2019

INTERIM STATEMENT FOR THE 3RD QUARTER

TEAM WORK

H&R

H&R GMBH & CO. KGAA

Overview

– Operating income (EBITDA) of €44.8 million in the first nine months as of September 30, 2019
– Sales of €824.7 million at prior-year level

H&R GMBH & CO. KGAA IN FIGURES

IN € MILLION	1/1–9/30/2019	1/1–9/30/2018	Change (absolute)
Sales revenue	824.7	833.7	-9.0
Operating income (EBITDA)	44.8	59.7	-14.9
EBIT	11.4	34.4	-23.0
EBT	5.6	28.6	-23.0
Income after taxes	4.9	20.9	-16.0
Income after taxes of which attributable to shareholders	4.1	20.2	-16.1
Consolidated earnings per share (undiluted) in €	0.11	0.55	-0.44
Cash flow from operating activities	71.1	9.3	61.8
Cash flow from investing activities	-46.6	-44.0	-2.6
Free cash flow	24.6	-34.7	59.3
Cash flow from financing activities	12.0	43.5	-31.5
	9/30/2019	12/31/2018	Change (absolute)
Balance sheet total	799.2	730.4	68.8
Net working capital	140.7	174.5	-33.8
Equity	359.5	357.4	2.1
Equity ratio (in %)	45.0	48.9	-3,9
No. of employees as of September 30	1,669*	1,664	5

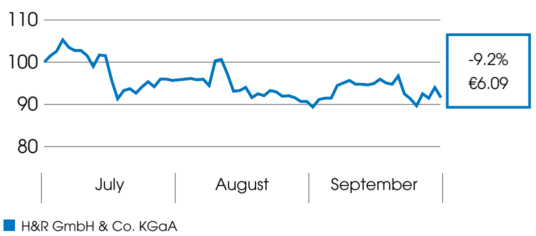
* Personnel changes at GAUDLITZ GmbH not yet taken into account as of September 30, 2019.

THE SEGMENTS IN FIGURES

IN € MILLION	1/1–9/30/2019	1/1–9/30/2018	Change (absolute)
Chemical-Pharmaceutical Raw Materials Refining			
Sales	513.8	522.6	-8.8
EBITDA	27.0	36.6	-9.6
Chemical-Pharmaceutical Raw Materials Sales			
Sales	285.4	275.7	9.7
EBITDA	22.5	23.2	-0.7
Plastics			
Sales	32.9	43.0	-10.1
EBITDA	-5.4	2.9	-8.3
Reconciliation			
Sales	-7.4	-7.7	0.3
EBITDA	0.7	-2.9	3.6

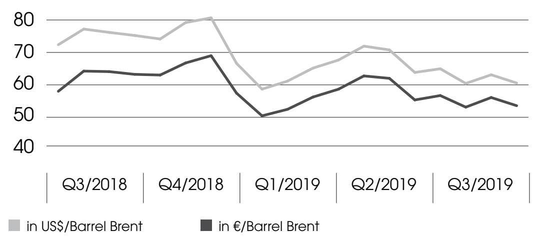
PERFORMANCE OF H&R SHARE Q3/2019

(INDEX 1/7/2019=100)



OIL PRICES Q3/2018 TO Q3/2019

(AVERAGE MONTHLY PRICES)



Letter from the Executive Board

Dear Shareholders, Dear Business Partners,

This quarterly report provides you with hard figures that make for uncomfortable reading.

The 2019 financial year has been a relatively weak one for H&R KGaA to date. Our EBITDA for the first nine months came to €44.8 million, down considerably on the prior-year figures and also falling short of our expectations. Given the current market environment, it would appear to make little sense to hold out any hope of a recovery in the last quarter of the year. After all, experts from the various economic research institutes recently took their growth forecast for the German economy down another notch. The main reasons behind this trend – and these are issues that are nothing new to us – are foreign trade-related factors such as the simmering trade conflicts and Brexit.

While it admittedly cannot improve our figures, the fact remains that these are challenges faced by all of the relevant industrial sectors at the moment, from the mechanical engineering segment to automotive industry suppliers to chemical manufacturers.

