done better." While the share price rose to almost €8.00 at the end of January, it stabilized in a range between €6.60 and €7.70 in the

PERFORMANCE OF THE H&R SHARE

(INDEX 2/1/2019=100)



KEY INDICATORS OF H&R SHARES

	1/1-6/30/2019	1/1-6/30/2018	Change (absolute)
Number of shares as of the reporting date[1]	37,221,746	37,221,746	0
Earnings per share, in €	0.27	0.41	-0.14
Maximum price during the period under review, in €[2]	7.99	15.40	-7.41
Lowest price during the period under review, in €[2]	6.30	9.70	-3.4
Price as of the reporting date, in €[2]	6.77	9.70	-2.93
Market capitalization as of the reporting date, in € million[2]	**251.99**	**354.40**	**-102.41**

[1] Registration of the capital increase from subscribed capital on June 27, 2018
[2] Corresponding XETRA closing price

period between the publication of the preliminary results for 2018 and the 2019 Annual Shareholders' Meeting. A quiet phase characterized by subdued trading activity followed the Annual Shareholders' Meeting and the passing of a resolution at that meeting on the decision not to pay a dividend. The company's shares closed trading at the end of the first half of the year at a low level of €6.77.

Net Assets, Financial Position and Results of Operations

Results of Operations

Lower Earnings with identical Revenues

In the first half of the 2019 fiscal year, we generated consolidated sales of €550.0 million, down by only around €300 thousand against the same period last year.

Our Chemical-Pharmaceutical business, which is composed of the ChemPharm Refining (61.8%) and ChemPharm Sales (34.2%) segments, contributed 96.0% or €528.0 million to sales. The Plastics division contributed €22.0 million to sales, which corresponds to a share of 4.0%.

Accounting for 57.4% of sales, regional business activities continue to be focused on Germany. The rest of Europe (11.3%) and rest of world (31.3%) account for the remainder of sales.

In the first six months of the 2019 fiscal year, the H&R Group reported operating income (EBITDA) of €39.7 million, down only slightly in a year-on-year comparison (first half of 2018: €41.2 million). The close of the second quarter proved particularly disappointing, performing well below expectations.

Due to increased depreciation and amortization of €-21.8 million resulting from the capital expenditure over the last 12 months (first half of 2018: €-16.8 million), consolidated income before interest and taxes (EBIT) fell to €18.0 million (first half of 2018: €24.4 million), with income before tax (EBT) falling from €20.9 million to €14.0 million. Although the weaker company results overall led to a reduction in income tax expense, the consolidated income attributable to shareholders nevertheless fell from €14.9 million to €10.1 million. Earnings per share closed at €0.27, compared with €0.41 in the first six months of 2018.

SALES AND EARNINGS DEVELOPMENT

IN € MILLION	1/1–6/30/2019	1/1–6/30/2018	Change (absolute)
Sales revenues	550.0	550.3	-0.3
Operating income (EBITDA)	39.7	41.2	-1.5
EBIT	18.0	24.4	-6.4
EBT	14.0	20.9	-6.9
Consolidated income attributable to shareholders	10.1	14.9	-4.8
Consolidated income per share (undiluted) in €	0.27	0.41	-0.14

Segment Results

ChemPharm Refining. Brent crude oil, as a price indicator for the raw materials used in our refineries, was trading at US$55.21 at the beginning of the year, before rising to as much as US$75.00. This development resulted in a marked increase in our sales before the trend turned around from the end of April onwards. By the middle of the year, crude oil prices had fallen to US$66.72. The resulting lower cost of materials in the second quarter of 2019 was responsible for a drop in sales due to prices of raw materials. All in all, sales by the Group's biggest segment came to €345.4 million in the first six months of 2019 (first half of 2018: €347.5 million).

Operating income (EBITDA) in the segment came to €22.9 million in the first half of the year, down in a year-on-year comparison (first half of 2018: €25.2 million). The second quarter of 2019, in particular, was hit by the increased competitive pressure resulting from the commissioning of a new Group II refinery in Rotterdam.

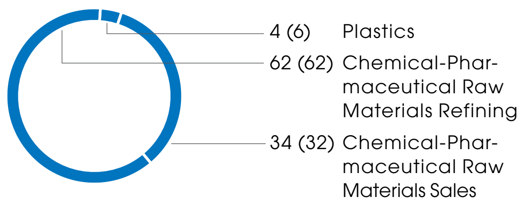
ChemPharm Sales. In the internationally operating Sales segment, sales rose by 6.2% to €188.0 million thanks to better volumes and slightly better prices (first half of 2018: €177.1 million). Income has also improved, with operating income (EBITDA) up by around 2.7% to €15.2 million as against €14.8 million in the prior-year period. Our Chinese activities and Thailand made solid contributions to this result. The cable compounds division of our UK subsidiary also benefited from healthy order books.

