

# INTERIM STATEMENT FOR THE **1<sup>ST</sup> QUARTER 2017**

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# Overview

- Positive development from previous quarters continues in Q1 2017
- Higher sales revenue due to price of raw materials
- Operating income (EBITDA) remains at high 2016 level
- Overall expectations for 2017 are confirmed

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

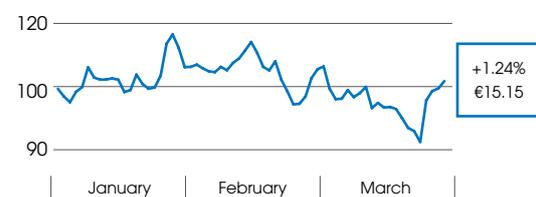
€ MILLION	Q1/2017	Q1/2016	Change (absolute)
Sales revenue	267.4	228.0	39.4
Operating income (EBITDA)	27.4	27.2	0.2
EBIT	18.4	19.5	-1.1
EBT	15.5	16.7	-1.2
Income after taxes	11.2	13.7	-2.5
Income after taxes of which attributable to shareholders	10.5	13.5	-3.0
Consolidated earnings per share (undiluted) in €	0.29	0.38	-0.09
	<b>31/3/2017</b>	<b>31/12/2016</b>	
Cash flow from operating activities	-0.3	24.4	-24.7
Cash flow from investing activities	-12.1	-8.8	-3.3
Free cash flow	-12.4	15.6	-28.0
Cash flow from financing activities	1.8	-16.4	18.2
Balance sheet total	645.6	648.2	-2.6
Net working capital	182.4	153.4	29.0
Equity	331.5	317.4	14.1
Equity ratio (in %)	51.4	49.0	2.4pp
Employees (absolute) as of 31/3	1,645	1,628	17

## THE SEGMENTS IN FIGURES

IN € MILLION	Q1/2017	Q1/2016	Change (absolute)
<b>Chemical-Pharmaceutical Raw Materials Refining</b>			
Sales	161.8	139.9	21.9
EBITDA	16.0	20.9	-4.9
<b>Chemical-Pharmaceutical Raw Materials Sales</b>			
Sales	92.4	77.5	14.9
EBITDA	10.0	7.9	2.1
<b>Plastics</b>			
Sales	15.7	13.5	2.2
EBITDA	1.7	0.2	1.5
<b>Reconciliation</b>			
Sales	-2.4	-2.9	0.5
EBITDA	-0.4	-1.7	1.3

## PERFORMANCE OF THE H&R SHARE Q1 2017

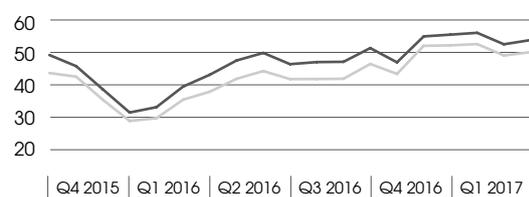
(INDEX 2/1/2017=100)



■ H&R GmbH & Co. KGaA

## OIL PRICES Q4 2015 TO Q1 2017

(AVERAGE MONTHLY PRICES)



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

## Letter from the Management Board

### Dear Shareholders, Dear Corporate Partners,

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In our annual report issued in March, we informed you in detail of our performance over 2016. We now wish to provide you with an update for the first quarter of 2017. While the format of this quarterly statement is somewhat more condensed, it still covers all the key information.

In the period from 1 January to 31 March 2017, our company built on its good performance of the previous year. The price of crude oil increased steadily over 2016, and with it the cost of our input materials. In the first three months of the current year, this trend remained generally stable. At the same time, high demand for specialty products and the accompanying high sales volumes created significant momentum for our business, while our primary and by-product lines retained generally stable margins. As a result, the first quarter of 2017 ended very slightly above the level for the same period of 2016, which itself had been impressive, with the highest EBITDA of recent years. All segments made a positive contribution to earnings. The Plastics business saw the sharpest improvement in earnings in percentage terms.

These positive results provide us with a solid foundation for continuing to implement our strategy and strengthen the company. In 2017, we will also be focusing on the global orientation and interconnectedness of our company. Via partnerships and our own structures, we will be aiming to operate in close proximity to the market and to the applications and requirements of our customers. In doing so, we also aim to remain “technovative”, investing more and employing state-of-the-art technologies for innovative solutions

for commercial success – all without losing sight of environmental or sustainability requirements.

We have already set out in detail our economic objectives for 2017 in the current annual report. Based on our current information, and despite the good start to the year, we think it appropriate at this point to reaffirm the still fairly broad EBITDA forecast for 2017, and with it the range of €86.0 million to €100.0 million. In view of the current geopolitical challenges – among these the Brexit process, elections within the E.U., including in Germany, and the issue of punitive tariffs imposed by the U.S. – we consider any narrowing of this range to be premature at this point.