As an operator of two speciality refineries, we are being hit quite a bit harder again by the negative influences resulting from the current environment. The trade dispute between the United States and China is creating mounting import and price pressure for paraffins and waxes. When it comes to base oils, a long-term overcapacity scenario is emerging. What is more, the introduction of “IMO 2020” means that revenue from by-products is on the decline, too. At the same time, the cost of low-sulfur feedstock is on the rise.

All of these factors are reflected in our results. This prompted us to lower our expectations for the year as a whole to around €55.0 million a few weeks ago when we published our preliminary figures.

The only option available for us as a company, and for you as our fellow entrepreneurs, is to keep a close eye on the situation and concentrate on our strengths so that we can rise to the challenges that the current environment entails.

This is exactly the strategy we adopted back in 2013, for example, when Europe’s base oil refineries were left grappling with a crisis that many of them did not survive. H&R KGaA was able to overcome the situation as a systematically managed and flexible specialty refinery, and emerged from the crisis stronger than before.

2019 has presented the global base oil refinery market with a serious crisis in which global production capacities significantly outstrip the current demand in key industries. This more intense competition applies to all base oil qualities across the board.

In this scenario, we need to be able to act faster. This will involve us taking decisive steps to enhance the operating model for our refineries.

While we will putting pretty much everything under the microscope as part of this process, we are certainly not aiming to turn everything on its head. We are not planning to remove facilities from the current production process or to make huge investments in incorporating new process technologies into our existing processes in a short space of time.

Rather, we are aiming to evolve our strengths. These include our flexibility and active measures to shape the output structure, focusing on our diversified range of primary products. We want to avoid the competition for base oils by producing less of them. The same applies, as a logical consequence, to combustion products. As you will know from our previous reports, the raw materials used are just as important as system control in determining the volume, composition and quality of the end products and by-products.

As a result, we believe that this is an area that offers considerable potential and we will be pursuing a more differentiated approach in the future: based on a revamped and expanded feedstock and by-product portfolio for the Hamburg refinery, we aim to facilitate market-oriented production focusing exclusively on specialty products.

As well as applying this principle, we will be optimizing the operation mode and utilization of the individual production steps, allowing us to better manage which product we want to produce, and in what volumes, in the future. It will also allow us to avoid producing unwanted by-products and Group 1 base oils, which will, in turn, strengthen the H&R specialty product business.

This decision is driven by an awareness of our profound responsibility: responsibility toward our employees and investors, but, most importantly, responsibility for the systematic further development of our refinery operating model in the long run.

The current global base oil refining crisis has prompted us to step up our efforts by a gear or two. As set out above, the market situation today is a different one entirely. It is characterized by a new inflow of base oil capacities from Rotterdam, Russian (excess) base oil capacities and the changes in trade flows between the U.S. and China.

The targeted exclusion of by-products confirms our overall strategy of "Oil is far too valuable to burn!" At the same time, the measures we have adopted are another very decisive step toward accelerating our focus on high-quality products.

Hamburg, November 2019

Best regards,

Niels H. Hansen
Managing Director

Business Trend in the Third Quarter of 2019

Overall Performance: No Sign of Any Recovery at the End of the Third Quarter

This year's business trend has been influenced by a sustained poor market situation that showed no signs of disappearing, even at the very end of September 2019. This put considerable pressure on our customer sectors. Whereas sales revenue was only down by around 1% in a year-over-year comparison, earnings in nearly all business divisions lagged well behind the prior-year figures. The Refining segment was hit particularly hard by dwindling demand from our customer industries, particularly in the automotive and chemicals industries. Sales volumes in this segment remained under pressure, with prices being constrained further by excess supply from Eastern Europe and China. Viewed in isolation, this factor was responsible for the most marked deviation as against the previous year in absolute terms.

Consolidated Income Burdened Due to Market-Related Factors

In the third quarter of this financial year, H&R KGaA achieved consolidated operating income (EBITDA) of €5.1 million, as against €18.5 million in the same period of the previous year. EBITDA for the first nine months came to €44.8 million (first nine months of 2018: €59.7 million). Sales in the third quarter slid from €283.3 million to €274.7 million. In the period from January until the end of September 2019, revenue dropped back from €833.7 million to €824.7 million. The situation also remained tense at the other net income levels:

CHANGES IN SALES AND INCOME

IN € MILLION	Q3/2019	Q3/2018	Change in %
Sales revenue	274.7	283.3	-3.0
EBITDA	5.1	18.5	-72.4
EBIT	-6.5	10.1	n.a.
EBT	-8.4	7.7	n.a.
Income after taxes of which attributable to shareholders	-6.0	5.3	n.a.
Consolidated earnings per share (undiluted) in €	-0.16	0.14	n.a.