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

Plastics. While the slump in the automotive sector is hitting vehicle manufacturers particularly hard, it is having an impact throughout the entire value chain. All market participants, from major suppliers to the manufacturers of individual components and component groups, are faced with an extremely challenging situation. As far as GAUDLITZ GmbH is concerned, this is reflected in a

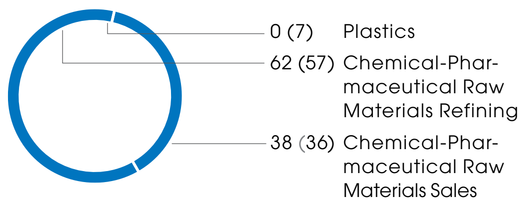
REVENUE BY SEGMENT IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



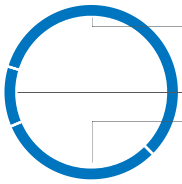
OPERATING RESULT BY SEGMENT IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



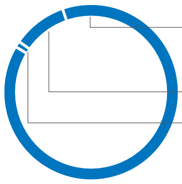
REVENUE BY REGION IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



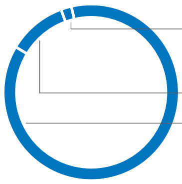
REVENUE BY REGION IN THE CHEMPHARM REFINING SEGMENT IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



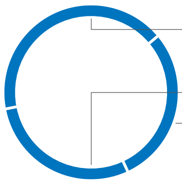
REVENUE BY REGION IN THE CHEMPHARM SALES SEGMENT IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



REVENUE BY REGION IN THE PLASTICS SEGMENT IN THE FIRST HALF OF 2019

IN % (IN THE FIRST HALF OF 2018)



marked drop in sales by around 27.6% to €22.0 million (first half of 2018: €30.4 million). On the earnings side, the segment was unable to make a positive contribution for the first time in years: Operating income (EBITDA) came to €-0.4 million at the end of the first half of 2019. Income of €0.5 million was lost in the second quarter alone.

This means that the successful restructuring and process optimization measures implemented in recent years now have to be supported by HR measures, too.

Strong Order Development Continues

In the Chemical-Pharmaceutical Raw Materials division, sales of core and by-products remained under the previous year's figure during the first half of 2019. In the Plastics division, the pressure placed on automotive manufacturers had a direct impact: A clear decline was recorded in particular in the number of plastic component deliveries.

Trends in the Main Items on the Income Statement

As a result of the lower price of raw materials and based on sales that remained constant at the same time, our cost of materials dipped slightly to €423.6 million (first half of 2018: €428.2 million). The total cost of materials and changes in inventory, on the other hand, was higher than in the previous year, increasing the share of cost of materials to 78.2% (previous year: 76.9%). Personnel expenses showed a moderate increase from €43.5 million in the first half of 2018 to €43.9 million. Higher capital expenditure meant that depreciation and amortization were up in a year-on-year comparison, amounting to €21.8 million as against €17.8 million in the first half of 2018. With financing costs once again down slightly (€4.0 million) on the prior-year period, the company posted income before tax (EBT) of €14.0 million, compared with €20.9 million in the first half of 2018.

The lower income translated into lower income tax expense in the first half of 2019. As of June 30, 2019, consolidated income attributable to shareholders totaled €10.1 million (first half of 2018: €14.9 million).

Net Assets and Financial Position

Analysis of the Cash Flow Statement

In the first six months of 2019, the Group generated a cash flow from operating activities of €51.1 million based on lower consolidated income (first half of 2018: €-15.6 million). Due to increased capital expenditures, depreciation and amortization were around 30% higher than in the first half of 2018, rising from €16.8 million to €21.8 million. By contrast, the changes in net working capital had a material impact on the positive cash flow. At the end of the first half of 2019 they amounted to €30.4 million (first half of 2018: €-43.2 million), benefiting from a more relaxed situation as far as prices of raw materials are concerned and from active measures to take pressure off working capital.

Our investments in maintenance and modernization measures as well as innovative projects to ensure the future viability of our locations exceeded the level witnessed in the previous year. Overall, cash flow from investing activities totaled €-30.2 million, compared to €-24.8 million in the first half of 2018.

The free cash flow (the sum of cash flow from investing activities and operating activities) also benefited from the reasons referred to above, improving from €-40.5 million to €20.9 million in the first six months of 2019. Cash flow from financing activities showed an overall outflow of €-15.1 million (first half of 2018: €23.9 million). The higher redemption of financial liabilities in the amount of €-57.8 million was offset by cash inflows from new financial liabilities totaling €42.7 million.

At €46.5 million, cash and cash equivalents were lower at the beginning of the period (2018: €59.0 million), increasing to €53.4 million at the end of June 2019 (June 30, 2018: €42.7 million). The 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 higher property, plant and equipment, the H&R Group's balance sheet total had increased considerably by the end of the first half of the year, rising by 4.1% to €760.1 million (December 31, 2018: €730.4 million).

On the assets side, cash and cash equivalents increased by 14.9% to €53.4 million, compared to €46.5 million at the end of the prior year.

Trade receivables had fallen by 18.4% to €121.0 million by the end of the reporting period; the valuation of inventories, on the other hand, showed a more moderate decline: falling by around 7.5% compared with the year-end figure to €142.4 million (December 31, 2018: €153.9 million).

Overall, current assets fell by 6.5% to €317.5 million (December 31, 2018: €339.7 million); as a percentage of the balance sheet total, they dropped back from 46.5% to 41.8%.

