ANNUAL REPORT

of H&R GmbH & Co. KGaA

2024

Our **Mission Statement**

The entrepreneur-led Hansen & Rosenthal Group combines more than 100 years of German entrepreneurial spirit with a sense for global developments and international success. The Group has almost 50 subsidiaries and is involved in the development, production and marketing of chemical-pharmaceutical specialty products on a worldwide basis. These products are based on fossil, renewable, synthetic and recycled hydrocarbons, and are mainly used in varied applications that go far beyond the primarily energy-related use of traditional refinery products. Our specialty products offer tailor-made solutions for customers in economically important sectors, such as the automotive, cosmetics, pharmaceutical, construction and food industries.

Our
Business Model

RIGHT FROM THE START OF OUR PROCESSES, WE FOCUS ON THE END RESULT:

WITH OUR SPECIALTY PRODUCT MARKETING WE TAKE A CLOSE LOOK AT WHAT OUR CUSTOMERS NEED FROM US.

OUR CUSTOMERS RECEIVE CUSTOMIZED SPECIALTY PRODUCTS FROM US THAT HAVE BEEN TAILOR-MADE TO THEIR REQUIREMENTS AT OUR PRODUCTION AND PROCESSING SITES.

OUR PRODUCTS

We produce high-quality chemical-pharmaceutical specialty products, transform our business model to make our operations more sustainable, and work to ensure that we can continue to reliably provide our customers with the products they need.

Our feedstock base is to become more diverse through the increased use of renewable, synthetic and recycled materials.

COSMETIC & PHARMACEUTICAL SPECIALTIES

In recent years, this H&R specialty business has successfully developed emulsifiers and bases for the cold processing of ointments, creams and lotions, among other things. Tailored advice and recommended formulations give many pharmacies and pharmaceutical/cosmetic manufacturers security in formulating premium products.

CABLE FILLERS

H&R is the world's leading provider of cable compounds for the energy and telecommunications sector. We offer unique application solutions for manufacturers, operators and installers of cables through an international network of manufacturing sites.

PETROLEUM JELLIES & WHITE OILS

Turning crude oil first into base oil, and ultimately into cosmetics, is a long road. In between these two extremes lies a highly complex chemical process which H&R is continuously improving and enhancing. We use this multi-stage hydrogenation process to produce white oils. They are as clear as water and are used in a variety of products, such as cosmetics.

WAXES & EMULSIONS

The H&R Group is focused on waxes. Based on our integrated raw material portfolio, we develop, produce and sell waxes and formulated waxes for specific industrial applications.

PROCESS OILS

More than a fifth of a car's fuel consumption stems from the rolling resistance of its tires. Reducing this figure is therefore nothing else than a practical example of climate protection. It has been scientifically proven that environmentally friendly plasticizers make a key contribution to improving the operating characteristics of stateofthe-art tires.

MINERAL-OIL TRADE & INDUSTRY

Modern, high-performance engines need top-quality motor oil in order to withstand the demands of daily use. H&R motor oils satisfy the requirements of the newest generation of engines and were manufactured for use by major manufacturers. They keep the engine clean, provide reliable protection against sludge build-up and reduce excessive wear and tear.

CONSTRUCTION INDUSTRY

Special water-based H&R waxes and oil emulsions made from natural waxes are used in industrial sectors such as paints and varnishes, paper and packaging, chemicals and blenders, construction industry and insulation materials, as well as in engineered woods.

PLASTICS

Full service – a claim we also live up to in the plastics product segment. Here, we precisely tailor the properties of the material to the level of stress the end product will be subjected to on a daily basis. This also applies to our lightweight precision gears, which are also used in dental drills.

OUR KEY FIGURES

Overall, the general market and business conditions the company faced were anything but easy. After a slow start to the year, we stabilized and achieved EBITDA of €94.8 million on sales revenue of just over €1.3 billion.

SALES 2024

1,338.2
MILLION EUROS

EBITDA 2024

94.8
MILLION EUROS

EMPLOYEES 2024

1,705

T. 01 **THE H&R GROUP IN FIGURES**

IN € MILLION	2024	2023	Change (absolute)
Sales revenue	**1,338.2**	**1,352.3**	**-14.1**
of which Chemical and Pharmaceutical Raw Materials Refining	817.1	828.2	-11.1
of which Chemical and Pharmaceutical Raw Materials Sales	492.6	492.7	-0.1
of which Plastics	48.0	51.3	-3.3
Reconciliation	-19.4	-20.0	0.6
Operating income (EBITDA)	**94.8**	**92.7**	**2.1**
of which Chemical and Pharmaceutical Raw Materials Refining	54.1	58.1	-4.0
of which Chemical and Pharmaceutical Raw Materials Sales	41.6	31.5	10.1
of which Plastics	3.0	4.7	-1.7
Reconciliation	-3.8	-1.6	-2.2
EBIT	**31.9**	**30.3**	**1.6**
Earnings before income tax	**20.7**	**18.8**	**1.9**
Consolidated net income	**12.9**	**10.6**	**2.3**
Consolidated income attributable to shareholders	**10.6**	**10.6**	**–**
Consolidated income per share (undiluted, in €)	**0.29**	**0.28**	**0.01**
Cash flow from operating activities	**70.2**	**119.1**	**-48.9**
Equity ratio (in %)	**46.2**	**50.7**	**-4.5**
Employees as of December (absolute)	**1,705**	**1,704**	**1**

CONTENT

Dear Shareholders,

With the publication of the 2024 annual report, I am pleased to present operating results that, on their own, reflect our solid performance in the financial year.

Our sales were down slightly on the prior-year level, while operating income rose again to €94.8 million, a modest improvement over 2023. This trend is reflected in nearly all of our key figures. “Below the line”, i.e. the consolidated net profit attributable to shareholders, we generated exactly the same profit as in the same period of the previous year.

We will propose to the Annual General Meeting that about one-third of this profit of €0.29 be distributed as a dividend, maintaining the payout at €0.10 per share for the third consecutive year.

The path to this result was once again long, winding, and – if I may put it this way – not always well-lit. At the start of the year, we had hoped to pick up momentum more quickly so that we could steer directly toward our goal of improving our full-year forecast compared to 2023. However, the German economy remained sluggish as a whole in the first quarter of 2024. Our customer industries also seemed cautious, with demand falling short not only of our expectations but even of the already weak levels seen in 2023.

Momentum remained absent well into the summer, and market dynamics were marked by opposing positive and negative effects. Whenever feedstock costs were in our favor and product margins were sufficient, demand was lower than we would have liked. By the time demand picked up, our costs had risen. Our attempts to pass these cost increases on to the market met with significant resistance from customers. Even though our destination was not yet in sight at that point, we decided to hold firm to our initial forecast.

It was only in the second half of the year that the markets began to reveal their potential – and the Group succeeded in capitalizing on it. Our performance between July and September significantly outperformed the previous quarters, not only in terms of sales volumes and revenue, but also in earnings. In addition to boosting our key figures, the third quarter also made it clear which factors play a key role in the success of our business. While our domestic production sites faced temporary challenges due to the high cost of raw materials and high-volume products, our international operations provided stability. Although the ChemPharm Refining segment led the way in terms of sales, ChemPharm Sales achieved a higher EBITDA in two of the four quarters. Over the full year, our international subsidiaries generated about one-third of total sales, but contributed approximately 43% of consolidated income. This is a testament to how well our Group is positioned, particularly in key growth markets

Niels H. Hansen, Sole Managing Director of H&R GmbH & Co KGaA

Our two domestic sites faced a challenging situation on all fronts. Energy prices were lower than last year – allowing energy-intensive companies to operate without government relief measures such as the gas and electricity price caps – but remain excessive by international standards, particularly in Germany. This had a negative impact on our two main production sites. It was not until late summer and fall that the Refining segment made a strong comeback. It maintained its momentum and ultimately outperformed the Sales segment once again by the end of the year.

The situation in our Precision Plastics segment remained difficult for another year. Sales forecasts were only narrowly missed, but profitability fell well short of expectations.

This situation was not unexpected. Germany's major automakers issued one profit warning after another throughout the spring and summer. Automotive suppliers announced job cuts over the course of the year. In the fall, Volkswagen – a global industry leader – raised the possibility of wage reductions and plant closures. Reports about flawed model strategies compared to competitors and a lack of political incentives dominated much of the media coverage of the German automotive industry. These were hardly ideal conditions for GAUDLITZ.

Despite these challenges, we remained confident about the Group's performance as a whole until November and believed that we were in position to reach at least the lower end of our initial full-year forecast of €90 million.

However, two major turning points prevented our performance from being even better. Donald Trump's re-election as the U.S. President and the dissolution of the governing coalition in Berlin increased uncertainty in the German economy.

Despite these disruptions, we ultimately exceeded our minimum forecast by more than 5% and closed the year with our strongest quarter of 2024.

Our performance in the last financial year may not have been outstanding, but it was certainly respectable given the circumstances. It is increasingly clear to us that recent events – from the COVID-19 pandemic to the war in Ukraine and the Gaza conflict – mean that none of the last five years could be considered "normal". Considering the ongoing geopolitical and economic tensions, a return to normalcy does not appear likely anytime soon either.

What will drive us in the years ahead is our commitment to achieving our own transformation. We redefined our overarching goals for this process in the past financial year and linked them to specific measures. If we are successful in transitioning our business model to sustainable raw materials and products, it would be a major step forward in our efforts to provide our customer industries with timely and reliable support so that they can achieve their sustainability goals.

Along the way, we will closely monitor market developments and key factors, such as customer demands and global political conditions. We are also fully aware that transformation is not an end in itself and will not happen automatically. All of the measures we take must be financially viable within the framework of our operating business.

When I consider all of these factors – what we have achieved, our plans for 2025, and the situation on the ground at the time this report went to press – the picture is almost identical to the previous year. We are therefore initially formulating our expectations for 2025 with an operating result target in the range of €85.0 million to €100.0 million.

We want to continue down the path we have laid out. Let's work together and make the year a success!

All the best,

Executive Board of H&R KGaA

Niels H. Hansen
Sole Managing Director

Salzbergen, April 2025

Company Representative Bodies

The representative bodies of H&R KGaA are comprised of people who combine entrepreneurial thinking with professional skills. They complement each other with their specific skills and diverse expertise, which they use to achieve our shared corporate objectives.

The Executive Board

As the general partner with full personal liability, H&R Komplementär GmbH is responsible for managing H&R KGaA. It conducts business and runs the company. In the 2024 financial year, the Executive Board comprised:

Niels H. Hansen
Sole Managing Director

The Supervisory Board

The Supervisory Board of H&R KGaA is responsible for the supervision of the Executive Board. In financial year 2024, the Supervisory Board of H&R KGaA comprised the members listed below. The Chairman of the Supervisory Board of H&R KGaA is Dr. Joachim Girg.

Chairman of the Supervisory Board

Dr. Joachim Girg
Master of Business Administration, Managing Director of H&R Beteiligung GmbH

Members of the Supervisory Board

Peter Brömse (from May)
Chartered Engineer, Management consultant in Operational Excellence

Roland Chmiel
Deputy chairman, Certified Public/Chartered Accountant

Sabine U. Dietrich
Chartered Engineer, Member of the Supervisory Board of Commerzbank AG, Member of the Supervisory Board of MVV Energie AG

Sven Hansen
Business Administration

Dr. Hartmut Schütter (until May)
Chartered process engineer, consulting engineer

Dr. Rolf Schwedhelm
Tax attorney and partner in the law firm Streck Mack Schwedhelm

Patrick Ewels
Continuing education coordinator, Works Council chairman of H&R ChemPharm GmbH

Thomas Merting
Chemical technician, Works Council

Dominik Franz
Process technician, Works Council chairman of GAUDLITZ GmbH and GAUDLITZ Plastic Technologies GmbH & Co. KG, Group Works Council H&R KGaA

The Advisory Board

The Advisory Board of H&R KGaA consists of experts who contribute their expertise in the areas of finance and economics, industrial management and refinery technology on an advisory basis.

Eckbert von Bohlen und Halbach
Managing Director of Bohlen Industrie GmbH

Dr. Erwin Grandinger
Entrepreneur

Dr. Bernd Pfaffenbach
Secretary of State in the German Federal Ministry of Economics and Technology, retired

Michaela Pulkert
Master of Business Administration

Dr. Mazdak Rafaty
Entrepreneur

Wilhelm Scholten
Managing Director of Ölfabrik Wilhelm Scholten GmbH

Dr. Torsten Sevecke
State Councilor for the Hamburg Ministry of Economy, Transport and Innovation, retired

Dr.-Ing. Peter J. Seifried
Chemical engineer, independent consultant

Dr. Gertrud Rosa Traud
Chief economist of Helaba Landesbank Hessen-Thüringen

Supervisory Board Report

Dear shareholders, dear readers,

As in previous years, the 2024 financial year was not short of challenges. Figuratively speaking, the past year was full of light and shade for H&R GmbH & Co. KGaA. Even though the second half of the year was brighter than the first six months, we never found ourselves in good business conditions. For example, when demand was good, we achieved weak margins and vice versa. The conditions set at the beginning of the year were no longer valid just a few months later. In this respect, the statement made in last year's report remains valid: we are living in an ever more rapidly changing and uncertain world. This does not make it any easier to implement our transformation goals, particularly the further development of our operating model.

Against this background, the results of H&R GmbH & Co. KGaA for the 2024 financial year are as follows.

I. With EBITDA of EUR 94.8 million (previous year: EUR 92.7 million), H&R GmbH & Co. KGaA recorded an acceptable operating figure. Earnings before taxes (EBT) amounted to EUR 31.9 million (previous year: EUR 30.3 million), slightly above the previous year's level, and consolidated net income attributable to shareholders of EUR 10.6 million was exactly the same as in the previous year. Sales amounted to EUR 1,338.2 million, 1.0% lower than in the previous year.

II. In the area of transformation, the strategy adopted was adapted to current developments and further fine-tuned with the "Transformation Path 2030". It consists of three pillars: ESG management, CO_2 reduction and renewable products. However, before the latter become established, H&R must serve conventional national and international markets in parallel.

III. The international sales division also presented itself as a stable earnings contributor in 2024 (EBT of EUR 25.7 million; increase of 65%). The new site in Lumut, Malaysia, commenced operations and continued to develop as planned. Isolated setbacks in some countries were offset by positive developments at other locations.

IV. With an EBT of EUR -900 thousand, GAUDLITZ Plastic Technologies GmbH was unable to match the good results of the two previous years and was hit hard by the crisis in the automotive industry. The improvements achieved through two restructuring measures in previous years and the relocation of a significant part of production to the Czech Republic were thus offset.

When analyzing the annual results in more detail, the following factors deserve special mention:

The overall economic situation, which was already tense in the previous year, deteriorated further in 2024. Important customer industries in our society, such as the automotive industry and its suppliers, the construction industry and the chemical industry, also struggled with the economic downturn in the previous year. The business models of entire sectors in which Germany holds a leading position in the global market are being put to the test. While the focus of the European economy at the beginning of the decade was on the rapid implementation of the "Green Deal", the pendulum slowly swung in the opposite direction in 2024, without completely losing sight of the original goal. The core business of H&R GmbH & Co. KGaA was able to cope with this situation relatively well. The situation is quite different at GAUDLITZ, which is based in Coburg. The loss of a major electromobility project has left a clear mark on the figures

Non-value-adding investments in the area of transformation - i.e. the adaptation of our refinery model to future requirements - and expenses for ESG (Environmental, Social and Corporate Governance), primarily in the fulfillment of safety and environmental protection requirements, have a significant impact on EBT and consolidated net income attributable to shareholders, as in the previous year, despite a comparatively good EBITDA. This trend will not change in the short or medium term as investments continue to be made in both areas. However, the necessary investments to achieve our transformation goals require sustainable and stable earnings.

In the meantime, the supply of raw materials has stabilized at a significantly higher price level following the loss of Russian provenance. Competitors from neighboring EU countries continue to import and process "cheap" Russian oil. Non-EU countries also process such feedstocks and supply the finished products to the European market. This continues to represent a clear competitive disadvantage for H&R GmbH & Co. KGaA.

Against this backdrop, the Management Board and Supervisory Board intend, after detailed discussion, to propose to the Annual General Meeting that a dividend of EUR 0.10 per share be distributed for the 2024 financial year and that any unappropriated surplus be carried forward to new account.

Key Focal Points of Supervisory Board Work

Five recurring topics were the focus of the plenary sessions of the Supervisory Board in the reporting year.

Unsurprisingly for a company with two industrial production sites in Germany and regardless of business development, safety was the top priority. The health and safety of our employees and partners always comes in the first place. A zero accident record is therefore one of the main topics on the board. Every meeting of the Refinery Technology and Strategy Committee began with a safety update, and this topic was given a prominent place at the start of every regular Supervisory Board meeting. However, the topic of safety goes beyond the aforementioned zero-accident record. Process and plant safety is also extremely important for the smooth running of our production. The same applies to IT security in a globally networked world.

The second core topic concerns the further development of our refinery operating model and the transformation to sustainable production. H&R GmbH & Co. KGaA has set itself ambitious goals for the future and has initiated projects and investments to achieve climate-friendly, ideally CO_2-neutral production. The sometimes rapidly changing framework conditions require swift reactions and adjustments to business activities. Due to the prevailing uncertainties, medium and long-term plans should currently only be seen as guidelines. On the way to achieving our goals, the pendulum will certainly swing more frequently in one direction or the other.

The implementation of national and international investment projects was another key topic for the full Supervisory Board in the past financial year. At international level, the focus was on further action at the Lumut site, while at national level it was primarily dominated by investments in environmental protection.

Due to the significant deterioration in the market environment in the automotive industry and its suppliers, the GAUDLITZ Group once again took a more prominent position in our meetings. Taking this into account, the October meeting of our Board took place in Prague and Borek in the Czech Republic. Further optimizations at the German production site were discussed in this context, as was a further intensification of our medical technology business.

Tracking current developments on the sales side in our core sectors of the chemical, automotive and rubber industries rounded off the core topics in the 2024 financial year. In addition to the possibilities and limits of margin increases, assessments were also made of the "green" products that promise the fastest marketability.

Objectives and Composition of the Supervisory Board

Following the change in legal form in 2016, the remit of the Supervisory Board of our company essentially focuses on control functions and an advisory role. Unlike the Supervisory Board of an AG, the Supervisory Board of a KGaA has no statutory co-determination rights, e.g. with regard to major investment projects or strategy determination, and no personnel competence with regard to the managing directors (e.g. with regard to the appointment and dismissal of managing directors, the conclusion, amendment and termination of employment contracts or the determination of managing directors' remuneration). In the case of H&R GmbH & Co. KGaA, these functions are performed by the Advisory Board of the general partner, which has been composed of independent members of the Supervisory Board since the change in legal form. In this respect, the recommendations of the German Corporate Governance Code in the current version dated April 28, 2022 apply only to a limited extent or not at all to the legal form of a KGaA.

We review the objectives and composition of the Supervisory Board on a regular basis and adjust or specify them as necessary. This was last done at the meeting on March 27, 2024. Accordingly, the Supervisory Board of H&R GmbH & Co. KGaA must be composed in such a way as to ensure that the Board provides qualified supervision and advice to the Management Board. Overall, its members should have the knowledge, skills and professional experience required to properly perform the duties of a Supervisory Board in a capital market-oriented, internationally active group of companies in the areas of refinery operations and chemical-pharmaceutical oil specialties as well as plastics. The special features of a family-run company must be taken into account.

Supervisory Board members should have entrepreneurial or operational experience in at least one of the areas listed in Figure “Competence Profile” and a general knowledge of the refinery industry or related industries. Based on their knowledge, skills and professional experience, they should be able to fulfill the duties of a Supervisory Board member in an internationally active company and uphold the reputation of the H&R Group in the public eye. At least one third of the shareholder representatives should have many years of international experience in the markets relevant to H&R. When proposing candidates to the Annual Shareholders' Meeting, attention should also be paid to the personality, integrity, commitment, professionalism and independence of the candidates.

At least two-thirds of the Supervisory Board members should be independent within the meaning of Section C.II. of the current version of the German Corporate Governance Code, whereby it is assumed that the fact of employee representation or an employment relationship with the H&R Group does not in itself call into question the independence of the employee representatives. The Supervisory Board should not include more than two former members of the management of the KGaA. As a rule, the members of the Supervisory Board should not be older than 70 years. This may be deviated from in justified individual cases. As a rule, the length of membership of the Supervisory Board should not exceed 15 years or three terms of office.

The Supervisory Board of H&R GmbH & Co. KGaA aims to promote and strengthen a culture of diversity as a forward-looking business foundation. We understand diversity to mean a mindset characterized by mutual respect and openness. The Supervisory Board pays particular attention to the promotion of women in management positions. In accordance with Section 96 (2) AktG, at least 20% of the Supervisory Board should be made up of women and at least 20% of men.

Since the departure of Mr. Sven Hansen on February 4, 2025 and the succession of Ms. Kyra Hansen, we have met the quota we set. Ms. Hansen was elected by the shareholders at the 2022 Annual General Meeting as a successor candidate in the event of Mr. Sven Hansen's premature departure. In principle, only professional criteria are decisive in the selection of members. Skin color, religious affiliation, gender or sexual orientation are not grounds for exclusion. The fulfillment of these participation quotas is generally regarded as a joint responsibility of shareholder and employee representatives.

When selecting a Supervisory Board member, care must be taken to ensure that he or she can devote the expected amount of time required to properly exercise the Supervisory Board mandate. In particular, account must be taken of the fact that at least five ordinary Supervisory Board meetings are held each year, each of which requires appropriate preparation, sufficient time must be set aside for the examination of the annual and consolidated financial statements and further time is required for membership of one or more Supervisory Board committees. In addition, extraordinary meetings of the Supervisory Board or a committee may be necessary to deal with special issues.

SUPERVISORY BOARD COMMITTEES OF H&R GMBH & CO. KGAA AND THEIR COMPOSITION AT THE END OF 2024

COMMITTEE	MEMBERS
Audit Committee	Roland Chmiel (chairman)
	Sabine U. Dietrich
	Dr. Joachim Girg
	Dr. jur. Rolf Schwedhelm
Refinery Technology and Strategy Committee	Dr.-Ing. Hartmut Schütter / Peter Brömse (chairmen til/from May)
	Sabine U. Dietrich
	Dr. Joachim Girg
	Sven Hansen
Nomination Committee	Sven Hansen (chairman)
	Dr. Joachim Girg
	Dr. jur. Rolf Schwedhelm
Committee for Related Party Transactions and Other Legal Issues	Dr. jur. Rolf Schwedhelm (chairman)
	Roland Chmiel
	Dr. Joachim Girg
	Sabine U. Dietrich

General Information About Supervisory Board Activities

The Supervisory Board performed the supervisory and advisory duties incumbent upon it in accordance with the law, the articles of association and the rules of procedure with care and diligence. The Supervisory Board and the Management Board worked together well and intensively in the 2024 financial year. The Management Board informed the Chairman of the Supervisory Board regularly and without delay of all matters of material importance. The Supervisory Board and the Management Board were also in close contact outside of meetings to ensure a constant exchange of information and opinions.

Topics Discussed by the Full Supervisory Board

A total of six physical Supervisory Board meetings were held in 2024; five of them at the company headquarters in Hamburg and one in Prague and Borek, the GAUDLITZ Group's new location in the Czech

Republic. The attendance rate of the Board members was 100%, with seven meetings (or just under 13%) being held via video conference.

It is well-established practice to hold each regular Supervisory Board meeting according to a specific schedule: In addition to approving the minutes of the last meeting, the Chairman of the Supervisory Board reports on his meetings with the Management Board and other events relevant to the Board since the last meeting. The four committee chairmen report on meetings that have taken place in the meantime.

In 2024, five topics accompanied us at almost all meetings. In order to keep the number of repetitions to a minimum in the following list of meeting contents, these will be mentioned briefly in advance:

I. Further development of our refinery operating model and transformation to sustainable production - measures currently being implemented and their impact

II. Implementation of national and international investment projects - the latter primarily at the new location in Lumut, Malaysia

III. Safety and safety records of our locations

IV. Current developments in the GAUDLITZ Group in a significantly deteriorated market environment

V. Current developments on the sales side in our core sectors of the chemicals, automotive and rubber industries

Following two extensive restructuring measures and the resulting positive effects in previous years, the GAUDLITZ Group clearly felt the negative developments in the German automotive industry in the 2024 financial year. This was exacerbated by the discontinuation of a major project with a globally active Japanese electronics group for a German premium manufacturer in the field of e-mobility.

Unless one of the five points mentioned was an explicit agenda item or focus of the meeting, they are not discussed in detail in the following list.

The first meeting of the past financial year was held on **January 31, 2024**. The agenda focused on the status of the 2023 annual financial statements, the economic situation of the company and an outlook for the first half of 2024. The committee also discussed organizational and structural issues in depth. These primarily concerned the results of the self-assessment, the status of the tender for the 2025 annual audit and the status of the new documentation of the internal control system (ICS). In addition, the Management Board presented its "Transformation Path 2030" on the topic of "Sustainability". It consists of three pillars: ESG management, CO_2 reduction and renewable products. Before the latter become established, H&R must serve conventional national and international markets in parallel. Competitive disadvantages in Germany due to national and EU regulations, the current supply of raw materials and sanctions, especially the circumvention of these by international competitors, make this task even more difficult. Intensive discussions took place on all of these topics.

The focus of the second Supervisory Board meeting held on **March 27, 2024** was the discussion of the 2023 annual financial statements. After the Audit Committee had discussed the necessary documents in the presence of the auditor at its meeting on March 12, 2024, the documents were available to all members of the Supervisory Board from this date. After detailed processing, the individual audit reports were discussed with the auditors at the meeting. On the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements of the company, the consolidated financial statements and the combined management and Group management report as well as the 2023 dependent company report after a detailed review and formulated the proposal to the Annual General Meeting to adopt the annual financial statements of H&R GmbH & Co. KGaA as of December 31, 2023 in the version to be submitted to the Annual General Meeting on May 28, 2024. Furthermore, the proposal for the appropriation of profits and the proposal of the auditor were approved on the recommendation of the Audit Committee and proposed to the Annual General Meeting for a vote. All of the aforementioned resolutions were passed unanimously. In addition, the form and content of the Supervisory Board report was approved and released as part of the 2023 Annual Report's publication on the following day. The Supervisory Board also intensively discussed the key content of the Sustainability Report, including the Non-financial Group Report 2023. Due to the deviating publication date of April 30, 2024 and the final review, the Supervisory Board passed the resolution by way of a circular resolution at the end of April 2024.

On the recommendation of the Nomination Committee, the Supervisory Board also unanimously resolved to propose Dipl.-Ing. Peter Brömse to the Annual General Meeting for election to the Supervisory Board as successor to the previous refinery expert Dr. Hartmut Schütter. In connection with the nomination, the full Supervisory Board intensively discussed the composition of the Supervisory Board of H&R GmbH & Co. KGaA. To date, not all of the self-imposed targets (keyword: proportion of women) have been met. At the same time, the responsibility of both banks of the Supervisory Board to achieve the targets was renewed.

The Supervisory Board also discussed the agenda for the 2024 Annual General Meeting. Based on the agenda discussed, the members of the Supervisory Board unanimously resolved to prepare the invitation and agenda for the 2024 Annual General Meeting to be held on May 28, 2024 and to convene it in good time.

The third meeting of the full Supervisory Board took place on **May 27, 2024**, the day before the Annual General Meeting. As usual, in the first part of the meeting, the Management Board reported on the current status of the preparatory work and the expected course of the Annual General Meeting. The two core topics of the meeting concerned the transformation of the two refineries and the current status of the GAUDLITZ Group, which is based in Coburg. At the former, the possibilities of biomass as a substitute for fossil fuels and recycling options in tire production were presented in detail. At GAUDLITZ, the presentation covered the relocation to the new Borek site at the turn of the year 2023/24, the current uncertainties in the automotive industry due to the loss of e-mobility targets and the associated changes on the buyer side, as well as current developments at the Chinese production site in Wuxi following the recovery of the economy after the coronavirus shutdown.

Name		Dr. Joachim Girg	Peter Brömse	Roland Chmiel	Sabine U. Dietrich
Age		60	61	67	64
Function		Chairman of the Supervisory Board; representative of the majority shareholder; financial expert	Independent member of the Supervisory Board from May 2024	Deputy Chairman; independent financial expert	Independent member of the Supervisory Board
Occupation/professional background		MBA	Chartered engineer	MBA; Certified public/chartered accountant	Chartered engineer
Profile requirements	Family-run capital market company in the SME sector	x		x	
	Refinery business & petroleum specialty products; plastics		x		x
	Application research & product development				
	Production; marketing; sales/ distribution; digitalization		x		x
	Sustainability, especially environmental, social and governance (ESG) elements			x	x
	Internationality	x	x		x
	Accounting & auditing	x		x	
	Controlling & risk management	x	x	x	x
	Financing & capital market	x			
	Law & taxes			x	
Boards		Audit Committee; RTS; Nominierungs-ausschuss, Committee, LEGAL Committee	RTS Committee (chairman)	Audit Committee (chairman); LEGAL Committee	Audit Committee; RTS; LEGAL Committee
On the panel since/elected until		September 2011/2027 AGM	May 2024/2028 AGM	May 2011/2026 AGM	May 2019/2025 AGM
Panel activity (# meetings/participation)		Meetings 6 / 6 Boards 20 / 20	3 / 6 3 / 6	6 / 6 13 / 13	6 / 6 18 / 18
Additional board functions		none	none	none	COMMERZBANK AG, Frankfurt; MVV Energie AG, Mannheim; member of the supervisory board

Patrick Ewels	Dominik Franz	Sven Hansen	Thomas Merting	Dr. Hartmut Schütter	Dr. Rolf Schwedhelm
43	40	56	45	80	69
Employee representative; works council chairman of H&R ChemPharm Group, Salzbergen	Employee representative; works council chairman of GAUDLITZ GmbH, Coburg	Entrepreneur	Employee representative	Independent member of the Supervisory Board until May 2024	Independent member of the Supervisory Board
Continuing education coordinator	Process technician	Industrial manager (degree in Business Administration)	Chemical technician	Chartered process engineer, freelance consultant	Attorney; specialist lawyer (tax law)
		x			x
x	x	x	x	x	
		x		x	
		x		x	
x					x
		x			
					x
					x
		RTS; Nomination Committee (chairman),		RTS Committee (chairman)	Audit Committee; Nomination Committee, LEGAL Committee (chairman)
May 2022/2027 AGM	May 2022/2027 AGM	August 2016/2027 AGM	May 2022/2027 AGM	May 2013/2024 AGM	May 2011/2026 AGM
6 / 6 –	6 / 6 –	6 / 6 8 / 8	6 / 6 –	3 / 6 3 / 6	6 / 6 14 / 14
none	none	none	none	none	Deutsche Anwalt Akademie Gesellschaft für Aus- und Fortbildung sowie Serviceleistungen mbH, Berlin; chairman of the supervisory board

At the former, the possibilities of biomass as a substitute for fossil fuels and recycling options in tire production were presented in detail. At GAUDLITZ, the presentation covered the relocation to the new Borek site at the turn of the year 2023/24, the current uncertainties in the automotive industry due to the loss of e-mobility targets and the associated changes on the buyer side, as well as current developments at the Chinese production site in Wuxi following the recovery of the economy after the coronavirus shutdown.

Reports from the Audit Committee on the Group risk situation and data protection for the 2023 financial year were included in the meeting, as was the progress of the ICS documentation project for the international subsidiaries. The refineries presented and discussed an assessment of the non-Russian raw materials that have now been used for two years.

At the end of the meeting, there was an intensive exchange of ideas between the Supervisory Board members without the Management Board.

The fourth meeting of the full Supervisory Board took place in Hamburg on **August 28, 2024**. Two main topics dominated the agenda: (i) the course of business in the first half of the year as well as conclusions and measures for the next six months and (ii) the start of business and the actual commissioning of the new Malaysian site in Lumut. The former was primarily influenced by market developments in the most important customer segments - comparatively good volumes with below-average margins - as well as further investments in the areas of transformation and governance. Measures to increase earnings were also presented and discussed in detail, as were assessments of "green" products that promise the quickest marketability.

The General Manager Asia/Pacific - who is also responsible for the project at the new site - and the Director of Business Development Asia-Pacific joined us for the second focus topic, Lumut, Malaysia. The reasons for choosing this location, the current status of the project and the planned development into a specialty producer were reported on in detail, as were other possible additional uses for the site.

Other topics discussed included a report on the implementation of recommendations from a TÜV compliance study at both German production sites as well as sustainability reporting and monitoring the appropriateness and effectiveness of the internal control system and the risk control system.

The fifth Supervisory Board meeting, held on **October 23, 2024**, focused entirely on the GAUDLITZ Group and was held at the new Czech site in Borek. A tour of the production facilities was followed by a presentation on GAUDLITZ's business performance. In particular, the effects of the premature termination of a major order from a German premium automotive group with an international Japanese electronics group and the switch to another supplier were discussed. GAUDLITZ, in turn, was a contractual partner of the Japanese company. The comparatively positive development at the Chinese site in Wuxi was unable to compensate for the losses in the e-mobility sector in Europe. For this reason, the company will increasingly focus on the growing medical division in future.