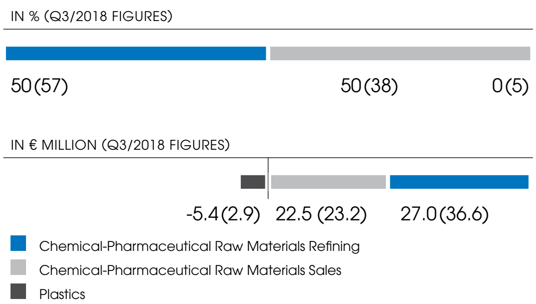
In general, the two main segments are still delivering positive income contributions.

With EBITDA of €27.0 million (first nine months of 2018: €36.6 million), the ChemPharm Refining segment contributed a significant proportion of income, albeit one that is down considerably this year. It contributed €4.1 million in the third quarter (Q3/2018: €11.4 million). Sales in the segment slipped moderately in the first nine months to €513.8 million (first nine months of 2018: €522.6 million). €168.4 million of this amount was attributable to the third quarter of 2019 (Q3/2018: €175.2 million).

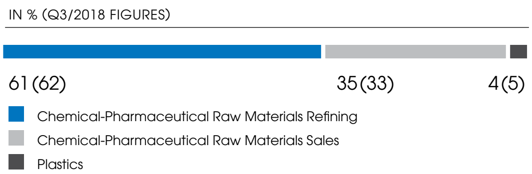
In the first nine months, the international activities bundled in the ChemPharm Sales segment reported income of €22.5 million, on a par with the previous year on the whole (first nine months of 2018: €23.2 million). Looking at the third quarter of 2019, ChemPharm Sales made the biggest contribution to income of all of the segments at €7.3 million, although this figure was down somewhat on the same period of the previous year (Q3/2018: €8.3 million). Sales in the period from January to September 2019 came to €285.4 million (first nine months of 2018: €275.7 million). The third quarter of 2019 contributed €97.4 million to this figure (Q3/2018: €98.6 million).

In addition to the market pressures referred to above resulting from the excess supply of base oils, the Chemical-Pharmaceutical business has been beset, in particular, by global political uncertainty over the course of the year, including Brexit and the customs and trading policy pursued by the United States. Social debate, for example, regarding climate protection, will in all likelihood usher in lasting changes as far as our mobility is concerned. Customers from the automotive and automotive supply industry are finding it particularly hard to get to grips with the current upheaval. Under these circumstances, the Plastics segment achieved EBITDA of €-5.4 million and €-5.0 million for the first nine months and the third quarter, respectively (first nine months of 2018: €2.9 million; Q3/2018: €0.2 million). This includes one-time restructuring costs of around €4.0 million that will allow GAUDLITZ GmbH to reduce its workforce at the Coburg site by around 80 employees, lowering its personnel expenses considerably in the future. At €10.9 million and €32.9 million, respectively, sales were also down in a year-over-year comparison (Q3/2018: €12.5 million; first nine months of 2018: €43.0 million) due to the weak automotive industry.

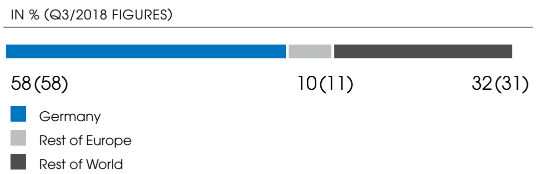
EBITDA BY SEGMENT, FIRST NINE MONTHS OF 2019



SALES BY SEGMENT, FIRST NINE MONTHS OF 2019



SALES BY REGION, FIRST NINE MONTHS OF 2019



Net Assets and Financial Position: Cash Positions Characterized by Active Inventory and Receivables Management

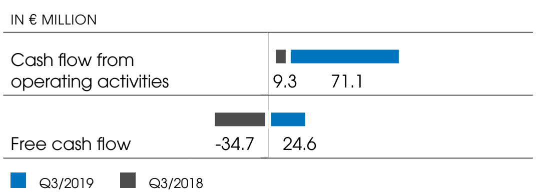
Very volatile cash flow is an inherent feature of our business model. This is attributable to changes in net working capital, in particular when raw materials are delivered to our refineries close to the reporting dates.