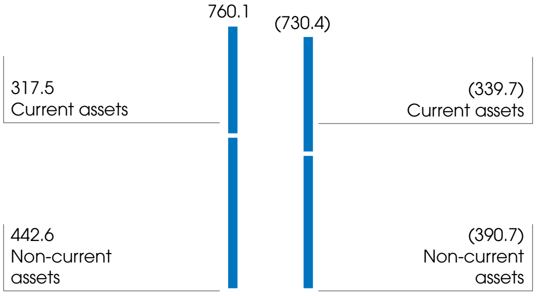
Non-current assets changed by 13.3% in total to €442.6 million as against the year-end 2018 figure of €390.7 million; as a percentage of the balance sheet total, they increased considerably from

FINANCIAL POSITION

IN € MILLION	1/1–6/30/2019	1/1–6/30/2018	Change (absolute)
Cash flow from operating activities	51.1	-15.6	66.7
Cash flow from investing activities	-30.2	-24.8	-5.4
Free cash flow	20.9	-40.5	61.4
Cash flow from financing activities	-15.1	23.9	-39.0
Cash and cash equivalents as of 6/30	53.4	42.7	10.7

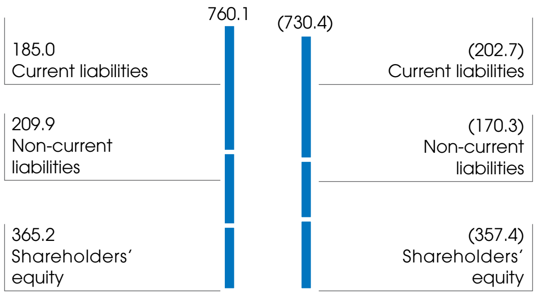
ASSETS AS OF 6/30/2019

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 12/31/2018)



LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 6/30/2019

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 12/31/2018)



53.5% as of December 31, 2018, to 58.2% at the end of the reporting period.

On the liability side, current liabilities changed by around -8.7% overall, amounting to €185.0 million (December 31, 2018: €202.7 million). The €10.7 million drop in liabilities to banks to €59.4 million (December 31, 2018: €70.1 million) and the €9.0 million drop in trade payables to €91.4 million (December 31, 2018: €100.4 million) were offset primarily by higher other financial liabilities totaling €6.1 million (December 31, 2018: €3.7 million).

As a percentage of the balance sheet total, current liabilities fell from 27.8% at the end of 2018 to 24.3% at the end of the first half of 2019.

At €209.9 million, non-current liabilities were up by around 23.2% on the year-end value due to other financial liabilities that had also increased to €34.4 million (December 31, 2018: €170.3 million); their percentage of the balance sheet total (27.6%) was up as of June 30, 2019 (December 31, 2018: 23.3%).

Retained earnings including consolidated income increased again to €182.3 million (December 31, 2018: €178.7 million). As of June 30, 2019, equity totaled €365.2 million and was 2.2%, or €7.8 million, higher than on the reporting date. Taking into account the higher balance sheet total, however, this corresponds to a slightly lower equity ratio of 48.0% (December 31, 2018: 48.9%).

There have been no material changes in unrecognized assets since year-end 2018, 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 the section starting on page 64 of our 2018 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 55 to 64 of the 2018 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 €1,371 thousand (first half of 2018: €1,281 thousand). This means that the R&D ratio (the ratio of R&D expenditures to sales) was slightly higher at 0.25% (first half of 2018: 0.20%).

Employees in our R&D department focused their work in the Chemical-Pharmaceutical division on the ongoing development of products from paraffins, 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, 2019, and the editorial deadline for this report, there were no events with a material impact on the net assets, financial position or results of operations.

Outlook

Now that we have reached the midpoint of the year, the economic outlook is looking gloomier. At the start of the second half of 2019, the International Monetary Fund (IMF) made another downward revision to its global economic forecast – for what is already the third time this year: Experts most recently predicted growth of 3.2%. This renewed downward correction was prompted, among other factors, by the punitive tariffs that the US and China have imposed on each other. The IMF also pointed to the threat of global supply chains being disrupted as a result of the conflict, and referred to the geopolitical tension in the Gulf as another factor that is putting a damper on the economic outlook.

As far as the euro area is concerned, the experts expect to see a stable situation overall, although weaker international demand for German products will result in the German economy, one of the main drivers of economic activity in the euro area to date, losing momentum. The experts would, perhaps, appear to be a little too optimistic regarding their assumption that a Brexit deal will be struck. The rhetoric coming from Prime Minister Johnson of late hardly inspires confidence of an amicable agreement being reached between the EU and the UK.