Other points discussed included project reports on investment plans, the advantages and disadvantages of further participation in industry studies, the status of the tender for the new auditing company 2025ff. as well as sustainability reporting and the company's risk situation. The Management Board also reported on the successful participation in the first bidding phase of the German government's funding program as part of a climate protection agreement (KSV). In this context, the Federal Ministry for Economic Affairs and Climate Protection granted a funding commitment for CO_2 reduction for the construction and operation of a process furnace with electrical energy at the Salzbergen site. Finally, the sole Managing Director reported on the results of a visit to the Algerian Energy Minister in the days before the Supervisory Board meeting.

The sixth and final meeting of the 2024 financial year was held on **December 11, 2024**. As in previous years, the core topics on the agenda were a review of the year coming to an end, the 2025 budget and the five-year plan. The updated declaration of compliance was discussed in detail and unanimously approved. The document has been available on the company's website since December 20, 2024.

Updates on process plants and investment projects for the financial year coming to a close were discussed in detail, as was the transformation (concept/strategy, business model and current structure). The internal audit activity report, ICS documentation (internal control system) and sustainability reporting were also discussed in depth during the meeting. The meeting was rounded off with a report on the status of the work on the 2024 annual financial statements. In this context, particular attention was paid to the results of the IT General Controls audit by the auditor Grant Thornton. According to the auditor, the result can be rated as above average despite the issues still to be resolved.

Work in the committees of the Supervisory Board

A total of 20 committee meetings were held in 2024: seven meetings of the Audit Committee, six meetings of the Refinery Technology and Strategy Committee (RTS), five meetings of the Committee for Related Party Transactions and Other Legal Issues (LEGAL Committee) and two meetings of the Nomination Committee. As in previous years, there were no absences at any of the committee meetings in 2024. The attendance rate was therefore 100% in each case, with 12 attendances (or just under 15%) being held via video conference.

Audit Committee

The Audit Committee held seven meetings in the past financial year. All members were present at the meetings on January 30, March 12, May 27, July 9, August 27 and December 10, 2024 in Hamburg, as well as at the meeting held in Prague on October 22. In addition, the committee chairman met with the three employee representatives on March 26 for a detailed preliminary discussion of the results of the work on the annual financial statements in advance of the Supervisory Board meeting on the following day.

The audit of the annual financial statements and the combined management report of H&R GmbH & Co. KGaA and the Group, the non-financial Group report, the dependent company report, the remuneration report and the proposal for the appropriation of profits. These documents relating to the 2023 financial year were discussed in detail with the auditor and the Management Board at the meeting on March 12, 2024. The Audit Committee then made its recommendations to the Supervisory Board for the approval of the financial statements for the 2023 financial year and for the proposals to the Annual General Meeting on the appropriation of net retained profits as at December 31, 2023 and the election of the auditor for the 2024 financial year.

In addition, the Audit Committee dealt in particular with the awarding of the audit mandate to the auditor selected for 2024 - including the determination of key audit areas and the audit fee as well as the assessment of audit quality. In monitoring the independence of the auditor, the Audit Committee has taken appropriate measures to ensure that it is informed in good time of any contracts to be awarded to the auditor or members of its network for so-called non-audit services. Such assignments were approved in advance, insofar as they were deemed unobjectionable in terms of admissibility or potential risks to the independence of the auditor.

In addition, the Audit Committee monitored the effectiveness of the corporate governance systems (compliance management, internal control system, risk management, internal audit). The appropriateness and effectiveness of the measures and procedures implemented in these areas were determined following corresponding reporting by the Executive Management. The Audit Committee also dealt with the activity reports of Internal Audit, Compliance Management and the external data protection officer, the progress of the standardization of the ICS documentation and the regular reports on the risk situation. Other topics discussed included the new invitation to tender for the audit of the financial statements from 2025, sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD) including the related materiality analysis, possible effects of the German Supply Chain Duty of Care Act, budget planning for the coming financial years from 2025 and the declaration of compliance with the German Corporate Governance Code (GCGC).

For the self-assessment of the efficiency of the Supervisory Board and its activities, the previously applied assessment procedure was also used for 2024 using a revised detailed questionnaire.

In addition to the Committee meetings, the Chairman of the Committee regularly met with the Management Board, the Head of Finance and Internal Audit for information and coordination purposes. The Chairman also supervised the preparation and audit of the annual financial statements of H&R GmbH & Co. KGaA, the consolidated financial statements and the annual financial statements of individual Group companies and held regular discussions with the auditor. In this context, the Chairman accompanied the auditor on a tour of Group sites in Thailand and Malaysia.

Refinery technology and strategy

The Refinery Technology and Strategy Committee met six times in the 2024 financial year, on January 30, April 23, May 27, August 27 and December 10, 2024 in Hamburg and on October 22 in Prague. No committee member was absent from any of the meetings. The attendance rate was therefore 100%.

The meetings were prepared and supported by numerous consultations between the two committee chairs and the Chairman of the Supervisory Board and the Operations Manager, as well as by the latter's regular interim reports. Each committee meeting focused on safety performance and the other HSSEQ elements (Health Safety, Security, Environment and Quality) and the associated planning and implementation. At each meeting, there was an in-depth discussion of reportable events and incidents with a high risk potential in the areas of personal safety and process safety, including their impact on refinery performance. Furthermore, the analysis of the status and forecast of investment projects currently being planned and implemented also played a central role at the RTS Committee meetings, as did updates on transformation activities and projects at the two German production sites.

The following meeting topics should also be highlighted:

- Intensive evaluation of the study on the modification of flue gas scrubbing and further procedure at the meetings on January 30 and April 23, 2024

- Assessment of the raw materials situation and impact of the switch to non-Russian raw materials since spring 2022 on the day before the 2024 Annual General Meeting

- Regular review of compliance of the refinery sites with legal/regulatory requirements and specifications as part of the August meeting

- Discussion on the costs and benefits of participating in external industry benchmark studies (Solomon Lubes Study) on October 22, 2024 in Prague

- Review and discussion of the annual refinery plan for 2025 (planning basis, availability, capacity utilization, costs, projects) at the December meeting on December 10, 2024

Following the resignation of Committee Chairman Dr. Hartmut Schütter from the Supervisory Board and the election of his successor Mr. Peter Brömse at the Annual General Meeting on May 28, 2024, Mr. Brömse also made in-depth site visits to Salzbergen and Neuhof in Hamburg, including management meetings and a tour of the refineries.

Committee for related party transactions and other legal issues

The Committee met five times in the past financial year 2024. The meetings were held in person on January 30, May 27 and July 9 in Hamburg, on October 22 in Prague and on December 10, 2024 in Hamburg. The attendance rate of the committee members was 100%.

The meetings routinely dealt with the determination of random samples in accordance with the process description for the implemented internal procedure for assessing the requirements of Section 111a para. 2 sentence 1 AktG and the detailed examination of these random samples. Extensive documentation was submitted by the Management Board and reviewed by the committee. In addition, members of the Executive Management and employees from individual departments involved in these transactions attended meetings of the committee and were available for discussions and to answer questions from committee members. The aim of the committee was in particular to optimize the processes for reviewing business transactions and to increase their efficiency.

As part of the review of the documents and contracts submitted by the management and the information and explanations provided in this regard, the committee made suggestions regarding the documentation and transparency of individual business processes, which were implemented by the management.

Another focus of the meetings was the efficiency review of the Supervisory Board in accordance with the Corporate Governance Code. The content of the existing questionnaire for assessing the efficiency of the Supervisory Board was revised in cooperation with the members of the Audit Committee

Nomination Committee

The Nomination Committee met twice in Hamburg in the 2024 financial year, on January 30 and February 29. All committee members were present in person on both occasions.

After Dr. Hartmut Schütter informed the Chairman of the Supervisory Board at the December 2023 meeting that he intended to step down from the Supervisory Board and the Refining Technology and Strategy Committee in the near future for family reasons, the search for a successor was intensified. Following numerous bilateral discussions between the committee members, the committee discussed the outcome of the search in detail at its meeting on January 30. During the meeting, the group of potential candidates was reduced to three people (2x male, 1x female). Due to the outstanding importance of the refinery expert on the full Supervisory Board, intensive discussions were held with all three candidates. In the run-up to the committee meeting on February 29, Mr. Peter Brömse emerged as the ideal candidate due to his extensive refinery experience and his ability to work in a team. Consequently, at its meeting on February 29, the committee decided to propose Mr. Peter Brömse to the Supervisory Board members for election as a new Supervisory Board member at the 2024 Annual General Meeting. The full Supervisory Board followed this recommendation at its meeting on March 1. Mr Brömse was elected to the Supervisory Board for a five-year term by a large majority of shareholders at the Annual General Meeting on May 28, 2024. Since then, he has also been the new Chairman of the Refinery Technology and Strategy Committee.

At the end of 2024 and after intensive deliberations, Ms. Sabine U. Dietrich informed the Chairman of the Supervisory Board that she would not be available for potential re-election in May 2025. At the December meeting, the committee members discussed the situation and discussed the next steps to be taken until the Supervisory Board meeting on January 29, 2025. A Nomination Committee meeting was also held on this day. Two potential female candidates quickly emerged from the company's circle of advisors/advisors and after several discussions with network partners. After several internal consultations in person and by telephone, the committee members agreed to invite Ms. Michaela Pulkert to the meeting on January 29 as the likely successor candidate. After the meeting, the committee members unanimously decided to propose Ms. Pulkert to the Supervisory Board colleagues at the meeting on March 26, 2025 for election to the Supervisory Board at the Annual General Meeting on May 27, 2025. In addition to the convincing presentation and discussion round, the main reasons for this were her many years of practical experience and support in project financing in the energy sector, extensive management experience, including at high levels, and her great ability to work in a team. Especially in conjunction with the refinery experts, these skills represent an important addition to our committee in the further development of the refinery model and the transformation.

Audit of the annual and consolidated financial statements, non-financial group report and dependent company report

Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements and the consolidated financial statements as well as the combined management report for H&R GmbH & Co. KGaA and the Group for the financial year 2024 and issued an unqualified audit opinion in each case.

The annual financial statements of H&R GmbH & Co. KGaA and the combined management report for H&R GmbH & Co. KGaA and the Group were prepared in accordance with German commercial law. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB). The auditor conducted the audit in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). The aforementioned documents were distributed to the Supervisory Board by the Management Board in good time. The annual financial statements, the consolidated financial statements and the combined management report were explained and discussed in detail by the auditor at the meeting of the Audit Committee on March 11, 2025.

The audit reports from Grant Thornton were available to all members of the Supervisory Board and were discussed in detail at the Supervisory Board's financial accounts meeting on April 8, 2025 in the presence of the auditor. The auditor reported on particularly important audit matters, the key findings of its audit and that there were no material weaknesses in internal control and risk management in relation to the accounting process. The auditor also discussed significant business transactions and accounting policy measures. The Chairman of the Audit Committee reported in detail on the audit of the annual and consolidated financial statements by the Audit Committee at the plenary meeting.

Based on the results of the audit by the Audit Committee and our own audit, there were no objections to the annual and consolidated financial statements or the combined management report; we approved the results of the audit by the auditor. In accordance with the recommendations of the Audit Committee, we approved the annual financial statements and the consolidated financial statements, including the combined management report and Group management report. The Annual General Meeting decides on the adoption of the annual financial statements in accordance with Section 286 AktG.

The Supervisory Board considers the Management Board's proposal for the appropriation of net retained profits to be balanced and agrees with it.

The Management Board has prepared a separate non-financial Group report for the 2024 financial year in accordance with the provisions of Sections 315b f. in conjunction with 289b ff. HGB and Article 8 of the EU Taxonomy Regulation (2020/852). The Supervisory Board has commissioned a voluntary limited assurance engagement in accordance with ISAE 3000 for the non-financial report for the 2024 financial year, which will be conducted by Grant Thornton until April 30, 2025. The Audit Committee and the entire Supervisory Board will then dutifully review the non-financial Group report with regard to the correctness and appropriateness of the reporting.

The non-financial Group report will then be published on the company's website.

The report on relationships with affiliated companies (dependent company report) prepared by the management in accordance with Section 312 AktG was also audited by the auditor. The auditor informed the Supervisory Board of the audit results and issued the following audit opinion:

"Following our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures in the report are correct,

2. the consideration paid by the company for the legal transactions listed in the report was not unreasonably high."

Based on the auditor's report, the Supervisory Board examined the dependent company report, in particular with regard to its completeness. Following its examination, the Supervisory Board concurs with the auditor's opinion and the final declaration of the Management Board contained in the dependent company report and raises no objections.

Remuneration Report

The Management Board and Supervisory Board jointly prepared the remuneration report for the 2024 financial year in accordance with the provisions of Section 162 AktG and adopted it by the Supervisory Board at its meeting on April 8, 2025. The remuneration report was formally reviewed by the auditor to ensure that the legally required disclosures were made. This did not give rise to any objections.

Personnel changes on the Supervisory Board

There were personnel changes on the Supervisory Board of H&R GmbH & Co. KGaA in the past year. The Annual Shareholders' Meeting elected Mr. Peter Brömse to the Board for a five-year term of office. The Supervisory Board would like to thank Dr. Hartmut Schütter for his many years of intensive work on the full Supervisory Board and as Chairman of the Refinery Technology and Strategy Committee.

The Supervisory Board would also like to thank the members of the Management Board, all employees and the employee representatives for their active commitment, personal contributions and constructive cooperation for the benefit of our company in these challenging times.

Stay with us.

For the Supervisory Board

Dr. Joachim Girg, Chairman

H&R in the Capital Market

Capital Markets and Share Price Performance

Recovery of German Economic Growth Fails to Materialize

The economic outlook for Germany and Europe brightened in the first few months of 2024 before deteriorating again from the summer onwards. Over the course of the year, it became increasingly evident that Germany and Europe have lost a significant amount of competitiveness on the global stage. The reasons for this decline include energy supply challenges since the start of the war in Ukraine, rising protectionism and China's evolving role in global trade (competitor instead of just a supplier). A key role was also played by location-based factors, such as high labor costs, deficient infrastructure in some areas, excessive bureaucracy and slow approval processes.

Despite these fundamental economic struggles, major German stock market heavyweights – which now generate a significant portion of their revenue outside of Europe – remained largely unaffected by economic difficulties, at least in terms of their share prices. Many stock indices reached new all-time highs in the last financial year. Germany's DAX index consists of the largest German companies trading on the Frankfurt Stock Exchange. It surpassed the 20,000-point mark for the first time in December and closed the year up nearly 19% at 19,909 points.

H&R Share Price Under Pressure in Second Half of the Year

Joy and sorrow were closely intertwined for H&R KGaA's shares once again last year. After start-ing the year at €4.70, the share tested the €5.00 mark in the first quarter and reached its annual high of €5.12 in late February. It maintained this level until the middle of the year with some mild volatility. Despite some weak interim results, we stood by our full-year forecast. However, we were unable to fully convince investors to share our positive outlook for the second half of the year. As a result, the share came under pressure and lost more than €1.00. Positive news, such as improved figures for the third quarter, helped to stabilize the share price but failed to generate any meaningful upward momentum. At year-end, the share ended trading at €3.39, down 28%.

PERFORMANCE OF THE H&R SHARE

(INDEX 3.1.2024=100)

BASIC DATA ON THE H&R SHARE

ISIN/WKN	DE000A2E4T77/A2E4T7
Abbreviation	2HRA
Type	No-par bearer share
Listings	Official Market in Frankfurt (Prime Standard), Hamburg and Düssel-dorf, freely traded in Stuttgart and Munich
Indices	Prime Standard All Share, Classic All Share, Prime Chemicals and Prime IG Specialty Chemicals, DAXPlus Family Index
Designated sponsor	Oddo Seydler Bank AG; Baader Bank AG

Number of Shares, Market Capitalization and Trading Volume

The number of company shares issued totaled 37,221,746 as of December 31, 2024.

As a company in the Prime Standard segment, H&R KGaA meets corresponding disclosure and transparency standards. The share price can be obtained from the trading systems and the financial press.

Around 1.5 million shares were traded for H&R via Xetra in 2024. Another 1.4 million shares changed hands via Tradegate, Deutsche Börse's platform for private investors. This meant that around 2.9 million shares were traded in 2024, an increase on the 2.5 million shares traded in the previous year.

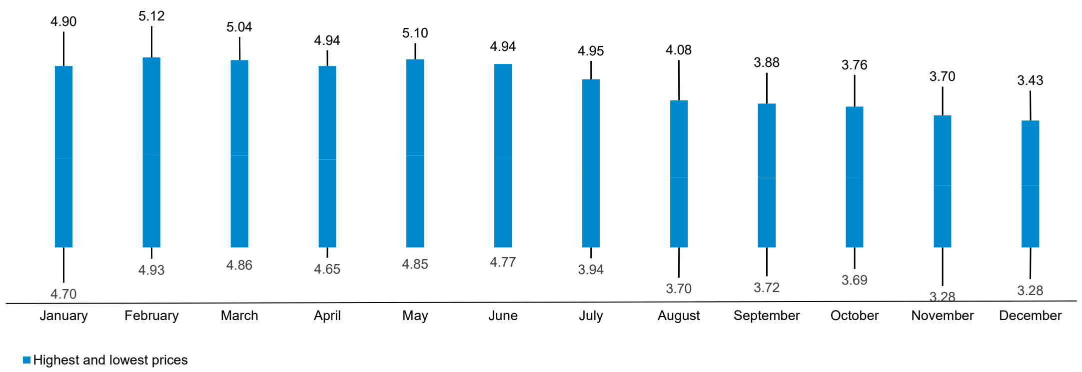
In terms of daily volumes and closing prices, the total trading volume resulting from this stood at around €11.8 million (previous year: €13.5 million).

KEY SHARE DATA/XETRA CLOSING PRICES

	2024	2023	2022	2021	2020
Number of shares on 31/12	37,221,746	37.221.746	37.221.746	37.221.746	37.221.746
Earnings per share	€ 0.29	€ 0.28	€ 1.15	€ 1.35	€ -0.24
Highest price for the year	€ 5.12	€ 6.42	€ 7.58	€ 10.25	€ 6.23
Lowest price for the year	€ 3.27	€ 4.32	€ 5.30	€ 5.31	€ 3.56
Price on 31/12	€ 3.39	€ 4.68	€ 6.02	€ 7.02	€ 5.47
Market capitalization on 31/12	€ 126.2 million	€ 174.2 Mio	€ 224.1 Mio	€ 261.3 Mio	€ 203.6 Mio
Average daily trading volume	€ 47 thousand	T€ 53	T€ 113	T€ 270	T€ 316

HIGHEST AND LOWEST PRICES OF THE H&R SHARE, FULL YEAR 2024 / XETRA CLOSING RATES

IN €



Shareholder Structure

We were informed of some minor changes in the shareholdings of our majority shareholder in the financial year under review. According to an informal notification, the share of the company's share capital that is attributable to Mr. Nils Hansen corresponds to a total of 61.45% of the voting rights.

According to an informal notification, the stake in the share capital held by Mr. Wilhelm Scholten on December 31, 2024, was unchanged at 6.06%. 5.45% of this was held via Wilhelm Scholten Beteiligungen GmbH and the remaining 0.61% was held via Ölfabrik Wilhelm Scholten GmbH and a subsidiary.

The remaining 32.49% of H&R shares were in free float as of December 31, 2024. Of these, around 2.0% were in turn held by institutional investors.

RESEARCH COVERAGE OF THE H&R SHARE

Kepler Cheuvreux
Baader Bank
DZ Bank

Get in Touch

Interested parties can download our company reports at any time from the Investor Relations section of our website, www.hur.com.

We would also be happy to send you a printed copy on request.

We also keep our target groups informed about current developments at our company through our e-mail newsletter. You can register for these publications at the Investor Relations section of our website.

Should you have any questions or suggestions, please contact us at:

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Phone: +49 (0) 40-43218-321
Fax: +49 (0) 40-43218-390
E-mail: investor.relations@hur.com
Website: www.hur.com

Combined Management and Group Management Report of H&R GmbH & Co. KGaA

Group Fundamentals

Corporate Structure and Business Model

Sectors and Organizational Structure

The H&R Group organizes its operating activities into two business divisions: Chemical-Pharmaceutical Raw Materials and Precision Plastic Parts. We also have three business segments: ChemPharm Refining, ChemPharm Sales and Plastics.

Our ChemPharm Refining segment includes the two German production sites in Hamburg and Salzbergen. We operate these sites with the aim of achieving as high a percentage as possible of output consisting of hydrocarbon-based specialty products. During the course of our production processes, we create approximately 800 different products that are used in almost every area of life.

Our ChemPharm Sales segment is comprised of numerous plants for additional processing as well as our distribution sites worldwide.In the Plastics segment, we manufacture our precision plastic parts at our sites in Germany, the Czech Republic and China. The customers buying our Plastics products include the automotive industry, the medical technology industry and other traditional industrial sectors.

Group's Legal Structure

As the Group's holding company, H&R GmbH & Co. KGaA (hereinafter referred to as H&R) is in charge of the management of our business operations. The holding company is responsible for the Group's strategic focus and its financing activities. In addition, it provides various management functions and services for our subsidiaries. At the end of the reporting period, there were 47 consolidated subsidiaries (December 31, 2023: 47). The list of shareholdings can be found in the notes to the consolidated financial statements under "Scope of Consolidation and Holdings".

The ChemPharm Refining segment, which primarily consists of the specialty production sites in Germany, has a functional management structure. Managerial staff within this segment have cross-site responsibility for key functions such as raw materials purchasing, project management, accounting, and sales/distribution. In the ChemPharm Sales segment, which does not have any raw materials processing of its own, the responsibility for all functions is held by local managing directors. These report from the sites to a regional managing director, who in turn reports to the Group's Executive Board.

There are two management levels at the Plastics segment: managing directors at the international sites report to the divisional Executive Board, which is also responsible for managing the pro-duction plant in Coburg, Germany.

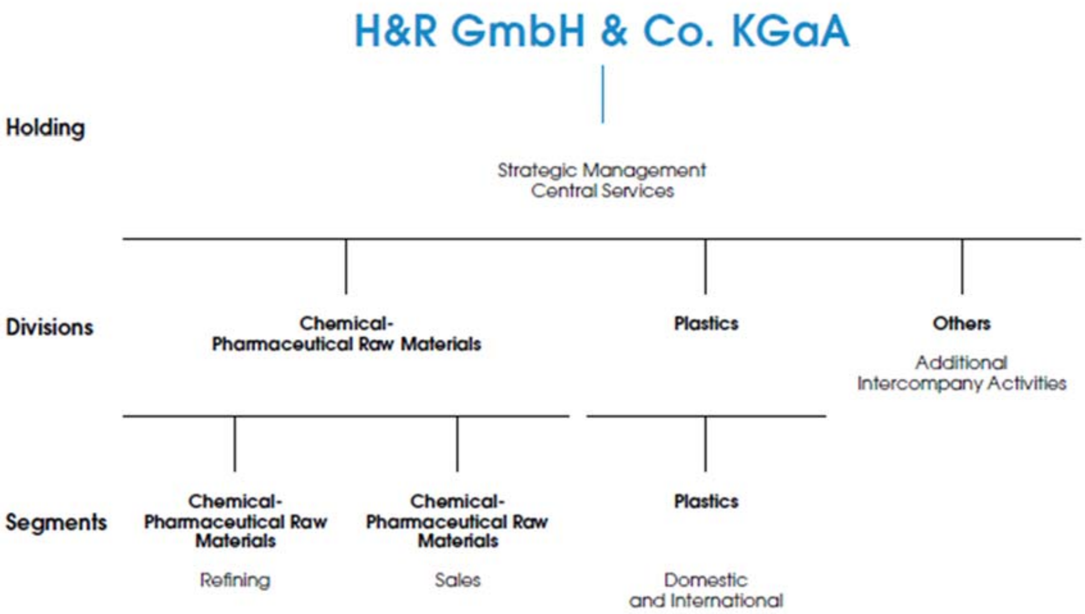
Sites

At year-end 2024, our Group employed 1,705 people worldwide (December 31, 2023: 1,704). The following overview shows the most important sites of our three segments with more than 25 employees:

MAIN SITES IN THE H&R GROUP

Conti-nent	Country	City	Division	Em-ployees
Africa	South Africa	Durban	Chem-Pharm	71
Asia	China	Wuxi	Plastics	140
	Thailand	Ningbo/ Daxie	Chem-Pharm	119
		Fushun	Chem-Pharm	109
		Bangkok/ Si Racha	Chem-Pharm	74
Europa	Germany	Hamburg	Chem-Pharm	323
		Salzbergen	Chem-Pharm	428
		Coburg	Plastics	82
	BeNeLux	Nuth	Chem-Pharm	34
	United Kingdom	Tipton	Chem-Pharm	52
	Czech Republic	Dačice	Plastics	85

OVERVIEW OF GROUP STRUCTURE



Main Products, Services and Business Processes

At our domestic production sites in the Chem-Pharm Refining segment, we are currently using hydrocarbon-based raw materials. Bio-based products, synthesized products and recycled base materials are likewise already used as feed-stock in addition to fossil products. Our feed-stocks are used to produce approximately 800 specialty products: process oils, technical and medical white oils, paraffins and wax products. By-products and co-products produced as part of our processes are either processed to produce other high-quality specialty products or are used in bitumen to build roads. Another part is sold on to refineries as feedstock. At special filling facilities, we also mix end products based on well-known end customers' formulations.

In the production plants of the ChemPharm Sales segment, our production focuses on environmentally friendly label-free plasticizers and wax emulsions. Partnerships with local producers around the world allow us to avoid building up our own raw materials processing capacities.

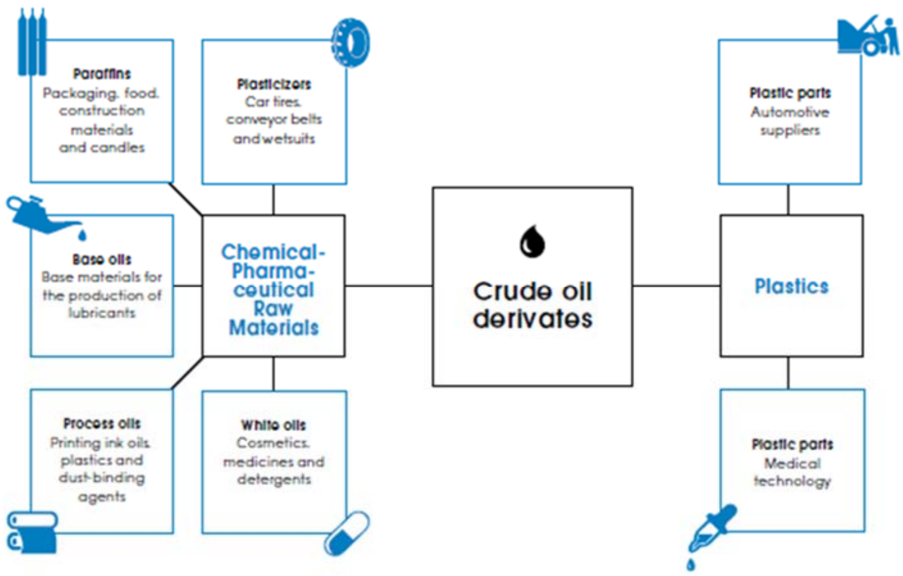
In the Plastics segment, we manufacture precision plastic parts, as well as components and medical consumables.

Objectives and Strategy

Key Sales Markets and Competitive Situation

The basis of our production of chemical-pharmaceutical specialty products are hydrocarbons from fossil-based, synthetic or bio-based sources. We mainly source our fossil-based raw materials from fuel refinery operators. Bio-based, synthetic and recycled products originate from our network of partners, from sources available on the market and from our own production. Consistently focusing on the customers' applications, we generate chemical-pharmaceutical specialty products from these. Over the decades, we have developed a solid market presence.

CRUDE OIL SPECIALTIES



Our specialty products include, among others, environmentally friendly label-free plasticizers, which are used in the rubber blends of well-known car tire manufacturers as well as in additional technical rubber products. Our main competitors in this product area are the major oil companies.

Our paraffins are used for a wide variety of applications. With their water-repellent properties, paraffins lend themselves well to applications in the food, packaging and construction industries.

With regard to white oils, we are sure that we are able to reliably meet high quality standards. Our technical white oils are used in industrial sectors. Our medical white oils are found, among other applications, as components in cosmetic products such as creams and ointments.

We sell the vast majority of our base oils to lubricant manufacturers as raw materials. Using additives, we further process a small quantity of these base oils into ready-made lubricants.

Our business was impacted by a generally stagnant economic situation in 2024. Germany's political leadership struggled to provide adequate responses to pressing issues such as decarbonization, digitalization and demographic change. Germany introduced hardly any tax or fiscal policy measures to improve the situation compared to other governments. As a result, competitive pressure on Germany's export-oriented economy remained high. Germany fell behind on the global stage due to persistently high energy costs, a distinct lack of progress in reducing red tape and high-quality industrial goods from Chi-na increasingly displacing German exports on global markets.

Legal and Economic Factors

Economic Factors
The German economy has been treading water for more than two years and has failed to fully utilize its production capacities since the Covid-19 pandemic. Instead, economic forecasts have been repeatedly revised downwards. Structural adjustment processes are struggling to get off the ground and dampening the short-term growth prospects for the German economy.

Legal Factors
In addition to compliance with the rule of law in general, licensing issues are paramount for H&R, such as regarding the operation of plants or the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). We are seeing increasing hurdles here involving ever greater complexity and lengthier and

more extensive procedures coupled with shorter approval windows.

Again in 2024, there were aspects to be considered in relation to Russia's war against Ukraine. First and foremost, there is sanctions law, which legally restricted trade with Russia above all for European market participants. Competitors from the Gulf region, India and southeastern Europe were not subject to as many legal restrictions and were therefore able to secure clear advantages.

Objectives

Across all of its divisions, H&R strives to achieve sustainable and commercially successful development in its income. We intend to build further on our operational strengths in international business through additional production partnerships and the targeted expansion of our further processing and distribution sites.

In terms of sustainability, we are committed to achieving CO_2 neutrality by the end of 2050. H&R is following the guidelines of the Science Based Target initiative (SBTi), a collaboration between CDP, the UN Global Compact, the World Resources Institute, and the World Wide Fund for Nature. These guidelines set out a minimum target of reducing emissions along the value chain by 4.2% per year. The reduction will be implemented in phases, depending on the availability of practical and economically viable technologies. We have designated 2022 as our benchmark year.

We have also set ourselves the target of 70% of our core products containing at least 10% renewable feedstocks by 2030, provided that the resulting product groups can be marketed in a profitable and competitive manner. We are using the mass balance approach to achieve this; this involves replacing fossil-based feedstocks with renewable raw materials. This can be done through direct substitution (1:1 replacement of the raw material). If direct substitution is not feasible, the use of the raw material can be compensated for by using a renewable raw material elsewhere in the production process.

Overall, we are following a comprehensive approach, which goes beyond the pure raw material aspect/increased use of bio-based or synthesized products. We also intend to drive forward the approach of increased sustainability through the efficient use of water, energy and heat. We additionally intend to continuously develop our expertise in this field in order to successfully continue on the path toward increased sustainability.

Strategy

The umbrella term used to describe our strategic approach is **G.A.T.E.**, referring to a "gateway to the future". In line with our goal of achieving further international expansion, we see ourselves as a company that thinks globally. At the same time, we are building regional connections and we operate at a local level. The most important driver of our economic activity is our proximity to the market, which enables us to always act with a deep understanding of our customers' specifications and needs in a user-oriented manner. We also remain "technovative" by ensuring that our sites are always on the cutting edge of technological development and by keeping a close eye on innovative process and product solutions. We successfully combine economy and ecology, acting in an economically prudent way, with full awareness of the resources we are using. Eco², i.e., "ecology x economy", increases the potential in both areas exponentially while representing a key step toward sustainability.

We still regard the selection of our raw materials as the factor with the greatest leverage. In this respect, we have been pursuing a "three-pillar strategy" for several years. It describes the path away from fossil base materials toward more bio-based and synthesized products. The objective is a sustainable supply of raw materials with renewable hydrocarbons, which have the same properties as crude oil, without its fossil-based DNA. Therefore, H&R is not aiming to decarbonize its production processes, but intends to change the source of carbon instead. The traditional fossil-based raw materials are to be replaced with water, green electricity from the wind and sun, biomass and recycled base materials. By technically further developing our production processes and closely coordinating with our cus-tomer industries, we want to expand our portfo-lio of feedstocks that can be used by introducing sustainable grades and generate climate-friendly and market-oriented specialty products at the end of the value chain.

Status of the Realization of the Strategic Objectives in 2024

In 2024, we fundamentally revised our sustainability targets and therefore also some of the strategy for achieving them. What remains to be said is this: There are no alternatives for topics such as sustainability, resource conservation and efficient use of raw materials - i.e. goals that are not only important for the company, but also for society as a whole. Specific “green” goals are also becoming increasingly important for lenders as part of the financing conditions and require companies to act consistently.

