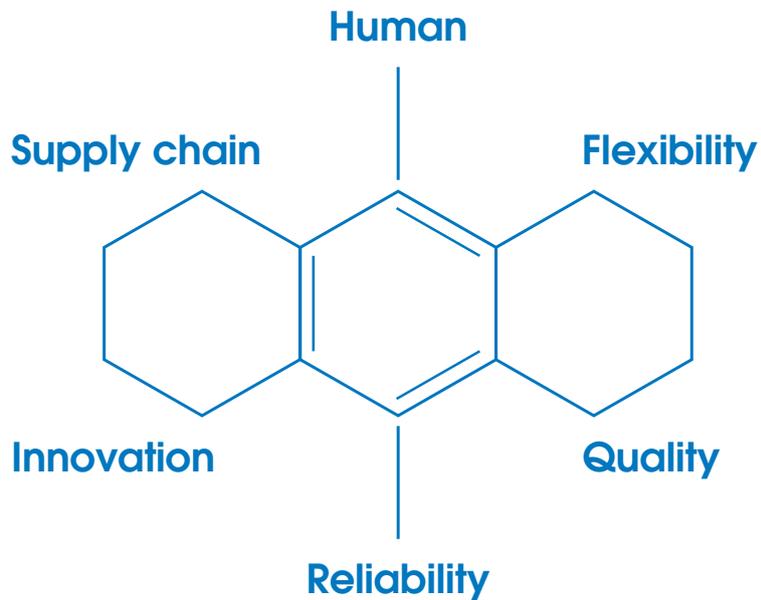


# OUR COMPOUND FOR SUCCESS



# Overview

- Operating income (EBITDA) up sharply €14.1 million compared to the same quarter of the previous year
- Noticeable recovery in sales and earnings since the middle of the year continues into the start of the final quarter
- Income forecast of up to €45.0 million confirmed

## H&R GMBH & CO. KGAA IN FIGURES

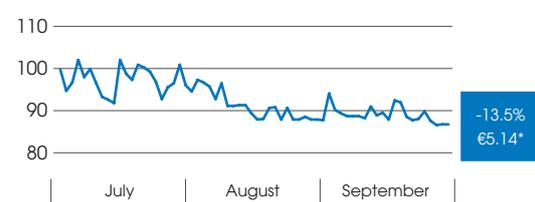
IN € MILLION	1/1-9/30/2020	1/1-9/30/2019	Change (absolute)
Sales revenue	649.9	824.7	-174.8
Operating income (EBITDA)	30.7	44.8	-14.1
EBIT	-6.8	11.4	-18.2
EBT	-12.8	5.6	-18.4
Income after taxes	-14.2	4.9	-19.1
Income after taxes of which attributable to shareholders	-14.8	4.1	-18.9
Consolidated earnings per share (undiluted) in €	-0.40	0.11	-0.51
Cash flow from operating activities	44.6	71.1	-26.5
Cash flow from investing activities	-30.2	-46.6	16.4
Free cash flow	14.4	24.6	-10.2
Cash flow from financing activities	-28.2	12.0	-40.2
	<b>9/30/2020</b>	<b>12/31/2019</b>	<b>Change (absolute)</b>
Balance sheet total	765.7	838.6	-72.9
Net working capital	125.4	105.9	19.5
Equity	338.5	363.4	-24.9
Equity ratio (in %)	44.2	43.3	0.9
No. of employees as of September 30	1,566	1,625	-59

## THE SEGMENTS IN FIGURES

IN € MILLION	1/1-9/30/2020	1/1-9/30/2019	Change (absolute)
<b>Chemical-Pharmaceutical Raw Materials Refining</b>			
Sales	397.5	513.8	-116.3
EBITDA	15.7	27.0	-11.3
<b>Chemical-Pharmaceutical Raw Materials Sales</b>			
Sales	229.5	285.4	-55.9
EBITDA	17.8	22.5	-4.7
<b>Plastics</b>			
Sales	29.2	32.9	-3.7
EBITDA	0.2	-5.4	5.6
<b>Reconciliation</b>			
Sales	-6.4	-7.4	1.0
EBITDA	-3.0	0.7	-3.7