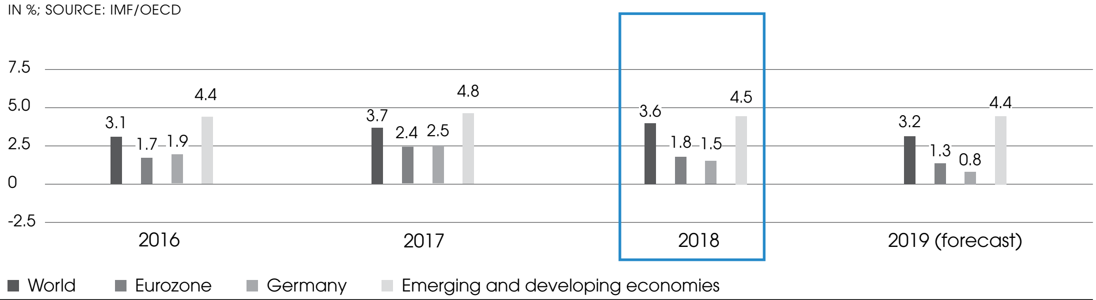
As a result, the second half of the year is showing us yet again just how big the challenges coming from the economic policy side of things will be. The impact on our markets will be a very direct one: In the automotive sector, a key sales market for plastic parts, oils and tire components from H&R's perspective, automotive manufacturers and suppliers have taken their expectations down a notch or two and are reacting to the economic environment by embarking on savings drives and cutting jobs. Germany's chemical-pharmaceutical industry has been forced to accept a marked slump in sales and earnings in the first six months of the year. This has prompted the German Chemical Industry Association (VCI) to make a downward revision to its expectations, which were already down on the prior year to begin with.

In the medium term, H&R certainly believes that there are positive signs pointing towards improved developments in the long run. Whereas the first few measures designed to allow us to produce our own hydrogen at the Hamburg site in 2017 were aimed exclusively at the use of this hydrogen in our products, the issue of systemic sector coupling, i.e. closer links between industry and the energy sector, is currently gaining momentum: As part of the "Living Labs for the Energy Transition" ideas competition (Ideenwettbewerb Reallabore), the sites in Hamburg and Salzbergen emerged as the winners, meaning that they have the prospect of specific subsidies to look forward to. Hydrogen and green CO_2 generated using wind power could be used as process materials or for mobility purposes, or could be refined further using synthesis methods. For H&R, this marks a further step away from oil as a fossil raw material.

We have, however, defined conservative expectations based on the current parameters for the rest of the 2019 fiscal year to date. As already mentioned, the announcements published by other market participants, be it from the automotive sector or from the chemical industry, as well as by our own customers reinforce our view that it will be difficult for us to achieve our original forecast of between €75.0 million and €90.0 million given the prevailing circumstances. As things stand at the moment, we expect to generate EBITDA of up to €75.0 million.

GLOBAL ECONOMIC GROWTH FORECAST

IN %; SOURCE: IMF/OECD



Condensed Interim Consolidated Financial Statements

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

as of June 30, 2019

ASSETS

IN € THOUSAND	6/30/2019	12/31/2018
Current assets		
Cash and cash equivalents	53,441	46,495
Trade receivables	98,718	120,952
Income tax refund claims	1,968	1,911
Inventories	142,389	153,945
Other financial assets	9,631	5,641
Other assets	11,401	10,766
Current assets	**317,548**	**339,710**
Non-current assets		
Property, plant and equipment	383,111	336,087
Goodwill	22,457	22,455
Other intangible assets	16,666	17,319
Shares in holdings valued at equity	4,707	4,350
Other financial assets	2,395	2,145
Other assets	7,044	4,070
Deferred tax assets	6,211	4,269
Non-current assets	**442,591**	**390,695**
Total assets	**760,139**	**730,405**

LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	6/30/2019	12/31/2018
Current liabilities		
Liabilities to banks	59,409	70,088
Trade payables	91,412	100,376
Income tax liabilities	6,831	6,438
Contract liabilities	3,320	2,249
Other provisions	10,406	11,151
Other financial liabilities	6,055	3,710
Other liabilities	7,613	8,724
Current liabilities	**185,046**	**202,736**
Non-current liabilities		
Liabilities to banks	76,116	79,425
Pension provisions	85,642	76,720
Other provisions	3,545	3,419
Other financial liabilities	34,444	2
Other liabilities	6,151	6,318
Deferred tax liabilities	3,981	4,414
Non-current liabilities	**209,879**	**170,298**
Equity		
Subscribed capital	95,156	95,156
Capital reserve	46,867	46,867
Retained earnings	182,331	178,675
Other reserves	2,724	-639
Equity of H&R GmbH & Co. KGaA shareholders	**327,078**	**320,059**
Non-controlling interests	38,136	37,312
Equity	**365,214**	**357,371**
Total liabilities and shareholders' equity	**760,139**	**730,405**

Consolidated Income Statement of H&R KGaA

January 1 to June 30, 2019

IN € THOUSAND	1/1–6/30/2019	1/1–6/30/2018	4/1–6/30/2019	4/1–6/30/2018
Sales revenue	550,044	550,320	263,924	279,454
Changes in inventories of finished and unfinished goods	-6,685	4,873	3,784	112
Other operating income	15,407	14,595	10,133	5,934
Cost of materials	-423,590	-428,156	-209,710	-216,696
Personnel expenses	-43,928	-43,454	-22,023	-21,737
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-21,755	-16,836	-11,092	-8,500
Other operating expenses	-51,898	-57,188	-26,660	-29,607
Operating result	**17,595**	**24,154**	**8,356**	**8,960**
Income from holdings valued at equity	356	198	204	8
Financing income	111	1,062	55	444
Financing expenses	-4,044	-4,525	-1,885	-2,288
Income before tax (EBT)	**14,018**	**20,889**	**6,730**	**7,124**
Income taxes	-3,355	-5,660	-1,294	-1,819
Consolidated income	**10,663**	**15,229**	**5,436**	**5,305**
of which attributable to non-controlling interests	586	348	482	325
of which attributable to shareholders of H&R GmbH & Co. KGaA	**10,077**	**14,881**	**4,954**	**4,980**
Earnings per share (undiluted), in €	0.27	0.41	0.13	0.14
Earnings per share (diluted), in €	0.27	0.41	0.13	0.14