Based on lower consolidated income, the cash flow from operating activities came to €71.1 million at the end of the first nine months of 2019 (first nine months of 2018: €9.3 million). Higher depreciation and amortization in 2019 and significant relief with regard to net working capital both contributed to this figure.

A quarter-by-quarter comparison, on the other hand, highlights the burden resulting from restructuring costs of about €4.0 million in particular, meaning that the cash flow from operating activities fell considerably in the third quarter to €20.0 million (Q3/2018: €24.9 million).

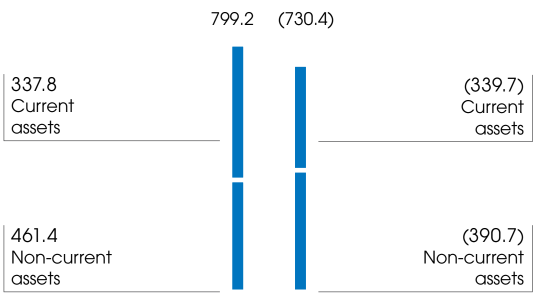
The free cash flow recently amounted to €24.6 million (first nine months of 2018: €-34.7 million), although, once again, the value for the third quarter alone slipped from €5.8 million to €3.7 million.

CASHFLOW, THE FIRST NINE MONTHS OF 2019



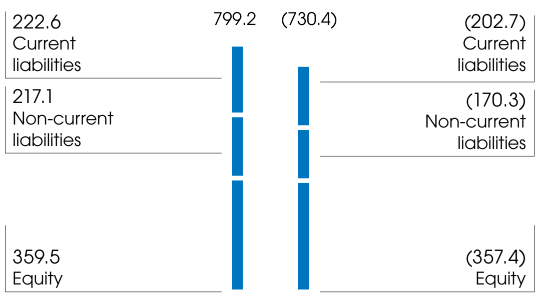
ASSETS AS OF 9/30/2019

IN € MILLION (FIGURE AS OF 12/31/2018)



LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 9/30/2019

IN € MILLION (FIGURE AS OF 12/31/2018)



The balance sheet total increased from €730.4 million on December 31, 2018, to €799.2 million.

FINANCIAL POSITION

IN € MILLION	7/1–9/30/2019	7/1–9/30/2018	Change (absolute)	1/1–9/30/2019	1/1–9/30/2018	Change (absolute)
Cash flow from operating activities	20.0	24.9	-4.9	71.1	9.3	61.8
Cash flow from investing activities	-16.4	-19.1	2.7	-46.6	-44.0	-2.6
Free cash flow	3.7	5.8	-2.1	24.6	-34.7	59.3
Cash flow from financing activities	27.0	19.6	7.4	12.0	43.5	-31.5
Cash and cash equivalents as of September 30	85.4	68.1	17.3	85.4	68.1	17.3

On the asset side of the statement of financial position, current assets remained virtually unchanged. Non-current assets, on the other hand, increased considerably, reaching a total of €461.4 million due to higher property, plant and equipment and leasing of property, plant and equipment (December 31, 2018: €390.7 million).

On the liability side, current liabilities increased by around €19.9 million, due primarily to higher liabilities to banks and other provisions. The non-current items on the liability side increased to €217.1 million due, first and foremost, to higher pension provisions and higher lease liabilities (December 31, 2018: €170.3 million).

Equity increased only marginally as a result of slightly higher other reserves and amounted to €359.5 million on the reporting date as against €357.4 million. The equity ratio dropped against the end of the year due to the higher balance sheet total, amounting to 45.0% (December 31, 2018: 48.9%).

Outlook:
Overall Expectations Adjusted

When the 2018 annual report was published, the company had set targets for annual sales at a figure of at least €1,000.0 million and had stated percentage expectations for the individual segments. Following the end of the third quarter of 2019, H&R KGaA is on track to achieve its sales forecast of €1,100.0 million overall. In terms of the percentage split, the Refining segment accounts for 60% of sales after three quarters. At 36%, the Sales segment reported higher sales revenue while the Plastics division reported lower sales revenue (4%) than predicted at the beginning of the year.