## PERFORMANCE OF H&R SHARE Q3/2020

(INDEX 1/7/2020=100)

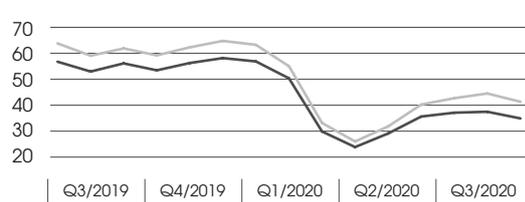


■ H&R GmbH & Co. KGaA

\* Closing price 9/30/2020

## OIL PRICES Q3/2019 TO Q3/2020

(AVERAGE MONTHLY PRICES)



■ in US\$/Barrel Brent

■ in €/Barrel Brent

## Letter From the Executive Board

### Dear Shareholders, Dear Business Partners,

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So far, 2020 has not been short on surprises. The unexpected developments not only influenced the economic aspects of German companies, but also how we live together and alongside one another in society – presumably with lasting consequences.

While our data at the beginning of the year was still based on the assumption that we would see robust business development overall, there were already indications when we published our figures for the first quarter that 2020 was going to be somewhat out of the ordinary. And not just in terms of figures. Our Annual Shareholders' Meeting in May was held in closed sessions, with some people attending virtually, for the very first time. This was a completely new experience for us, as maintaining direct contact with our shareholders is extremely important to us. It seems likely that we will be continuing to deal with this topic in 2021.

In the spring, the whole of Germany went into a collective lockdown for the first time in its history. The effects on the economy in the second quarter were so fundamental that Q2 2020 took German gross domestic product back to post-war levels. This situation led us to adjust our expectations for the year to an operating income of up to €45.0 million.

The government responded to the extreme effects caused by the lockdown by implementing one of the biggest stimulus packages Germany has ever seen. This gave the country a major boost in mitigating the crisis. As a result, many of the industries our customers are active in were able to recover and sales volumes increased. Prices were adequate overall and so we were able to report a significant improvement year-over-year in the third quarter of 2020. At the same time, we achieved the highest contribution to income for the current financial year.

This positive trend is also holding in the final quarter. Sales volumes increased again considerably,

even exceeding the original expectations from the beginning of the year (before the coronavirus hit) in October. We are therefore appropriately optimistic about meeting current expectations. However, the latest COVID-19 infection figures show that we still face uncertainty.

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

Our top priority is of course our employees and we will do everything possible to protect their health.

At the same time, we will also address all of the internal operational and corporate issues that are under our control:

- Cost control
- Expansion of our product portfolio in all three segments
- Flexibility in use of raw materials
- Technological and operational development of our refinery locations

If we manage to make the most of our opportunities, despite or even because of the challenges we face in our markets, we will see a considerably stronger H&R in the future.

Hamburg, November 2020

Best regards,



**Niels H. Hansen**  
Managing Director

## Business Trend in the Third Quarter of 2020

### Overall Performance: Strong Recovery From Summer to End of Third Quarter

Business trends this year fluctuated extremely up to and including September 2020, particularly due to the spread of the coronavirus. H&R had a solid start in the first quarter, but business collapsed for a number of our customers in April and May as a result of the lockdown measures. June, however, provided better figures for the half-year. It also brought with it a strong recovery in our sales and earnings figures that consolidated in the third quarter of 2020. This gave the third quarter the best contribution to income for the entire year.

### Consolidated Income for Quarter Exceeds Previous Year

In the third quarter of the financial year, H&R KGaA achieved an improvement in consolidated operating income (EBITDA) of €14.1 million, as against €5.1 million in the same period of the previous year. As a result of the weak performance reported after the first half of the year, EBITDA for the first nine months came to €30.7 million (first nine months of 2019: €44.8 million). Sales in the third quarter slid from €274.7 million in 2019, to €208.1 million. In the period from January until the end of September 2019, revenue dropped back from €824.7 million to €649.9 million. The situation showed an improvement on the other hand for the other quarterly net income levels.