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

January 1 to June 30, 2019

IN € THOUSAND	1/1–6/30/2019	1/1–6/30/2018	4/1–6/30/2019	4/1–6/30/2018
Consolidated income	**10,663**	**15,229**	**5,436**	**5,305**
of which attributable to non-controlling interests	586	348	482	325
of which attributable to shareholders of H&R GmbH & Co. KGaA	10,077	14,881	4,954	4,980
Positions that will not be reclassified into profit or loss				
Remeasurement of defined benefit pension plans	-9,057	–	-4,012	-585
Deferred taxes	2,636	–	1,168	170
Total remeasurement of defined-benefit pension plans	**-6,421**	**–**	**-2,844**	**-415**
Positions that will not be reclassified into profit or loss				
Positions that may subsequently be reclassified into profit or loss				
Changes in the fair value of financial assets available for sale	–	-11	–	-1
Amount transferred to the income statement	–	-153	–	–
Deferred taxes	–	3	–	0
Change in the amount included in equity	**–**	**-161**	**–**	**-1**
Changes in the currency translation adjustment item	3,601	521	-2,762	-1,020
Positions that may subsequently be reclassified into profit or loss	**3,601**	**360**	**-2,762**	**-1,021**
Other comprehensive income	**-2,820**	**360**	**-5,606**	**-1,436**
of which attributable to non-controlling interests	238	398	-1,544	60
of which attributable to shareholders of H&R GmbH & Co. KGaA	-3,058	-38	-4,062	-1,496
Total comprehensive income	**7,843**	**15,589**	**-170**	**3,869**
of which attributable to non-controlling interests	824	746	-1,062	385
of which attributable to shareholders of H&R GmbH & Co. KGaA	7,019	14,843	892	3,484

Consolidated Statement of Changes in Group Equity

as of 30 June 2019

2019

IN € THOUSAND	Subscribed capital	Capital reserve	Retained earnings	Other reserves/ cumulative other comprehensive income: Market valuation of financial assets	Other reserves/ cumulative other comprehensive income: Currency translation adjustment	Equity share attributable to shareholders of H&R GmbH & Co. KGaA	Non-controlling interests	Total
1/1/2019	**95,156**	**46,867**	**178,675**	**–**	**-639**	**320,059**	**37,312**	**357,371**
Consolidated income	–	–	10,077	–	–	10,077	586	10,663
Other comprehensive income	–	–	-6,421	–	3,363	-3,058	238	-2,820
Total comprehensive income	**–**	**–**	**3,656**	**–**	**3,363**	**7,019**	**824**	**7,843**
6/30/2019	**95,156**	**46,867**	**182,331**	**–**	**2,724**	**327,078**	**38,136**	**365,214**

2018

IN € THOUSAND	Subscribed capital	Capital reserve	Retained earnings	Other reserves/ cumulative other comprehensive income: Market valuation of financial assets	Other reserves/ cumulative other comprehensive income: Currency translation adjustment	Equity share attributable to shareholders of H&R GmbH & Co. KGaA	Non-controlling interests	Total
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
Dividend	–	–	-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**

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

for the period from January 1 to June 30, 2019

IN € THOUSAND			1/1–6/30/2019	1/1–6/30/2018	1/4–6/30/2019	1/4–6/30/2018
1.		Consolidated income	10,663	15,229	5,436	5,305
2.		Income taxes	3,355	5,660	1,294	1,819
3.		Net interest income	3,764	4,363	1,830	2,177
4.	+/-	Depreciation and amortization/appreciation on fixed assets and intangible assets	21,755	16,836	11,092	8,500
5.	+/-	Increase/decrease in non-current provisions	-837	-870	-447	-218
6.	+	Interest received	111	162	55	111
7.	-	Interest paid	-2,077	-3,390	-1,162	-1,773
8.	+/-	Income tax received/paid	-3,586	-5,877	-2,386	-3,696
9.	+/-	Other non-cash expenses/income	3	-752	351	-158
10.	+/-	Increase/decrease in current provisions	-835	357	-3,557	-1,610
11.	-/+	Gain/loss from the disposal of fixed assets	2	-563	32	-560
12.	-/+	Changes in net working capital	30,425	-43,188	8,047	-13,110
13.	+/-	Changes in remaining net assets/other non-cash items	-11,669	-3,600	-13,062	-9,499
14.	**=**	**Cash flow from operating activities (sum of items 1 to 13)**	**51,074**	**-15,633**	**7,523**	**-12,712**
15.	+	Proceeds from disposals of property, plant and equipment	76	1,354	–	1,336
16.	-	Payments for investments in property, plant and equipment	-30,076	-26,189	-11,970	-11,750
17.	-	Payments for investments in intangible assets	-188	-121	-74	-92
18.	+	Proceeds from disposals of financial assets	–	797	–	–
19.	-	Payments for investments in financial assets	–	-683	–	–
20.	**=**	**Cash flow from investing activities (sum of items 15 to 19)**	**-30,188**	**-24,842**	**-12,044**	**-10,506**
21.	**=**	**Free cash flow (sum of items 14 and 19)**	**20,886**	**-40,475**	**-4,521**	**-23,218**
22.	-	Dividend paid by H&R KGaA	–	-7,171	–	-7,171
23.	+	Dividends received from joint ventures	–	512	–	512
24.	-	Payments for settling financial liabilities	-57,778	-12,436	-45,811	-6,579
25.	+	Proceeds from taking up financial liabilities	42,710	43,005	30,295	25,890
26.	**=**	**Cash flow from financing activities (sum of items 22 to 25)**	**-15,068**	**23,910**	**-15,516**	**12,652**
27.	**+/-**	**Changes in cash and cash equivalents (sum of items 14, 20 and 26)**	**5,818**	**-16,565**	**-20,037**	**-10,566**
28.	+	Cash and cash equivalents at the beginning of the period	46,495	58,952	73,965	53,307
29.	+/-	Change in cash and cash equivalents due to changes in exchange rates	1,128	306	-487	-48
30.	**=**	**Cash and cash equivalents at the end of the period**	**53,441**	**42,693**	**53,441**	**42,693**