The Sales segment has upped its percentage share of EBITDA considerably to over 50%. As a consequence of the personnel restructuring measures, the Plastics segment did not make any positive contribution to income.

As things stand at the moment, as we enter the final quarter of 2019, it will no longer be possible to achieve the full-year EBITDA forecast, which was most recently set at up to €75.0 million. By way of example, no fundamental improvement in the market and economic data would appear to be on the cards for the fourth quarter of 2019. The further development of the refinery operating model will also not be reflected in the figures until the new financial year, meaning that H&R currently expects to be able to achieve income – taking the restructuring costs into account now – of around €55.0 million.

SALES AND INCOME FORECAST

	Forecast 2019
Consolidated sales	**€1,000 million to €1,200 million**
of which Refining	63%
of which Sales	32%
of which Plastics	5%
Consolidated EBITDA*	**~ €55.0 million**
of which Refining	50%
of which Sales	50%
of which Plastics	–%

* Originally: €75.0 million to €90.0 million (percentage split by segment: 64/30/6); adjusted upon the publication of the preliminary figures for the first nine months of 2019

Interim Statement

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

as of September 30, 2019

ASSETS

IN € THOUSAND	9/30/2019	12/31/2018
Current assets		
Cash and cash equivalents	85,411	46,495
Trade receivables	90,740	120,952
Income tax refund claims	1,932	1,911
Inventories	141,383	153,945
Other financial assets	8,735	5,641
Other assets	9,616	10,766
Current assets	**337,817**	**339,710**
Non-current assets		
Property, plant and equipment	392,230	336,087
Goodwill	22,469	22,455
Other intangible assets	16,292	17,319
Shares in holdings valued at equity	4,882	4,350
Other financial assets	2,503	2,145
Other assets	12,281	4,070
Deferred tax assets	10,740	4,269
Non-current assets	**461,397**	**390,695**
Total assets	**799,214**	**730,405**

LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	9/30/2019	12/31/2018
Current liabilities		
Liabilities to banks	87,302	70,088
Trade payables	91,458	100,376
Income tax liabilities	5,889	6,438
Contract liabilities	3,405	2,249
Other provisions	17,739	11,151
Other financial liabilities	7,819	3,710
Other liabilities	9,065	8,724
Current liabilities	**222,677**	**202,736**
Non-current liabilities		
Liabilities to banks	77,439	79,425
Pension provisions	89,769	76,720
Other provisions	3,462	3,419
Other financial liabilities	36,388	2
Other liabilities	6,052	6,318
Deferred tax liabilities	3,975	4,414
Non-current liabilities	**217,085**	**170,298**
Equity		
Subscribed capital	95,156	95,156
Capital reserve	46,867	46,867
Retained earnings	173,318	178,675
Other reserves	5,527	-639
Equity of H&R GmbH & Co. KGaA shareholders	**320,868**	**320,059**
Non-controlling interests	38,584	37,312
Equity	**359,452**	**357,371**
Total liabilities and shareholders' equity	**799,214**	**730,405**

Consolidated Income Statement of H&R KGaA

January 1 to September 30, 2019

IN € THOUSAND	1/1–9/30/2019	1/1–9/30/2018	7/1–9/30/2019	7/1–9/30/2018
Sales revenue	824,704	833,655	274,660	283,335
Changes in inventories of finished and unfinished goods	-8,191	8,955	-1,506	4,082
Other operating income	19,848	20,074	4,441	5,479
Cost of materials	-641,856	-653,423	-218,266	-225,267
Personnel expenses	-65,875	-64,838	-21,947	-21,384
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-33,390	-25,313	-11,635	-8,477
Other operating expenses	-84,337	-84,923	-32,439	-27,735
Operating result	**10,903**	**34,187**	**-6,692**	**10,033**
Income from holdings valued at equity	518	217	162	19
Financing income	166	1,504	55	442
Financing expenses	-5,954	-7,342	-1,910	-2,817
Income before tax (EBT)	**5,633**	**28,566**	**-8,385**	**7,677**
Income taxes	-727	-7,694	2,628	-2,034
Consolidated income	**4,906**	**20,872**	**-5,757**	**5,643**
of which attributable to non-controlling interests	-851	703	-265	355
of which attributable to shareholders of H&R GmbH & Co. KGaA	**4,055**	**20,169**	**-6,022**	**5,288**
Earnings per share (undiluted), in €	0.11	0.55	-0.16	0.14
Earnings per share (diluted), in €	0.11	0.55	-0.16	0.14