#### CHANGES IN SALES AND INCOME

IN € MILLION	Q3/2020	Q3/2019	Change in %
Sales revenue	208.1	274.7	-24.2
EBITDA	14.1	5.1	176.5
EBIT	1.9	-6.5	n.a.
EBT	-0.1	-8.4	n.a.
Income after taxes of which attributable to shareholders	-1.2	-6.0	n.a.
Consolidated earnings per share (undiluted) in €	-0.03	-0.16	n.a.

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

With EBITDA of €8.7 million (Q3/2019: €4.1 million), the ChemPharm Refining segment contributed a significant, and considerably improved, proportion of income. Its contribution for the nine-month period amounted to €15.7 million (first nine months of 2019: €27.0 million). Sales in the segment slipped considerably in the first nine months to €397.5 million (first nine months of 2019: €513.8 million). €120.6 million of this amount was attributable to the third quarter of 2020 (Q3/2019: €168.4 million).

In the first nine months, the international activities bundled in the ChemPharm Sales segment reported income of €17.8 million, a decrease against the previous year (first nine months of 2019: €22.5 million), but the contribution to income increased. Looking at the third quarter of 2020, at €6.5 million, Chem-Pharm Sales did not perform as well as in the prior-year period (Q3/2019: €7.3 million). Sales in the period from January to September 2020 came to €229.5 million (first nine months of 2019: €285.4 million). The third quarter of 2020 contributed €78.6 million to this figure (Q3/2019: €97.4 million).

Altogether, this performance also reflects the basically positive sentiment in the German economy. While the second quarter of 2020 was still dominated by a historic collapse in gross domestic product as a result of the spread of the coronavirus pandemic, the third quarter saw growth of approximately 8.2% according to the Federal Statistical Office of Germany. Whether this was long-term or just due to catch-up effects remains to be seen. For some of our customer industries, such as in the automotive or automotive supplier industries, a structural upheaval is emerging that will bring with it changes in drive technologies and possibly also shift supply chains abroad. We made changes to our activities and, in particular, our capacities at GAUDLITZ's Coburg site last year. If business development and performance had been in line with previous years, we would have already generated advantages from this. As a result of many automotive customers shutting down in April and May, the Plastics segment only generated EBITDA of €0.2 million and €0.4 mil-

lion for the first nine months and third quarter respectively (first nine months of 2019: €-5.4 million; Q3/2019: €-5.0 million). Despite the clear improvement against the previous year, we had hoped for a better contribution to income overall. At €11.0 million and €29.2 million, sales were also down in comparison with the prior-year figures (Q3/2019: €10.9 million; first nine months of 2019: €32.9 million) as a result of the weak automotive industry.

#### EBITDA BY SEGMENT, FIRST NINE MONTHS OF 2020

IN % (Q3/2019 FIGURES)



IN € MILLION (Q3/2019 FIGURES)



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

#### SALES BY SEGMENT, FIRST NINE MONTHS OF 2020

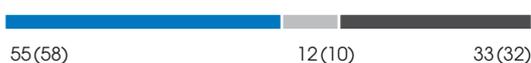
IN % (Q3/2019 FIGURES)



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

#### SALES BY REGION, FIRST NINE MONTHS OF 2020

IN % (Q3/2019 FIGURES)



■ Germany  
■ Rest of Europe  
■ Rest of World

## Net Assets and Financial Position: Cash Positions Stable Overall

With our business model, there is a high degree of volatility inherent in the cash flow. This is attributable to changes in net working capital, in particular when raw materials are delivered to our refineries close to the reporting dates.

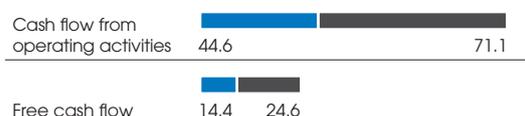
Based on lower consolidated income, the cash flow from operating activities came to €44.6 million at the end of the first nine months of 2020 (first nine months of 2019: €71.1 million). Higher depreciation and amortization and the negative impact on net working capital were balanced against cash positions created by taking advantage of tax measures granted by the federal government.