On the other hand, the transformation of a company's own business model is neither an end in itself, nor can it be considered completely detached from overall economic development. It must be financially viable - from the existing business - and it must be possible to implement it along the entire value chain. In the past year, we unfortunately only saw a slight increase in the range of sustainable input materials on offer, nor did we see a clear willingness on the part of our customers to pay more for sustainable products. The latter was primarily due to the respective situation of the customers in the financial year and, in our opinion, does not yet represent a structural and general hurdle. After all, we can look back on financial years that were undoubtedly particularly challenging due to the COVID-19 pandemic and the war in Ukraine.

Nevertheless, these findings, as well as what has been achieved, had to be taken into account when considering the speed at which the Group's sustainability goals can be achieved.

We are therefore leaving the two objectives unchanged - striving for carbon neutrality and increasing the proportion of main products based on renewable sources - but are significantly adjusting the timelines for achieving them.

We nevertheless pressed ahead with our efforts to become more sustainable in 2024: The Group has made good progress, for example, on the issue of the feasibility and economic viability of processing pyrolysis oils and securing the corresponding input materials. Corresponding business plans are currently being drawn up to determine the potential based on initial scenarios. However, we will only act and invest here if the interplay of purchasing conditions, available feedstock quantities and customer demand suggests correspondingly adequate conditions.

H&R Chemisch-Pharmazeutische Spezialitäten GmbH (short: CPS), a subsidiary of H&R GmbH & Co. KGaA, announced in late fall that the German Federal Ministry for Economic Affairs and Climate Protection (BMWK) had positively evaluated the project application for the construction and operation of a process furnace at the Salzbergen site using electrical energy and selected it as one of 16 projects eligible for funding. In the months that followed, CPS and the Group parent company as well as H&R Refining GmbH, which is also involved as a partner in CPS's contract manufacturing activities, entered into a final review of the feasibility and target achievement of the project and assessed it comprehensively and critically. This resulted in a differentiated picture: if implemented, the project would be a significant step towards reducing the H&R Group's CO_2 emissions. As part of the climate protection agreement, H&R would implement the power-to-heat process in Salzbergen over the next few years, which would reduce the use of natural gas for heat generation. The project could then be supported with a funding amount of up to EUR 116.0 million, which would primarily involve investing in the electricity infrastructure at the Salzbergen site and the electric process furnace. For every tonne of CO_2 saved, the company would receive a defined payment for 15 years. However, companies must first make an upfront investment: only once the projects have been realized and their effectiveness has been proven.

The latter in particular was critically scrutinized, especially in light of current developments. It has been clear since December 2024 that the responsible grid operator will not be able to establish an electricity connection on time. Whether and to what extent such delays are taken into account by the funding provider is a discretionary decision. In principle, a reduction in the funding period could have a lasting impact on the project's key economic figures. This is particularly true in view of the fact that the granting of funding is generally subject to the availability of the budget funds estimated by the BMWK. It was already clear at the end of the year that a new federal government would also consist in part of partners from the previous governing coalition, although it is questionable whether the new government will feel bound by the commitments made in the KSV in the longer term. If there is a lack of reliability here, the already existing uncertainties, such as the development of grid fees and the medium and long-term development of electricity prices, will once again come into sharper focus.

Although all parties involved in the H&R Group consider the climate protection contracts to be a sensible means of achieving corporate and social climate protection goals, they have agreed for the time being not to press ahead with the project.

Overall, fewer by-products were incinerated this time as well. Thanks to targeted sales and customers who demanded a specific composition of certain by-products, we were able to sell more of these components to other refinery customers. Instead of being incinerated, for example as marine diesel, these cracker feed components were refined into other value-added products. In 2024, the proportion of by-products that could be sold into higher-value applications was over 92%.

Company Control

Internal Management System

The Group is managed based on the comprehensive reporting of key performance indicators and ratios that look at the areas of profitability, liquidity, the capital structure and operating performance. In addition to this, we monitor both company-specific and macroeconomic early indicators. At the production level, this includes data relating to plant availability, throughput volumes and quality parameters. In sales and distribution, we draw on sales volume statistics, general market data and macroeconomic early indicators for their management.

The management system also consists of monthly reports from the divisions, the management of risks and opportunities and our functional management structure, whereby responsibility is assigned for more than one site in important areas such as raw materials purchasing, project management and sales/distribution.

Control Parameters

In recent years, we have shifted the focus of our control instruments to a more intensive examination of short-term performance parameters in response to constant changes in the overall global economic situation. We measure and control profitability, in particular through contributions to income. Manufacturing planning is based on optimizing contribution margins; the segments are controlled using EBITDA and EBT figures.

H&R KGaA's presentation of EBITDA refers to earnings before net interest income, income taxes, other financial income, depreciation and amortization, and impairment of intangible assets and property, plant and equipment.

H&R KGaA calculates EBITDA as follows:

Consolidated income
+/–
Income taxes
+
Financing expenses
–
Financing income
+
Depreciation, impairments and amortization of intangible assets and property, plant and equipment
= EBITDA

Although operating income/EBITDA is not an earnings figure defined by IFRS, but rather an alternative performance indicator, H&R KGaA's Executive Board considers EBITDA to be a major and, indeed, the most significant indicator of Group earnings. EBITDA is the relevant operating income figure for the H&R Group. It represents the income needed to cover the Group's ongoing (maintenance) capital expenditure. This cover is of critical importance for the company's capital-intensive business model.

RECONCILIATION OF OPERATING INCOME (EBITDA) TO CONSOLIDATED INCOME (IFRS)

IN € MILLION	2024	2023
Operating income (EBITDA) of H&R GmbH & Co. KGaA	94.8	92.7
Depreciation and amortization of intangible assets and property, plant and equipment	-62.8	-62.4
Financing income	0.6	1.2
Financing expenses	-11.9	-12.7
Income taxes	-7.8	-8.2
Consolidated income	12.9	10.6

We calculate the EBT as income before tax.

The long-term weighted average cost of capital (WACC) performance indicator, which consists of the weighted capital costs of our equity and borrowings, is used in medium-term and longterm planning, for example, for the evaluation of investments and calculation of the holdings' carrying amounts and impairment tests.

The profitability ratio return on capital employed (ROCE) is also used in the medium-term and long-term planning. The ROCE compares earnings before interest and taxes to the average committed capital necessary for operations.

Liquidity. Our free cash flow is essentially determined by operating income (EBITDA), the change in net working capital (total of inventories and trade receivables less trade payables) and capital expenditure. Because of our business model, our cash flow is generally quite volatile. This is attributable to changes in our net working capital, in particular when deliveries of raw materials for our specialty refineries occur around the same time as the reporting dates. By constantly monitoring our free cash flow, we can reliably detect any issues requiring action so that we can respond accordingly. This will allow us to ensure the financial stability of the H&R Group in the future, too.

CHANGE IN FREE CASH FLOW

IN € MILLION	2024	2023	2022	2021	2020
Cash flow from operating activities	70.2	119.1	38.0	37.4	60.1
Cash flow from investing activities	-54.5	-56.3	-72.5	-48.6	-38.1
Free Cash flow	15.8	62.8	-34.5	-11.1	22.0

The starting point for calculating and reporting cash flow from operating activities in 2024 was, first of all, consolidated income that had risen by around 26.0% year-over-year to €13.3 million (December 31, 2023: €10.6 million). Based on this, we generated a cash flow from operating activities of €70.2 million (31 December 2023: €119.1 million) with comparably high depreciation and amortization of €62.8 million, a higher income tax expense and reduced changes in net working capital. Investing activity was around 3.2% lower in the past financial year, amounting to €-54.5 million. Free cash flow, which declined from €62.8 million to €15.8 million, presented itself as being under pressure accordingly while remaining positive.

Capital Structure. We aim to have a balanced capital structure that provides leeway for the strategic development of the Group while optimizing the cost of capital for our equity and borrowings. Our loan agreements require us to comply with two financial covenants. These relate to our equity base and net debt in relation to operating income (EBITDA).

Another control parameter relating to our capital structure is net gearing, which is the ratio of our net financial debt to equity. In spite of a slight decrease in debt in the course of 2024, this performance indicator fell from 29.1% to 28.4% as a result of the increase in equity.

CAPITAL STRUCTURE

	2024	2023	2022	2021	2020
Net debt/EBITDA	1.39	1.46	1.52	1.13	2.25
Equity ratio in %	46.2	50.6	49.0	46.7	46.5
Net gearing in %	13.4	29.1	42.9	39.9	35.3

Operating Performance. We regularly measure our operating business based on sales, on the basis of absolute earnings indicators such as EBITDA, EBIT, and EBT as well as by sales volumes for our chemical-pharmaceutical specialty products. The trend in the crude oil price, which is invoiced in US dollars, always has a direct impact on the cost of materials, which affects H&R KGaA's sales revenue for reasons related to the business model. On their own, our sales are therefore only of limited use as a performance indicator.

We calculate the sales and EBITDA figures both for the individual segments and for the Group as a whole. Together with the consolidated net debt, they constitute the main relevant control parameters used by our company.

INCOME AND VOLUME TREND

IN € MILLION	2024	2023	2022	2021	2020
Sales volume of core products in kt[1)]	797	799	811	869	805
EBITDA	94.8	92.7	124.9	132.5	55.8
of which REFINING	54.1	58.1	92.7	103.4	35.2
of which SALES	41.6	31.5	33.4	29.0	25.9
of which PLASTICS	3.0	4.7	5.0	3.9	-0.4
EBIT	31.9	30.3	69.6	81.6	-0.3
EBT – income before tax	20.7	18.8	62.0	73.4	-10.4

[1)]Chemical-Pharmaceutical Raw Materials division.

Research and Development

Focus of Our R&D Activities

One focal point of our research and develop-ment (R&D) activities is on boosting the efficiency of our production processes, thereby increasing the value we create.

The corresponding research activities are carried out by H&R itself and managed on the divisional level. In addition to traditional laboratories for material testing and improvement for the refinery sites, we also have a department for innovative process technologies. It deals with the implementation of new procedures and processes and integrates important demonstration plants into our process flows. In this way, H&R seeks to provide “proof of concept” for the large-scale industrial use of new and sustainable technologies.

Chemical-Pharmaceutical Raw Materials. Our products, which total around 800, are used as feedstock in almost all areas of life. As a result, there is considerable potential for developing new, and improving existing, products. Our sales/distribution staff and partners are an important source of ideas for product innovation. Thanks to the customer relationships they have developed over a long period of time, they have an excellent feel for the customers' changing needs.

We are also researching processes that could increase the yield of specialty products from our raw materials and further improve the level of value creation at our specialty refineries. The results of this research work have influenced our investment planning.

Plastics. The use of increasingly sophisticated technologies in vehicles to reduce fuel consumption and carbon emissions is leading to a growing demand for lightweight and simultaneously complex plastic parts. We often develop such parts – which consist of several different materials – in cooperation with our customers. In light of the increasing trend toward electric mobility, we expect the intended range optimization in this sector to lead to the further and accelerated substitution of metal with plastic parts.

R&D Expenses

The importance of our research and development activities is reflected in our consistent spending in this area.

At just over €2.6 million, R&D spending was significantly higher than in the previous year. Our R&D ratio, defined as R&D expense divided by sales, was above the previous year, at 0.19%, due to the slight decline in sales.

RESEARCH AND DEVELOPMENT COSTS

IN € THOUSAND	2024	2023	2022	2021	2020
Research and development costs	2,614	2,051	2,030	2,520	2,795
of which ChemPharm	2,462	1,919	1,924	2,031	2,240
of which Plastics	152	132	106	489	555
as % of annual sales	0.19	0.15	0.13	0.21	0.32

Report on Economic Position

Trends in the Business Environment

Macroeconomic Conditions

In its economic forecast for winter 2024, the ifo Institute saw the German economy facing major challenges: in 2024, gross domestic product is expected to fall by 0.1% compared to the previous year. The German economy has thus been treading water for five years now and is experiencing by far the longest period of stagnation in post-war history. Germany is also clearly falling behind in an international comparison, as other countries examined by the experts at the ifo Institute were able to record significant growth in some cases over the same period. In Germany, for example, the burden on companies due to taxes, bureaucracy and energy costs has increased compared to other locations worldwide, the renewal of the digital, energy and transport infrastructure is progressing more slowly and the shortage of skilled workers is more pronounced.

There are two possible scenarios for the ifo Institute. Assuming a continuation without radical changes, creeping deindustrialization will continue, leaving growth potential of only 0.4 % for 2025 (2026: 0.8 %). A more optimistic alternative scenario assumes, above all, falling bureaucracy and energy costs, the expansion of digital, energy and transport infrastructure and an increase in the labor supply (e.g. through a higher labor force participation of older people or women, an increase in working hours for part-time employees or easier immigration of skilled workers). In this scenario, gross domestic product will grow by 1.1% and 1.6% respectively in the next two years, more than twice as fast as in the base scenario.

However, the experts were unable to take into account the disruptive policies of the USA and their impact on Europe, particularly Germany, before the forecast was published.

In the eurozone, economic output rose by 0.7% compared to the previous year - the strongest increase in two years. The Spanish economy once again proved to be the most dynamic, but France also recorded robust growth in gross domestic product. Overall, economic output in the eurozone will increase by 1.2% in both 2025 and 2026.

According to ifo experts, the global economy was on a moderate upward trend at the end of the year. Global industrial production has been growing again since the middle of the previous year and global trade in goods gained significant momentum during the year.

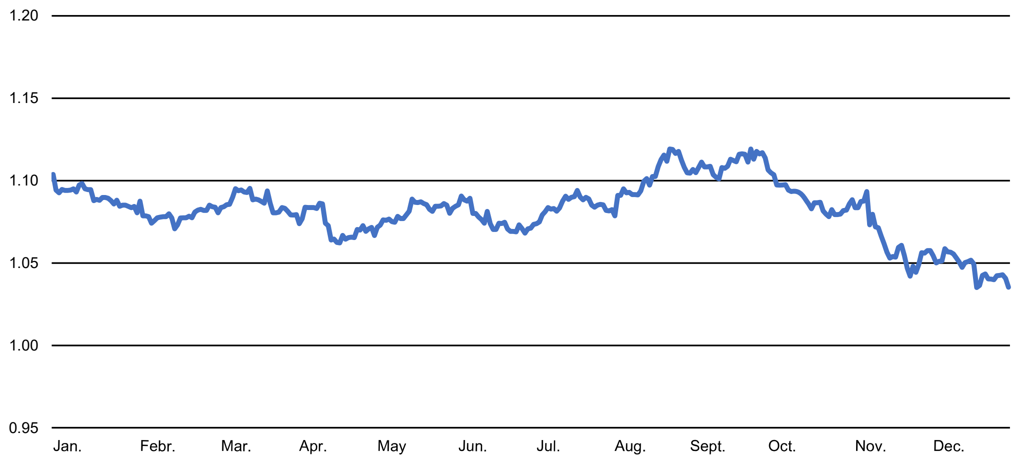
However, global economic dynamics vary from region to region. It has recently been robust in Asia outside China, but particularly weak in Western Europe. The recent overall growth of 2.6% is likely to continue at the same level in the coming years.

The euro, which is key to H&R's earnings performance, started the financial year at an exchange rate of US$ 1.10 to the US dollar. After fluctuating sideways in some cases until late summer, the euro reached its high for the year of almost US$ 1.12 in September, before falling significantly in the wake of the news surrounding the US elections and the break-up of the Berlin coalition. At the end of the year, the single currency was trading at € 1.04.

Crude oil prices (all figures refer to daily closing prices for a barrel of North Sea Brent) fluctuated considerably over the course of the year. Starting from a price of around US$ 77 at the beginning of the year, the price rose to almost US$ 92 by mid-April 2024. Interrupted by brief price spikes in July and October, oil became steadily cheaper towards the end of the year and was last quoted at just under US$ 76. We had originally assumed a higher annual average price of US$ 85 per barrel of North Sea Brent for the planning year 2024.

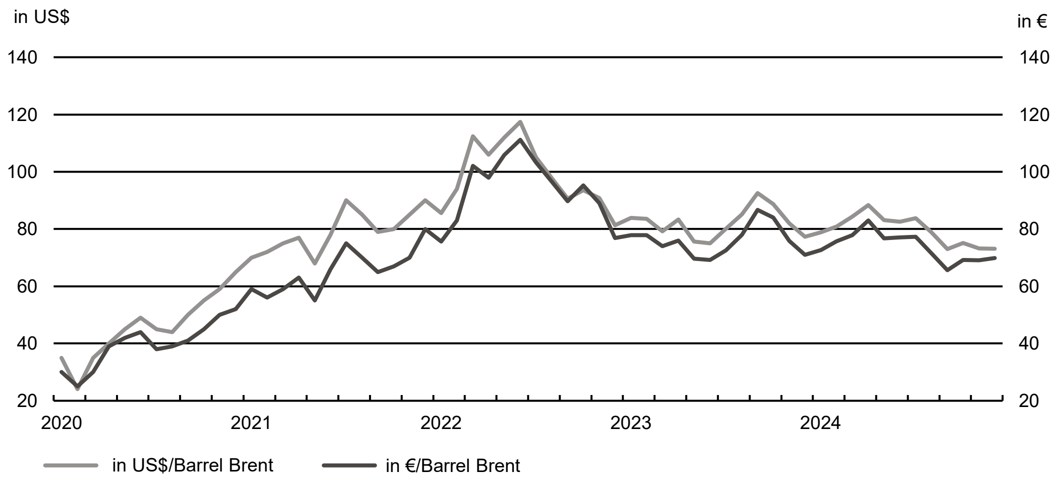
EXCHANGE RATES US$ PRO € 2024

(CLOSING RATES US$ PRO €)



OIL PRICE DEVELOPMENT 2020–2024

(AVERAGE MONTHLY PRICES)



Industry-Specific Climate

At the end of the year, the German Chemical Industry Association (VCI e. V.) saw the industry it represents “at a low point in terms of sentiment”. The chemical-pharmaceutical industry suffered a severe setback when the recovery in demand for chemicals hoped for in the second half of the year failed to materialize, both in Germany and abroad, and many industrial customers cut back on production, resulting in a drop in demand for chemical products. As a result, the VCI adjusted its original growth forecast and now expects a decline of 2.0% in industry sales for the year as a whole instead of slight growth.

Overview of Business Development and Performance

In 2024, H&R sold a total of 797,372 tons of core products from its Chemical-Pharmaceutical Raw Materials division (2023: 798,885 tons) to external customers. The Group generated slightly lower sales than in the previous year, at €1.34 billion (2023: €1.35 billion). At €1,027 million (2023: €1,033 million), around €6.4 million less was spent on feedstocks and energy than in the previous year. All in all, the operating income (EBITDA) generated by the Group amounted to €94.8 million (2023: €92.7 million).

Events With a Major Impact on Business Development and Performance

Overall, the Group's €1,338.2 million of sales was on a par with the previous year (2023: €1,352.3 million). Business picked up from the middle of the year onwards after a slow start to the year. Demand was robust and prices remained stable, although there was little upward momentum.

Comparison of Actual Business Development and Performance With the Forecast Made in the Previous Year

The expectations with which H&R KGaA started financial year 2024 were initially based on the assumption that developments would be improved compared with the previous year. Although we expected sales to be comparable to 2023, we also expected operating income (EBITDA) to be in a range between €90.0 million and €110.0 million compared to the €92.7 million achieved in 2023.

Even though the first quarter failed to make the necessary contribution to this target, we remained optimistic. Developments towards the middle of the year gave us particular cause to be optimistic. However, conditions deteriorated significantly in the fall when the re-election of Donald Trump as U.S. President and the failure of the coalition government in Berlin caused considerable uncertainty in many of our cus-tomer industries. Nevertheless, we assumed that our EBITDA would still be in line with the initial figure of €90.0 million.

Total sales revenue ultimately reached €1,338.2 million. At €94.8 million, the EBITDA recognized in the consolidated income statement for the financial year was once again above our projected range and exceeded the prior-year figure.

The consolidated income attributable to share-holders, which we did not, however, forecast, came to €10.6 million for 2024 (2023: €10.6 million).

FORECAST FOR FINANCIAL YEAR 2024

Forecast date	Publication of the 2023 annual report	Publication of preliminary half-year figures for 2024	Publication of preliminary figures for Q3/2024	Actual value
Total sales	"€1,200.00 million to €1,500.0 million"	not defined	not defined	€1,338.2 million
Sales in ChemPharm Refining	"≥ €744.0 million"	not defined	not defined	€817.1 million
Sales in ChemPharm Sales	"≥ €408.0 million"	not defined	not defined	€492.6 million
Sales in Plastics	"≥ €48.0 million"	not defined	not defined	€48.0 million
EBITDA at Group level	"between €90.0 million and €110.0 million"	"Guidance remains valid"	"Entry level of €90.0 million likely"	€94.8 million

In the Chemical-Pharmaceutical Raw Materials division, sales of €1,309.7 million were below the prior-year level (2023: €1,320.9 million) due to price and volume factors, but exceeded the minimum forecast from the last annual report. However, the picture becomes more varied when looking at income: Instead of the EBITDA figure of at least €61.2 million which was forecast for the

ChemPharm Refining segment at the start of the year in the forecast report, our refinery sites generated a total of €54.1 million. The interna-tional activities of the ChemPharm Sales seg-ment, on the other hand, contributed a signifi-cantly improved €41.6 million to the operating income. A contribution of just €24.3 million had been expected. The performance of the Plastics division was also varied. In light of the difficul-ties in the automotive industry caused by the weak sales figures of major German car manufacturers as a result of the uncertainty surrounding electric mobility, the segment achieved sales revenue of €48.0 million. This was in line with our expectations but below the previous year's level (2023: €51.3 million). EBITDA was also lower at €3.0 million and also fell short of the forecast made at the beginning of the year (€4.5 million). In the previous year, operating income came to €4.7 million

Economic Position of the H&R Group

Assessment of Economic Performance and Overall Statement by the Management Board

Overall, H&R's performance was in line with expectations in the reporting period, but remained more subdued than the Management Board had hoped at the beginning of 2024. The opening quarters in particular remained weak overall. As a result, the Group had to make up for this deficit in the second half of the year.

Our customer industries also had little to counter the generally subdued nature of the global economy. Demand and product prices remained volatile, while good margins and prices rarely coincided with rising demand. H&R achieved a good operating income for the year of €94.8 million on this basis, slightly exceeding the previous year's figure.

Note on Presentation of the Influence of Accounting Policies on the Economic Situation

The accounting is based on discretionary decisions and estimates that we have exercised as we consider appropriate, taking into account the company's current economic situation including our assessment of future development. Our net assets and financial position also reflect, inter alia, the steps we have taken to manage working capital (inventory management, advance payments for orders). For a full description of the assumptions and discretionary decisions made with respect to the measurement of assets and liabilities, please refer to the presentation in the notes to the consolidated financial statements.

Results of Operations

In financial year 2024, we generated sales of €1,338.2 million (previous year: €1,352.3 million), down on the previous year's level. The revenue share from the Chemical-Pharmaceutical business (2024 sales contribution: 97.9%; previous year: 97.7%) fell by 1.3% in the ChemPharm Refining segment, and was just slightly below the previous year's figure in the ChemPharm Sales segment. The decline in sales was slightly more significant in the Plastics segment at 6.4% (sales contribution in 2024: 3.6%; previous year: 3.8%).

In terms of operating income (EBITDA), the Refining segment yielded 6.9%, while the Sales segment increased by a pleasing 32.1%. The losses in the Plastics segment were a painful 36.2%. Overall, the company reported solid income figures that improved compared to the previous year despite the circumstances being far from ideal. Overall, consolidated operating income (EBITDA) totaled €94.8 million (previous year: €92.7 million). Driven by the consistent income figures and the year-over-year downturn in sales, the EBITDA margin improved to 7.1%, compared to 6.9% in the 2023 financial year.

Due to a small increase in depreciation and amortization, consolidated income before inter-est and taxes (EBIT) totaled €31.9 million in 2024 (previous year: €30.3 million). Income before tax (EBT) improved from €18.8 million in 2023 to €20.7 million. Consolidated income attributable to shareholders amounted to €10.6 million (previous year: €10.6 million).

The company reported another slight increase in earnings per share to €0.29 for 2024, as against €0.28 per share in the prior-year period.

CHANGES IN SALES AND INCOME

IN € MILLION	2024	2023	2022	2021	2020
Sales revenue	1,338.2	1,352.3	1,576.0	1,188.4	873.0
EBITDA	94.8	92.7	124.9	132.5	55.8
EBIT	31.9	30.3	69.6	81.6	-0.3
Income before tax	20.7	18.8	62.0	73.4	-10.4
Consolidated income attributable to shareholders	10.6	10.6	42.7	50.2	-9.0
Earnings per share	0.29	0.28	1.15	1.35	-0.24

Trend in Orders

Over the course of 2024 as a whole, new orders for products in our Chemical-Pharmaceutical business were subdued. Inflation, global tensions and, above all, the lack of clear momentum from economic policymakers significantly dampened sentiment in our customer industries, as did the overall high costs of raw materials, energy, logistics and necessary services. Nevertheless, the tonnages of the core products sold matched the previous year's figures in both the Refining and the Sales segments. Overall, vol-umes were similar in both segments.

The crisis affecting German car manufacturers was felt at every turn in the Plastics Division, as was the lack of a clear commitment to e-mobility. Following the restructuring of recent years, GAUDLITZ had repositioned itself in the Czech Republic with a particular focus on this area. However, instead of seeing a ramp-up in its business, the company was mainly affected by a decline in the number of units requested.

Trends in the Main Items on the Income Statement

During the reporting period, there was a €21.6 million change in inventories of finished products and work in progress to €4.4 million (previous year: €-17.2 million). Our cost of materials remained stable in the 2024 financial year, and fell by just 0.6% to €1,026.7 million (previous year: €1,033.1 million).

TRENDS IN THE MAIN ITEMS ON THE INCOME STATEMENT

IN € MILLION	2024	2023	2022	2021	2020
Sales revenue	1,338.2	1,352.3	1,576.0	1,188.4	873.0
Changes in inventories	4.4	-17.2	36.0	31.1	-24.8
Other operating income	37.6	29.9	37.1	29.6	28.0
Cost of materials	-1,026.7	-1,033.1	-1,274.0	-901.6	-634.3
Personnel expenses	-106.4	-102.8	-99.6	-99.2	-83.0
Depreciation and amortization	-62.8	-62.4	-55.3	-50.9	-56.1
Other operating expenses	-152.1	-135.9	-150.2	-115.6	-103.2
Operating result	**32.2**	**30.7**	**70.2**	**81.7**	**-0.3**
Financial result	-11.5	-11.9	-8.2	-8.4	-10.1
Consolidated income before taxes	**20.7**	**18.8**	**62.0**	**73.3**	**-10.4**
Consolidated income before minority interests	**12.9**	**10.6**	**45.4**	**52.5**	**-7.8**
Consolidated income attributable to shareholders	**10.6**	**10.6**	**42.7**	**50.2**	**-9.0**

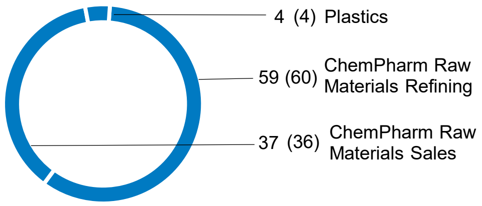
Personnel expenses increased year-over-year at €106.4 million (previous year: €102.8 million) as a consequence of contractual tariff adjustments and higher profit-sharing due to the solid consolidated income.

In contrast to the previous year (2023: €0.4 million), there was no impairment of goodwill. Depreciation and amortization totaled €62.8 million (2023: €62.4 million).

Other operating expenses were much higher, totaling €152.1 million in 2024 compared with €135.9 million in 2023.

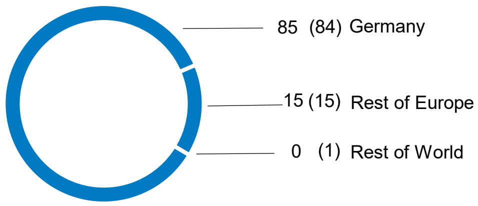
SALES BY SEGMENT IN 2024

IN % (PREVIOUS YEAR'S FIGURES)



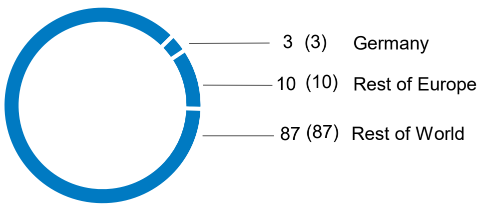
SALES BY REGION IN THE CHEMPHARM REFINING SEGMENT IN 2024

IN % (PREVIOUS YEAR'S FIGURES)



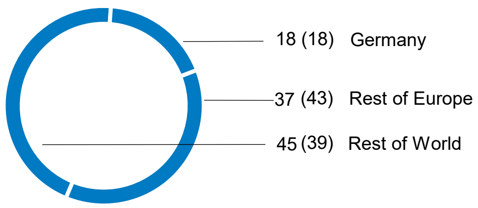
SALES BY REGION IN THE CHEMPHARM SALES SEGMENT IN 2024

IN % (PREVIOUS YEAR'S FIGURES)



SALES BY REGION IN THE PLASTICS SEGMENT IN 2024

IN % (PREVIOUS YEAR'S FIGURES)



Earnings Trend by Segment

ChemPharm Refining. Sales volumes of core products at our Group's largest segment slightly exceeded the prior-year figure at 395,297 tons (2023: 394,419 tons).

The main reason for the downturn in segment sales was the generally weak start to the year, which slowed the segment's performance. All in all, sales amounted to €817.1 million (previous year: €828.2 million). The operating income (EBITDA) of the segment also got off to a weak start before recovering somewhat in the second half of the year to a total of €54.1 million. This was equivalent to a decline of around 6.9% relative to the €58.1 million figure achieved in the previous year.

ChemPharm Sales. At €492.6 million, sales in the international segment remained on a par with the previous year (2023: €492.7 million). At the same time, we recorded a slight drop in sales from around 404,465 tons in the previous year to 402,075 tons in 2024. On the earnings side, the segment performed significantly better than the refinery business for most of 2024. All in all, income was approximately 32.2% above the previous year's result, with operating income (EBITDA) totaling €41.6 million, which was higher than in the previous year (2023: €31.5 million).

Plastics. With €48.0 million in sales, our Plastics segment made less of a contribution to total sales than in the previous year (2023: €51.3 million). After contributing €4.7 million to operating income (EBITDA) in the previous year, the segment achieved a much lower EBITDA of €3.0 million in the reporting period.

KEY FIGURES BY SEGMENT (IFRS)

IN € MILLION	2024	2023	2022	2021	2020
Sales revenue					
ChemPharm Refining	817.1	828.2	1,020.6	745.3	524.6
ChemPharm Sales	492.6	492.7	526.7	412.2	317.0
Plastics	48.0	51.3	49.0	43.8	40.1
Reconciliation	-19.4	-20.0	-20.3	-12.8	-8.7
Operating income (EBITDA)					
ChemPharm Refining	54.1	58.1	92.7	103.4	35.2
ChemPharm Sales	41.6	31.5	33.4	29.0	25.9
Plastics	3.0	4.7	5.0	3.9	-0.4
Reconciliation	-3.8	-1.6	-6.2	-3.8	-4.9

Net Assets and Financial Position

Financial Management Principles and Objectives

We manage our finances centrally. The overriding objectives of this function are as follows:

- To provide the company with sufficient liquidity and to use it efficiently
- To finance net working capital and capital expenditure
- To hedge against financial risks
- To ensure compliance with financing terms
- To optimize our capital structure

We cover our short-term financing needs using a widely syndicated, variable-interest syndicated loan currently with a term up to December 8, 2029. In order to ensure that we remain solvent at all times and to make efficient use of the liquidity of our German subsidiaries, the latter is incorporated into the cash pool structures in place at H&R GmbH & Co. KGaA.

We currently cover our long-term financing needs primarily using fixed-interest redeemable loans with interest between 1.5% and 3.3%, which are refinanced by the German development bank KfW.

MAIN FINANCING INSTRUMENTS OF THE H&R GROUP

	Original loan amount in € million	Year of issue	Current loan amount in € million	Maturity
Syndicated loan	Bis zu 230,0	2022	63.8	12/08/2029
Redeemable loans	10.0	2017	3.0	6/30/2027
Redeemable loans	19.0	2017	3.0	6/30/2026
Redeemable loans	14.5	2017	5.0	9/30/2027
Redeemable loans	7.0	2019	1.9	3/31/2027
Redeemable loans	13.3	2021	6.7	12/31/2026
Redeemable loans	13.3	2021	6.7	12/31/2026
Redeemable loans	30.0	2021	30.0	12/16/2026
Redeemable loans	25.0	2022	23.4	6/30/2032

*Loan amount from 12/8/2028 to 12/8/2029: €200 million.

As of December 31, 2024, there were firmly agreed but unused credit lines in the amount of €160.9 million.

Analysis of the Cash Flow Statement

Based on a €2.8 million increase in consolidated income to €13.3 million, cash flow from operating activities totaled €70.2 million in the reporting period (previous year: €119.1 million). This amount included €62.8 million of depreciation and amortization (previous year: €62.4 million).