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

January 1 to September 30, 2019

IN € THOUSAND			1/1–9/30/2019	1/1–9/30/2018	1/7–9/30/2019	1/7–9/30/2018
1.		Consolidated income	4,906	20,872	-5,757	5,643
2.		Income taxes	727	7,694	-2,628	2,034
3.		Net interest income	5,832	7,073	2,068	2,710
4.	+/–	Depreciation and amortization/appreciation on fixed assets and intangible assets	33,390	25,313	11,635	8,477
5.	+/–	Increase/decrease in non-current provisions	-1,402	-1,446	-565	-576
6.	+	Interest received	166	269	55	107
7.	–	Interest paid	-3,810	-5,614	-1,733	-2,224
8.	+/–	Income tax received/paid	-5,268	-8,482	-1,682	-2,605
9.	+/–	Other non-cash expenses/income	-442	1,486	-445	2,238
10.	+/–	Increase/decrease in current provisions	6,433	3,657	7,268	3,300
11.	–/+	Gain/loss from the disposal of fixed assets	35	-578	33	-15
12.	–/+	Changes in net working capital	42,603	-32,030	12,178	11,158
13.	+/–	Changes in remaining net assets/other non-cash items	-12,056	-8,907	-387	-5,307
14.	**=**	**Cash flow from operating activities (sum of items 1 to 13)**	**71,114**	**9,307**	**20,040**	**24,940**
15.	+	Proceeds from disposals of property, plant and equipment	82	1,370	6	16
16.	–	Payments for investments in property, plant and equipment	-16,181	-44,967	-16,105	-18,778
17.	–	Payments for investments in intangible assets	-463	-503	-275	-382
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 20)**	**-46,562**	**-43,986**	**-16,374**	**-19,144**
21.	**=**	**Free cash flow (sum of items 14 and 19)**	**24,552**	**-34,679**	**3,666**	**5,796**
22.	–	Dividend paid by H&R KGaA	–	-7,171	–	–
23.	+	Dividends received from joint ventures	–	860	–	348
24.	–	Payments for settling financial liabilities	-79,337	-54,151	-21,559	-41,715
25.	+	Proceeds from taking up financial liabilities	91,302	103,950	48,592	60,945
26.	**=**	**Cash flow from financing activities (sum of items 22 to 25)**	**11,965**	**43,488**	**27,033**	**19,578**
27.	**+/–**	**Changes in cash and cash equivalents (sum of items 14, 20 and 26)**	**36,517**	**8,809**	**30,699**	**25,374**
28.	**+**	**Cash and cash equivalents at the beginning of the period**	**46,495**	**58,952**	**53,441**	**42,693**
29.	+/–	Change in cash and cash equivalents due to changes in exchange rates	2,399	305	1,271	-1
30.	**=**	**Cash and cash equivalents at the end of the period**	**85,411**	**68,066**	**85,411**	**68,066**

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

March 26, 2020	Annual Report 2019

Contact

If you have any questions concerning our company or if you would like to sign up for the company mailing list, please contact our Investor Relations team:

H&R GmbH & Co. KGaA
Investor Relations
Am Sandtorkai 50
20457 Hamburg
Germany
www.hur.com

Ties Kaiser

Phone:	+49-40-4321-8321
Fax:	+49-40-4321-8390
E-mail:	ties.kaiser@hur.com

Tanja Passlack

Phone:	+49-40-4321-8301
Fax:	+49-40-4321-8390
E-mail:	tanja.passlack@hur.com

H&R GmbH & Co. KGaA
Neuenkirchener Straße 8
48499 Salzbergen
Germany

Phone: +49-5976-9450
Fax: +49-5976-945-308

E-mail: info@hur.com
Website: www.hur.com

H&R