Quite apart from the above, we are confident that the company will continue to operate with economic success in the current year and once again generate a good level of earnings.

Hamburg, May 2017

Yours,



**Niels H. Hansen**  
Chairman of the  
Management Team



**Detlev Wösten**  
Member of the  
Management Team

## Business Trends in the First Quarter 2017

### Overall trend: A Stable Start to the Year for H&R GmbH & Co. KGaA

In the first three months of 2017, H&R GmbH & Co. KGaA saw a continuation of the positive trend seen in the previous quarters. With higher sales revenue due to raw material prices and year-on-year EBITDA almost unchanged, this quarter proved a generally successful start to the year. High demand for our specialty products and the accompanying high sales volumes created significant momentum for our business. Once again, all segments made a positive contribution to earnings. The fact that the ChemPharm segment ended the quarter with year-on-year EBITDA slightly down is not really evidence of weakness but more a case of there being favorable external factors and a somewhat better competitive environment for us in the previous year.

### Results of Operations: Improvement at All Levels

In the first quarter of this financial year, H&R GmbH & Co. KGaA once again saw a year-on-year increase in operating income (EBITDA). The minor rise of 0.5% pushed it up to €27.4 million (Q1 2016: €27.2 million). Due to a slight increase in depreciation and amortization, EBIT fell by 5.6%, from €19.5 million to €18.4 million. There was a similar trend in earnings before taxes (EBT), which decreased by 7.2%, from €16.7 million to €15.5 million.

In respect of the calculation of earnings figures, the high level of earnings over a continual period led to a reduction in deferred tax assets and a corresponding tax expense. The net profit attributable to shareholders was impacted accordingly, dropping from €13.5 million to €10.5 million in the first quarter of the current financial year.

#### CHANGE IN SALES REVENUE AND EARNINGS

IN € MILLION	Q1/2017	Q1/2016	Change in %
Sales revenue	267.4	228.0	17.3
EBITDA	27.4	27.2	0.7
EBIT	18.4	19.5	-5.6
EBT	15.5	16.7	-7.2
Net profit/loss to shareholders	10.5	13.5	-22.2
Earnings per share (undiluted) in €	0.29	0.38	-23.7

The ChemPharm Refining segment once again made the most significant contribution to earnings, with EBITDA of €16.0 million (Q1 2016: €20.9 million). At the same time, this segment was the only one to lag behind the previous year. The international operations of the ChemPharm Sales segment boosted its EBITDA to €10.0 million (Q1 2016: €7.9 million). The Plastics segment also pushed up operating income, with EBITDA increasing from €0.2 million in the previous year to €1.7 million. This represents a year-on-year rise of €1.5 million.

#### EBITDA BY SEGMENTS Q1 2017

IN % (PREVIOUS YEAR'S FIGURES Q1 2016)		
58 (72)	36 (27)	6 (1)
IN € MILLION (PREVIOUS YEAR'S FIGURES Q1 2016)		
16.0 (20.9)	10.0 (7.9)	1.7 (0.2)
■ ChemPharm Raw Materials Refining	■ ChemPharm Raw Materials Sales	■ Plastics

Total sales revenue also increased. Due to the price of raw materials, sales for the first quarter stood at €267.4 million, up 17.3% on the comparable period of 2016 (€228.0 million).

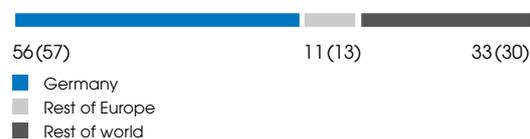
In terms of the distribution of sales revenue among segments, the picture was a familiar one, with the ChemPharm segments Refining and Sales accounting for no less than 94%. Around 6% of sales revenue was generated by business in our Plastics segment.

**SALES BY SEGMENTS Q1 2017**

IN % (PREVIOUS YEAR'S FIGURES Q1 2016)

**SALES REVENUE BY REGION Q1 2017**

IN % (PREVIOUS YEAR'S FIGURES Q1 2016)



## Net Assets and Financial Position: Price of Raw Materials Impacts Cash Items

Our business model necessarily involves some high volatility in cash flow. This is caused by changes in net working capital, particularly in the case of raw material supplies to our refineries just before reporting dates.

For the first quarter of the financial year 2017, operating cash flow amounted to €-0.3 million. This represents a marked decrease. In addition

to higher depreciation and amortization and a one-time higher interest charge from further repayments on the borrower's note loan, this was caused primarily by changes in net working capital due to the increased cost of raw materials.

As previously announced, the company increased investment in the first quarter of 2017, with this also impacting free cash flow. Free cash flow therefore stood at €-12.4 million (Q1 2016: €15.6 million). With regard to financing activities, fewer funds were used for the continued repayment of the steadily shrinking loan liabilities.