Cash flow from investing activities went down slightly from €-56.3 million to €-54.5 million. The main component of this item was the €-51.8 million spent on the reporting year's required investments in property, plant and equipment in connection with projects realized in our specialty refineries and sites (2023: € -53.3 million). In total, free cash flow fell to €15.8 million (previous year: €62.8 million) while remaining positive.

Overall, financing activities resulted in a net cash outflow of €-25.8 million (previous year: €-46.9 million). Financial liabilities, which had already been steadily reduced in the past, were further reduced in 2024 (€-211.1 million; 2023: €-202.8 million). At the same time, the total new financial liabilities taken out also increased to €195.6 million (2023: €159.6 million). At the end of the reporting period, cash and cash equivalents amounted to €62.5 million, compared to €69.4 million a year earlier.

In the fourth quarter of 2024 alone, the company reported a lower cash flow from operating activities of €16.5 million (Q4/2023: €46.1 million). With investing activities up year-over-year at €-18.3 million (2023: €-16.0 million), the free cash flow for the fourth quarter of 2024 fell into the negative range at €-1.9 million (Q4/2023: €30.1 million).

The company was always able to fulfill its payment obligations in 2024. The total amount of liabilities to banks was €151.8 million as of the reporting date.

FINANCIAL POSITION

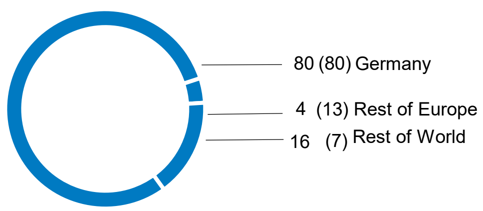
IN € MILLION	2024	2023	2022	2021	2020
Cash flow from operating activities	70.2	119.1	38.0	37.4	60.1
Cash flow from investing activities	-54.5	-56.3	-72.4	-48.6	-38.1
Free cash flow	15.8	62.8	-34.5	-11.1	22.0
Cash flow from financing activities	-25.8	-46.9	41.5	2.5	-57.7
Cash and cash equivalents as of Dec. 31	62.5	69.4	56.0	48.9	55.0

Capital Expenditure

During the reporting period, our investments in property, plant and equipment of €51.8 million were down slightly on the previous year (2023: €53.3 million). We invested a total of €47.1 million in the Chemical-Pharmaceutical Raw Materials division in 2024 (previous year: €44.4 million). A substantial portion of this amount (€40.4 million) was again invested in the ChemPharm Refining segment, where it was used to expand and replace capital assets at the specialty refiner-ies in Hamburg and Salzbergen. The division's remaining €6.7 million of capital expenditure was divided among our ChemPharm Sales segment's international sites. In the Plastics segment, investments in property, plant and equipment came to €4.2 million (previous year: €6.7 million). The segment's comparatively high capital expenditure in 2024 related to the commissioning of the production site in the Czech Republic.

CAPITAL EXPENDITURE BY REGION IN 2024

IN % (VORJAHRESWERTE)



In total, an order commitment for property, plant and equipment amounting to €15.5 million existed as of December 31, 2024. Its financing was secured by existing resources and credit lines.

CAPITAL EXPENDITURE BY SEGMENT

IN € MILLION	2024	2023	2022	2021	2020
ChemPharm Refining	40.4	41.0	54.6	32.5	19.9
ChemPharm Sales	6.7	4.1	5.3	13.9	4.2
Plastics	4.2	6.7	5.5	1.6	0.6
Reconciliation (other activities)	0.1	0.1	0.2	0.2	–
Group	**51.4**	**51.9**	**65.6**	**48.2**	**24.7**

Analysis of the Statement of Financial Position

As of year-end 2024, the balance sheet total stood at €1,014.8 million (December 31, 2023: €903.2 million). On the assets side, cash and cash equivalents decreased to €62.5 million compared to €69.4 million at the end of the previous year. Meanwhile, trade receivables were up considerably year-over-year at €135.0 million (December 31, 2023: €105.8 million). The reason for this was the expiration of the previously existing factoring program.

Inventories – one of the main components of current assets – increased by 4.3% to €215.2 million (2023: €206.4 million). Overall, current assets increased by 10.7% to €450.6 million as of December 31, 2024, compared with €407.2 million at the end of the previous year. They accounted for 44.4% of the balance sheet total.

Non-current assets rose by significant 13.7% to €564.3 million in financial year 2024 (December 31, 2023: €496.1 million). Property, plant and equipment remained almost unchanged at €445.2 million (December 31, 2023: €444.6 million). Goodwill remained on a par with the previous year at €17.0 million. Other intangible assets came to €13.0 million by a change of €-2.6 million (December 31, 2023: €15.5 million).

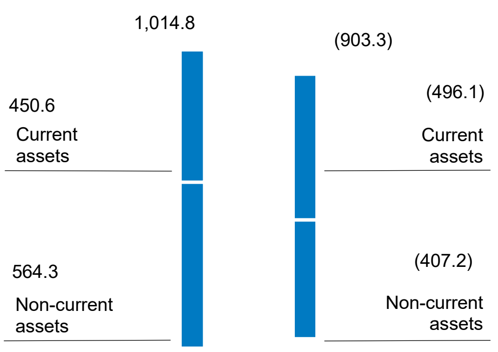
Significant changes resulted from other financial assets, which increased from €10.0 million to €80.8 million as a result of the recognition of the Climate Protection Agreement as a derivative.

Overall, non-current assets comprised 55.6% of the balance sheet total.

On the liabilities side of the statement of financial position, current liabilities went up by 22.9% from €240.2 million to €295.1 million; their percentage of the balance sheet total was 29.1%. Liabilities to banks increased from €77.1 million to €88.6 million.

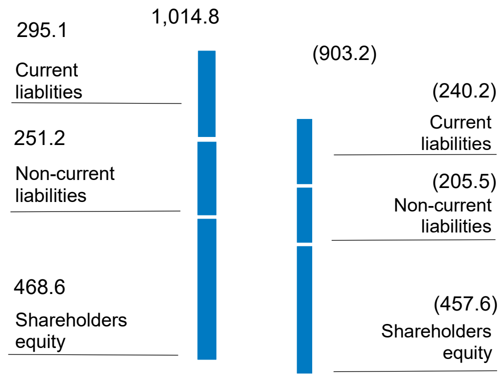
ASSETS 2024

IN € MILLION (PREVIOUS YEAR'S FIGURES)



LIABILITIES AND SHAREHOLDERS' EQUITY 2024

IN € MILLION (PREVIOUS YEAR'S FIGURES)



Trade payables came to €93.3 million (December 31, 2024: €103.1 million). Liabilities from supplier finance agreements accounted for the majority of the changes at €57.0 million.

During the same period, non-current liabilities increased by 22.2% to €251.2 million (December 31, 2023: €205.5 million), changing their percentage of the balance sheet total from 22.7% to 24.8%. Non-current liabilities to banks dropped from €80.5 million to €63.2 million.

Significant changes were also recorded in the area of non-current other liabilities (December 31, 2024: €90.1 million; December 31, 2023: €20.3 million) – again showing the recognition of the Climate Protection Agreement as a derivative -, and in deferred tax liabilities, which fell from €11.9 million in the previous year to €5.5 million.

H&R KGaA's equity amounted to €468.6 million at the end of the reporting period (December 31, 2023: €457.6 million). It was around 2.4% higher than in the previous year, due primarily to the improvement in retained earnings.

As the balance sheet total and equity both increased, with the latter increasing significantly less sharply, the equity ratio was lower as of the reporting date at 46.2% (December 31, 2023: 50.7%). Main reason was the profit-neutral expansion of the balance sheet total through the accounting of the Climate Protection Agreement. Net gearing (the ratio of net financial liabilities to equity) decreased from 29.1% to 13.4%.

Net Assets, Financial Position and Results of Operations of H&R KGaA

RESULTS OF OPERATIONS OF H&R GMBH & CO. KGAA UNDER HGB

IN € THOUSAND	2024	2023	Change
Sales revenue	925	958	-33
Other operating income	7,389	4,868	2,521
Personnel expenses	-672	-769	97
Depreciation and amortization of intangible assets and property, plant and equipment	-69	-18	-51
Other operating expenses	-10,321	-8,291	-2,030
Income from equity investments	1,566	689	877
Income from profit transfer agreements	20,763	961	19,802
Expenses from loss transfer agreements	–	-4,446	4,446
Income from lending financial assets	1,577	2,497	-920
Other interest and similar income	11,202	12,660	-1,458
Interest and similar expenses	-8,924	-7,807	-1,117
Income before tax	**23,436**	**1,302**	**22,134**
Income taxes	-941	-118	-823
Other taxes	-2	-3	1
Net income	**22,493**	**1,181**	**21,312**
Profit or loss carryforward	73,596	76,137	-2,541
Distribution of dividend	-3,722	-3,722	–
Distributable profit/accumulated deficit	92,367	73,596	18,771

We have prepared the annual financial statements of H&R GmbH & Co. KGaA (short form: H&R KGaA) in accordance with the German Commercial Code (HGB).

They are published in the Bundesanzeiger (Federal Gazette) and are permanently available for download from the Investor Relations / Publications Overview section of our website (https://www.hur.com). For financial year 2024, we have combined the management reports of the H&R Group and of H&R KGaA.

H&R KGaA's sales revenue is generated solely by services rendered to companies in the Group. They totaled around €925 thousand, slightly lower than in the previous year. Personnel expenses also decreased and came to €672 thousand (€769 thousand) in the reporting period. Depreciation of property, plant and equipment increased from €18 thousand to €69 thousand. Other operating expenses came to €10.3 million in the reporting year, up considerably on the previous year (2023: €8.3 million). Income from profit transfer agreements with our subsidiaries recovered significantly from just under €1.0 million to €20.8 million. There were no expenses from loss transfer agreements.

The subsidiaries of H&R KGaA obtain funding for their financing needs from H&R KGaA's resources, which in turn are financed via credit lines. Due to slightly lower demand, other interest and similar income fell from €12.7 million to €11.2 million. Financing costs rose in 2024; interest and similar expenses went up from €7.8 million to €8.9 million.

Overall, income before tax amounted to €23.5 million (previous year: €1.3 million). Tax expense came to just €0.1 million, as against a higher expense of €0.9 million in the prior-year period. Overall, H&R KGaA generated a significantly improved net profit for the year of €22.5 million (2023: €1.2 million).

NET ASSETS AND FINANCIAL POSITION OF H&R GMBH & CO. KGAA IN € THOUSAND 2024

IN € THOUSAND	2024	2023	Change
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	249	2	247
Advance payments	–	301	-301
Intangible assets	**249**	**303**	**-54**
Other equipment, operating and office equipment	5	11	-6
Property, plant and equipment	**5**	**11**	**-6**
Shares in affiliated companies	234,550	223,550	11,000
Loans to affiliated companies	47,768	55,180	-7,412
Holdings	5,068	5,068	–
Financial investments	**287,386**	**283,798**	**3,588**
Trade receivables	29	22	7
Receivables due from affiliated companies	151,801	249,468	-97,667
Other assets	2,652	2,686	-34
Receivables and other assets	**154,482**	**252,176**	**-97,694**
Securities	**31**	**31**	**–**
Bank balances	**44**	**71**	**-27**
Net current assets	**154,557**	**252,278**	**-97,721**
Accruals and deferrals	**–**	**14**	**-14**
Active difference from offsetting of assets	168	183	-15
Assets	**442,365**	**536,587**	**-94,222**
Subscribed capital	95,156	95,156	–
Capital reserve	59,899	59,899	–
Other retained earnings	29,866	29,866	–
Distributable profit/accumulated deficit	92,367	73,596	18,771
Equity	**277,288**	**258,517**	**18,771**
Provisions for pensions and similar commitments	1,386	1,474	-88
Tax provisions	513	4,823	-4,310
Other provisions	1,658	1,624	34
Provisions	**3,557**	**7,921**	**-4,364**
Liabilities to banks	134,935	142,411	-7,476
Trade payables	347	256	91
Liabilities to affiliated companies	26,214	127,456	-101,242
Other liabilities	24	26	-2
Liabilities	**161,520**	**270,149**	**-108,629**
Liabilities and shareholders' equity	**442,365**	**536,587**	**-94,222**

As of December 31, 2024, H&R KGaA's balance sheet total had decreased by a good 17.6% to €442.4 million (December 31, 2023: €536.6 million). Loans to affiliated companies decreased to €47.8 million (previous year: €55.2 million), but once again related predominantly to loans for projects in the reporting year. As a result, the company mainly invested in the maintenance and capacity of the existing process units and their added value at both refinery sites. Overall, at €287.4 million, financial assets were lower than the previous year's value of €283.8 million.

Receivables due from affiliated companies went down from €249.5 million to €151.8 million in total. This was mainly due to the significant fall in receivables from cash pooling.

Net current assets amounted to €154.6 million, compared to €252.3 million in the previous year.

On the liabilities side, subscribed capital (2024: €95.2 million), and the capital reserve (2024: €59.9 million) did not change. Other retained earnings were also comparable to the prior-year figure (2024: €29.9 million).

The net income generated during the reporting period, €22.5 million, was posted to distributable profit, which therefore improved to €92.4 million. Equity followed suit and as of December 31, 2024, came to €277.3 million, compared to €258.5 million at the end of the previous year's reporting period. The equity ratio went up significantly to 62.7% (December 31, 2023: 48.2%).

Provisions for pension commitments decreased slightly once again due to the development of interest rates. Lower tax provisions additionally reduced the pressure on income, causing the total provisions item to drop from €7.9 million on December 31, 2023 to €3.6 million.

Liabilities fell to €161.5 million (December 31, 2023: €270.1 million).

Overall, the Management Board of H&R KGaA is satisfied with the stability of the company's net assets, financial position and results of operations in light of the challenges faced by the company.

Other Legally Required Disclosures

Disclosures in Accordance With Section 289a, Sentence 1 No. 3 and Section 315a, Sentence 1, No. 3 of the German Commercial Code (HGB)

Item 1: Composition of Subscribed Capital

On the reporting date, subscribed capital totaled €95,155,882.68, divided into 37,221,746 ordinary no-par bearer shares. This corresponds to a notional value of around €2.56 per share. There are no different classes of shares; they are all ordinary shares. Each of these shares entitles the holder to one vote.

Item 2: Restrictions on Voting Rights or the Transfer of Shares

There is a voting rights restriction and pooling agreement between the limited liability shareholders of H&R Beteiligung GmbH and H&R Internationale Beteiligung GmbH. A portion of the shares and voting rights in the company held by H&R Beteiligung GmbH (9.70% of voting rights in the company) and all shares and voting rights in the company held by H&R Internationale Beteiligung GmbH (16.44% of voting rights in the company) are subject to the mutual voting rights restriction. A total of 26.14% of company voting rights are therefore subject to a voting rights restriction.

In addition, shares and voting rights held by members of the Supervisory Board and of the Executive Board of the general partner with full personal liability are subject to a voting rights restriction pursuant to Section 136 of the German Stock Corporation Act (AktG) regarding voting on the resolution by the Annual Shareholders' Meeting to approve their actions.The company's Executive

Board is not aware of any further restrictions affecting voting rights or the transfer of shares.

Item 3: Direct or Indirect Interests Exceeding Ten Percent of Voting Rights

In an informal voting rights notification dated December 31, 2024, Mr. Nils Hansen, Quickborn, reported that his share of voting rights totaled 61.45% of the company's voting rights due to his own direct holdings and the attribution of voting rights held by or attributed to H&R Beteiligung GmbH, H&R Internationale Beteiligung GmbH, and H&R Holding GmbH. According to the aforementioned notification, (i) the share of voting rights of H&R Beteiligung GmbH and H&R Internationale Beteiligung GmbH totaled 59.74% of the company's voting rights due to direct holdings and the attribution of voting rights; (ii) the share of voting rights attributed to Mr. Hansen as an individual totaled 1.71% of the company's voting rights due to direct holdings and the attribution of voting rights. According to an informal notification, dated December 31, 2024, Mr. Wilhelm Scholten, Münster, held the unchanged amount of voting rights of 6.06%, 5.45% of which is held via Wilhelm Scholten Beteiligungen GmbH and a further 0.61% via Ölfabrik Wilhelm Scholten GmbH and subsidiary.

Item 4: Holders of Shares With Special Rights Granting Powers of Control

There are no shares with special rights granting powers of control.

Item 5: Control Over Voting Rights of Shares Held by Employees

The voting rights of employees who hold shares in the company's capital are not controlled.

Item 6: Statutory Regulations and Provisions of the Articles of Association on the Beginning and End of the Legal Position of the General Partner With Full Personal Liability and on Amendments to the Articles of Association

Since the company's legal form was changed to that of a partnership limited by shares on August 1, 2016, the company's management and representation have been the responsibility of its general partner with full personal liability, H&R Komplementär GmbH.

The general partner with full personal liability is defined in the company's Articles of Association; see Section 5, paragraph 1 of the Articles of Association. The general partner with full personal liability shall only leave the company in the cases governed by law or through an amendment to the Articles of Association. If the general partner with full personal liability leaves the company and a new general partner with full personal liability has not been admitted simultaneously, the company shall continue to operate with the limited liability shareholders alone for a transitional period. In this case, the Supervisory Board must immediately appoint an emergency representative, who shall represent the company until a new general partner with full personal liability has been admitted.

In this case, the Supervisory Board shall be entitled to adjust the Articles of Association to reflect the change in the general partner with full personal liability. Amendments to the Articles of Association must always be based on a resolution by the Annual Shareholders' Meeting, the adoption of which shall require a simple majority of the share capital represented during the voting, unless a bigger majority is required by law (compare Section 18, paragraph 2 of the Articles of Association and Sections 133 and 179 AktG). According to Section 285, paragraph 2 AktG, resolutions by the Annual Shareholders' Meeting regarding amendments to the Articles of Association also require the approval of the general partner with full personal liability. According to Section 24 of the Articles of Association, the Supervisory Board may adopt amendments to the Articles of Association that only affect the wording of the Articles of Association without the approval of the Annual Shareholders' Meeting. According to Section 4, paragraph 6 of the Articles of Association, this also applies to respective utilizations of the contingent capital defined in Section 4, paragraphs 1 and 6 of the Articles of Association. Finally, the Supervisory Board is entitled to adjust the Articles of Association to reflect the change in the general partner with full personal liability (see Section 5, paragraph 5 of the Articles of Association).

Item 7: Powers of the General Partner With Full Personal Liability, Particularly Regarding the Option of Issuing or Buying Back Shares

The general partner with full personal liability currently has an option for implementing corporate actions.

Under Section 4, paragraph 5 of the Articles of Association, the general partner with full personal liability is authorized by way of a resolution passed by the Annual Shareholders' Meeting on May 24, 2022 – with the Supervisory Board's approval – to increase the company's share capital up until May 23, 2027, by a maximum of €47,577,000.00 by issuing new, ordinary no-par bearer shares. The issue may be effected in one or more tranches in return for cash and/or contributions in kind (2022 Approved Capital).

The shareholders generally have a subscription right to the new shares. The subscription right can also be granted indirectly using an arrangement in which the new shares are assumed by one or several credit institutions/companies with equivalent status to the latter in accordance with Section 186, paragraph 5, sentence 1 AktG that are then obliged to offer them to the shareholders for subscription (indirect subscription right).

The general partner with full personal liability is authorized, however, to exclude the shareholder subscription rights upon approval of the Supervisory Board,

a) to the extent necessary to exclude fractional share amounts from the subscription rights;

b) if the shares are being issued in exchange for contributions-in-kind, in particular for the purpose of acquisitions of companies, parts of companies, equity interests in companies, other assets or in the context of business combinations, or for the purpose of acquiring receivables or other rights;

c) if the company's shares are being issued in return for cash and the issue price for each share is not significantly lower than the quoted price for shares with what are, essentially, the same features that are already listed on the stock exchange at the time the issue price is set definitively. This authorization only applies, however, subject to the proviso that the new shares issued excluding shareholders' subscription rights in accordance with Section 203, paragraph 1, sentence 1 and paragraph 2, sentence 1 and Section 186, paragraph 3, sentence 4 AktG do not exceed 10% of the company's share capital in total, neither at the time this authorization takes effect nor at the time it is exercised if this value is lower. The following count toward this 10% threshold: (i) new shares issued, excluding shareholders' subscription rights, during the term of this authorization up until the time at which it is utilized on the basis of another authorization from approved capital in accordance with Section 203, paragraph 1, sentence 1 and paragraph 2, sentence 1 and Section 186, paragraph 3, sentence 4 AktG, (ii) those shares that were, or are to be, issued to satisfy con-version or option rights and/or conversion or option obligations and/or tender rights of the issuer under convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) ("bonds"), insofar as the bonds were issued during the term of this authorization up until the time at which it is utilized pursuant to Section 221, paragraph 4, sentence 2 and Section 186, paragraph 3, sentence 4 AktG, excluding shareholders' subscription rights and (iii) treasury shares sold during the term of this authorization up until the time at which it is utilized pursuant to Section 71, paragraph 1, no. 8, sentence 5, 2nd half-sentence and Section 186, paragraph 3, sentence 4 AktG excluding shareholders' subscription rights. Any reduction is reversed to the extent that authorizations to issue new shares from approved capital, to issue bonds or to sell treasury shares in corresponding application of Section 186, paragraph 3, sentence 4 AktG are granted again by the Annual Shareholders' Meeting once the authorizations that resulted in the reduction have been exercised;

d) if the shares were issued to satisfy conversion or option rights or conversion or option obligations or tender rights of the issuer under bonds carrying conversion or option rights and/or conversion or option obligations and/ or tender rights of the issuer to the company's shares;

e) insofar as is required to grant subscription rights to holders/creditors of bonds carrying conversion or option rights and/or conversion or option obligations and/or tender rights of the issuer to the company's shares to such an extent as such holders/creditors would be entitled to after having exercised their conversion or option rights and/or following the fulfillment of the conversion or option obligations and/or tendering of shares as a shareholder.

The general partner with full personal liability is authorized, with the approval of the Supervisory Board, to specify details about the capital increase and its implementation, including details regarding the rights accruing to the shares and the terms of issue.

Under Section 4, paragraph 6 of the Articles of Association, a resolution passed by the Annual Shareholders' Meeting on May 29, 2020, authorizes the conditional increase of the company's share capital by a maximum of €19,940,383.37 by issuing up to 7,800,000 new ordinary no-par bearer shares with dividend entitlement from the beginning of the financial year in which they are issued (2020 Contingent Capital). The contingent capital increase serves to grant shares as issued by the company, companies under its control, or companies in which it has a majority interest to the holders or creditors of warrants or convertible bonds and profit participation rights/participating bonds with option or conversion rights/ conversion obligations. This only occurs insofar as the option or conversion rights relating to the aforementioned warrants and convertible bonds/ profit participation rights or participating bonds with option or conversion rights are exercised or conversion obligations relating to such bonds are fulfilled and insofar as no treasury shares or new shares from the approved capital are used to satisfy rights. The new shares are issued at the conversion/ option price as determined in accordance with the stated authorization.

The general partner with full personal liability is authorized, with the approval of the Supervisory Board, to determine the further details of the process relating to the contingent capital increase. The Supervisory Board is authorized to amend Section 4, paragraphs 1 and 6 of the Articles of Association in accordance with the respective utilization of the contingent capital.

Item 8: Essential Agreements Subject to the Condition of a Change in Control Owing to a Takeover Bid

The banks involved in the syndicated loans and redeemable loans have the right to call in the loans in the event of a change in control.

Item 9: Compensation Agreements to be Concluded With the Members of the Executive Board or With Employees Covering the Eventuality of a Takeover Bid

No such arrangements exist at this time.

Subordinate Status Report

The company exercising direct control is H&R Beteiligung GmbH, a member of the Hansen & Rosenthal Group, with a 43.30% stake. The management and representation of H&R GmbH & Co. KGaA is the responsibility of H&R Komplementär GmbH. Mr. Nils Hansen holds the majority (51%) of the shares in H&R Komplementär GmbH and thereby is in a position to directly influence the management of the company.As a result, we produce a subordinate status report in accordance with Section 312 AktG. In the report for financial year 2024, the Executive Board came to the following conclusion:"With regard to the transactions listed in the Report on Relationships with Affiliated Companies for the reporting period from January 1, 2024, to December 31, 2024, based on the circumstances that we were aware of at the time such transactions took place, our company received appropriate consideration for every transaction. No relevant measures were implemented or omitted during the reporting period."

Non-financial Report

The 2024 non-financial statement will again be subject to an audit in accordance with ISAE 3000. The document will be published under the name "2024 Non-financial Report" latest by April 30, 2024, and made available for download on the company's website at www.hur.com/en/ sustainability/ sustainability-report.

Statement on Corporate Governance

The Company publishes its Statement on Corporate Governance on its website at www.hur.com/ en/investor-relations/corporate-governance.

Events After the Reporting Date

In the period between December 31, 2024 and the date of this combined Group management report, there were no events with a specific material impact on the net assets, financial position and results of operations.

Report on the Internal Control and Risk Management System and on the Main Opportunities and Risks

Main Features of the Internal Control and Risk Management System and Opinion on the Adequacy and Effectiveness of These Systems

Risk Policy

H&R KGaA's business policy is aimed at increasing the value of the company over the long term. In order to achieve this, we must seize market opportunities while carefully weighing the associated risks. In addition to risks arising from strategic or operational aspects of business activities, we also consider environmental, social or governance-related events or conditions to be risks if their occurrence could have an actual or potential negative impact on the reputation, net assets, financial position and results of operations of the Group.

The goal of our risk policy is to optimize the relationship between risks and opportunities while avoiding risks that could jeopardize the company's continued existence as a going concern. Systematic risk management is the direct responsibility of the Executive Board. Risks are identified and communicated by the managing directors of the respective local operating units. As far as possible, risks are eliminated or otherwise addressed at a local level.

As a manufacturer of hydrocarbon-based specialty products and plastic parts, we have a particular responsibility to operate our specialty production plants, processing facilities and production sites for plastic parts in a way that protects both people and the environment. All our production sites therefore have officers who actively work to ensure the safety of our employees and our facilities while protecting the environment.

Internal Control and Risk Management

The risks to which H&R KGaA and its subsidiaries are exposed are identified, assessed, quantified (to the extent possible), communicated and, if applicable, limited on the basis of appropriate measures across the entire Group in a uniform manner. We use various methods to identify risks, such as monitoring industry-specific and macroeconomic risk indicators and analyzing purchasing and sales markets. The assessment is based primarily on estimates by in-house experts – such as the risk managers at the local units – which in turn are based on appropriate assump-tions about the corresponding risk. All segments are included in the risk management process. Identifying risks is considered to be the responsibility of all employees. This is encouraged by flat hierarchies and a culture that encourages open discussion of potential risks, with local managing directors leading by example. H&R KGaA uses the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model (Enterprise Risk Management — Integrated Framework) to assess risks; this method is one of the standards for internal controls recognized by the American Securities and Exchange Commission (SEC). The risk manager (generally the relevant operations manager) conducts on-site risk assessments on a quarterly basis using a risk check-list/inventory list and an integrated data entry form on which the calculation can be substantiated, if necessary.

Risks are classified according to certain criteria. They are then measured using an approach in which the nominal extent of a potential risk is considered in relation to the probability of its occurrence. All risks measured for an individual company are entered in the "risk inventory" and reported quarterly to the Risk Control department of the parent company, H&R KGaA. The Risk Control department helps the risk managers to establish early-warning indicators that make it possible to react quickly if a risk becomes more acute.

In view of the increasingly stringent requirements for reporting and risk reporting in the area of sustainability, H&R KGaA has assembled a group of globally responsible individuals to form an ESG (Environment, Social, Governance) organization. This organization provides the risk management system and the internal control system with sustainability-related data in the course of systematic assessments. This data makes it possible to refine and expand the risk inventory.

In general, all risks that a subsidiary classes as relevant are recorded. All other risks are neither recorded nor regulated.

The early-warning indicators are checked regularly to ensure that they are appropriate and up to date. Where possible and economically feasible, measures to reduce or avoid risks are also defined. Every quarter, the Risk Control department sends the Executive Board the consolidated risk inventory, including a detailed breakdown of the value at risk (VaR), which serves as the basis for controlling overall risk. If new risks arise at short notice or a loss event occurs, the Executive Board is notified directly and independently of normal communication channels.

In addition, a monthly performance report is prepared for all the main individual companies and the Group. This report compares sales and earnings figures with the relevant target figures. The Risk Control department analyzes any variances between target and actual figures. These analyses enable the Executive Board to identify undesirable trends at an early stage so that the necessary countermeasures can be implemented immediately.

Another instrument for the early identification of risks are the regular divisional meetings, which are attended by the local managing directors and the Executive Board of H&R KGaA. The interface thus created between the operating and administrative levels ensures that operational risks are captured by and reflected in the accounting process (e.g. in the form of provisions) and communicated internally. At Supervisory Board meetings, changes in the risk inventory and the risk strategy are dealt with on a regular basis as part of the risk management reporting process. If the risk situation changes significantly, the Supervisory Board will also be informed promptly between meetings by the Executive Board.

The functionality and effectiveness of the risk early-warning system are reviewed not only by the Executive Board and the Audit Committee of the Supervisory Board, but also on an annual basis as part of the audit of the financial statements. The results of these audits are taken into consideration as part of the ongoing refinement of our risk management system.

To the best of our knowledge and on the basis of the information available to us – resulting from the internal control and risk management system detailed above – as of December 31, 2024, there were no weaknesses in internal controls or matters of significance that would lead the Executive Board to conclude that our company-wide internal control and risk management system was inadequate or ineffective as of December 31, 2024.

Description of the Main Features of the Internal Control and Risk Management System With Regard to the Group Accounting Process (Sections 289, Paragraph 4 and 315, Paragraph 4 of the German Commercial Code (HGB))

H&R KGaA's accounting guidelines specify uniform accounting and valuation principles for the companies included in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

New accounting regulations are reviewed immediately to determine whether they affect companies in the H&R Group and if necessary are icorporated into our accounting guidelines. The local managing directors are responsible for applying existing regulations at the level of the individual companies. Consolidated financial statements are prepared and drawn up by Group Accounting at H&R KGaA. The employees in this department also serve as contacts to answer questions on accounting matters from the subsidiaries.

To minimize the risk of incorrect accounting even in complex circumstances, H&R KGaA employees involved in the accounting process undergo continuous and extensive training. The relevant departments are adequately staffed, both in terms of numbers and competence. Advice on specific accounting matters is also obtained from external experts as necessary. The internal control system at the H&R Group con-sists of principles and processes that ensure the effectiveness (i.e. making sure the annual and consolidated financial statements, as well as the combined management report, comply with the relevant standards) and, where appropriate, the efficiency of the controls in the accounting pro-cess.

The H&R Group's internal control system consists of a management system and a monitoring system. Important aspects of the measures that have been integrated into our processes with respect to the Group accounting process include both manual controls, such as the dual-review principle, and automated IT controls. After selecting professionally qualified employees, we provide them with regular training. This helps us to ensure that our monitoring system identifies risks promptly and thus ensures that our annual and consolidated financial statements conform to the relevant standards.

The Audit Committee of H&R KGaA's Supervisory Board is integrated into the H&R Group's internal monitoring system through its audit activities, which are independent of operating processes. In accordance with Section 107, paragraph 3 of the German Stock Corporation Act (AktG), this body primarily focuses on monitoring the accounting process, the audit of the financial statements and the effectiveness of the internal control and risk management system.

Access management regulations for the relevant IT systems and a strict dual-review policy in the Accounting department – both at the individual companies and at the Group level – help ensure that the accounting processes are thorough, precise and secure.

The subsidiaries are obliged to report their figures to Group Finance every month in a standardized format in accordance with IFRS accounting regulations. This enables variances between target and actual figures to be identified at an early stage and gives us the opportunity to determine the reasons behind the variances and to take any necessary countermeasures.

The Risk Management System as it Relates to Derivative Financial Instruments

H&R KGaA has very strict rules governing the use of derivative financial instruments. We only use standard market instruments from selected banks with good ratings. As a rule, the transactions are carried out by the Group Treasury department after approval by the Executive Board of H&R Group Finance GmbH and are then monitored on an ongoing basis. They are used to hedge underlying transactions that either exist already or are highly likely to take place in the future (anticipatory hedging). In the 2024 financial year, risks from foreign currency book positions were mostly hedged using micro hedges; macro hedges were also used on a selective basis. The continued existence of risks is monitored by the hedging entity during the hedging period. In

view of the terms of a maximum of six months, the market values and therefore also the counterparty risks remained manageable. Additionally, we have concluded raw materials price swaps that will lead to a stabilization of the profit magin achievable in the co-products area, particularly in the bitumen business, by the end of 2026, as well as an interest rate swap for the purpose of reducing interest rate risk. To ensure the intended effectiveness, raw material price hedges are managed by comparing changes in the planning quantities of the risk positions to the hedging quantities on a monthly basis, as well as following the market value movements of the underly-ing and hedging transaction. The continued ex-istence of the underlying transaction is also mon-itored on an ongoing basis for interest rate swaps. Raw material hedges and interest rate swaps are also reflected as hedges for accounting purposes.