A quarter-over-quarter comparison, however, highlights the negative impact resulting from changes in net working capital in particular. This shows cash flow from operating activities falling considerably in the third quarter to €5.2 million (Q3/2019: €20.0 million).

Most recently, free cash flow amounted to €14.4 million (first nine months of 2019: €24.6 million). Here, too, the figures for the third quarter declined from €3.7 million to €0.8 million.

#### CASH FLOW, FIRST NINE MONTHS OF 2020

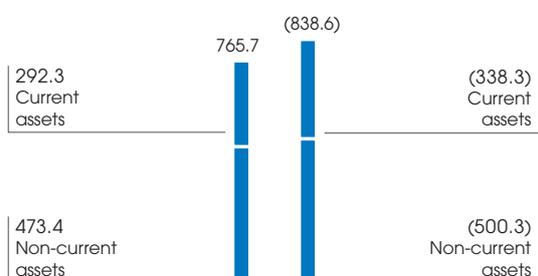
IN € MILLION



■ Q3/2020    ■ Q3/2019

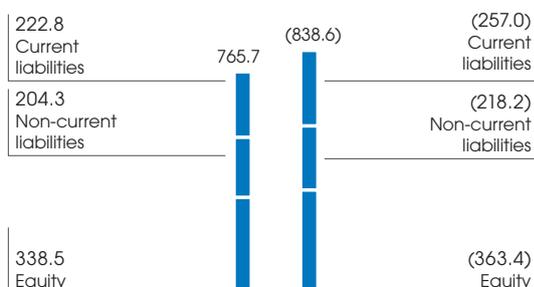
**ASSETS AS OF 9/30/2020**

IN € MILLION (FIGURE AS OF 12/31/2019)



**LIABILITIES AND SHAREHOLDERS' EQUITY AS OF 9/30/2020**

IN € MILLION (FIGURE AS OF 12/31/2019)



The balance sheet total decreased from €838.6 million on December 31, 2019, to €765.7 million.

**FINANCIAL POSITION**

IN € MILLION	7/1-9/30/2020	7/1-9/30/2019	Change (absolute)	1/1-9/30/2020	1/1-9/30/2019	Change (absolute)
Cash flow from operating activities	5.2	20.0	-14.8	44.6	71.1	-26.5
Cash flow from investing activities	-4.4	-16.4	12.0	-30.2	-46.6	16.4
Free cash flow	0.8	3.7	-2.9	14.4	24.6	-10.2
Cash flow from financing activities	-6.8	27.0	-33.8	-28.2	12.0	-40.2
Cash and cash equivalents as of September 30	76.7	85.4	-8.7	76.7	85.4	-8.7

On the assets side of the statement of financial position, current assets decreased from €338.3 million to €292.3 million, primarily due to lower cash and cash equivalents and decreased inventories. Non-current assets also reported a decrease and amounted to €473.4 million, mainly due to lower property, plant and equipment (December 31, 2019: €500.3 million).

On the liabilities side, current liabilities fell by around €34.1 million, due primarily to lower liabilities to banks and trade payables. Non-current

items under liabilities decreased to €204.3 million (December 31, 2019: €218.2 million) mainly due to lower liabilities to banks.

Due to a drop in retained earnings and other reserves, equity declined by €24.9 million, amounting to €338.5 million on the reporting date compared with €363.4 million. Nevertheless, the equity ratio rose as a result of the lower balance sheet total and came to 44.2% at year-end (December 31, 2019: 43.3%).

## Outlook: Overall Expectations, as Amended at Half-Year, Confirmed

When the 2019 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 2020, H&R KGaA is well below the original sales forecast. In terms of percent-age split, the Refining segment's sales contribution after the first three quarters is 61%. At 35% and 4% respectively, the Sales and Plastics segments recorded slightly lower sales revenue than forecast at the beginning of the year.

The Sales segment has upped its percentage share of EBITDA considerably to almost 58%. The Plastics segment, which was especially impacted by the coronavirus lockdown measures, only managed to contribute a balanced result to income.