Selected Explanatory Notes

as of June 30, 2019

General Information

These condensed interim consolidated financial statements of H&R GmbH & Co. KGaA (shortened form: H&R KGaA) as of June 30, 2019, were prepared, like the annual consolidated financial statements as of December 31, 2018, in accordance with International Financial Reporting Standards (IFRS) that were applicable and mandatory on the reporting date; in particular, the provisions governing interim reporting set out in IAS 34 were applied. This quarterly report and the accompanying interim consolidated management report have not been subjected to any review or check and have not been audited in accordance with Section 317 of the German Commercial Code (HGB).

All interim financial statements of the companies included in the interim consolidated financial statements were prepared in accordance with uniform accounting and valuation methods, which were also taken as the basis for the annual consolidated financial statements as of December 31, 2018.

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 fiscal year.

Standards and Interpretations to Be Applied for the First Time in the Current Fiscal Year

H&R KGaA has applied IFRS 16 “Leases” for the first time as of January 1, 2018. IFRS 16, which was published in January 2016, replaces the previous leasing standard IAS 17. It provides a single lessee accounting model under which right-of-use assets and lease liabilities for outstanding lease payments are to be allocated for all leases. For leases with a term of up to 12 months and for leases on assets of low value, there is the right to choose direct recognition in expenses or to waive the right of the recognition of a right-of-use asset and a lease liability.

For the major part of its lease contracts, H&R KGaA records the value of the respective right-of-use asset in the total amount of the lease liability, which is then adjusted for the amount prepaid or accrued on the lease in the period immediately preceding the time of initial application.

Furthermore, there is the option to use a single interest rate or to forego impairment testing on a portfolio of similar leases. Instead, the decision whether they be onerous contracts or not can be taken according to IFRS 37 immediately before the time of initial application. Last but not least, initial application of IFRS 16 facilitates the retroactive assessment of the lease term if and when lease contracts contain a renewal/termination option. In the evaluation of the right-of-use asset at the time of initial application, direct initial expenses can be disregarded. H&R KGaA makes use of this option.

H&R KGaA is introducing IFRS 16 in line with the modified retrospective transition method. The comparative information for prior-year periods has not been adjusted. H&R KGaA also makes use of the simplified application for short-term leases and leases of low-value assets. In the course of the initial application, H&R makes use of the simplified application which reports leases ending in 2019 as short-term leases. Current findings were considered in the determination of the lease term for contracts with a renewal/termination option.

The following table shows the main effects on the individual balance sheet items:

ADJUSTED VALUES IN THE OPENING STATEMENT OF FINANCIAL POSITION AS OF JANUARY 1, 2019

IN € THOUSAND	1/1/2019	IFRS 16 adjustment	12/31/2018
ASSETS			
Property, plant and equipment	378,374	42,287	336,087
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other current financial liabilities	10,092	6,382	3,710
Other non-current financial liabilities	35,907	35,905	2

Changes in Core Parameters

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

The exchange rates used for currency translation have changed as follows:

EXCHANGE RATES FOR THE MAIN CURRENCIES

€1/	Closing rate 6/30/2019	Closing rate 6/30/2018	Closing rate 12/31/2018	Average rate 1/1–6/30/2019	Average rate 1/1–6/30/2018
US dollar	1.1380	1.1658	1.1450	1.1298	1.2108
British pound	0.89655	0.88605	0.89453	0.87359	0.87973
Australian dollar	1.6244	1.5787	1.6220	1.6002	1.5693
South African rand	16.1218	16.0484	16.4594	16.0439	14.8895
Thai baht	34.897	38.565	37.052	35.705	38.424
Chinese yuan	7.8185	7.7170	7.8751	7.6670	7.7100

The discount rate used to calculate the present value of pension commitments as of June 30, 2019, is 1.3% (December 31, 2018: 2%).