Derivative financial instruments are not used for speculative purposes.

Specific Risks

All our relevant risks are classified uniformly throughout the Group. A risk is classified as low, medium or high based on the parameters "Likelihood of occurrence" and "Potential financial impact". The resulting risk classification matrix is shown in the following table:

POTENTIAL FINANCIAL IMPACT[1)]

	Likelihood of occurrence[2)]		
	unlikely	possible	likely
Existential threat	●	●	●
Significant	●	●	●
Moderate	●	●	●

[1)] Moderate: some negative effects on business activity, financial position, results of operations and cash flows, for example if EBITDA falls below €60.0 million in 2023.
Significant: substantial negative effects on business activity, financial position, results of operations and cash flows, for example if EBITDA falls below €60.0 million annually over the next two years.
Existential threat: substantial negative effects on business activity, financial position, results of operations and cash flows owing to which the continued existence of the enterprise would be jeopardized, e. g., with EBITDA permanently below €60.0 million.
[2)] 1– 33%: unlikely; 34 – 66%: possible; 67– 99%: likely

● Low risk ● Medium risk ● High risk

CORPORATE RISKS

	Likelihood of occurrence	Possible financial impact	Risk classification	Risk situation compared to previous year
Macroeconomic and Industry Risks				
Fluctuations in demand and margins	possible	significant	high	unchanged
Raw material supply risks	possible	significant	high	unchanged
Risks related to raw materials composition	likely	significant	high	unchanged
Risks related to consequences from armed conflicts	likely	significant	high	unchanged
Risks from the development of substitute products/general competitive pressure	likely	significant	high	unchanged
Changes in the regulatory, tax and legal environment	likely	significant	high	unchanged
Operating and Corporate Strategy Risks				
Operational risks	possible	moderate	medium	unchanged
Investment risks	unlikely	significant	medium	unchanged
Risks associated with contractual relationship with Hansen & Rosenthal Group	unlikely	significant	medium	unchanged
Product liability risks	unlikely	moderate	low	unchanged
IT risks/cybersecurity	possible	significant	high	unchanged
Financial Risks				
Liquidity risks	unlikely	significant	medium	unchanged
Risks from the breach of covenants	possible	significant	high	unchanged
Risks from future refinancing requirements	unlikely	significant	medium	unchanged
Interest rate risks	possible	moderate	medium	unchanged
Risk from defaulting customers and banks	unlikely	moderate	low	unchanged

Unless stipulated otherwise below, the description of risks, opportunities and the forecast generally applies equally to the H&R Group and to H&R KGaA. This reflects the fact that, while certain risks may originate with the subsidiaries and not with H&R KGaA, H&R KGaA will have direct exposure as the parent company. Above all, this applies to risks involving operating processes and the immediate business activities of the subsidiaries.

In its capacity as the parent company, H&R KGaA holds equity investments in Group companies at its own original risk. The carrying amounts of these investments are subject to the risk of an impairment in the event of negative changes in the economic situation of these Group companies. This may have a negative impact on H&R KGaA's annual results.

Macroeconomic and Industry Risks

Demand and Margin Fluctuations (Risk Class: High). External influences can cause demand for our products to fluctuate. In addition to global economic weak phases, these influencing factors particularly also include geopolitical tensions that have a significant impact on changes in our sales and income.

As a strategically sensible response to the challenge of reduced demand and margins in the medium term, we continue to strive to accelerate the specialization of our production units, doing our very best to avoid producing combustion products and base oils. At the same time, the Group is addressing the reduced need for fossil-based chemical-pharmaceutical specialty products due to societal demand with the targeted strategic expansion of its product portfolio to include bio-based, synthetic and recycled grades. If we can manage to produce specialty products with a high margin in a targeted manner as part of an enhanced production process, this could translate into a significant improvement in our overall results of operations. There is, however, still a demand and margin risk that the company considers to be "high" in general due to the probability of occurrence and the potentially significant impact.

In the Plastics division, we are – like other component manufacturers for automotive suppliers – dependent on industry trends. This applies, in particular, to components called off on a just-in-time basis, which fluctuate depending on the production figures of the OEMs/automobile manufacturers themselves. In response, we have pressed ahead with our restructuring of the Plastics division and worked towards stabilizing the segment's earnings situation by strengthening the site in the Czech Republic. However, the economic environment and the crisis in the automotive industry in 2024 once again highlighted the risks, which we consider to be significant.

Risks Related to Raw Materials Procurement (Risk Class: High). In principle, H&R is reliant on the supply of raw materials and therefore bears a risk with regard to these raw materials being sufficiently available. As long as a substantial portion of our raw materials needs to be procured externally, there is a risk in principle that the procurement of these may be impeded by circumstances that are beyond the control of H&R (wars, pandemics, environmental disasters, etc.). Accordingly, we are diversifying our sources with deliveries from renowned oil companies in different parts of the world.

Feedstocks from Russian sources have not been procured since 2022. We generally safeguarded the overall volume requirements with supplies from alternative sources and were also able to pass the fluctuating prices for these raw materials on to the market. The Gaza war could have resulted in similar risk potential. However, in 2024 this had next to no noticeable effect on crude oil prices and therefore on the cost of raw materials. Nonetheless, the situation illustrates that a deterioration has to be classified as "possible". Accordingly, the risks related to raw materials procurement will likewise be classified as "high" until further notice.

The same risks also exist, in principle, in the Plastics segment. Therefore, our strategy for avoiding bottlenecks in the supply of raw materials also aims at always using several suppliers for important raw materials. In view of the current situation in the automotive industry, the risks related to potential supply bottlenecks are less significant than the risks related to the demand problems described above.

Risks Related to Raw Materials Composition (Risk Class: High). We are committed to optimizing the yield of our refineries and aim to achieve as large a proportion of core products as possible while minimizing co-products at the same time. In order to achieve this, we adapt the operating modes used in our production processes to suit the composition of the raw materials. Depending on the raw materials quality available, the product split that we can achieve can fluctuate, meaning that the proportion of the overall yield attributable to core products varies.

Risks Related to Consequences of Armed Conflicts (Risk Class: High). Armed conflicts can bundle various aforementioned risks together in a cluster. The material impacts can be that the raw materials needed are no longer available or are available only on the basis of significantly less favorable conditions. In spite of the ongoing war in Ukraine, the serious flare-up of the Gaza conflict and the current situation in Syria, we once again succeeded in guaranteeing raw materials procurement in 2024.

As things stand, we are not expecting the raw materials procurement situation to change in the foreseeable future. We should therefore still be able to secure supplies, albeit on the basis of conditions that will remain less favorable.

Armed conflicts could also have impacts on global trade routes and flows of goods. In particular the situation in the Persian Gulf and therefore access to the Suez Canal could be exacerbated due to political and military tensions and lead to disruptions in trade between Europe and Asia.

The danger of so-called “hybrid warfare” aimed at disrupting or even destroying Western infrastructure should not be underestimated either. German industrial companies were targeted by attacks on data and transport infrastructure in 2024. An escalation of attacks of this nature could further unsettle the affected countries and markets, with corresponding negative economic consequences.

Risks From the Development of Substitute Products and General Competitive Pressure (Risk Class: High). One risk applicable to both ChemPharm divisions is the development of substitutes or alternative production methods for our products. For example, base oils of groups II and III are a higher quality, but are not necessarily any more expensive than our products. Still, it is worth noting that over the last two years predatory competition has not taken place and the demand for our products was at a high level in this area. We nevertheless intend to push ahead with our focus on the further enhancement of the business model, which focuses on avoiding group I base oils and prioritizing a change in the use of raw materials from renewable and synthesized products. In this way, we are aiming to transform our own product portfolio and virtually create our own substitutes for our current products.

The risk arising from market or competitive trends is driven by a large number of unknown factors, not all of which can be influenced. For example, it can be said that, for German companies, operating costs constitute a major competitive disadvantage in comparison to companies elsewhere. Our two production sites belong to an energy-intensive industry and therefore have to offset significantly higher prices for electricity and gas than other market participants in Europe/around the world.

Nonetheless, with it now being several years since Russia invaded Ukraine, we consider the basic risk of a gas shortage to be relatively low. Substituting the gas needs in Germany with LNG from the Gulf States or gas from the United States, Norway or the Netherlands rather than from Russian sources is an option that was used since 2022.

Changes in the Regulatory, Tax and Legal Environment (Risk Class: High). As an operator of industrial plants, we run a business that is governed by laws and regulations. Our two production sites in Germany, in particular, are required to comply with the requirements of legislation on the environment, chemicals and energy. A potential tightening of these regulations entails the risk of financial burdens caused by higher operating costs and capital expenditure. We limit these risks by remaining involved in political decision-making processes as much as possible – either directly or through membership in various associations. We also identify and monitor the changing requirements with our internal compliance organization.

We keep a close eye on regulatory, tax and legal changes resulting from the societal debate on climate change. We focus here in particular on the European Union’s climate and energy policies and their regulatory impacts, the latter taking the form both of direct EU Regulations and their transposition into national law. We evaluate our corporate strategy on the basis of these legal guidelines and aim to make a contribution to sustainable business development with our future process and product setup. At the same time, we regularly report on our endeavors in our non-financial statement, making reference to the relevant frameworks such as the German Corporate Governance Code and the EU Taxonomy Regulation. 2024 should have been the first financial year in which we were obliged to prepare reports in accordance with the Corporate Sustainability

Reporting Directive (CSRD). Preparing for this took a considerable amount of time, effort and work within the H&R Group in 2024. Because the EU Implementing Regulation on which the reporting procedure is based has not been adopted into national law, we will prepare another report in accordance with the CSR Directive Implementation Act (CSR-RUG).

Our specialty refinery operations do currently entail emissions and the use of chemicals. The trend in some areas toward tougher legal requirements for the manufacturing sector in Germany and Europe could lead to competitive disadvantages vis-à-vis international and non-European market participants.

Operations are also energy-intensive. The last financial year presented H&R and the entire chemical industry with the challenge of dwindling gas availability. H&R succeeded in cutting the gas requirements of its two German production sites by around a quarter by using alternative energy sources. We do not currently foresee the risk of a gas shortage in winter 2024/25 and the following year.

Operating and Corporate Strategy Risks

Operational Risks (Risk Class: Medium). H&R KGaA's subsidiaries produce hydrocarbon-based specialty products and high-precision plastic parts. Operating the plants that produce such products entails both operating risks and the risk of accidents. Technical disruptions or natural disasters can cause harm to people or the environment and result in production downtime.

We counter these risks with a comprehensive safety strategy. Extensive control and safety measures, coordinated by our IT-based measuring stations, enable us to identify operational risks at an early stage and to adopt suitable countermeasures. We also regularly invest in environmental protection and safety and fire protection measures at our specialty refineries.

The certification of our production sites in both the Chemical-Pharmaceutical division and our Plastics Parts contributes significantly to ensuring operational safety. We use the strict ISO standards and IATF rules as a basis for this. If a loss event occurs despite these precautions, the financial consequences are largely covered by insurance, provided that the risk is insurable and such coverage makes sense from a financial and economic standpoint.

Risks Associated With the Sales/Distribution Relationship With the Hansen & Rosenthal Group (Risk Class: Medium). The sale and distribution of the ChemPharm Refining segment's products are handled predominantly by companies belonging to the Hansen & Rosenthal Group, which acts as sales/distribution partner under long-term contracts, reflecting many years of business ties and making Hansen & Rosenthal the most significant customer of H&R KGaA.

If this contractual relationship came to an end and the Hansen & Rosenthal Group were no longer available as a sales/distribution partner, this would have a considerable negative impact on H&R KGaA's net assets, financial position and results of operations. Among other things, the company would have to develop its own sales and distribution capacity for the ChemPharm Refining segment at short notice.

Even if it succeeded in doing so, it would still face the risk of either not being able to establish direct customer relationships at all or not being able to do so over the long term. In such a case, contract production for the Hansen & Rosenthal Group at the Salzbergen site could be terminated as well. In this case, H&R KGaA would have to raise new funds to cover the significantly increased net working capital requirements and pay for the procurement of raw materials at both sites. This could have a significant negative impact on net gearing.

H&R KGaA estimates the impact of such a risk, should it occur, as "significant"; however, it rates the probability that such a risk will materialize as "low". H&R KGaA is part of the Hansen & Rosenthal Group, the main shareholder and managing director of which is also the majority shareholder of H&R Komplementär GmbH, H&R KGaA's general partner with full personal liability. The interdependencies are not just one-sided, as H&R KGaA is the current sales/distribution partner's biggest supplier. Consequently, a long-term continuation of the sales/distribution relationship is in the interest of both parties.

Investment Risks (Risk Class: Medium). In the years ahead, we intend to keep investing in measures for the sustainable added value and competitiveness of our existing production sites. We are collaborating with young and innovative partners, in particular in the area of new technologies for the manufacture and processing of sustainable grades. In principle, however, investment projects with this kind of start-up character may entail cost overruns and delays in construction.

To mitigate the risks associated with the project implementation process, we deploy project teams with in-depth knowledge of our plants to professionally coordinate and strictly monitor such value maintenance measures. We adopt the same approach to projects designed to boost sustainable value creation.

At the same time, it is not only the Group's own performance that determines the success of projects. Our project execution is also dependent on the performance of third parties, such as the suppliers of key components and replacement parts. The performance of service providers and engineering partners can likewise have a bearing on completion and subsequent productivity. And last, but not least, we are reliant on external contractors when it comes to realizing projects on time and within the budget. In spite of due care being taken when selecting external project partners, delays or additional costs cannot be ruled out, especially at times of high capacity utilization coupled with a shortage of skilled workers. In individual cases, if facilities which have already been built cannot definitively or at least not completely fulfill their planned purpose, this can result in special depreciation allowances and value adjustments.

Additional risks related to investment risks could arise in cases where projects are financed with state subsidies and these funds are tied to the achievement of certain interim targets.

In 2024, H&R Chemisch-Pharmazeutische Spezialitäten GmbH, a subsidiary of H&R GmbH & Co. KGaA, applied for funding under the Directive for the promotion of climate-neutral production processes in industry through climate protection agreements (Förderrichtlinie Klimaschutzverträge [FRL KSV]) and was approved. Based on current knowledge (see also the information under "Status of implementation of the strategic objectives in financial year 2024"), the KGaA will not press ahead with the project. H&R KGaA may therefore be in breach of the requirement for timely commissioning, which firstly opens up the possibility for the grantor to terminate the KSV and secondly entails the risk of contractual penalties. In principle, the KSV regulates various breaches, each of which is subject to a penalty of up to 0.1% of the maximum funding amount. We assume that the general non-implementation of the project, which was announced at an early stage, only represents a one-off breach and estimate the financial risk for CPS GmbH at around €116,000. H&R Refining GmbH, which is also affected as a partner in the contract manufacturing of CPS, has announced that it will participate in a potential contractual penalty.

Product Liability Risks (Risk Class: Low). Our hydrocarbon-based specialty products and plastic parts are incorporated directly into our customers' products. Incorrect processes or failure to adhere to specifications can result in our customers incurring damage, giving rise to warranty claims. For this reason, all the products in both our Chemical-Pharmaceutical division and our Plastics division are subject to extensive quality controls. If we are faced with liability claims despite this, we are largely covered by insurance.

IT Risks/Cybersecurity (Risk Class: High). Advancing digitalization offers major opportunities for the Group. Particularly in the last three years, we have adapted our IT structure to the pandemic requirements and enabled the majority of our employees to perform their activities via remote solutions. In principle, the risk exists of not always being able to react to changing conditions quickly and adequately. At the same time, we know that digitalization is generally associated with risks, e. g., in the form of cyberattacks. Under certain circumstances, such attacks can lead to an impairment of the IT systems, which could only be remedied with significant financial and time resources. Therefore, we are continuously working on the security of our digital technologies and systems in order to address cyber risks in the best possible manner, train our employees and avert risks for our customers and business partners, as well as for the company. We also record IT and cybersecurity risks as part of our queries about the Groupwide risk inventory.

Financial Risks

Our subsidiaries receive the funds they use to execute business and production processes from H&R KGaA, which in turn ensures that such funds will be available. As a result, risks that could arise from or for these financing instruments generally originate directly from H&R KGaA itself.

Financial Covenant Breach Risk (Risk Class: High). Compliance with the financial covenants will also be a crucial part of the financing agreements in 2025. If these covenants were to be breached, which is not expected to happen, this could jeopardize the continued existence of the financing arrangements and therefore the Group's financial and economic situation. Due to the possibility of occurrence and the potentially significant financial impact, this is – from an objective standpoint – fundamentally a "high-risk" issue.

Liquidity Risks (Risk Class: Medium). Prices for the raw materials used in our Chemical-Pharmaceutical segments are closely correlated with the price of crude oil. Accordingly, the prices of our raw materials are subject to fluctuations. The prices of our finished products are similarly volatile.

In order to cover the net working capital (the sum of inventories and trade receivables less trade payables) required for our production activities, a large part of the line of credit under the syndicated loan, which currently amounts to €230.0 million, has been earmarked as a risk cushion. At year-end, €63.8 million had been utilized for cash loans and €5.4 million for guarantees.

Our Group Treasury department monitors our liquidity status on a daily basis to avoid any cash flow difficulties. The credit lines granted by the banks in the lending consortium are subject to financial covenants relating to our equity base and the ratio of our net debt to operating income (EBITDA). If any of these covenants are breached, the banks are entitled to call in the loan.

Risks from Defaulting Customers and Banks (Risk Class: Low). Our indirect risks from delays in payment and/or defaults on the part of customers or service providers of our subsidiaries are limited by the broadly diversified customer base on the whole, but cannot be ruled out entirely. This is why we have taken out default insurance policies for major customers.

We counter the default risk of banks by only entering into financial transactions with toprated banks and by spreading larger transactions among several banks.

Currency Risks (Risk Class: Medium). As an international group, we are exposed to various exchange rate risks. The depreciation of a foreign subsidiary's local currency can diminish the cash flow it generates in relation to the Group currency, the euro. Furthermore, revenues from the sale of products from within the euro area to a country outside the euro area will fall if the foreign currency in question depreciates against the euro.

Some of the most important foreign currencies for us are the US dollar, the Chinese renminbi, the British pound, the Thai baht, the Malaysian ringgit and the South African rand.

We always weigh the costs for hedging foreign currency risks against the financial effects of a potential loss event.

The US dollar/euro exchange rate generally affects our raw material costs, as we purchase our main raw materials in US dollars. Decreases and increases in the value of the US dollar against the euro, while raw material costs in USD remain unchanged, therefore have an impact on our raw material costs in EUR. However, changes in the raw material costs due to exchange rates would generally also be reflected in the selling prices, and the competition would also feel the effects.

Interest Rate Risks (Risk Class: Medium). Changes in market interest rates lead to a change in the fair value of fixed-interest financial instruments and to fluctuations in interest payments for variable-interest financial instruments. We take out fixed-interest loans for investment projects to increase planning certainty for net interest income. The interest rate risks materialized to an extent as a result of the increase in particular of the euro interest rate coupled with higher short-term debt in the context of greater liquidity being tied up in net current assets due to the price of oil. Looking ahead to 2025, we anticipate a reduced financial burden due to a declining interest rate environment, which should lead to lower interest expense.

Additional risks of increased interest expense in other currencies currently exist for our Chinese equity investments due to short-term fixed-interest loans denominated in Chinese renminbi that will have to be refinanced when they mature in 2025 as well as intragroup, hedged loans.

There are also company retirement liabilities in the form of pension commitments. On the one hand, the actual amount of these commitments is based on an actuarial forecast and, on the other, it is heavily dependent on conditions in the capital markets, in particular the interest rate. Lower interest rates cause pension liabilities to increase and result in a corresponding charge against H&R KGaA's equity.

General Statement by the Management Board on the Risk Situation

Our risk management system and the established planning and control systems are used to assess our risk situation. When all material individual risks are reviewed in aggregate, potential opportunities are not taken into account as offsets. We therefore believe that, based on currently available information, there are no risks that could jeopardize the continued existence of the H&R Group as a going concern.

Company Rating
The creditworthiness of H&R KGaA has not been evaluated by an independent rating agency. Our banking partners review the credit standing of H&R KGaA on an ongoing basis. The Deutsche Bundesbank classified H&R as "eligible" on April 23, 2024.

Report on Opportunities

Opportunities Management

At the H&R Group, the systematic management of opportunities is closely linked to the management of risks. We define opportunities as developments that are expected, but are not guaranteed, meaning that they cannot be quantified in monetary terms either, and could have a positive effect on our net assets, financial position and results of operations over the next twelve to 18 months. Managing strategic opportunities – such as acquisitions, joint ventures or major investments – is the responsibility of the Executive Board.

We use a variety of methods to make the best use of both operating and strategic opportunities. For example, we perform analyses of the market and our competitors that are as precise as possible. We develop scenarios for successful market entry, question the focus of our product portfolio, evaluate the cost drivers as well as the relevant success factors and from this information identify specific market opportunities that are then coordinated by the Management Board in close collaboration with the local operations managers. At the same time, we try to identify future market trends in a targeted manner by holding discussions with customers. In the Chemical-Pharmaceutical segments, there is an active exchange of ideas on these issues between the production sites, our Research and Development department, and our sales and distribution partner Hansen & Rosenthal, who uses its close customer contacts to identify current and future customer needs and to provide ideas for new products.

Finally, using a system similar to our risk classes, we rate our opportunities by degree of potential financial impact and likelihood of occurrence.

Specific Opportunities

Opportunities Arising From Market and Macroeconomic Trends (Opportunity Class: Medium). The focus of operators of big refineries on producing fuels and lubricants means that H&R's specialty production sites in the Chemical-Pharmaceutical Raw Materials division could play a more significant role in supplying the market with specialty products such as paraffins, or process oils and white oils. This is especially true if refineries with a similar setup to a Group I base oil production site were to withdraw from the market.

If, at the same time, demand for hydrocarbon-based specialty products increases during this financial year, for example, due to changes in the competitive situation or general market recoveries, our revenue and income could exceed our current expectations.

The possibility of increased demand within society for products with a smaller carbon footprint or even for climate-neutral qualities could afford H&R additional opportunities. In addition to traditional fossil-based feedstocks, our feedstock base is incorporating the "three pillars" of bio-based, synthetic, and recycled feedstocks to an ever greater extent. These alternative materials are becoming viable options for supplying our production sites. The key to unlocking the full potential of the markets for sustainable products lies in overcoming the current "chicken-and-egg" dilemma. Customers express a strong interest in sustainable materials but are often hesitant to pay the high prices required at this early stage. Companies are eager to supply these products but need prices to be at a level that supports a viable business case and justifies the necessary investments. Recycled materials from old tires and end-of-life plastics offer the most promising solution to bridge this gap at this point in time.

We are also committed to continuing our work with bio-based and synthetic feedstocks to create sustainable products.

As a global company, we are well-placed to roll out our sustainability strategy on an international scale while leveraging the general stability of the Sales segment.

In the Plastics division, demographic trends are increasing the need for us to take a more proactive sales strategy, particularly in the area of medical technology. If this strategy is successful, it will unlock a considerable amount of growth potential. The automotive sector also presents some promising opportunities, particularly if regulators can address uncertainties and manufacturers commit to a clear model strategy and restore stable, long-term partnerships with the broader value chain.

Strategic Opportunities for the Company (Opportunity Class: High). We believe that considerable opportunities lie in the development of our operating model. In addition to the flexibility of plant configuration and the ability to actively manage our output structure, we are particularly focusing on the right, diversified use of energy and base materials. In financial year 2024, the positive effects of using specific base materials for operating model transformation were delayed. This was first and foremost attributable to a lack of availability of suitable grades, which were not available or not available to the desired extent at the refineries we had selected as potential suppliers, or which were available only on unfavorable delivery terms. Regardless, we are convinced that this area offers a great deal of potential. Based on a revamped and expanded feedstock and by-product portfolio of the production sites, we aim to strengthen market-oriented production that focuses exclusively on specialty products, while also respecting the increasing demand from our customer industries for products with a smaller carbon footprint. We are actively pressing ahead with the testing and adoption of sustainable raw materials – whether synthetic, bio-based, or recycled – while also considering ways to reduce our energy consumption and transition to more sustainable energy sources. Implementing targeted measures – such as the electrification of certain processing facilities – could significantly advance the company's progress towards meeting its climate goals in line with the CO_2 Reduction Road Map. This would also improve our reputation within the chemical-pharmaceutical raw materials sector. The lower carbon footprint of H&R products could translate into a competitive advantage, particularly as demand for climate-friendly solutions continues to grow.

Internationally, we actively monitor market trends and align regional opportunities with our international expansion strategy. To do this, we can rely on our network of subsidiaries as important strategic bridgeheads that enable us to quickly penetrate emerging markets in a carefully targeted manner.

Economic Performance Opportunities (Opportunity Class: Medium). Operating specialty production sites is very energy-intensive. By investing in cutting conventional carbon emissions and achieving lower energy consumption, H&R KGaA has already met important climate goals and conserved energy in the past. At the same time, we took advantage of the special compensation arrangements for energy-intensive businesses.

All in all, we see the debate on climate change and the efforts to forge ahead with the energy transition not only as a challenge, but also as an opportunity. This will be the case in particular if the EU and the German government as the competent regulators act in such a way that the high environmental, occupational health and safety, and energy standards can be met without proving to be an additional competitive disadvantage compared with other countries and regions.

We believe that a commitment to the increased production of green hydrogen and green carbon and the products to be obtained from these offers significant potential. Hydrogen and biomethane have the potential to replace fossil-based natural gas at our two major production sites, further accelerating our transformation process.

There are also fundamental opportunities – in the form of higher margins – when the supply of our products becomes scarce, such as during shutdowns, closures or capacity reductions at our competitors' refineries.

In addition to the positive effects resulting from the future change in use of raw materials, we also continue to see opportunities to market our lower-margin products. Both bitumen and cracker feed for other refinery types have sold well in the last two years and generated thoroughly adequate margins.

In the Plastics division, GAUDLITZ is driving forward its restructuring efforts. The company is establishing its headquarters in Coburg as a center of excellence for development and technology while expanding its production sites in the Czech Republic and China. These offer production cost advantages while also being close to our key sales markets.

The automotive sector is expecting to see a slight increase in demand within the German passenger car market in the current financial year. Germany needs to see a significant increase in new registrations of electric vehicles in order to meet the EU CO_2 emission performance standards for cars and vans. The VDA – the automotive industry's trade association – expects sales to increase in 2025 compared to the previous year, driven primarily by purely battery-electric vehicles.

We have a good opportunity to benefit from this trend in the Plastics segment due to GAUDLITZ's significantly streamlined structure and local placement in important markets. In the past, the increasing popularity of lighter components led to range improvements and lower levels of fuel consumption. These factors are also highly relevant for combustion-free drive technology. Greater capacity usually means installing larger batteries. This additional weight needs to be balanced out elsewhere.

Medical technology will also become increasingly important for GAUDLITZ. Plastics play an indispensable role in modern medical technology. Manufacturers and users are faced with the challenge of adapting to an increasingly dynamic market environment and meeting new requirements related to sustainability and other areas. However, these changes are also creating new opportunities through digitalization, the development of new materials and manufacturing processes, and demographic shifts.

Overall Statement on Opportunities

Assessment of Opportunities by the Management Board. Although the absolute number of reported risks is higher than the number of specific opportunities identified, H&R KGaA sees the opportunities referred to above as direct responses to many of the risks described and believes that the overall situation is generally balanced.

Forecast Report

Future Focus of the Group

Companies and Segments

Statements concerning short-term company performance from January 1 to December 31 of financial year 2025 assume that, based on our current knowledge, the structure of the Group will remain largely unchanged.

How to deal with the trade-off between raw materials prices and market conditions continues to be a crucial challenge for our company. This relates to the classic Chemical-Pharmaceutical Raw Materials division, as well as the business with precision plastic components.

H&R KGaA is positioned so that it can actively take advantage of its flexibility at three different levels of the value chain: in the ChemPharm Refining segment as a producer of chemical-pharmaceutical specialty products in Germany, in further processing of the ChemPharm Sales segment abroad and in global distribution. The Plastics business segment, with sites in Germany and abroad, has a comparable setup. If, in addition to our in-house expertise, we also need external capacity, we can fall back on a network of tried and tested partnerships. Every one of our Group subsidiaries fits into this simple matrix.

Sales Markets

In the Chemical-Pharmaceutical business, Germany will continue to be the main driver of our sales. In view of the maturity of this market, our growth strategy in this region, featuring the enhancement of the production site operating model, is based less on increasing volumes than on improving the efficiency of production processes and manufacturing higher-quality products. Internationally, we are focusing heavily on Asia. China, Singapore, Indonesia, Malaysia and Vietnam are key sales hubs and processing locations for our activities in the region, as is the Indian subcontinent. In the Plastics business, we are guided by our customers and see their production sites in Eastern Europe and China in particular as important customers.

Technologies and Processes

Constantly improving processes to increase efficiency and enhance the output structure is a core element of our corporate strategy. We combine long-standing skills and expertise with the use of new technologies, carving out a role for ourselves less as a traditional lubricant producer than as a manufacturer of high-quality specialty products. In order to satisfy the strongly increasing focus on sustainability in many of our customer industries and much of society, we are transforming our operating model for the German production sites. This will see us rely on a differentiated range of base materials, which is just as decisive for the quantity, composition and quality of our end products and by-products as plant configuration measures are. At the same time, we are expanding our feedstock and by-product portfolios to include hydrocarbon-based grades, which shall be less fossil-based and more sustainable in the future.

Products and Services

In spite of the above-mentioned changes in the operating model, we plan for our production sites to offer an almost identical product portfolio either directly or via our Sales segment – with one significant difference, namely that whatever was previously produced exclusively on a fossil basis will henceforth be created using increasing volumes of feedstocks on a plant, recycled or synthetic basis. Alongside achieving its future sustainability goals, H&R will support its customers with their sustainability approaches in the next few years with a climate-friendly product portfolio.

The Plastics division aims to strengthen its existing business with European customers from the electric mobility sector and position itself with customers in China through a sales initiative in the medical technology and industry sectors.

Expected Performance in Financial Year 2025

Macroeconomic Conditions

General Economic Environment
The German economy stagnated at the turn of the year and clearly lagged behind in international comparison. According to the ifo Institute's economic forecast for winter 2024, this could be due to both cyclical and structural problems, coupled with energy prices at a high level, restrained consumption and only limited investment in areas in urgent need of modernization.

In order to take this uncertainty into account, the experts assume two scenarios for the development of the German economy. A basic scenario continues the weak development of recent years and expects gross domestic product to grow by just 0.4% in 2025 and 0.8% in the following year.

The more optimistic alternative scenario assumes that development could benefit from reliable economic policy decisions and that this will be accompanied by a rapid improvement in location factors in the forecast period.

In this scenario, gross domestic product will grow more than twice as fast as in the base scenario over the next two years, at 1.1% and 1.6% respectively.

Overall, the eurozone was more stable than the German economy. The experts at the ifo Institute also expect our neighbors to perform better over the next two years. Overall, economic output in the eurozone will increase by 1.2% in both 2025 and 2026.

According to ifo experts, the global economy was on a moderate upward trend at the end of the year, although its momentum varied from region to region. It was recently robust in Asia outside of China, but particularly weak in Western Europe. The recent overall growth of 2.6% is likely to continue at the same level in subsequent years.

Our internal planning for the 2025 financial year is based on an exchange rate of 1.10 between the US dollar and the euro, which we used for the planning process.

For crude oil prices, we are based on the estimates of the economics departments of the major banks. For the planning year 2025, we have assumed a price of US$ 85 per barrel for a barrel of Brent North Sea crude at the time of planning. This is above the average annual price for 2024 of US$ 80.

It is also above the current daily oil price, which has been stable at a slightly lower level since the middle of the year following the sharp rise in spring 2024.

Industry Environment

According to the industry association VCI e.V., the economic situation in the chemical and pharmaceutical industry continued to deteriorate at the end of the year. It was not only the ongoing recession in German and European industry with the associated lack of orders that had a negative impact on business. The loss of price competitiveness also had an increasingly negative impact.

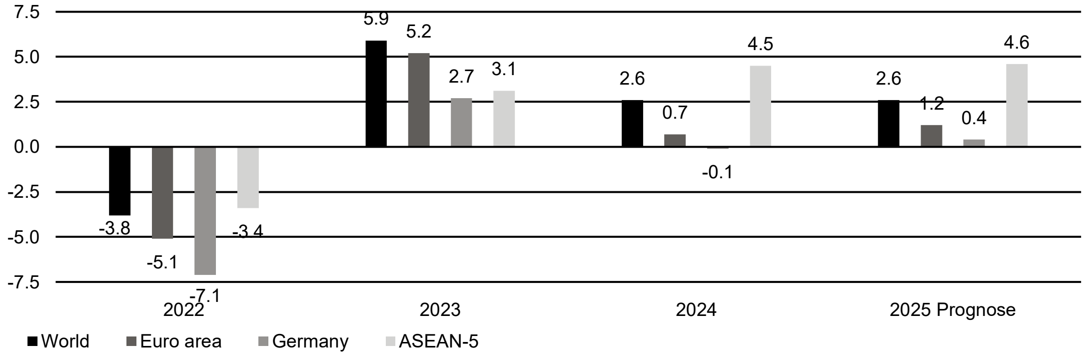
The association identified the most pressing problems directly by surveying its members: Bureaucracy and regulation were a heavy burden for almost all members. Long approval procedures were seen as a problem by more than half of the companies. In addition, every second company sees its business under massive pressure due to high energy costs.