**FINANCIAL POSITION**

IN € MILLION

	Q1/2017	Q1/2016	Change in %
Cash flow from operating activities	-0.3	24.4	n.a.
Cash flow from investing activities	-12.1	-8.8	38.0
Free cash flow	-12.4	15.6	n.a.
Cash flow from financing activities	1.8	-16.4	n.a.
Cash and cash equivalents as of 31/3	48.0	77.1	-37.8

**CASH FLOW Q1 2017**

IN € MILLION

Operating cash flow	-0.3	24.4
Free cash flow	-12.4	15.6

■ Q1 2017 ■ Q1 2016

Measured against December 31, 2016, the balance sheet total showed a modest decrease, falling from €648.2 million to €645.6 million as of 31 March 2017.

On the assets side of the balance sheet, current assets remained almost unchanged compared with the end of 2016. Non-current assets also remained generally stable. However, the high level

of earnings over a continual period led to a reduction in deferred tax assets and a corresponding tax expense.

On the liabilities side, non-current assets shrank by some €10.0 million. Reduced trade payables offset an increase in other liabilities and liabilities to banks. Non-current liabilities decreased, primarily as a result of lower loan liabilities and reduced pension provisions. Equity increased during the same period from €317.4 million to €331.5 million. Measured against the end of 2016, the equity ratio improved by 2.4 percentage points, reaching 51.4% (December 31, 2016: 49.0%).

**ASSETS AS OF 31/3/2017**

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 31/12/2016)

	645.6	(648.2)	
294.8 Current assets			(297.3) Current assets
350.8 Non-current assets			(350.8) Non-current assets

**EQUITY AND LIABILITIES AS OF 31/3/2017**

IN € MILLION (PREVIOUS YEAR'S FIGURES AS OF 31/12/2016)

	645.6	(648.2)	
159.2 Current liabilities			(169.6) Current liabilities
154.9 Non-current liabilities			(161.1) Non-current liabilities
331.5 Equity			(317.4) Equity

## Outlook: Expectations Reaffirmed

With the publication of the 2016 annual report, we had set the annual revenue target at a minimum of €950.0 million and stated our expectations for each segment in percentage terms. Having completed the first quarter of 2017, H&R GmbH & Co. KGaA remains generally on course to meet these targets. The performance of the Sales segment is currently somewhat stronger than expected. The Refining segment is lagging slightly behind expectations.

In terms of the distribution of EBITDA, the trend in the Refining segment is still currently somewhat weaker than we had expected.

However, H&R GmbH & Co. KGaA has begun the year 2017 with generally stable results in the first quarter. In view of the influence exerted by fluctuations in the price of raw materials, the sensitivity of market listings and product prices, and geopolitical challenges, we think it appropriate to reaffirm the forecast for 2017 as falling within the broader range of €86.0 to 100.0 million rather than making any narrower predictions at this point.

**SALES AND EARNINGS PROJECTIONS**

	Outlook for all of 2017
<b>Group sales</b>	<b>€ 950 million to € 1,100 million</b>
of which Refining	62%
of which Sales	32%
of which Plastics	6%
<b>EBITDA Group</b>	<b>~ € 86.0 million to € 100.0 million</b>
of which Refining	62%
of which Sales	34%
of which Plastics	2%

# Interim Consolidated Financial Statements

## Consolidated Balance Sheet of H&R GmbH & Co. KGaA

as of 31 March 2017

### ASSETS

€ THOUSANDS	31/3/2017	31/12/2016
<b>Current assets</b>		
Cash and cash equivalents	47,958	57,999
Trade accounts receivable	125,970	109,154
Income tax claims	143	200
Inventories	111,905	121,431
Other financial assets	2,011	1,366
Other assets	6,821	7,168
<b>Current assets</b>	<b>294,808</b>	<b>297,318</b>
<b>Non-current assets</b>		
Property, plant and equipment	271,182	270,334
Goodwill	25,020	25,035
Other intangible assets	27,790	28,741
Shares in at-equity valued holdings	4,360	4,302
Other financial assets	9,179	6,762
Other assets	1,422	1,436
Deferred tax assets	11,838	14,224
<b>Non-current assets</b>	<b>350,791</b>	<b>350,834</b>
<b>Total assets</b>	<b>645,599</b>	<b>648,152</b>