As things stand at the moment, as we enter the final quarter of 2020, achieving the full-year EBITDA forecast, which was most recently set at up to €45.0 million, seems very possible. In the third quarter of 2020 in particular, we recorded increased momentum in sales volumes and margins that held into the final quarter. The increasing infection rates are a source of concern, but we remain optimistic that both government and society will do everything in their power to avoid a complete lockdown like we saw in spring.

### SALES AND INCOME FORECAST

	Forecast 2020
<b>Consolidated sales</b>	<b>€1,000 million to €1,100 million</b>
of which Refining	58%
of which Sales	37%
of which Plastics	5%
<b>Consolidated EBITDA*</b>	<b>~ €45.0 million</b>
of which Refining	46%
of which Sales	46%
of which Plastics	8%

\* Originally: €50.0 million to €65.0 million (percentage split by segment: 46/46/8); adjusted upon the publication of the preliminary figures for the first half-year of 2020

## Interim Statement

### Consolidated Statement of Financial Position of H&R GmbH & Co. KGaA as of September 30, 2020

#### ASSETS

IN € THOUSAND	9/30/2020	12/31/2019
<b>Current assets</b>		
Cash and cash equivalents	76,673	94,794
Trade receivables	87,142	86,881
Income tax refund claims	140	4,300
Inventories	110,409	127,469
Other financial assets	10,662	16,260
Other assets	7,229	8,586
<b>Current assets</b>	<b>292,255</b>	<b>338,290</b>
<b>Non-current assets</b>		
Property, plant and equipment	408,852	432,967
Goodwill	22,445	22,466
Other intangible assets	13,970	15,752
Shares in holdings valued at equity	5,009	4,682
Other financial assets	9,737	12,013
Other assets	1,653	1,328
Deferred tax assets	11,741	11,099
<b>Non-current assets</b>	<b>473,407</b>	<b>500,307</b>
<b>Total assets</b>	<b>765,662</b>	<b>838,597</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

IN € THOUSAND	9/30/2020	12/31/2019
<b>Current liabilities</b>		
Liabilities to banks	101,451	112,384
Trade payables	72,124	108,424
Income tax liabilities	3,920	5,106
Contract liabilities	2,730	3,403
Other provisions	13,177	10,580
Other financial liabilities	7,379	9,740
Other liabilities	22,060	7,314
<b>Current liabilities</b>	<b>222,841</b>	<b>256,951</b>
<b>Non-current liabilities</b>		
Liabilities to banks	54,101	69,250
Pension provisions	85,255	86,684
Other provisions	3,635	3,528
Other financial liabilities	37,689	39,784
Other liabilities	20,350	14,874
Deferred tax liabilities	3,273	4,080
<b>Non-current liabilities</b>	<b>204,303</b>	<b>218,200</b>
<b>Equity</b>		
Subscribed capital	95,156	95,156
Capital reserve	46,867	46,867
Retained earnings	155,725	170,069
Other reserves	1,819	12,310
<b>Equity of H&amp;R GmbH &amp; Co. KGaA shareholders</b>	<b>299,567</b>	<b>324,402</b>
Non-controlling interests	38,951	39,044
<b>Equity</b>	<b>338,518</b>	<b>363,446</b>
<b>Total liabilities and shareholders' equity</b>	<b>765,662</b>	<b>838,597</b>