These negative factors increased production costs and curbed the willingness to invest in Germany. The chemical and pharmaceutical industry was not alone here, but was representative of the entire industrial sector. At the turn of the year, hopes were pinned above all on the early federal elections and a fresh start by the government.

The VCI has specific demands for this: Competitive electricity prices, a reduction in red tape and a tax reform are needed, as well as investments in growth, innovation, education, security and infrastructure.

GLOBAL ECONOMIC GROWTH FORECAST

IN %, SOURCES: IFW, DIW, IMF



Company Performance

Sales and Earnings

The following table compares the actual values of the main or key control figures used by the H&R Group for the past financial year with the original forecast and shows the outlook for financial year 2025. It comprises sales and EBITDA.

COMPARISON OF ACTUAL VALUES WITH FORECAST

Key figure	Original forecast FY 2024	Actual FY 2024	Outlook FY 2025
Consolidated sales	€1,200.0 million to €1,500.0 million	€1,338.2 million	€1,300.0 million to €1,500.0 million
of which ChemPharm Refining	62 %	€817.1 million (approx. 59%)	64 %
of which ChemPharm Sales	34 %	€492.6 million (approx. 37%)	33 %
of which Plastics	4 %	€48.0 million (approx. 4%)	3 %
Reconciliation with consolidated sales	n. a.	€-19.4 million	n. a.
Consolidated EBITDA	approx. €90.0 million to €110.0 million	€94.8 million	approx. €85.0 million to €100.0 million
of which ChemPharm Refining	68 %	€54.1 million (approx. 53%)	64 %
of which ChemPharm Sales	27 %	€41.6 million (approx. 44%)	33 %
of which Plastics	5 %	€3.0 million (approx. 3%)	3 %
Reconciliation with consolidated EBITDA	n. a.	€-3.8 million	n. a.

Sales. Our sales are affected considerably by the cost of raw materials for our Chemical-Pharmaceutical division. If our planning assumptions for crude oil prices and the US dollar/euro exchange rate materialize during the year, we anticipate that prices for raw materials and products will remain constant and high overall. We also assume we will be able to pass on these costs in the form of higher product prices. All in all, we expect consolidated sales in 2025 to be on a par with 2024. The contribution from our ChemPharm Refining segment will account for around 64% of this amount. The ChemPharm Sales business will contribute approximately 33%, a lower percentage than in the previous year. The Plastics division is expected to contribute around 3% to total sales.

Income. Considering these challenges, the H&R Group achieved stable income figures in the last financial year. However, sluggish European demand, major geopolitical uncertainties and only weak signs of a recovery in the German industrial sector took their toll and put a limit on operating income.

Like many groups, H&R faces the challenging task of adapting a solid, time-tested business model to reflect ongoing societal changes. The shift away from fossil fuels like gas and oil is being hampered by the limited availability of sustainable alternatives at competitive prices. Transitioning to products with no or a significantly reduced carbon footprint requires a substantial level of investment, faster approval processes, and – most importantly – competitive prices in order to be viable. In 2024, these conditions were still noticeably lacking.

We are not necessarily expecting to see a significant improvement in the 2025 financial year. However, we are expecting the level of uncertainty to go down considerably. The results of the elections in the USA are likely to disrupt transatlantic relations. At the same time, Europe and Germany are now expected to take concrete action to strengthen their own positions. Economic stimulus from Brussels and Berlin and a meaningful revision of regulatory frameworks are just two measures that could boost confidence and encourage companies in the sector to invest.

The ChemPharm Refining segment would benefit the most from these developments, and we expect its operating income to return to a somewhat higher level. We are anticipating increased sales volumes along with improved margins. Contract manufacturing at the Salzbergen site should prove to be a stabilizing factor once again.

The ChemPharm Sales segment demonstrated its resilience in 2024, as it had in previous years. We remain optimistic for the coming year and expect income to remain on an upward trend. The extent of this growth will be somewhat dependent on Asian markets, where performance is expected to be a mixed. The intense competitive landscape and export restrictions in China will require particularly close monitoring.

The Plastics segment has taken advantage of strong years in the past and continued its restructuring efforts. This makes it all the more unfortunate that GAUDLITZ saw little benefit from this in 2024. This area would certainly have the most to gain if policymakers and automakers were to formulate a clear strategy regarding e-mobility. If such a strategy takes shape, it could positively impact the overall performance of the GAUDLITZ Group, leading to improved earnings.

All in all, for 2025 we are initially forecasting consolidated operating income (EBITDA) of between €85.0 million and €100.0 million, in line with the 2024 financial year. Accordingly, the income of H&R GmbH & Co. KGaA for 2025 in accordance with the German Commercial Code (HGB) will also be comparable with the previous year.

Based on budget assumptions, we expect the contribution to consolidated income made by our activities in the ChemPharm Refining segment to be around 64%. International business should account for approximately 33%. The Plastics division should contribute around 3% to the Group’s operating income (EBITDA).

For the forecast of our Group EBITDA and/or expectations regarding the segments’ operating income, we have used the methodology of the reporting principles applied to the annual and consolidated financial statements.

No structural changes to the income statement are expected for 2025.

Liquidity

Due to the increasing uncertainties regarding the further economic development and its impact on the credit markets, we have extended our syndicated credit line of € 230 million concluded in 2022 by one year to December 8, 2029 by drawing one of two extension options for a reduced amount of € 200 million from December 8, 2028.

Net debt remained stable year-on-year. H&R continues to have sufficient liquidity available to make the investments necessary to maintain its earning power and to cover requirements for fluctuations in net working capital, refinancing requirements and other liquidity needs.

We consider our liquidity to be sustainably secured.

Capital Expenditure

We intend to keep our investment levels in line with the previous year in 2025, with a focus on the future viability of our sites. Around 66% of total capital expenditure will be in the ChemPharm Refining segment. Around 25% of capital expenditure will be in the Sales segment and approximately 9% will be focused on investments in the Plastics segment and on other items. As before, the majority of these investments will be allocated to our two German production sites and distributed as usual between segments.

Financing Measures

The Articles of Association of H&R KGaA provide for authorizations to increase the share capital in return for cash and/or contributions in kind. At present, however, no specific corporate actions are planned.

H&R KGaA has entered into various loan agreements with banks. We cover our short-term financing needs using a newly concluded widely syndicated loan with a current volume of €230.0 million. This has a term of five years and has two one-year extension options. In order to ensure that we remain solvent at all times and to make efficient use of the liquidity of our German subsidiaries, the latter is incorporated into the cash pool structures in place at H&R GmbH & Co. KGaA. We currently cover our long-term financing needs primarily using redeemable loans that are refinanced by the German development bank KfW.

The KfW loans and the syndicated loan are subject to compliance with various financial covenants.

For more information on our main financing instruments, please refer to the section "Financial Management Principles and Objectives" in the notes to the consolidated financial statements.

Overall Statement by the Executive Board on Future Business Trends

H&R GmbH & Co. KGaA ended the last financial year with a slightly improved operating income (EBITDA) compared to the previous year.

Our initial guidance was slightly more optimistic regarding what the maximum possible outcome could be. We considered revising our forecast downwards due to making a sluggish start to 2024, but ultimately decided against it. The catch-up momentum in the second half of the year confirmed that this decision was not only justifiable but also the right one. H&R has once again demonstrated its ability to establish itself on a stable footing. The income figure of €94.8 million can be considered solid and reliable.

We intend to build on this in order to implement our own transformation. We redefined our overarching goals for this process in the past financial year and linked them to specific measures. If we are successful in transitioning our business model to sustainable raw materials and products, it would be a major step forward in our efforts to provide our customer industries with timely and reliable support so that they can achieve their sustainability goals.

Along the way, we will closely monitor market developments and key factors, such as customer demands and global political conditions. We are also fully aware that transformation is not an end in itself and will not happen automatically. All of the measures we take must be financially viable within the framework of our operating business.

Based on what has been achieved, our plans and the situation as of the editorial deadline for this management report, we are therefore initially formulating our expectations for 2025 with an operating income (EBITDA) target in the range of €85.0 million to €100.0 million.

Consolidated Financial Statements

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

as of December 31, 2024

ASSETS

IN € THOUSAND	Notes	12/31/2024	12/31/2023
Current assets			
Cash and cash equivalents	(6,39)	62,531	69,443
Trade receivables	(7,39)	134,999	105,805
Income tax refund claims		6,040	4,772
Inventories	(8)	215,191	206,387
Other financial assets	(9,39)	14,157	9,282
Other assets	(10)	17,656	11,493
Current assets		**450,574**	**407,182**
Non-current assets			
Property, plant and equipment	(11)	445,211	444,576
Goodwill	(12)	17,020	17,020
Other intangible assets	(12)	12,951	15,533
Shares in holdings valued at equity	(13)	3,120	3,550
Other financial assets	(9,39)	80,769	10,045
Other assets	(10)	2,105	1,866
Deferred tax assets	(35)	3,098	3,466
Non-current assets		**564,274**	**496,056**
Total assets		**1,014,848**	**903,238**

LIABILITIES AND S HAREHOLDERS' EQUITY

IN € THOUSAND	Notes	12/31/2024	12/31/2023
Current liabilities			
Liabilities to banks	(14,39)	88,621	77,090
Trade payables	(15,39)	93,285	103,065
Liabilities from supply chain financing arrangements	(16)	56,971	–
Income tax liabilities		4,538	8,511
Contract liabilities	(17)	3,027	4,004
Other provisions	(18)	16,061	17,934
Other financial liabilities	(19,39)	17,196	12,848
Other liabilities	(20)	15,356	16,715
Current liabilities		**295,055**	**240,167**
Non-current liabilities			
Liabilities to banks	(14,39)	63,186	80,472
Pension provisions	(21)	57,584	56,085
Other provisions	(18)	3,179	2,786
Other financial liabilities	(19,39)	31,705	33,956
Other liabilities	(20)	90,067	20,303
Deferred tax liabilities	(35)	5,487	11,852
Non-current liabilities		**251,208**	**205,454**
Equity			
Subscribed capital	(22)	95,156	95,156
Capital reserve	(23)	46,427	46,427
Retained earnings	(24)	283,773	278,819
Other reserves	(25)	1,505	-7,385
Equity of H&R GmbH & Co. KGaA shareholders		**426,861**	**413,017**
Non-controlling interests	(26)	41,724	44,600
Equity		**468,585**	**457,617**
Total liabilities and shareholders' equity		**1,014,848**	**903,238**

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

January 1, 2024, to December 31, 2024

IN € THOUSAND	Notes	1/1–12 /31/2024	1/1–12 /31/2023
Sales revenue	(28)	1,338,240	1,352,255
Changes in inventories of finished and unfinished goods		4,389	-17,245
Other operating income	(29)	37,605	29,868
Cost of materials	(30)	-1,026,704	-1,033,112
Personnel expenses	(31)	-106,413	-102,765
Depreciation, impairments and amortization of intangible assets and property, plant and equipment	(11,12)	-62,826	-62,399
Other operating expenses	(27,32)	-152,101	-135,920
Operating result		**32,190**	**30,682**
Income from holdings valued at equity	(13)	-244	-423
Financing income	(33,39)	653	1,243
Financing expenses	(33,39)	-11,907	-12,697
Income before tax (EBT)		**20,692**	**18,805**
Income taxes	(35)	-7,808	-8,242
Consolidated income		**12,884**	**10,563**
of which attributable to non-controlling interests		2,261	7
of which attributable to shareholders of H&R GmbH & Co. KGaA		**10,623**	**10,556**
Earnings per share (undiluted), €	(36)	0.29	0.28
Earnings per share (diluted), €	(36)	0.29	0.28

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

January 1, 2024, to December 31, 2024

IN € THOUSAND	Notes	1/1–12 /31/2024	1/1–12 /31/2023
Consolidated income		**12,884**	**10,563**
of which attributable to non-controlling interests		2,261	7
of which attributable to shareholders of H&R GmbH & Co. KGaA		10,623	10,556
Positions that will not be reclassified into profit or loss			
Remeasurement of defined-benefit pension plans	(9,21)	-2,437	-1,872
Deferred taxes	(35)	490	1,068
Total remeasurement of defined-benefit pension plans		**-1,947**	**-804**
Valuation effects from equity instruments	(39)	1,152	-2,442
Deferred taxes	(35)	-17	37
Total change in valuation effects from equity instruments		**1,135**	**-2,405**
Total positions that will not be reclassified into profit or loss		**-812**	**-3,209**
Positions that may subsequently be reclassified into profit or loss			
Changes in the fair value of derivatives held for hedging purposes	(39)	-2,165	-5,756
Deferred taxes	(35)	655	1,711
Total change in the fair value of derivatives held for hedging purposes		**-1,510**	**-4,045**
Changes in the currency translation adjustment item	(25)	10,743	-13,134
Total positions that may subsequently be reclassified into profit or loss		**9,233**	**-17,179**
Other comprehensive income		**8,421**	**-20,388**
of which attributable to non-controlling interests		1,478	-2,930
of which attributable to shareholders of H&R GmbH & Co. KGaA		6,943	-17,458
Total comprehensive income		**21,305**	**-9,825**
of which attributable to non-controlling interests		3,739	-2,923
of which attributable to shareholders of H&R GmbH & Co. KGaA		17,566	-6,902

Consolidated Statement of Changes in Group Equity of H&R GmbH & Co. KGaA

as of December 31, 2024

IN T€	Subscribed capital (22)	Capital reserve (23)	Retained earnings (24)	
1/1/2023	**95,156**	**46,427**	**272,789**	
Dividend	**–**	**–**	**-3,722**	
Consolidated income	–	–	10,556	
Other comprehensive income	–	–	-804	
Total comprehensive income	–	–	9,752	
12/31/2023	**95,156**	**46,427**	**278,819**	
Dividend	**–**	**–**	**-3,722**	
Consolidated income	–	–	10,623	
Other comprehensive income	–	–	-1,947	
Total comprehensive income	–	–	8,676	
12/31/2024	**95,156**	**46,427**	**283,773**	

Other reserves/cumulative other comprehensive income					
Valuation effects from equity instruments (25)	Derivative financial instruments (25)	Difference from currency translation adjustment (25)	Equity attributable to shareholders of H&R KGaA	Noncontrolling interests (26)	Total
3,172	**4,344**	**1,753**	**423,641**	**47,523**	**471,164**
–	**–**	**–**	**-3,722**	**–**	**-3,722**
–	–	–	10,556	7	10,563
-2,405	-4,045	-10,204	-17,458	-2,930	-20,388
-2,405	-4,045	-10,204	-6,902	-2,923	-9,825
767	**299**	**-8,451**	**413,017**	**44,600**	**457,617**
–	**–**	**–**	**-3,722**	**-6,615**	**-10,337**
–	–	–	10,623	2,261	12,884
1,135	-1,510	9,265 –	6,943	1,478	8,421
1,135	-1,510	9,265	17,566	3,739	21,305
1,902	**-1,211**	**814**	**426,861**	**41,724**	**468,585**

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

January 1, 2024, to December 31, 2024

IN T€			Notes	2024	2023
1.		Consolidated income		12,884	10,563
2.		Income taxes		7,808	8,242
3.		Net interest income		11,255	11,861
4.	+/−	Depreciation and amortization/appreciation on fixed assets and intangible assets		62,826	62,399
5.	+/−	Increase/decrease in non-current provisions		-2,656	-2,235
6.	+	Interest received		652	836
7.	−	Interest paid		-9,190	-8,209
8.	+/−	Income tax received/paid		-17,490	-6,806
9.	+/−	Other non-cash expenses/income		314	749
10.	+/−	Increase/decrease in current provisions		-2,063	-601
11.	−/+	Gain/loss from the disposal of intangible assets		2,545	300
12.	−/+	Changes in net working capital		10,422	42,479
13.	+/−	Changes in remaining net assets/other non-cash items		-7,063	-509
14.	**=**	**Cash flow from operating activities (sum of items 1 to 13)**	**(38)**	**70,244**	**119,069**
15.	+	Proceeds from disposals of property, plant and equipment		373	746
16.	−	Payments for investments in property, plant and equipment		-51,847	-53,295
17.	−	Payments for investments in intangible assets		-3,167	-4,358
18.	+	Dividends received from holdings valued at equity		186	289
19.	+	Dividends received from other holdings		–	357
20.	**=**	**Cash flow from investing activities (sum of items 15 to 19)**	**(38)**	**-54,455**	**-56,261**
21.	**=**	**Free cash flow (sum of items 14 and 20)**		**15,789**	**62,808**
22.	−	Dividends paid by H&R KGaA		-3,722	-3,722
23.	−	Dividend paid to non-controlling interests		-6,615	–
24.	−	Payments for settling financial liabilities		-196,400	-172,838
25.	+	Proceeds from taking up financial liabilities		180,936	129,618
26.	**=**	**Cash flow from financing activities (sum of items 22 to 25)**	**(38)**	**-25,801**	**-46,942**
27.	**+**	**Changes in cash and cash equivalents (sum of items 14, 20 and 26)**		**-10,012**	**15,866**
28.	+	Cash and cash equivalents at the beginning of the period		69,443	55,997
29.	+/−	Change in cash and cash equivalents due to changes in exchange rates		3,100	-2,420
30.	**=**	**Cash and cash equivalents at the end of the period**		**62,531**	**69,443**

Notes to the Consolidated Financial Statements of H&R GmbH & Co. KGaA

as of December 31, 2024

(1) General Information

H&R GmbH & Co. KGaA (hereinafter referred to as "H&R KGaA"), a listed company headquartered at 48499 Salzbergen (Germany), Neuenkirchener Strasse 8, does business in various specialty chemical and plastics markets via its subsidiaries. The Group's businesses include the production of chemical-pharmaceutical raw materials as well as the manufacture of injection molded precision plastic parts. It is recorded in the Commercial Register at the Osnabrück Municipal Court under number HRB 210689. H&R KGaA is managed by the Executive Board of H&R Komplementär GmbH. The parent company of H&R KGaA is H&R Komplementär GmbH, while Mr. Nils Hansen is considered the "ultimate controlling party" within the meaning of IAS 24.13.

In accordance with Section 315e of the German Commercial Code (HGB), H&R KGaA, as a listed Group parent company, is required to prepare consolidated financial statements in accordance with international accounting standards and rules. The consolidated financial statements of H&R KGaA were prepared based on the accounting rules of the International Accounting Standards Board (IASB), the application of which was mandatory under EU Regulation No. 1606/2002 as of the reporting date, and according to the additionally applicable requirements of Section 315e, paragraph 1 HGB. The requirements of the Standards (IFRS/IAS) and interpretations (IFRIC/SIC), the application of which was mandatory as of the reporting date, were met without exception.

The income statement is prepared in accordance with the total-cost method. The statement of financial position is broken down into current and non-current assets and liabilities. Under this approach, assets and liabilities are shown as current if they are held for trading purposes, are intended for sale within the normal course of the business cycle, or are expected to be sold within twelve months of the reporting date. Pension provisions and deferred tax claims and/or liabilities are in principle treated as being non-current.

The 2024 consolidated financial statements were prepared in euros (€). Unless stated otherwise, all amounts are shown in thousands of euros (in € thousand). Rounding can lead to the amounts mentioned in this report not adding up exactly to the sums stated, and to percentages not exactly matching the amounts reported.

The financial year of H&R KGaA and the subsidiaries included in the consolidated financial statements coincides with the calendar year.

The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

(2) Effects of New Accounting Standards

Standards and Interpretations to Be Applied for the First Time in the Current Financial Year Application of changes to the following standards by the International Accounting Standards Board (IASB) became mandatory for the first time in the current financial year:

STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME

Standard / Interpretation	Title	IASB effective date	Date of EU endorsement	EU effective date	Material impact on H&R
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1/1/2024	11/20/2023	01/01/2024	none
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1/1/2024	12/19/2023	01/01/2024	none
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current - Deferral of Effective Date	1/1/2024	12/19/2023	01/01/2024	none
Amendments to IAS 1	Non-current Liabilities with Covenants	1/1/2024	12/19/2023	01/01/2024	none
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1/1/2024	5/15/2024	01/01/2024	See note

Supplier finance arrangements

Amendments to IAS 7 and IFRS 7 particularly concern additional disclosures regarding reverse factoring agreements in order to increase transparency as well as the effects on liabilities, cashflow and exposure to liquidity risk. H&R KGaA has concluded such arrangements for 2024. The required disclosures can be found under Note (4), (16), (38) and (48).

Published Standards and Interpretations That Are Not Yet Being Applied

As of the reporting date, the following accounting standards had already been published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) but application of the standards and interpretations was not yet mandatory.

PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET BEING APPLIED

Standard/ Interpretation	Title	IASB effective date	Date of EU endorsement	EU effective date	Material impact on H&R
Amendments to IAS 21	Lack of Exchangeability	1/1/2025	11/12/2024	1/1/2025	none
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1/1/2026	to be determined	to be determined	none
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1/1/2026	to be determined	to be determined	none
Amendments	Annual improvement Volume 11	1/1/2026	to be determined	to be determined	none
IFRS 18	Presentation and Disclosure in Financial Statements	1/1/2027	to be determined	to be determined	none
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1/1/2027	to be determined	to be determined	none

H&R KGaA will not avail itself of the option for early application of the standards and interpretations that are not yet to be applied as a mandatory requirement.

(3) General Accounting and Measurement Methods

Principles of Consolidation

The statements included in the consolidated financial statements are prepared in accordance with uniform accounting and valuation methods. The reporting date is the closing date of the parent company.

Subsidiaries are companies or entities that, according to the criteria listed in IFRS 10, are controlled by H&R KGaA. Accordingly, H&R KGaA controls rights at these companies that give it the ability to direct the relevant activities of these companies in order to influence the companies' returns. Control further requires H&R KGaA to be exposed to variable returns from the subsidiaries and to have the ability to affect those variable returns through its decision-making power. If it loses control over a subsidiary, the subsidiary is no longer included in the scope of consolidation.

All intragroup business transactions and interim results as well as existing receivables and payables between consolidated companies are eliminated in the course of consolidation. Deferred income tax effects arising from the consolidation process are appropriately taken into account.

In accordance with IFRS 3, business combinations are recorded in the financial statements using the acquisition method. The acquirer is deemed to be the entity that obtains control over the acquired company or the acquired business operations in accordance with the rules set forth in IFRS 10. In the case of a company purchase, the pro rata equity of the acquired subsidiary is determined at the time of acquisition, taking into account the fair values of the identifiable assets, debts and contingent liabilities, deferred taxes and any goodwill at that time. If foreign companies are acquired, the acquisition costs are converted into euros at the respective exchange rate on the purchase date.

The acquisition costs correspond to the fair value of the transferred assets, the equity instruments issued and the debts arising/being assumed at the time of the transaction. In addition, they contain the fair values of any reported assets or liabilities resulting from a conditional consideration arrangement. Purchase-related ancillary costs are immediately recorded as a charge against income.

Acquisition costs are offset against the pro rata fair value of the net equity. Net equity is determined by recognizing the identifiable assets, debts, and contingent liabilities of the acquired company or the acquired business operations at their fair value at the time of acquisition. Any amount remaining on the asset side after setoff is treated as goodwill. Pursuant to IFRS 3, any negative amount resulting from an examination of the reassessment of net assets acquired is recognized directly through profit or loss.

Non-controlling interests in fully consolidated companies are valued at the pro rata fair value of the net assets. Transactions with non-controlling interests are treated like transactions with Group equity owners. The difference between the acquired pro rata equity of other shareholders and the purchase price is therefore directly netted against equity.

Shares in Holdings Valued at Equity

Interests in associates and in joint ventures are reported in accordance with the equity method. Joint ventures are companies that H&R KGaA manages jointly with a third party. H&R KGaA's interest in associates ranges from 20% to 50%. Under the equity method, the carrying amount of holdings valued at equity is increased or reduced by the change in equity corresponding to H&R KGaA's interest in the equity of these companies. The Group's interest in associated companies and in joint ventures includes the goodwill arising from the acquisition. The changes in the pro rata equity affecting the income statement are recognized under income from holdings valued at equity.

If there are any objective indications of the need to recognize an impairment loss for holdings valued at equity, the need for an impairment loss is calculated. Impairments are carried out where the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

Currency Translation

The annual financial statements of the foreign subsidiaries are converted into euros in accordance with the functional currency principle. As the companies essentially manage their business independently from a financial, economic and organizational point of view, the respective functional currency as a rule is that of the country in which the company is headquartered.

In the separate financial statements of the Group companies, foreign currency transactions are translated into the functional currency at the exchange rates in effect at the time of the transaction. On the statement of financial position, receivables and payables in foreign currencies are valued at the exchange rate on the reporting date; the resulting exchange rate gains and losses are recognized through profit or loss.

In the consolidated financial statements, the assets and liabilities are converted into euros at the exchange rate on the respective reporting date. Any changes taking place during the year, as well as items on the income statement, are converted into euros at the average annual exchange rate. The equity is carried at historical exchange rates and the resulting differences are recognized directly in equity. The same applies to conversion differences in connection with net investments in foreign operations. When Group companies leave the scope of consolidation the conversion differences recognized in equity are released and recognized as income.

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

EXCHANGE RATES FOR THE MAIN CURRENCIES

	Closing rates 12/31/2024	Closing rates 12/31/2023	Average rates 2024	Average rates 2023
US dollar	1.0389	1.1050	1.0821	1.0816
British pound	0.8292	0.8691	0.8466	0.8699
Australian dollar	1.6772	1.6263	1.6399	1.6285
South African rand	19.6188	20.3477	19.8317	19.9544
Thai baht	35.6760	37.9730	38.1790	37.6330
Chinese renminbi	7.5833	7.8509	7.7863	7.6591
Czech crown	25.1850	24.7240	25.1190	23.9980
Malaysian ringgit	4.6454	5.0775	4.9506	4.9316

Cash and Cash Equivalents
Cash and cash equivalents comprise cash in hand, checks received, and bank balances and have a maximum term of three months at the time of acquisition or investment. Cash and cash equivalents are measured at amortized cost.

Climate Change Agreement
H&R Chemisch-Pharmazeutische Spezialitäten GmbH, a subsidiary of H&R KGaA concluded a climate protection agreement with the Federal republic of Germany in 2024, which promotes investment in a process furnance with electrical energy for CO_2 reduction at the Salzbergen site. This CO_2 difference contract is recognized as a derivative at fair value through profit and loss. At initial recognition H&R KGaA records deferred income in the same amount as the derivative. In subsequent periods, this deferred income will increase or decrease in accordance with the change in fair value of the derivative recognized through profit or loss. Both, the change in the fair value of the derivative and the change in the deferred income in the same amount, are recognized in other operating income and thus net out to zero.

If the project is implemented, the deferred grant is recognized in profit or loss when the process furnace is put into operation in accordance with the amount of the grant utilized.

Financial Instruments
A financial instrument is a contract that gives rise to a financial asset at one company, while at the same time creating a financial liability or equity instrument at another. Financial assets comprise cash and cash equivalents, loans and receivables issued, equity and debentures acquired, and derivatives with positive fair values. Financial liabilities include liabilities to banks, trade payables, and derivatives with negative fair values as well as other financial liabilities.

In line with IFRS 9, H&R KGaA assigns financial instruments to the categories “measured at amortized cost”, “measured at fair value through other comprehensive income" and "measured at fair value through profit or loss". H&R KGaA did not make use of the options available for designating a financial instrument as measured at fair value through profit and loss. Financial assets and financial liabilities are not offset, apart from the reimbursement right against BP (see Notes (9) and (21)), since no such offset agreements exist. In cases involving standard market purchases or sales, H&R KGaA selects the trading date as the date of addition/disposal for the purposes of the statement of financial position.

Financial Assets
Financial assets are measured at fair value less transaction costs upon their initial recognition. Subsequent measurement depends on the business model based on which the asset is held. At H&R KGaA, financial assets relate to the categories "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost".

Financial assets are designated as belonging to these measurement categories upon initial recognition. Reclassifications are made to the extent that they are permissible and necessary.

Financial assets with a business model that aims to hold the assets until the contractual cash flows have been collected and which only trigger interest and principal repayments on specified dates are measured at amortized cost. This essentially includes all receivables and financial assets that are not held for sale.

If the business model for financial assets also provides for the sale of the asset over and above defined interest and principal repayments, H&R KGaA recognizes them at fair value through other comprehensive income. The changes in value recognized in other comprehensive income are reclassified to the income statement upon disposal of the financial assets.

Provided that equity instruments are not acquired to be held for trading, they can optionally be valued allocated to the category "measured at fair value through other comprehensive income". Changes in value are recognized in other comprehensive income, but are not reclassified to the income statement at any time. H&R KGaA has exercised this option for an equity instrument to offset fluctuations in income resulting from changes in the fair value of this asset.

At H&R KGaA, the group of financial assets measured at fair value through profit or loss includes financial assets held for trading composed mainly of derivative financial instruments and securities.

Impairment of financial assets in the categories "measured at amortized cost", on the one hand, and "at fair value through other comprehensive income" with recycling of the changes in value recognized in other comprehensive income, on the other, are recognized in accordance with IFRS 9 using the expected credit loss model, which provides for three levels. For Level 1 financial assets, risk provisions are to be set up in the amount of the twelve-month expected credit loss. This will comprise the present value of the expected defaults calculated from the default events within the first twelve months. If a financial asset shows a significant increase in credit risk since the initial recognition date, the impairment is calculated as the present value of the lifetime expected loss and the asset is classed a Level 2 asset. Financial assets showing evidence that an impairment has already occurred are assigned to Level 3. Such evidence includes, among other things, the high probability of insolvency proceedings, significant financial difficulties of a debtor or the disappearance of an active market for financial assets. At Level 3, impairments are recognized in the amount of the expected credit losses over the entire term of the financial asset.

Simplified provisions apply to certain financial assets which H&R KGaA applies to trade receivables. For these, blanket risk provisions are recorded in the amount of the losses expected over the residual term, which are determined on the basis of empirical values and are assigned to Level 2 of the impairment model upon initial recognition. In the event of an impaired credit rating or a default, the receivable in question is moved to Level 3. If a financial asset is overdue by more than 90 days, this objectively indicates an impairment of its credit rating.

Within the scope of real factoring agreements with a term until December 31, 2023, H&R KGaA sold short-term trade receivables to a bank. H&R KGaA was free to decide whether or not, and to what extent, receivables were sold within certain limits. All material opportunities and risks were transferred to the buyer, meaning that the receivables sold were fully derecognized and no continuing involvement was recognized in the statement of financial position.

The credit and default risk from financial assets lies in the danger that a contracting party will fail to pay; it therefore does not exceed the amount of the claims against the respective counterparty for the recognized carrying amounts. H&R KGaA regularly carries out assessments to identify substantial increases in credit risk. In general, these mainly take into account default probabilities and past-due intelligence.

Financial assets are derecognized when there is no longer any contractual right to receive a payment or if this right has been transferred to third parties, meaning that the relevant risks have passed to the buyer of this right. If receivables are subject to enforcement measures, they are not derecognized.

Financial Liabilities
When first reported, financial liabilities are always stated at their fair value and after deduction of transaction costs. In subsequent periods, they are measured at amortized cost using the effective-interest method. These mainly include liabilities to banks, trade payables, liabilities from supply chain financing arrangements and other liabilities.

Financial liabilities are derecognized when the contractual obligations are settled, reversed, or have expired.

Derivative Financial Instruments
Besides the climate Protection agreement derivative financial instruments are used in the form of currency forward contracts, currency swaps and interest rate swaps to reduce currency and interest rate risks. H&R also uses derivative financial instruments in the form of oil derivatives to hedge payment flows from future purchases and sales of oil products, which are conducted by H&R within the context of it business operations. Derivative financial instruments that meet the criteria of hedge accounting in accordance with IAS 39 are classified either as fair value hedge of an asset or liability (fair value hedge) or as an hedge of the exposure to variability in cash flows with highly probable forecast transactions (cash flow hedge). Besides interest rate swaps, oil derivatives have been recognized as cash flow hedges in the current financial year. In the case of oil derivatives the underlying heddging transactions are designated as the expected highly likely spot purchases/sales and financial floating-to-fixed swaps.

Derivative financial instruments are carried on the statement of financial position at fair value on each reporting date and, depending on the market value, are shown as financial assets or liabilities. The fair value of the derivatives is calculated using standard market valuation methods, taking into account the market data available on the valuation date. With currency forward contracts, the valuation is carried out on a case-by-case basis at the pertinent forward exchange rate on the reporting date. The fair value of derivative financial instruments for interest rate hedging is determined by discounting future incoming and outgoing cash flows. Standard market interest rates which have been adjusted to reflect their own credit risk and which correspond to the respective time to maturity of the financial instruments are used for discounting. The fair values of the derivative financial instruments for hedging raw materials price risks are determined using the discounted cash flow method in consideration of actively traded forward exchange rates and using market-driven interest rates for discounting to the reporting date.