Seasonal and Business Cycle Factors

Business cycles 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, 2019, included 42 companies (December 31, 2018: 42 companies), of which 20 domestic and 22 foreign companies were included in the consolidated group for the interim financial statements (December 31, 2018: 20 domestic and 22 foreign companies). In addition, four companies were included in the consolidated financial statements using the equity method, as was also the case on December 31, 2018.

Earnings per Share

Earnings per share are calculated according to IAS 33 by dividing consolidated income by the average number of outstanding ordinary shares during the reporting period.

Due to the increase in H&R KGaA's share capital in the previous year, the number of ordinary shares in circulation changed as demonstrated below:

	1/1–6/30/2019	1/1–6/30/2018	4/1–6/30/2019	4/1–6/30/2018
Number of shares issued at the beginning of the period	**37,221,746**	**36,536,553**	**37,221,746**	**36,536,553**
Issue of new shares effective June 27, 2018	–	685,193	–	685,193
Number of shares issued at the end of the period	**37,221,746**	**37,221,746**	**37,221,746**	**37,221,746**
Average number of shares in circulation	37,221,746	36,578,195	37,221,746	36,619,379

Accordingly, the earnings per share figure is calculated as follows:

	1/1–6/30/2019	1/1–6/30/2018	4/1–6/30/2019	4/1–6/30/2018
Consolidated income attributable to shareholders in € thousand	10,077	14,881	4,954	4,980
Average number of shares in circulation	37,221,746	36,578,195	37,221,746	36,619,379
Earnings per ordinary share (undiluted) in €	0.27	0.41	0.13	0.14
Earnings per ordinary share (diluted) in €	0.27	0.41	0.13	0.14

The diluted earnings per share ratio is equal to the basic earnings per share ratio since H&R KGaA has not issued any potentially dilutive equity instruments.

Segment Reporting

January 1 to June 30, 2019

	Chemical-Pharmaceutical Raw Materials			
	ChemPharm Refining		ChemPharm Sales	
IN € THOUSAND	2019	2018	2019	2018
External sales	340,770	342,807	187,303	177,098
Consolidated sales	4,596	4,673	722	–
Sales revenues by segment	345,366	347,480	188,025	177,098
Earnings before income tax	3,993	10,153	9,262	9,972
EBIT	7,543	13,102	10,316	10,775
EBITDA	22,917	25,184	15,190	14,847
Capital expenditure	19,884	23,369	3,081	1,507

The following table shows how external sales revenue is broken down by region, products and services:

	ChemPharm Refining		ChemPharm Sales	
IN € THOUSAND	2019	2018	2019	2018
Germany	302,690	294,831	4,035	7,251
Rest of Europe	35,482	45,529	20,216	16,026
Rest of world	2,598	2,447	163,052	153,821
Total	**340,770**	**342,807**	**187,303**	**177,098**
Chemical-pharmaceutical products – core products	177,873	180,302	186,904	176,772
Chemical-pharmaceutical products – by-products	121,980	118,369	399	301
Precision plastics	–	–	–	–
Provision of services	40,917	44,136	–	25
Total	**340,770**	**342,807**	**187,303**	**177,098**

	Plastics		Reconciliation					
	Plastics		Other Activities		Consolidation/reconciliation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	21,971	30,415	–	–	–	–	550,044	550,320
	–	–	–	–	-5,318	-4,673	–	–
	21,971	30,415	–	–	-5,318	-4,673	550,044	550,320
	-2,032	2,050	2,589	-1,354	206	68	14,018	20,889
	-1,776	2,072	1,669	-1,669	199	72	17,951	24,352
	-446	2,664	1,846	-1,579	199	72	39,706	41,188
	705	809	55	53	–	–	23,725	25,738

	Plastics		Others		Total	
	2019	2018	2019	2018	2019	2018
	9,174	13,002	–	–	315,899	315,084
	6,430	9,143	–	–	62,128	70,698
	6,367	8,270	–	–	172,017	164,538
	21,971	**30,415**	**–**	**–**	**550,044**	**550,320**
	–	–	–	–	364,777	357,074
	–	–	–	–	122,379	118,670
	21,964	30,415	–	–	21,964	30,415
	7	–	–	–	40,924	44,161
	21,971	**30,415**	**–**	**–**	**550,044**	**550,320**

The table below shows the reconciliation of operating income to consolidated income:

RECONCILIATION OF OPERATING INCOME TO CONSOLIDATED INCOME

IN € THOUSAND	2019	2018
Operating income of segments (EBITDA)	37,661	42,695
Reconciliation	2,045	-1,507
Operating income (EBITDA) of H&R KGaA	**39,706**	**41,188**
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-21,755	-16,836
Financing income	111	162
Financing expenses	-4,044	-3,625
Income taxes	-3,355	-5,660
Consolidated Income	**10,663**	**15,229**

Financial Instruments

The table below shows the carrying amounts of the separate financial assets and liabilities for each category of financial instrument:

		6/30/2019		12/31/2018	
IN € THOUSAND	Valuation category according to IFRS 9	Carrying amount	Fair value (for information)	Carrying amount	Fair value (for information)
Financial assets					
Cash and cash equivalents	Measured at amortized cost	53,441	53,441	46,495	46,495
Trade receivables	Measured at amortized cost	98,718	98,718	120,952	120,952
Other financial assets					
Derivatives without hedge accounting item	Measured at fair value through profit or loss	270	270	165	165
Other current securities	Measured at fair value through profit or loss	52	52	52	52
Other financial assets	Measured at amortized cost	11,704	11,704	7,569	7,569
Financial liabilities					
Trade payables	Measured at amortized cost	91,412	91,412	100,376	100,376
Liabilities to banks	Measured at amortized cost	135,525	135,952	149,513	148,397
Other financial liabilities					
Derivatives without hedge accounting item	Measured at fair value through profit or loss	54	54	3	3
Miscellaneous financial liabilities	Measured at amortized cost	275	275	3,709	3,709
Lease liabilities		40,170	–	–	–

At the first level, fair value measurement is based on quoted prices in active markets for identical assets or liabilities. If this is not possible, second-level measurement is based on observable market transactions for comparable assets or liabilities. At the third and final level, fair values are measured by models that use parameters based on non-observable market data to value assets and liabilities.

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

	6/30/2019			12/31/2018		
IN € THOUSAND	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets measured at fair value through other comprehensive income	–	–	1,050	–	–	1,050
Financial assets measured at fair value though profit or loss	52	–	–	52	–	–
Derivatives without hedge accounting item	–	270	–	–	165	–
Total	**52**	**270**	**1,050**	**52**	**165**	**1,050**
Liabilities and shareholders' equity						
Derivatives without hedge accounting item	–	54	–	–	3	–
Total	**–**	**54**	**–**	**–**	**3**	**–**

The level 2 financial instruments are foreign exchange swaps carried on the statement of financial position at their fair value. The fair values are determined using parameters that are observable on the market. The level 3 financial asset is an equity instrument. There were no reclassifications among the individual levels in fiscal year 2019.

Order Commitments

Capital expenditure for which contractual obligations existed on the reporting date, but which have not yet been incurred, totaled €21,469 thousand as of June 30, 2019 (previous year: €22,025 thousand).

Other Financial Liabilities

The other financial liabilities are shown in the following table (nominal values):

IN € THOUSAND	6/30/2019	12/31/2018
Due within one year	4,846	10,554
Due >1 year and <5 years	1,497	16,583
Due >5 years	14	23,349
Total	**6,357**	**50,486**

Other financial liabilities mainly include contracts for the delivery of natural gas, compressed air and nitrogen as well as maintenance and servicing contracts for the process control system. The drop as against December 31, 2018, is due to the first-time application of IFRS 16 "Leases," based on which the majority of the rental and lease agreements have to be recognized in the statement of financial position.

Disclosure of Relationships with Related Parties

Related party transactions were carried out at arm's length. There were no transactions of material significance with unconsolidated subsidiaries.

Most transactions with related parties involve the companies of the Hansen family (hereinafter referred to as Hansen & Rosenthal) and joint ventures.

There is a mutual business relationship with Hansen & Rosenthal. The supply of goods for chemical-pharmaceutical products from the Salzbergen site takes place under a long-term distribution and supply contract, by which the relevant Hansen & Rosenthal company purchases the products and then resells them to its end customers in 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. Moreover, H&R KGaA subsidiaries provide production, IT and staffing services to the Hansen & Rosenthal Group.

Sales revenues from goods and services to Hansen & Rosenthal totaled €256,609 thousand in fiscal year 2019 (previous year: €255,901 thousand). Most of this amount was for supplies of chemical-pharmaceutical products (€213,029 thousand; previous year: €213,427 thousand) and for contract manufacturing services (€40,889 thousand; previous year: €39,777 thousand). Goods and services purchased from Hansen & Rosenthal in the 2019 fiscal year amounted to €50,815 thousand (previous year: €52,818 thousand). The bulk of this amount was for purchases of chemical-pharmaceutical products (€47,155 thousand; previous year: €49,188 thousand).

As of December 31, 2018, receivables due from Hansen & Rosenthal totaled €52,541 thousand (previous year: €58,771 thousand); liabilities owed to Hansen & Rosenthal amounted to €12,276 thousand (previous year: €6,459 thousand).

Goods and services provided to joint ventures generated €441 thousand in sales revenues in fiscal year 2019 (previous year: €803 thousand). Goods and services purchased from joint ventures in fiscal year 2019 amounted to €2,655 thousand (previous year: €3,440 thousand). These relate primarily to the purchase of energy and IT services.

As of June 30, 2019, there were neither receivables from, nor liabilities to, joint ventures. As of December 31, 2018, receivables due from joint ventures totaled €173 thousand, while liabilities to joint ventures came to €5 thousand.

Events after the Reporting Date

Between June 30, 2019, and the editorial deadline for this report, there were no events with a material impact on the net assets, financial position or results of operations of H&R KGaA.

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 net assets, financial position and results of operations of the Group. Furthermore, the interim consolidated management report 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 fiscal year.

Salzbergen, August 2019

The Executive Board

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

November 15, 2019	Q3/2019 Interim Report

Contact

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