### EQUITY AND LIABILITIES

€ THOUSANDS	31/3/2017	31/12/2016
<b>Current liabilities</b>		
Liabilities to Banks	42,865	38,187
Trade accounts payable	55,501	77,234
Income tax liabilities	13,653	11,959
Other provisions	20,309	19,561
Other financial liabilities	10,567	11,652
Other liabilities	16,300	11,042
<b>Current liabilities</b>	<b>159,195</b>	<b>169,635</b>
<b>Non-current liabilities</b>		
Liabilities to banks	58,529	62,041
Pension provisions	81,376	83,558
Other provisions	4,342	4,288
Other financial liabilities	1,623	1,940
Other liabilities	1,946	1,983
Deferred tax liabilities	7,070	7,310
<b>Non-current liabilities</b>	<b>154,886</b>	<b>161,120</b>
<b>Equity</b>		
Subscribed capital	91,573	91,573
Capital reserve	42,753	42,753
Retained earnings	148,044	136,271
Other reserves	7,086	5,202
<b>Equity of shareholders of H&amp;R KGaA</b>	<b>289,456</b>	<b>275,799</b>
Non-controlling interests	42,062	41,598
<b>Total equity</b>	<b>331,518</b>	<b>317,397</b>
<b>Total equity and liabilities</b>	<b>645,599</b>	<b>648,152</b>

## Consolidated Income Statement H&amp;R GmbH &amp; Co. KGaA

1 January to 31 March 2017

€ THOUSANDS	Q1/2017	Q1/2016
Sales revenue	267,444	228,030
Changes in inventories of finished goods and work in progress	-144	-4,932
Other operating income	5,574	5,120
Cost of material	-198,031	-153,193
Personnel expenses	-20,864	-22,483
Depreciation, impairments and amortization	-8,955	-7,699
Other operating expenses	-26,836	-25,406
<b>Income from operations</b>	<b>18,188</b>	<b>19,437</b>
Result of at-equity reported shareholdings	220	91
Financial income	436	452
Financial expenses	-3,345	-3,295
<b>Earnings before taxes (EBT)</b>	<b>15,499</b>	<b>16,685</b>
Income taxes	-4,328	-2,987
<b>Income after taxes</b>	<b>11,171</b>	<b>13,698</b>
of which attributable to non-controlling interests	694	186
<b>of which attributable to H&amp;R KGaA shareholders</b>	<b>10,477</b>	<b>13,512</b>
Earnings per share (undiluted) in €	0,29	0,38

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

1 January to 31 March 2017

€ THOUSANDS		Q1/2017	Q1/2016
1.	Income after taxes	11,171	13,700
2.	Income taxes	4,328	2,985
3.	Net interest result	3,251	3,237
4.	+/- Fixed asset depreciation, impairments, amortization/reversals of writedowns	8,954	7,699
5.	+/- Increase/decrease in non-current provisions	-549	-158
6.	+ Interest received	94	58
7.	- Interest paid	-2,943	-2,437
8.	+/- Income taxes paid/received or owed	-1,062	-933
9.	+/- Other non-cash expenses and income	700	-285
10.	+/- Increase/decrease in current provisions	717	2,637
11.	-/+ Gain/loss from the disposal of fixed assets	-147	-21
12.	-/+ Changes in net working capital	-25,656	-6,166
13.	+/- Changes in remaining net assets/other non-cash items	864	4,066
<b>14.</b>	<b>= Cash flow from operating activities (sum of items 1. to 13.)</b>	<b>-278</b>	<b>24,382</b>
15.	+ Proceeds from disposals of tangible fixed assets	161	329
16.	- Payments for investments in tangible fixed assets	-10,636	-7,468
17.	- Payments for investments in intangible assets	-99	-89
18.	- Payments for investments in financial assets	-1,575	-1,575
<b>19.</b>	<b>= Cash flow from investing activities (sum of items 15. to 18.)</b>	<b>-12,149</b>	<b>-8,803</b>
<b>20.</b>	<b>= Free cash flow (sum of items 14. and 19.)</b>	<b>-12,427</b>	<b>15,579</b>
21.	- Dividends received from joint ventures	162	-
22.	+ Payments resulting from the settlement of financial debt	-19,664	37,417
23.	+ Receipts from the taking up of financial debt	21,280	21,013
<b>24.</b>	<b>= Cash flow from financing activities (sum of items 21. and 23.)</b>	<b>1,778</b>	<b>-16,404</b>
25.	+/- Changes in cash and cash equivalents (sum of items 14, 19 and 24)	-10,649	-825
26.	+ Cash and cash equivalents at the start of the period	57,999	79,274
27.	Change in cash and cash equivalents due to changes of exchange rates	608	-1,343
<b>28.</b>	<b>= Cash and cash equivalents at the end of the period</b>	<b>47,958</b>	<b>77,106</b>

## Contact

If you have further 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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# Financial Calendar

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18 May 2017	Annual Shareholders' Meeting Hamburg
11 August 2017	Publication of Q2 2017
15 November 2017	Publication of Q3 2017

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## Disclaimer

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'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 or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. H&R does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

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