With the derivatives used to hedge raw materials price risks within the scope of cash flow hedges, changes to the effective part of the fair value are recognized through other comprehensive income. The ineffective part is immediately recognized in the income statement in profit or loss. The amounts accrued in other comprehensive income are transferred to the income statement and recognized expense or income in the period in which the hedged underlying transaction is recognized as profit or loss. For the hedging of raw materials price risks, this occurs in sales revenues/cost of materials.

If a hedging transaction expires, is sold or no longer fulfills the criteria for recognition as a hedging transaction, the cumulative amount recognized until then in other comprehensive income remains in equity and is only transferred to the income statement if the original hedged, future transaction occurs. If the future transaction is no longer expected to occur, the profits/losses recognized in equity must immediately be collected in the income statement in profit or loss.

Inventories
According to IAS 2, inventories include those assets held for sale in the ordinary course of business

(finished products and products for sale), assets in the process of production for sale (work in progress), or materials and supplies that are consumed in the production of inventory or in the rendering of services (raw, auxiliary and production materials).

Raw, auxiliary, and production materials are stated at the lower of acquisition or manufacturing cost and the net realizable value, as determined on the basis of the weighted-average-cost method, i. e., at the sales price that can be obtained in the normal course of business less the estimated manufacturing and marketing costs. Finished products and work in progress are measured at acquisition or manufacturing costs, provided that these are lower than the net realizable value. Manufacturing costs comprise the material and production costs directly allocable to the manufacturing process, directly allocable portions of the material and manufacturing overhead costs and productionoriented general and administrative overhead costs. Raw, auxiliary and production materials are not depreciated if the end products can be sold at a profit.

By-products from the production process (joint production) are measured at their selling prices and the remaining manufacturing costs are allocated to the core products. Financing costs are not taken into account.

Property, Plant and Equipment
Property, plant and equipment is valued at cost less cumulative depreciation and impairment losses plus reversals of impairments.

Acquisition costs consist of the price of the acquisition, the ancillary acquisition costs, and subsequent acquisition costs less acquisition price reductions obtained. Borrowing costs that are directly attributable to the construction, acquisition or production of a qualifying asset are capitalized. Expenses for the ongoing repair and maintenance of property, plant and equipment are recognized through profit or loss. Expenses for renewal and maintenance are capitalized as subsequent manufacturing costs only if they result in a substantial extension of the useful life, a significant improvement, or a meaningful change in the use of the respective property, plant or equipment.

Expenses related to scheduled downtime at large facilities are stated separately at the amount of the costs of the shutdown, as part of the facility in question, and are depreciated on a straight-line basis over the period until the next scheduled downtime. To the extent that depreciable fixed assets consist of essential identifiable components with individually different useful lives, such components are carried separately and depreciated over their respective useful lives. Investment subsidies are deferred and recognized as income over the average useful lives of the subsidized assets.

Depreciable fixed assets are subject to straightline depreciation over their respective useful lives; residual amounts are taken into account. These economic lives are reviewed on each reporting date and adjusted, if necessary. Upon sale or retirement, the acquisition or manufacturing costs and the relevant accumulated depreciation of the facilities are derecognized; the resulting gains or losses are recognized through profit or loss. The useful lives used can be summarized as follows:

ASSETS

	Economic life
Buildings	10 to 36 years
Land use rights	45 to 50 years
Tank farms	25 years
Technical equipment and machinery	10 to 20 years
Other facilities	3 to 6 years
Operating and office equipment	3 to 13 years

Leasing Costs
A lease is an agreement whereby the lessor, in return for a payment or series of payments, conveys to the lessee the right to use an asset for a specific period of time. Accounting takes place in accordance with IFRS 16, which requires the recognition of a right to use the leased assets, and a liability for the payment obligations entered into, for each lease in the statement of financial position.

The lease liability is essentially based on the contractually agreed fixed payments, which are discounted at the interest rate on which the lease is based, insofar as it can be determined. Alternatively, discounting is based on the incremental borrowing rate. Lease liabilities measured at amortized cost are reported under other financial liabilities. The right-of-use assets are recognized at cost, which mainly comprises the lease liabilities and any lease payments made before the leased asset was made available. Subsequent measurement is then at amortized cost, with the right-of-use assets being amortized on a straightline basis over the term of the lease.

H&R KGaA makes use of the simplified application for short-term leases and leases of lowvalue assets and recognizes the payments as an expense in the income statement. This does not include lease agreements relating to tank capacities, which are recognized in accordance with IFRS 16 even with a term of up to one year. In cases involving contracts that include non-lease components in addition to lease components, the option of not separating them, and instead accounting for both components as one lease component, is applied.

Some leases include renewal and termination options that give H&R KGaA greater operational flexibility. When determining the term of the contract, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are taken into account. Changes in the term due to such options being exercised or not are only taken into account if they are sufficiently probable.

Goodwill
The first time it is reported, the goodwill resulting from business combinations is stated at acquisition cost, which is measured as the surplus of the value of the consideration transferred over the value of the identifiable assets acquired and liabilities assumed. After the initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses.

Goodwill is not subject to amortization, but, rather, is subjected to an impairment test every year. If any events or changed circumstances are identified that indicate a potential impairment loss, the impairment test is also carried out more frequently. In the event of the need to recognize a goodwill impairment loss, it is immediately recognized under depreciation and amortization on the income statement. Reversal of an impairment loss for goodwill in later periods does not take place. Details on the annual impairment tests are provided in the section on impairments.

Other Intangible Assets
Other intangible assets are capitalized at cost. Insofar as they have determinable useful lives, they are subject to amortization on a straight-line basis over their respective useful lives. Impairment is recognized based on the principles set out in the section on impairment. The following useful lives were assumed in determining amortization:

ASSETS

	Useful life
Software	3 to 5 years
Licenses	3 to 5 years
Concessions and patents	3 to 10 years
Customer relationships	15 years
(Production) technologies	10 years

H&R KGaA has received carbon emission rights free of charge in connection with the introduction of emissions trading in the European Union; they are valued at an acquisition cost of zero. Additional carbon emission rights acquired are stated at amortized cost.

Impairment
As of each reporting date, the carrying amounts of goodwill, other intangible assets, and property, plant and equipment are checked for any indications of impairment. In the case of goodwill, an impairment test is performed on an annual basis.

If an asset does not generate cash flows largely independently of other assets, the impairment test is performed at the level of the relevant cash-generating units. H&R KGaA essentially considers both strategic business units under standard management with comparable product portfolios and, occasionally, also individual, legally autonomous companies to be cash-generating units.

The impairment test is performed by comparing the carrying amount of the cash-generating unit or the relevant property, plant and equipment or intangible assets with their recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. The recoverable amount here is the value in use determined using the discounted cash flow method. If the carrying amount exceeds the recoverable amount, an impairment equal to the difference must be recognized through profit or loss.

The first step involves writing goodwill off in full. Any remaining impairment is, as a rule, allocated to the remaining non-current assets of the cash-generating unit in proportion to their carrying amounts.

In the event the reasons for impairment no longer apply, the appropriate reversals are effected to the extent that the amortized cost is not exceeded. The reasons for an impairment are reviewed on each reporting date. Goodwill is not subject to reversals of impairment.

The expected cash flows of the cash-generating units are derived from the H&R Group's current five-year plan. As in the previous year, the cash flow for subsequent periods was extrapolated using an expected growth rate of 1% p.a. Average costs of capital were used for the discounted cash flow; these weighted capital costs are calculated based on market values. Differences in the individual cash-generating units' cost of capital result in particular from various assumptions and estimates concerning country risk, credit risk, and price inflation in the country in which the cash-generating unit is headquartered.

The plan is based, in particular, on assumptions concerning the trend in sales revenue, the material usage ratio and investments already initiated as well as on empirical values and market expectations. Pursuant to IAS 36, investments to expand capacity for which no cash outflows have occurred to date are not included.

Research and Development Costs
Research expenses are recognized as expenses in the period in which they are incurred. Development expenses are capitalized only if the requirements of IAS 38 have been satisfied. According to this standard, capitalization is always required when there is reasonable certainty that the development activity will lead to future cash flows that will also cover the relevant development costs. As internal developments are subject to various uncertainties, the conditions for capitalizing costs incurred in bringing a product to market generally are not met.

Other Receivables and Payables
Accruals and deferrals and other non-financial assets and liabilities are initially recognized at cost. Reversal takes place on a straight-line basis or using the percentage of completion method. In contrast, the recognition of deferred income from the Climate protection agreement follows the change in fair value of the corresponding derivative.

Grants Received
Governement grants are recognized at fair value if there is reasonable assurance that the grant will be received and that the Group complies with all attached conditions. Government grants recognized under the income approach are substracted from the related expenses. In financial year 2024 this related in particular to the effects of electricity price compensation to relieve the burden on energy-intensive industry and in previous year, the effects of electricity and gas price brake.

Government grants for assets are shown on the statement of financial position as deferrals in the other liabilities section and are reversed and recognized in profit or loss over the average useful life of the subsidized assets. Private subsidies are recognized as other liabilities under both current and non-current liabilities and are reversed over their expected useful lives. For information regarding accounting of grants from the Climate protection agreement please refer to a separate section in this chapter.

Contract Liabilities
Contract liabilities are commitments of H&R KGaA to transfer goods and services, for which H&R KGaA has already received a consideration, to a customer. At H&R KGaA, contract liabilities comprise advance payments received on customer contracts.

Pensions and Similar Obligations
Company pensions of H&R KGaA are designed based on the legal, tax, and economic circumstances in the respective countries and include both defined-contribution and defined-benefit plans. Under defined-contribution plans, the Group makes contributions to public or private pension insurance plans based on a statutory or contractual obligation, or even voluntarily. The Group has no further payment liabilities beyond payment of the contributions. Contributions are recognized under personnel expenses when due.

The present value of the pension commitments under defined-benefit pension plans (defined-benefit obligations, DBOs) and of the associated past service expense is calculated using the projected unit credit method. Under this method, the valuation is based on actuarial calculations for which specific assumptions must be made concerning salary and pension payment trends, turnover rates, death and interest rates. Due to changing conditions, the actual future expenses and liabilities can differ significantly from the estimates in the actuarial reports.

Under defined-benefit pension plan accounting rules, interest expense is recognized under net interest income on the income statement. Past service expenses are recorded as personnel expenses. Effects from the remeasurement of defined-benefit pension plans are recognized directly in equity and on the statement of comprehensive income, where deferred taxes are taken into account. The fair value of the plan assets is deducted from the present value of the pension commitments recorded on the statement of financial position. The plan assets consist of a reinsurance policy for the pension commitment to a former member of the Executive Board that is measured at fair value. If the plan assets exceed the corresponding pension commitment, the excess amount is shown under other receivables, subject to the upper limit stipulated in IAS 19.

Other Provisions
Other provisions are established in accordance with IAS 37 if, on the basis of a past event, a current, legal or factual obligation exists, settlement is likely to result in an outflow of resources with economic benefits, or a reliable estimate of the amount of the liability is possible. The amount set up as a provision represents the best estimate of the amount required to settle the current obligation as of the reporting date. In the event of a significant interest rate effect, the present value of the expected expenses is used.

The anniversary provisions are valued according to the projected unit credit method pursuant to IAS 19. Provisions for impending losses resulting from unfavorable contracts are set up when the expected economic benefit resulting from the contract is lower than the costs that are unavoidable in order to satisfy the contractual obligations.

The annual obligations to return emission rights based on the actual carbon emissions of the production site are at first covered by the emission certificates received free of charge and are valued at their acquisition cost, which is equal to zero. In the event that the emissions rights assigned free of charge should not suffice, provisions for the additional emissions rights that will have to be acquired will be set up at (expected) acquisition cost.

Recognition of Revenue
The proceeds from products sold and services rendered as part of the company's usual business activities are recognized as sales revenues. Other operating earnings are shown as other operating income.

Sales revenue is realized when control over distinct goods or services passes to the customer and the customer is able to direct the use of the transferred goods or services and obtain the remaining benefit from the goods or services. The preconditions are that a contract with enforceable rights and duties exists and that receipt of a consideration is probable. Sales revenues are equal to the transaction price. If a contract contains several definable goods and services, the actual transaction price is split on the basis of the relative stand-alone selling price and the performance obligation. Contracts containing a significant financing component are not used by H&R KGaA. Contracts with a variable consideration are of minor importance for H&R KGaA and have no significant impact on transaction prices. In general, contracts are payable once the customer has power of disposition on them; this usually means that contracts are payable within 30 days. In principle, sales revenue from products and services is only recognized at a particular point in time. Frequently, they are current payables, so that the transaction price allocated to these performance obligations is not being disclosed. Due to the nature of these payables, revenue recognition leaves very little room for discretionary decisions or estimation uncertainties.

Income Taxes
Income taxes comprise both the taxes levied in the individual countries on taxable profits and changes in deferred taxes that have an effect on profit or loss. The current tax expense is based on the taxable income for the year determined in accordance with the tax regulations of the respective country, taking into account the applicable tax rate in that jurisdiction. Pursuant to IAS 12, deferred taxes reflect temporary differences between assets and liabilities reported in the consolidated financial statements under accounting rules and the amounts reported under tax rules governing the determination of taxable income. Current and deferred taxes are essentially recognized in profit or loss, unless they are related to

circumstances recognized in other comprehensive income or directly in equity. In that case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity.

H&R KGaA falls within the scope of the OECD Pillar Two Model Rules for the national implementation of the global minimum taxation level (pillar two). It was transposed into German law through the introduction of the Minimum Taxation Act in December 2023, which applies to all financial years beginning after December 31, 2023. The regulations regarding the global minimum taxation level (pillar two) fall within the scope of IAS 12. The Group is applying the temporary mandatory exception for the effects had on deferred taxes by a top-up tax. The possible effects of a top-up tax are recognized as current taxes at the time of occurrence.

Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognized to the extent it is probable that either sufficient taxable profit or deferred tax liabilities will be available against which the temporary differences and still unused loss carryforwards can be utilized. The amount of deferred tax assets recognized for loss carryforwards is determined on the basis of future taxable income over a fiveyear forecast period. In Germany, the unlimited carryforward option for domestic losses is limited by the minimum taxation level. For foreign loss carryforwards, there are often country-specific time limitations on the carryforward option and restrictions on the use of profits from operating activities.

Deferred tax liabilities arising from temporary differences relating to holdings in subsidiaries and joint ventures are recognized unless the date of the reversal of the temporary differences can be determined by the Group and it is probable that the temporary differences will not be reversed within a foreseeable period of time due to this influence.

When determining the deferred taxes, the expected tax rates in the respective countries at the time of the expected realization are assumed.

Actual and deferred tax receivables and payables are netted if the tax receivables and payables refer to income taxes levied by the same tax authority for either the same taxpayer or for different taxpayers intending to effect settlement on a net basis.

Contingent Liabilities and Contingent Assets
Contingent liabilities are potential obligations toward third parties or current commitments in which a cash outflow is unlikely and/or its amount cannot be determined in a reliable manner. Contingent assets normally arise from unplanned or unexpected developments from which the possibility of an inflow of economic benefits is probable. As a rule, contingent liabilities and contingent assets are not recognized in the statement of financial position. The liability amounts stated in the notes under contingent liabilities match the scope of liability in effect on the reporting date.

(4) Discretionary Decisions and Estimates

In preparing the consolidated financial statements, a certain amount of assumptions and estimates must be made that will affect the amount and presentation of the assets and liabilities, income and expenses, and contingent liabilities recognized in the reporting period. Estimates are based on empirical values and other assumptions that are deemed to be appropriate given the circumstances, and are based on the best information that is currently available. In addition, the trends in the economic environment in the industries and regions in which the Group does business, which are currently assumed to be realistic, were also taken into account in regard to expected future business developments.

H&R KGaA operates in a complex geopolitical environment which is subject to a significant amount of macroeconomic uncertainty. In addition to the war between Russia and Ukraine, the Gaza conflict should also be mentioned leading to an increased level of uncertainty in our forecasts and discretionary decisions. As a result, actual results may differ from estimates and discretionary decisions; this could have a material impact on the net assets, financial position and results of operations of H&R KGaA.

The following significant matters are affected by such estimates and discretionary decisions.

Impairment Tests/Impairment
Testing intangible assets and property, plant and equipment for impairment, and identifying signs of an impairment, requires estimates in order to determine the recoverable amount of a cash-generating unit. In particular, assumptions must be made with regard to future net cash inflows, the underlying

interest rates and the expected useful lives and residual amounts.

For sensitivity analyses, a possible fluctuation range of 10% is assumed. Additional information can be found in Note (12).

Where financial investments valued at equity provide objective indications of an impairment or reversal of impairment loss, estimates and evaluations must be made in order to determine the recoverable amount. In this context, assumptions about future business trends must be made in order to derive the expected future cash flows of these financial investments.

Pensions and Other Provisions
The calculation of pension provisions and similar commitments and the related pension expenses is based on actuarial models. These models are based on various actuarial assumptions, such as the discount rate, the underlying mortality tables, turnover, etc. Sensitivities are used to determine the possible financial impacts of deviations in the key factors. Details on sensitivity analyses and the bases for estimates in the area of pension provisions can be found in Note (21).

In the case of other provisions, estimates relating to future expenses are necessary in addition to the discount rate. This also applies to the possibility of a cash outflow due to dismantling obligations, which is described in greater detail in Note (42).

Property, Plant and Equipment/Leases
In accounting for property, plant and equipment, discretionary decisions and estimates, which are based on estimates by management, are required in determining economic lives uniformly throughout the Group. The accounting of leases requires discretionary decisions with regard to the determination of interest rates and the lease term. To determine the incremental borrowing rate, reference interest rates are derived from riskfree interest rates with appropriate maturities, increased by credit risk premiums and adjusted by a liquidity and country risk premium.

Liabilities with supply chain financing activities
When assessing supply chain financing arrangements, H&R KGaA classifies these liabilities as operating liabilities, which are used as part of the working capital in the Group´s main revenue-generating activities. The cash outflow from settling these liabilities is allocated to operating cashflow.

Climate protection agreement
The accounting treatment of the climate protection agreement as a derivative is based in particular on the estimation of developments in the underlying parameters of electricity prices, gas prices and CO_2 prices up to 2042. Due to limited availability of these price developments on the energy exchanges for such a long period, H&R KGaA relies on an external market study and carries out the valuation of the derivative on the basis of simulation scenarios. The different payment flows determined in this way are then discounted. The volatility of the results can be derived from the sensitivity analyses, in which a fluctuation range of 10% of the relevant parameters is assumed. Details on this topic can be found in section (39.5).

Income Taxes
In order to calculate deferred tax assets, future taxable income and the dates on which the deferred tax assets can be realized must be estimated. This is based on the planned income from the respective units.

Inventories
In valuing inventories, discretionary decisions and estimates must be made, in particular when determining overhead surcharges.

Effects of climate-related matters
Climate change may give rise to estimation uncertainties and risks with potential effects on the net assets, financial position and results of operations of H&R KGaA. The management of H&R KGaA takes such possible estimation uncertainties and risks into account when preparing the consolidated financial statements and corporate planning. Climate change could have a significant impact on energy costs and the assessment of the useful lives of assets. This is taken into account in impairment testing, among other areas. In the current reporting year, climate-related matters did not have any material consequences on the net assets, financial position and results of operations of H&R KGaA.

Risks related to the impacts of armed conflicts
The material impacts of armed conflicts can be that the raw materials needed are no longer available or are available only on the basis of significantly less

favorable conditions. In spite of the ongoing war in Ukraine, the serious flare-up of the Gaza conflict and the current situation in Syria, H&R KGaA succeeded in guaranteeing raw materials procurement in 2024.

Armed conflicts could also have impacts on global trade routes and flows of goods. In particular the situation in the Persian Gulf and therefore access to the Suez Canal could be exacerbated due to political and military tensions and lead to disruptions in trade between Europe and Asia.

(5) Scope of Consolidation and Holdings

The consolidated financial statements of H&R KGaA include all material domestic and foreign subsidiaries that H&R KGaA controls according to the criteria stipulated in IFRS 10 and for which H&R KGaA controls existing rights that give it the ability to direct the relevant activities of these companies.

The disposal in financial year 2023 resulted from the closure of the company GAUDLITZ INC, Delaware, United States. The table below shows the changes to H&R KGaA's consolidated group during the financial year:

CHANGE IN THE NUMBER OF CONSOLIDATED COMPANIES

H&R KGaA and consolidated companies	Germany	Abroad	Total
1/1/2023	**23**	**25**	**48**
Additions	–	–	–
Disposals	–	-1	-1
12/31/2023	**23**	**24**	**47**
Additions	–	–	–
Disposals	–	–	–
12/31/2024	**23**	**24**	**47**

CHANGE TO THE NUMBER OF JOINT VENTURES

	Germany	Abroad	Total
1/1/2023	**4**	**–**	**4**
Additions	–	–	–
Disposals	–	–	–
12/31/2023	**4**	**–**	**4**
Additions	–	–	–
Disposals	–	–	–
12/31/2024	**4**	**–**	**4**

H&R KGaA holds shares in some companies via trust companies. These indirect shares are also fully consolidated whenever H&R GmbH & Co. KGaA exercises control. The holdings are shown in the list of shareholdings.

The following table provides an overview of the companies included in the consolidated financial statements of H&R KGaA. The holdings are unchanged compared to the previous year.

FULLY CONSOLIDATED SUBSIDIARIES

Company name	Company headquarters	Seg-ment	Interest held by H&R GmbH & Co. KGaA in %
H&R Chemisch-Pharmazeutische Spezialitäten GmbH	Salzbergen, Germany	a	100
H&R Lube Blending GmbH	Salzbergen, Germany	a	100
H&R ChemPharm GmbH	Salzbergen, Germany	a	100
H&R LubeTrading GmbH	Salzbergen, Germany	a	100
H&R International GmbH	Hamburg, Germany	b	100
H&R Ölwerke Schindler GmbH	Hamburg, Germany	a	100
H&R OWS Chemie GmbH & Co. KG	Hamburg, Germany	a	100
H&R OWS Beteiligungsgesellschaft mbH	Hamburg, Germany	a	100
H&R InfoTech GmbH	Hamburg, Germany	d	100
HRI IT-Consulting GmbH	Münster, Germany	d	100
H&R Benelux B.V.	Nuth, Netherlands	b	100
H&R ChemPharm (UK) Ltd.	Tipton, UK	b	100
H&R ANZ Pty Ltd.	Victoria, Australia	b	100
H&R Singapore Pte. Ltd.	Singapore, Singapore	b	100
H&R Global Special Products Co. Ltd	Bangkok, Thailand	b	100[1)]
H&R Malaysia Sdn. Bhd.	Port Klang, Malaysia	b	100[1)]
H&R ChemPharm (Thailand) Limited	Bangkok, Thailand	b	100
H&R Wax Malaysia Sdn. Bhd.	Batu Caves, Malaysia	b	100
H&R Japan K.K.	Tokyo, Japan	b	100
H&R ChemPharm Asia Sdn. Bhd.	Lumut, Malaysia	b	100
H&R Group Vietnam Company Limited	Ho Chi Minh City, Vietnam	b	100
PT HUR Sales Indonesia	Jakarta, Indonesia	b	100
H&R India Sales Private Limited	Mumbai, India	b	100
Dunrose Investments 148 (Proprietary) Limited	Sandton, South Africa	b	100
H&R Africa Holdings (Pty) Limited	Durban, South Africa	b	100
H&R South Africa (Pty) Limited	Durban, South Africa	b	100
H&R South Africa GmbH	Hamburg, Germany	b	100
H&R Africa Proprietary Limited	Durban, South Africa	b	100
H&R West Africa Ltd.	Lagos, Nigeria	b	100
H&R China Holding GmbH	Hamburg, Germany	b	51
H&R China (Hong Kong) Co., Ltd.	Hong Kong	b	51
H&R China (Ningbo) Co., Ltd.	Ningbo, China	b	51
H&R China (Fushun) Co., Ltd.	Fushun, China	b	51
H&R China (Daxie) Co., Ltd.	Daxie, China	b	51
H&R Grundstücksverwaltungs GmbH	Salzbergen, Germany	a	98.68
H&R Grundstücksverwaltungs-Beteiligungsgesellschaft mbH	Salzbergen, Germany	a	74.04
GAUDLITZ GmbH	Coburg, Germany	c	100
GAUDLITZ Precision Technology (Wuxi) Co. Ltd.	Wuxi, China	c	100
GAUDLITZ Precision s.r.o.	Dačice, Czech Republic	c	100
GAUDLITZ Grundstücksverwaltungs-Beteiligungsgesellschaft mbH	Coburg, Germany	c	100
GAUDLITZ Management GmbH	Coburg, Germany	c	100

FULLY CONSOLIDATED SUBSIDIARIES

Company name	Company headquarters	Seg- ment	Interest held by H&R GmbH & Co. KGaA in %
GAUDLITZ Verwaltungs-GmbH	Coburg, Germany	c	100
GAUDLITZ Plastics Technologies GmbH & Co. KG	Coburg, Germany	c	100
H&R Group Finance GmbH	Hamburg, Germany	d	100
SYTHENGRUND Wasagchemie Grundstücksverwertungsges. Haltern mbH	Haltern, Germany	d	100
B.-H. Beteiligungs- und Handelsges. mbH	Salzbergen, Germany	d	100

OTHER INTERESTS

Company name	Company headquarters	Seg- ment	Interest held by H&R GmbH & Co. KGaA in %	Income after tax in € thou- sand	Equity in € thou- sand
Joint ventures					
Westfalen Chemie GmbH & Co. KG	Salzbergen, Germany	a	50	321	26
Westfalen Chemie Verwaltungsgesell- schaft mbH	Salzbergen, Germany	a	50	2	77
P2X-Europe GmbH & Co. KG	Hamburg, Germany	d	50	-987	3,317
P2X-Europe Management GmbH	Hamburg, Germany	d	50	–[2)]	–[2)]
Other interests					
SRS EcoTherm GmbH	Salzbergen, Germany	a	10	3,259	28,247

Segment: (a) ChemPharm Refining (b) ChemPharm Sales (c) Plastics (d) Other activities

1) Including holdings held in trust: The holdings in the following companies are only indirectly held via trust companies: H&R KGaA holds 49% of the shares in H&R Global Special Products Co. Ltd., Bangkok, Thailand, via subsidiaries; 51% of the shares are managed for the Group by trust companies. H&R Global Special Products Co. Ltd. in turn holds 61.02% in H&R ChemPharm (Thailand) Limited, Bangkok, Thailand. A further 38.976% are held by a subsidiary whose shares are wholly owned by H&R KGaA. The remaining 0.004% are managed on behalf of the Group by trustees. The Group directly holds 30% of the shares in H&R Malaysia Sdn. Bhd., Port Klang,Malaysia. The remaining 70% are held on behalf of the Group by trustees.

2) No financial statements are available for these companies

Notes to the Consolidated Statement of Financial Position

(6) Cash and Cash Equivalents

IN € THOUSAND	12/31/2024	12/31/2023
Cash in hand	18	16
Bank balances	62,513	69,427
Total	**62,531**	**69,443**

As of December 31, 2024, €0 thousand (previous year: €1,000 thousand) was recognized as cash and cash equivalents, which was deposited in pledged accounts as part of a factoring program or as security for loan agreements and therefore subject to access restrictions.

(7) Trade Receivables

IN € THOUSAND	12/31/2024	12/31/2023
Trade receivables (gross)	137,387	107,697
Impairment	-2,388	-1,892
Total	**134,999**	**105,805**

No trade receivables were pledged as credit guarantees (previous year: €0 thousand). Receivables from related parties are listed under Note (43).

As of December 31, 2023, the carrying amount of the receivables transferred through a factoring program running until December 31, 2023, amounted to €28,621 thousand. Overall, H&R KGaA had factoring lines of € 30,000 thousand at its disposal.

As of December 31, 2024, some trade receivables existed were written of and ar still subject to enforcement activities. The contractual amount of these trade receivables was € 1,765 thousand.

In the Group, risk provisions for trade receivables based on impairments can be summarized as follows:

CHANGES IN IMPAIRMENTS OF TRADE RECEIVABLES

IN € THOUSAND	2024	2023
As of 1/1	**1,892**	**1,956**
Additions	679	166
Utilization	–	–
Reversals	-215	-199
Currency translation differences	32	-31
As of 12/31	**2,388**	**1,892**

(8) Inventories

IN € THOUSAND	12/31/2024	12/31/2023
Raw, auxiliary and production materials	76,143	77,428
Work in progress	25,332	27,744
Finished products and products for sale	109,387	97,435
Advance payments on inventories	4,329	3,780
Total	**215,191**	**206,387**

Individual downward valuation adjustments were taken in all cases where the proceeds that could foreseeably be realized from selling the inventories were lower than their carrying amount (lower of cost or market principle). The foreseeable sales proceeds less any costs still incurred up to the time of sale were recognized as the net realizable value.

The carrying amount of inventories recognized at the lower net realizable value amounted to €4,520 thousand in the reporting year (previous year: €10,960 thousand).

Impairment of net realizable values in the amount of €424 thousand (previous year: €2,552 thousand) was recognized as an expense in the reporting period in accordance with IAS 2.34. This affected the Chem-Pharm Refining and Plastics segments. For more information on expenditures relating to inventories, please consult Note (29).

(9) Other Financial Assets

IN € THOUSAND	12/31/2024 Total	12/31/2024 of which non-current	12/31/2023 Total	12/31/2023 of which non-current
Derivatives	73,799	71,023	1,535	–
Bills receivable	9,905	–	6,828	–
Receivables from granted subsidies	4,763	4,763	4,763	4,763
Other interests	2,979	2,979	1,827	1,827
Receivables due from BP	1,461	1,461	1,396	1,396
Other financial assets	2,019	543	2,978	2,059
Total	**94,926**	**80,769**	**19,327**	**10,045**

In addition to commodity hedging and currency forward contracts, the derivatives relate in particular to the Climate protection agreement. Further information on this can be found in notes (3), (4), (39.2) and (39.5). Bills receivable refer to receivable claims in China secured by bills of exchange. The subsidies relate to support provided for investment projects at the production sites.

Other interests are the shares in SRS EcoTherm GmbH, Salzbergen.The increase in the holdings' carrying amount was due to an improved forecast regarding future cash flows.

During the course of the takeover of the BP special business in 2004, mutual release agreements were made in regard to those retirees who were allocated either economically or contractually to one of the contractual partners, but who, for purposes of employment law, remained with the other partner. According to the overall contractual arrangements with BP, which included all release claims and liabilities, and taking into account the contractual parties' goal of achieving a total setoff of all payables and receivables, the liabilities and claims based on the same legal grounds because of the economic and legal substance of the business transaction were combined and shown as a single balance.

The claims to compensation were as shown in the following table:

IN € THOUSAND	2024	2023
As of 1/1	**8,343**	**8,014**
Interest income	310	313
Reassessment of compensation claims	361	688
Claims paid	-697	-672
As of 12/31	**8,317**	**8,343**

Liabilities developed as follows:

IN T€	2024	2023
Stand am 1.1.	6,947	6,787
Zinsaufwendungen	246	254
Neubewertungen der Verbindlichkeiten	289	490
Gezahlte Leistungen	-626	-584
Stand am 31.12	**6,856**	**6,947**

The net receivable can be broken down as follows:

IN € THOUSAND	12/31/2024	12/31/2023
Compensation claims	**8,317**	**8,343**
Liability	6,856	6,947
Net receivable	**1,461**	**1,396**

Additional information can be found in Note (21).

Other financial assets mainly include loans and receivables as well as marketable securities and assets pledged as collateral for loan agreements and guarantees. Further information can be found in Note (14).

(10) Other Assets

IN € THOUSAND	12/31/2024		12/31/2023	
	Total	of which non-current	Total	of which non-current
Other tax receivables	11,198	–	6,748	–
Accruals and deferrals	3,645	400	3,469	335
Reinsurance policies	1,261	1,261	1,317	1,317
Other assets	3,657	444	1,825	214
Total	**19,761**	**2,105**	**13,359**	**1,866**

Other tax receivables mainly refer to VAT receivables. The current accruals and deferrals comprise prepaid amounts for which the pertinent expense is to be allocated to the following year. This item mainly includes insurance premiums paid, advance rent payments and accrued IT maintenance fees.