## Consolidated Income Statement of H&amp;R KGaA

January 1 to September 30, 2020

IN € THOUSAND	1/1-9/30/2020	1/1-9/30/2019	7/1-9/30/2020	7/1-9/30/2019
Sales revenue	649,891	824,704	208,053	274,660
Changes in inventories of finished and unfinished goods	-22,577	-8,191	-7,085	-1,506
Other operating income	15,959	19,848	5,257	4,441
Cost of materials	-477,634	-641,856	-144,835	-218,266
Personnel expenses	-61,428	-65,875	-20,290	-21,947
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	-37,470	-33,390	-12,179	-11,635
Other operating expenses	-73,835	-84,337	-26,959	-32,439
<b>Operating result</b>	<b>-7,094</b>	<b>10,903</b>	<b>1,962</b>	<b>-6,692</b>
Income from holdings valued at equity	326	518	-15	162
Financing income	430	166	68	55
Financing expenses	-6,439	-5,954	-2,117	-1,910
<b>Income before tax (EBT)</b>	<b>-12,777</b>	<b>5,633</b>	<b>-102</b>	<b>-8,385</b>
Income taxes	-1,389	-727	-719	2,628
<b>Consolidated income</b>	<b>-14,166</b>	<b>4,906</b>	<b>-821</b>	<b>-5,757</b>
of which attributable to non-controlling interests	-666	-851	-390	-265
<b>of which attributable to shareholders of H&amp;R GmbH &amp; Co. KGaA</b>	<b>-14,832</b>	<b>4,055</b>	<b>-1,211</b>	<b>-6,022</b>
Earnings per share (undiluted), in €	-0.40	0.11	-0.03	-0.16
Earnings per share (diluted), in €	-0.40	0.11	-0.03	-0.16

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

January 1 to September 30, 2020

IN € THOUSAND		1/1- 9/30/2020	1/1- 9/30/2019	7/1- 9/30/2020	7/1- 9/30/2019
1.	Consolidated income	-14,166	4,906	-821	-5,757
2.	Income taxes	1,389	727	719	-2,628
3.	Net interest income	6,010	5,832	2,050	2,068
4.	+/- Depreciation and amortization/appreciation on fixed assets and intangible assets	37,470	33,390	12,232	11,635
5.	+/- Increase/decrease in non-current provisions	-1,362	-1,402	-422	-565
6.	+ Interest received	430	166	68	55
7.	- Interest paid	-6,229	-3,810	-1,577	-1,733
8.	+/- Income tax received/paid	-42	-5,268	-2,475	-1,682
9.	+/- Other non-cash expenses/income	709	-442	110	-445
10.	+/- Increase/decrease in current provisions	2,809	6,433	2,337	7,268
11.	-/+ Gain/loss from the disposal of fixed assets	-52	35	-59	33
12.	-/+ Changes in net working capital	-10,253	42,603	-10,283	12,178
13.	+/- Changes in remaining net assets/other non-cash items	27,843	-12,056	3,321	-387
14.	= <b>Cash flow from operating activities (sum of items 1 to 13)</b>	<b>44,556</b>	<b>71,114</b>	<b>5,200</b>	<b>20,040</b>
15.	+ Proceeds from disposals of property, plant and equipment	18	82	17	6
16.	- Payments for investments in property, plant and equipment	-29,743	-46,181	-4,262	-16,105
17.	- Payments for investments in intangible assets	-456	-463	-167	-275
18.	= <b>Cash flow from investing activities (sum of items 15 to 17)</b>	<b>-30,181</b>	<b>-46,562</b>	<b>-4,412</b>	<b>-16,374</b>
19.	= <b>Free cash flow (sum of items 14 and 18)</b>	<b>14,375</b>	<b>24,552</b>	<b>788</b>	<b>3,666</b>
20.	- Payments for settling financial liabilities	-72,226	-79,337	-22,217	-21,559
21.	+ Proceeds from taking up financial liabilities	43,998	91,302	15,443	48,592
22.	= <b>Cash flow from financing activities (sum of items 20 to 21)</b>	<b>-28,228</b>	<b>11,965</b>	<b>-6,774</b>	<b>27,033</b>
23.	+/- <b>Changes in cash and cash equivalents (sum of items 14, 18 and 22)</b>	<b>-13,853</b>	<b>36,517</b>	<b>-5,986</b>	<b>30,699</b>
24.	+ <b>Cash and cash equivalents at the beginning of the period</b>	<b>94,794</b>	<b>46,495</b>	<b>84,989</b>	<b>53,441</b>
25.	+/- Change in cash and cash equivalents due to changes in exchange rates	-4,268	2,399	-2,330	1,271
26.	= <b>Cash and cash equivalents at the end of the period</b>	<b>76,673</b>	<b>85,411</b>	<b>76,673</b>	<b>85,411</b>

## 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

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March 30, 2021

Annual Report 2020

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## Contact

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

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