(11) Property, Plant and Equipment

CHANGES IN 2024

IN € THOUSAND	Land and buildings	Technical equipment/ machinery	Other facilities/ operating and office equipment	Advance payments and construction in progress	Total
Acquisition and production costs					
As of 12/31/2023	**172,184**	**695,091**	**49,722**	**51,549**	**968,546**
Additions	4,526	27,190	4,136	24,883	60,735
Disposals	-1,147	-13,681	-1,496	-2,193	-18,517
Currency translation	2,467	2,850	418	423	6,158
Reclassifications	2,685	15,447	1,857	-20,321	-332
As of 12/31/2024	**180,715**	**726,897**	**54,637**	**54,341**	**1,016,590**
Cumulative depreciation					
As of 12/31/2023	**70,339**	**413,266**	**37,220**	**3,145**	**523,970**
Depreciation	7,511	44,437	4,747	–	56,695
Impairment	–	2,501	–	820	3,321
Disposals	-953	-13,382	-1,468	–	-15,803
Currency translation	956	1,994	246	–	3,196
Reclassifications	–	–	–	–	–
As of 12/31/2024	**77,853**	**448,816**	**40,745**	**3,965**	**571,379**
Carrying amounts					
As of 12/31/2024	**102,862**	**278,081**	**13,892**	**50,376**	**445,211**
As of 12/31/2023	101,845	281,825	12,502	48,404	444,576

CHANGES IN 2023

IN € THOUSAND	Land and buildings	Technical equipment/ machinery	Other facilities/ operating and office equipment	Advance payments and construction in progress	Total
Acquisition and production costs					
As of 12/31/2022	**175,315**	**670,978**	**44,178**	**40,271**	**930,742**
Additions	2,598	21,581	5,695	27,667	57,541
Disposals	-2,060	-8,268	-625	-345	-11,298
Currency translation	-4,114	-3,345	-368	-358	-8,185
Reclassifications	445	14,145	842	-15,686	-254
As of 12/31/2023	**172,184**	**695,091**	**49,722**	**51,549**	**968,546**
Cumulative depreciation					
As of 12/31/2022	66,144	378,465	33,604	–	478,213
Depreciation	7,176	43,729	4,456	–	55,361
Impairment	–	–	–	3,145	3,145
Disposals	-1,632	-6,551	-594	–	-8,777
Currency translation	-1,349	-2,377	-246	–	-3,972
As of 12/31/2023	**70,339**	**413,266**	**37,220**	**3,145**	**523,970**
Carrying amounts					
As of 12/31/2023	**101,845**	**281,825**	**12,502**	**48,404**	**444,576**
As of 12/31/2022	109,171	292,513	10,574	40,271	452,529

Land and buildings are essentially the Group companies' production sites and the technical equipment and machinery are production facilities. The capital expenditure relates primarily to the two production sites in Hamburg and Salzbergen, and includes additions from lease agreements as per IFRS 16. Right-of-use assets under leases are allocated to the categories according to the type of leased assets. Further information on leases can be found in Note (40).

The items advance payments and construction in progress include expenses incurred before the completion of the corresponding property, plant and equipment in the amount of €43,965 thousand (previous year: €46,456 thousand). Borrowing costs amounting to €1,218 thousand were capitalized in the 2024 financial year (previous year: €1,059), these were calculating using financing cost rates of between 4.5% and 5.7% (previous year: between 4.0% and 5.8%).

Impairment in the amount of €820 thousand (previous year: €3,145 thousand) relates to a facility under construction in the Refining segment, for which individual components will not be able to be used as planned in the future due to procedural changes, these then consequently being impaired in full. An amount of €1,604 thousand of the impairment of technical equipment is attributable to Sales segment, where individual technical assets were classified as no longer usable and therefore fully impaired. Another € 897 thousand relate to an extraordinary exchange of individual, damaged components of technical equipment in the Refining segment.These impairments are included in the income statement under the position "Depreciation, impairments and amortization of intangible assets and property, plant and equipment".

(12) Goodwill and Other Intangible Assets

The table below shows changes in intangible assets during financial year 2024:

CHANGES IN 2024

		Other intangible assets						
IN € THOUSAND	Goodwill	Distribu-tion and similar rights	Software	Licenses/ product rights	Patents (pro-duction) techno-logy	Other rights	Subtotal	Total
Acquisition and production costs								
As of 12/31/2023	**54,820**	**18,971**	**12,218**	**11,059**	**13,291**	**1,337**	**56,876**	**111,696**
Currency translation	272	643	19	–	461	–	1,123	1,395
Additions	–	–	231	2,687	–	312	3,230	3,230
Disposals	–	–	–	-3,474	–	–	-3,474	-3,474
Reclassifications	–	–	704	22	–	-394	332	332
As of 12/31/2024	**55,092**	**19,614**	**13,172**	**10,294**	**13,752**	**1,255**	**58,087**	**113,179**
Cumulative amortiza-tion								
As of 12/31/2023	**37,800**	**14,616**	**10,546**	**3,773**	**12,408**	**–**	**41,343**	**79,143**
Currency translation	272	511	18	1	453	–	983	1,255
Amortization	–	758	779	382	891	–	2,810	2,810
Impairment	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–
As of 12/31/2024	**38,072**	**15,885**	**11,343**	**4,156**	**13,752**	**–**	**45,136**	**83,208**
Carrying amounts								
As of 12/31/2024	**17,020**	**3,729**	**1,829**	**6,138**	**–**	**1,255**	**12,951**	**29,971**
As of 12/31/2023	17,020	4,355	1,672	7,286	883	1,337	15,533	32,553

CHANGES IN 2023

IN € THOUSAND	Goodwill	Other intangible assets						Total
		Distribution and similar rights	Software	Licenses/ product rights	Patents (production) technology	Other rights	Subtotal	
Acquisition and production costs								
As of 12/31/2023	**56,442**	**19,902**	**10,868**	**9,719**	**14,168**	**1,701**	**56,358**	**112,800**
Currency translation	-1,622	-1,128	-45	-32	-877	–	-2,082	-3,704
Additions	–	–	307	3,459	–	579	4,345	4,345
Disposals	–	–	–	-1,994	–	-5	-1,999	-1,999
Reclassifications	–	197	1,088	-93	–	-938	254	254
As of 12/31/2024	**54,820**	**18,971**	**12,218**	**11,059**	**13,291**	**1,337**	**56,876**	**111,696**
Cumulative amortization								
As of 12/31/2023	**39,049**	**14,000**	**9,888**	**3,577**	**11,968**	**–**	**39,433**	**78,482**
Currency translation	-1,605	-807	-40	-11	-768	–	-1,626	-3,231
Amortization	–	771	698	425	1,208	–	3,102	3,102
Impairment	356	434	–	–	–	–	434	790
Disposals	–	–	–	–	–	–	–	–
Reclassifications	–	218	–	-218	–	–	–	–
As of 12/31/2024	**37,800**	**14,616**	**10,546**	**3,773**	**12,408**	**–**	**41,343**	**79,143**
Carrying amounts								
As of 12/31/2024	**17,020**	**4,355**	**1,672**	**7,286**	**883**	**1,337**	**15,533**	**32,553**
As of 12/31/2023	17,393	5,902	980	6,142	2,200	1,701	16,925	34,318

Goodwill
The Executive Board has to make future-oriented valuation assumptions when testing the cash-generating units for impairment, taking both internal company experience and external economic data into account. Basically, these valuation assumptions, which are made in the face of uncertainty, may differ from values measured later, which can cause the recoverable amount to drop below the respective carrying amount of the cash-generating unit, thereby triggering recognition of an impairment loss. The cash-generating units' recoverable amounts are equal to their values in use.

The following table provides an overview of the carrying amounts and the interest rates applied to impairment tests:

Reporting segment	Cash-generating unit (CGU)	Carrying amounts in € thousand		Discount rate after tax in %		Discount rate before tax in %	
		12/31/2024	12/31/2023	2024	2023	2024	2023
ChemPharm Refining	Salzbergen CGU	16,738	16,738	6.8	7.1	9.7	10.2
ChemPharm Sales	H&R ChemPharm (UK) CGU	282	282	7.6	8.0	10.1	10.6
ChemPharm Sales	Asia CGU	–	–	–	–	–	–
Total		**17,020**	**17,020**				

The impairment tests carried out during the reporting period did not result in any goodwill impairments.

The goodwill of the Asia CGU arose during the acquisition of the activities in Malaysia in 2005 and was founded on an acquired customer base which could be capitalized as goodwill at the time and has since been continued as such. As the value of the customer base can be considered exhausted and the Asia CGU will not continue to exist in its current form going forward, the goodwill was impaired in full in previous financial year. The impairment in the amount of €356 thousand is included in the income statement under the position "Depreciation, impairments and amortization of intangible assets and property, plant and equipment".

In the sensitivity analyses performed on the cash-generating units to which goodwill has been allocated, the effects of reducing future cash flows by 10% and increasing the weighted cost of capital by 10% were analyzed. In the case of the Salzbergen cash-generating unit, a 0.3% increase in the cost of capital or a 4.5% reduction in future cash flow would cause the recoverable amount to be equal to the carrying amount. The recoverable amount exceeds the carrying amount by €5.5 million. For the other cash-generating units, these sensitivities would have no impact.

Other intangible assets
The other intangible assets mainly consist of customer relationships with a residual carrying amount of €3.7 million (previous year: €4.3 million) and licences with a residual carrying amount of €6.2 million (previous year: €7.3 million). The additions in financial year 2024 primarily refer to the acquisition of new software licenses.

Impairment in the amount of €434 thousand reported in financial year 2023 relates to the full write-down of individual customer relationships in the Sales segment and is recorded as "Depreciation, impairments and amortization of intangible assets and property, plant and equipment" in the income statement.

(13) Shares in Holdings Valued at Equity
Disclosures on holdings valued at equity consolidated into the H&R Group are based on the Group's uniform accounting and measurement principles. The financial year of the joint ventures is the calendar year, as is the case with H&R KGaA. The following table shows the aggregate financial information of these joint ventures that are classified as immaterial under IFRS 12:

IN € THOUSAND	12/31/2024	12/31/2023
Assets		
Non-current assets	1,354	1,425
Current assets	4,262	5,051
Liabilities		
Non-current liabilities	–	–
Current liabilities	2,171	2,045
Cumulative equity	**3,445**	**4,431**
Income	3,840	4,123
Expenses	-4,504	-5,165
Earnings after income taxes	**-664**	**-1,042**
Other comprehensive income	–	–
Total comprehensive income	**-664**	**-1,042**

The following table shows the changes in the carrying amounts of holdings valued at equity:

IN € THOUSAND	2024	2023
Carrying amounts as of 1/1	**3,550**	**4,262**
Additions	–	–
Proportionate share in income	-244	-423
Distribution	-186	-289
Carrying amounts as of 12/31	**3,120**	**3,550**

(14) Liabilities to Banks

Liabilities to banks include the following items:

IN € THOUSAND	Carrying amount as of 12/31/2024	Residual term up to one year	Residual term 2026 to 2029	as of 2030
Loans under KfW programs	49,362	15,940	25,635	7,787
Syndicated loan	54,438	55,148	-710	–
Other loans	48,007	17,533	30,474	–
Total	**151,807**	**88,621**	**55,399**	**7,787**
of which secured	10,710	235	10,475	–

IN € THOUSAND	Carrying amount as of 12/31/2023	Residual term up to one year	Residual term 2025 to 2028	as of 2029
Loans under KfW programs	67,277	17,919	38,458	10,900
Syndicated loan	43,899	44,718	-819	–
Other loans	46,386	14,453	31,933	–
Total	**157,562**	**77,090**	**69,572**	**10,900**
of which secured	10,888	203	10,685	–

Loans Under KfW Programs. The KfW funds arranged by various banks were, or will be, used for capital expenditures that qualify for subsidies under various KfW programs. The KfW funds were provided in the form of fixed-interest loans with interest rates of between 1.5% and 3.3%. The lenders may terminate the loans depending on covenants (net gearing and the equity ratio) or in the event of a change in control. The KfW Entrepreneur Loans taken up in January 2021 are subject to the conditions of the special coronavirus program.

Syndicated Loan. A syndicated loan was agreed on December 8, 2022, with an initial maximum volume of €230 million, an option of an additional €40 million secures the Group's financing in the event of, for example, of an increase in working capital requirements triggered by rising oil prices. It is utilized by H&R KGaA and by Group companies via branch lines. The term was extended by one year to December 8, 2029, last year with the drawdown of the second of two extension options.

The availability and conditions are linked to certain ratios (financial covenants). In the event of a breach of covenant, the syndicate banks are entitled to terminate the syndicated loan. The syndicated loan is subject to a variable interest rate (EURIBOR + margin). The margin percentage is dependent on net gearing (net debt/EBITDA) and, to a lesser degree, on the ESG rating. Adjustments in the event of net gearing always take place after the filing of the quarterly and/or annual reports or, if the ESG rating has changed, after the filing of the annual ESG rating report.

Other Loans. Other loans mainly include a loan taken up by H&R KGaA in December 2021 and extended in December 2023 with final maturity in December 2026, a loan redeemable through scheduled installments at fixed interest rates, as well as subsidiaries' variable-rate working capital loans, including drawdowns under branch lines of the syndicated loan secured by credit requests and guarantees.

Financial Covenants. Financial covenants such as net gearing and the equity ratio have been agreed for the syndicated loans and for bilateral loans of H&R KGaA. The carrying amount of the related liabilities amounts to €142.4 million (previous year: €148.9 million). The financial covenants were fully met both at the reporting date and also during the course of the year.

Collateral. Collateral assignments have been provided for the loans taken up as KfW Entrepreneur Loans (special coronavirus program) in the form of property, plant and equipment for a total of €10 million. No collateral has been provided for the other KfW loans and the syndicated loan.

(15) Trade Payables

Trade payables have a term of up to one year and, as in the previous year, are collateralized by the customary retention of title.

(16) Liabilities from supply chain financing arrangements

Since the beginning of the 2024 financial year, H&R KGaA has used supplier finance agreements with indefinite terms and notice periods of three months. Under these agreements, a service provider acquires the rights to selected trade payables of the supplier, which mainly result from the purchase of goods and raw materials. The terms of the agreements will extend the payment terms for these goods and services by 45 days from 50 to 75 days. No collateral was provided. Comparable trade payables are generally due between 10 and 30 days after the invoice date. As of the reporting date, liabilities from supplier finance agreements amounted to €56,971 thousand, of which the suppliers received €56,971 thousand from the service provider.

There were no significant business combinations or exchange rate differences that affected the liabilities from supplier finance agreements.

There were no non-cash transfers. The carrying amounts of liabilities from supplier finance agreements are considered a reasonable approximation of their fair value due to their short-term nature.

(17) Contract Liabilities

The contract liabilities amounted to €3,027 thousand as of December 31, 2024. The carrying amount on December 31, 2023, was €4,004 thousand. This amount included €4,004 thousand that was recognized as revenue in the reporting period.

(18) Other Provisions

Changes in other provisions in 2024 were as follows:

OTHER PROVISIONS

IN € THOUSAND	HR provisions (18.1)	Emission rights (18.2)	Trade-related commitments (18.3)	Miscellaneous provisions (18.4)	Total
As of 1/1/2024	**13,700**	**3,381**	**1,583**	**2,056**	**20,720**
of which non-current	2,786	–	–	–	2,786
Utilization	-9,551	-3,381	-1,135	-1,887	-15,954
Reversal	-1,149	–	-266	-106	-1,521
Additions	11,038	2,584	1,291	821	15,734
Compounding/discounting	72	–	–	–	72
Currency translation differences	168	–	2	19	189
As of 12/31/2024	**14,278**	**2,584**	**1,475**	**903**	**19,240**
of which non-current	3,179	–	–	–	3,179

The following cash outflows are expected in connection with the provisions shown on the statement of financial position as of December 31, 2024:

EXPECTED CASH OUTFLOWS FOR OTHER PROVISIONS

IN € THOUSAND	HR provisions	Emission rights	Trade-related commitments	Miscellaneous provisions	Total
2025	11,099	2,584	1,475	903	16,061
2026	825	–	–	–	825
2027-2029	638	–	–	–	638
2030-2034	1,150	–	–	–	1,150
2035 and later	566	–	–	–	566
Total	**14,278**	**2,584**	**1,475**	**903**	**19,240**

(18.1) HR Provisions

The short-term HR provisions primarily concern directors' fees, profit sharing, performance bonuses, deferred leave, flex-time credits and professional association contributions.

The long-term HR provisions consist of obligations to grant long-service bonuses.

(18.2) Emission rights

The provision for emission rights relates to the production sites in Hamburg-Neuhof and Salzbergen.

(18.3) Trade-related Commitments

Provisions for trade-related commitments primarily include provisions for volume discounts and warranties.

(18.4) Other Provisions

Miscellaneous provisions primarily include provisions for legal and consulting fees and other obligations.

(19) Other Financial Liabilities

IN € THOUSAND	12/31/2023 Total	12/31/2023 of which non-current	12/31/2023 Total	12/31/2023 of which non-current
Lease liabilities	42,793	30,925	45,050	33,936
Liabilities arising from derivatives	4,480	522	1,340	–
Miscellaneous financial liabilities	1,628	258	414	20
Total	**48,901**	**31,705**	**46,804**	**33,956**

Further information on leases can be found in Note (40). The derivatives predominantly relate to raw material price hedging contracts. Additional information can be found in Note (39.2).

(20) Other Liabilities

IN € THOUSAND	12/31/2023 Total	12/31/2023 of which non-current	12/31/2023 Total	12/31/2023 of which non-current
Accruals and deferrals	89,399	88,740	20,375	18,920
Tax liabilities	13,349	–	14,023	–
Other liabilities	2,675	1,327	2,620	1,383
Total	**105,423**	**90,067**	**37,018**	**20,303**

Accruals and deferrals mainly include the Climate protection agreement and the public and private subsidies for investments in H&R KGaA. A substantial amount of these relate to subsidies for the construction of a flood protection wall and investments in various production facilities at the production site in Hamburg. Further subsidies were granted for investments in production facilities at the Salzbergen production site.

Tax liabilities primarily concern the current VAT and payroll tax liabilities as well as import VAT still due.

(21) Pension Provisions

The Group has both defined-contribution and defined-benefit company retirement plans.

In the case of the defined-contribution plans, the Group pays contributions to state or private pension schemes on the basis of legal or contractual provisions or on a voluntary basis. Once it has made the contributions, the Group has no further obligations in this area. Defined-contribution pension plans exist mainly in the international companies of the Chemical-Pharmaceutical division.

All other retirement plans are defined-benefit plans and are the result of various takeovers of business divisions and activities. These benefits apply exclusively to companies based in Germany. All of the domestic H&R Group's pension plans are closed or frozen, meaning that H&R KGaA is only exposed to risks arising from pension and salary trends and from demographic changes, based on already existing commitments. With the exception of a reinsurance policy for the pension of a former member of the Executive Board, there are no plan assets, so there is currently no strategy for offsetting risks arising from either assets or liabilities.

H&R KGaA was formed from the merger of Schmierstoffraffinerie Salzbergen GmbH (SRS GmbH) and H&R KGaA in 2001. Due to the works agreement dated October 7, 1986, all employees transferred over from Wintershall by SRS GmbH have a right to a company pension in accordance with the Wintershall pension agreement dated January 1, 1987. The works agreement dated March 9, 1994, terminated the works agreement of October 7, 1986, effective June 30, 1994, thereby closing the pension agreement to newly hired employees. The level of benefits promised mainly depends on the length of service and the last salary drawn. After the termination of the works agreement of October 7, 1986, the entitlements earned were frozen. The pension entitlements of some pensioners are based on the older Wintershall pension charter.

All employees at H&R KGaA have a right to a company pension in accordance with the version of the pension agreement dated January 1, 1986, last amended by the works agreement of June 4, 1998. For those drawing pensions, their rights in some cases are based on earlier versions of the pension agreement. The amount of the pension depends on the number of pensionable years of service and the pensionable salary in the last year before leaving the company. Individual employees receive contract pensions based on individual contractual commitments. The benefit requirements and calculations differ in individual agreements.

Pursuant to the December 18, 1978, version of GAUDLITZ GmbH's pension agreement, all employees who joined the company up to June 10, 1978, and whose employment agreements have not been terminated have the right to a company pension. The amount of the pension depends on the number of pensionable years of service and the pensionable salary in 1978. For those drawing pensions, in some cases their rights are based on earlier versions of the pension agreement.

At SYTHENGRUND Wasagchemie Grundstücksverwertungsgesellschaft Haltern mbH, there is a pension agreement dating from January 1, 1986, in the June 4, 1998, version of Chemie Sythen GmbH's works agreement. The pension amounts depend on the number of pensionable years of service and on the pensionable salary. The pension scheme was closed in 1992 to people joining the company after July 31, 1991.

Pension commitments for a total of 183 employees were transferred to H&R Ölwerke Schindler GmbH effective January 2, 2004, with the takeover of BP's specialty product activities. Due to various mergers and takeovers, there are a total of 13 different sets of rules and addenda that may apply to these 183 employees. The basic principles are set forth in the following pension agreements, charters, pension schemes, retirement plans, etc.:

- Pension agreement for employees of Aral AG on non-union rates dated June 24, 1991
- Pension scheme for employees of Aral AG on union rates dated October 15, 1985
- Aral AG 1999 pension agreement
- Pension charter dated January 1, 1980, pursuant to the central works agreement dated November 30, 1979
- Additional pension for shift work in accordance with letter f of the pension charter of January 1, 1980, pursuant to the central works agreement dated November 30, 1979
- 1988 pension charter based on the central works agreement dated December 2, 1987
- Pension charter dated January 1, 1988, Section 13 (Sections 40–46), pension for shift work on the basis of the central works agreement dated December 2, 1987
- Retirement plan of Burmah Oil (Deutschland) GmbH dated January 1, 1992
- Salary conversion in accordance with the 1999 ARAL pension agreement model
- Raab Karcher transitional pension scheme dated March 1, 1989
- Central works agreement dated February 1, 1993 (1975 pension plan)
- Central works agreement dated January 1, 1993 (1986 pension plan)
- Central works agreement dated February 1, 1993 (1990 pension plan)

The pension amount in the aforementioned plans is determined based on the pensionable years of service and on the pensionable monthly remuneration, taking into account the minimum number of years of eligible service.

From BP, H&R Ölwerke Schindler GmbH has not only assumed pension commitments for eligible employees of the company (Group 1), but has also agreed an indemnity obligation for some former employees of BP Lubes Services GmbH (pensioners and employees who left the company, Group 3). The company is entitled to reimbursement from BP of the sum posted for the commitments to the aforementioned categories of qualified individuals [see also Note (9)].

H&R Ölwerke Schindler GmbH's obligations to the individual groups as of December 31, 2024, are shown in the following table:

IN € THOUSAND	12/31/2023	12/31/2023
Group 1	31,418	30,016
Group 3	8,317	8,343

Another category (Group 2) comprises employees of BP who were not taken on by H&R Ölwerke Schindler. For the people in Group 2, H&R Ölwerke Schindler has agreed to reimburse BP for the relevant pension obligations which remain with BP, in the amount of €6,856 thousand (previous year: €6,947 thousand). Pursuant to IAS 1.32, these commitments were netted against a receivable from BP arising from a reimbursement claim for pension commitments assumed amounting to €8,317 thousand (previous year: €8,343 thousand), which also arose as part of the takeover of the specialty business [see Note (9)]. The net receivable of €1,461 thousand (previous year: €1,396 thousand) is shown in receivables from BP under other non-current assets. The amount of the obligation may vary due to changes in actuarial assumptions.

The change in the liability under defined-plan benefits is shown below:

IN € THOUSAND	2024	2023
As of 1/1	**58,143**	**56,311**
Current service cost	434	429
Interest expense	2,072	2,138
Reassessments	2,347	2,052
of which due to changes in financial assumptions	558	1,007
of which due to empirical adjustments	1,708	1,045
of which due to demographic assumptions	81	–
Payments made	-3,458	-3,377
Currency translation differences	47	–
Reclassification from HR provisions	–	590
As of 12/31	**59,585**	**58,143**

The plan assets of H&R KGaA consist of a reinsurance policy for the pension commitment to a former member of the Executive Board that has already been paid up in full and is measured at fair value. The plan assets are not listed on any active market. H&R KGaA does not have any specific risk exposure from these plan assets beyond the normal risk.

The following table shows the changes in the fair value of plan assets:

IN € THOUSAND	2024	2023
As of 1/1	**2,058**	**1,999**
Interest income	76	78
Reassessments	-133	-19
As of 12/31	**2,001**	**2,058**

The following table shows changes in the carrying amount of the net debt related to definedbenefit retirement plans:

IN € THOUSAND	2024	2023
As of 1/1	**56,085**	**54,312**
Current service cost	434	429
Interest expense	1,996	2,060
Payments made	-3,458	-3,376
Reassessments	2,480	2,070
of which return on plan assets	133	19
of which due to changes in financial assumptions	558	1,007
of which due to empirical adjustments	1,708	1,044
of which due to demographic assumptions	81	–
Currency translation	47	–
Reclassifications from HR provisions	–	590
As of 12/31	**57,584**	**56,085**

The following valuation parameters were used to determine the pension commitments:

	12/31/2024	12/31/2023
Interest rate	3,6 %	3,7%
Salary trend	0,0 % – 3,0 %	0,0 % – 3,0 %
Pension trend	1,0 % – 2,5 %	2,2 % – 2,5 %
Retirement age	60-65	60-65

The likelihood of leaving is based on the 2018G Heubeck guideline tables. An age-dependent staff turnover probability has been built into the pension provision for employees of H&R Ölwerke Schindler GmbH; it was calculated by the independent expert using tables drawn up by internal experts. For employees at other sites, to simplify matters, by ignoring the likelihood of turnover, the assumption is made that no employee will leave the company before the vesting periods have been met and that thereafter the vested claim will be exactly financed by the existing provision in each case.

There were no plan changes, curtailments or settlements in financial year 2024.

Payments totaling €3,245 thousand are expected for the next financial year (previous year: €3,577 thousand). The average duration of the benefit obligations is 11.8 years.

If the indicators in the table below change as shown, this would cause the following changes in the pension commitment:

CHANGE IN PENSION OBLIGATIONS

	Change in parameter by	12/31/2024 Change in obligation if increased in € thousand	12/31/2024 Change in obligation if decreased in € thousand	12/31/2023 Change in obligation if increased in € thousand	12/31/2023 Change in obligation if decreased in € thousand
Change in discount rate	0.50%	-3,319	3,666	-3,243	3,444
Change in expected salary trend	0.50%	361	-347	303	-292
Change in expected pension trend	0.50%	669	-595	645	-575
Change in expected mortality	1 year	2,246	-2,279	451	-490

The above sensitivity analyses are based on the assumption of a change in one parameter while all other parameters remain constant. These are individual scenarios from a broad spectrum of possibilities, so the actual pension commitment trend will most certainly deviate from these forecasts. In addition, it is unlikely that only one parameter will change. In reality, several indicators can be expected to change and effect one another simultaneously. The same method used to calculate the benefit obligations reported on the statement of financial position was used in this sensitivity analysis. It is the same method as that which was used last year.

All domestic pension plans within the H&R Group are closed; no new employees are admitted. There are active employees with a pension claim at the domestic production sites in Hamburg and Salzbergen and and with the GAUDLITZ Group in Coburg. Internationally, only the Thailand site has a pension plan with active employees, but overall this is classified as immaterial.

(22) Subscribed Capital

As of the reporting date, the subscribed capital totaled €95,156 thousand as in the previous year, divided into 37,221,746 ordinary no-par bearer shares. This corresponds to a notional value of €2.56 per share (previous year: €2.56). There are no different classes of shares; all shares are ordinary shares. The subscribed capital was fully paid up. Each share conveys one voting right.

Approved Capital

The general partner with full personal liability is authorized – with the Supervisory Board's approval – to increase the company's share capital by May 23, 2027, by a maximum of €47.6 million by issuing new ordinary no-par bearer shares. The issue may be effected in one or more tranches in return for cash and/or contributions in kind (2022 Approved Capital). Within this context, the number of shares must increase in proportion to the share capital. In principle, shareholders must be granted a subscription right; however, the Executive Board may, with the Supervisory Board's approval, exclude the subscription right on one or more occasions under certain conditions.

(23) Capital Reserve

The capital reserve includes the amounts by which the proceeds from the issuance of preferred and ordinary shares exceed their face value. In the current financial year, the capital reserve amounts to €46,427 thousand (previous year: €46,427 thousand).

(24) Retained Earnings

On the reporting date, retained earnings totaled €283,773 thousand (previous year: €278,819 thousand). The reassessed net liability under defined benefit pension plans recorded under other comprehensive income totaled €-13,136 thousand (previous year: €-11,189 thousand). Other retained earnings totaled €2,293 thousand as of the reporting date (previous year: €2,293 thousand).

Dividend

At the Annual Shareholders' Meeting held on May 28, 2024, it was decided that a dividend of €0.10 would be distributed for each share for financial year 2023, equating to a total amount of €3,722 thousand, and that, in addition, the distributable profit be carried forward. For financial year 2024, the Executive Board and the Supervisory Board intend to propose to the Annual Shareholders' Meeting on May 27, 2025, that a dividend of €0.10 be distributed for each share for the financial year 2024, equating to a total amount of €3,722 thousand, and that, in addition, the distributable profit be carried forward. This proposal is subject to approval by the shareholders at the Annual Shareholders' Meeting.

(25) Other Reserves

The other reserves amount to €1,505 thousand (previous year: €-7,385 thousand) and relate to cumulative other comprehensive income. They comprise the currency translation adjustment of €814 thousand (previous year: €-8,451 thousand) and the difference resulting from the fair value measurement of equity instruments of €1,902 thousand (previous year: €767 thousand) and the reserve from cash flow hedging (€-1,211 thousand, previous year: €299 thousand). In the financial year, a sum € 0 thousand was reclassified from the currency translation adjustment item to the income statement (previous year: €-75 thousand).

(26) Non-Controlling Interests

Non-controlling interests include shares of earnings and capital held by shareholders outside the Group. During the reporting period these changed as follows:

IN € THOUSAND	2024	2023
As of 1/1	**44,600**	**47,523**
Currency translation differences	1,478	-2,930
Distribution	-6,615	–
Proportionate share of net profit or loss	2,261	7
As of 12/31	**41,724**	**44,600**

Most of the non-controlling interests are attributable to H&R China Holding GmbH and its subsidiaries. The non-controlling interest in H&R China Holding GmbH totals 49%.

The table below shows a summary of financial data for the H&R China Group:

IN € THOUSAND	12/31/2024	12/31/2023
Current assets	90,021	91,624
Non-current assets	30,498	33,667
Current liabilities	32,530	30,020
Non-current liabilities	2,786	4,195
Cumulative equity	**85,203**	**91,076**
of which proportionate share of net assets of non-controlling interests	**41,749**	**44,627**

IN € THOUSAND	2024	2023
Income	207,237	219,021
Expenses	-202,625	-219,011
Profit/loss	**4,612**	**10**
of which proportionate share in income of non-controlling interests	2,260	5
Other comprehensive income	**3,014**	**-5,977**
of which other comprehensive income of non-controlling interests	1,476	-2,930
Total comprehensive income	**7,626**	**-5,967**
of which non-controlling interests' proportionate share of total comprehensive income	3,736	-2,925
Cash flow from operating activities	**1,741**	**10,696**
of which proportionate share of cash flow from operating activities of the non-controlling interests	853	5,241
Cash flow from investing activities	**-883**	**-399**
of which proportionate share of cash flow from investing activities of non- controlling interests	-433	-196
Cash flow from financing activities	**-12,050**	**-4,047**
of which proportionate share of cash flow from financing activities of non- controlling interests	-5,905	-1,983

Notes to the Consolidated Income Statement

(27) Research and Development Costs

In financial year 2024, research and development activities in the Chemical-Pharmaceuticals division focused on the continued improvement of product quality in the product areas of formulated oils, paraffins and white oils. Research and development costs were incurred in the Plastics division for testing and experiments on new materials in the plastics area as well as research relating to the possibility of the increased use of plastic parts in various sectors.

In the current financial year, expenses in this area totaled €2,614 thousand (previous year: €2,051 thousand). For further information regarding research and development costs, please consult the pertinent section in the combined management report.

(28) Sales Revenue

Segment reporting gives an overview of the trend in sales revenue by division, type of product and geographical segment [see Note (37)].

No contractual costs or contractual performance costs were capitalized.

(29) Other Operating Income

IN € THOUSAND	2024	2023
Exchange rate gains from foreign currency items	16,917	8,842
Income from cost transfers	9,026	9,444
Income from services	4,542	4,803
Income from the reversal of provisions	1,429	1,970
Own work capitalized	997	985
Income from the disposal of intangible assets	251	247
Miscellaneous	4,443	3,577
Total	**37,605**	**29,868**

Income from cost transfers results mainly from the reinvoicing of consumption taxes, project-related costs and current costs to the companies in which there is a participating interest, Westfalen Chemie KG and SRS EcoTherm GmbH. Income from services mainly refers to IT services provided.

(30) Cost of Materials

IN € THOUSAND	2024	2023
Raw materials	766,842	752,897
Auxiliary and production materials	21,159	19,209
Products for sale	183,669	200,897
Cost of raw materials, auxiliary and production materials and merchandise purchased	**971,670**	**973,003**
Energy costs	52,131	57,369
Other external services	2,903	2,740
Total expenditures on purchased services	**55,034**	**60,109**
Total	**1,026,704**	**1,033,112**

The cost of materials was lower in financial year 2024 than in the previous year due to lower raw materials and energy prices. Energy costs were influenced positively by reimbursements in relation to the electricity and gas price caps.

(31) Personnel Expenses

IN € THOUSAND	2024	2023
Wages and salaries	89,994	86,881
Social security payments	14,462	14,260
Defined-contribution pension plan expenses	842	701
Defined-benefit pension plan expenses	578	400
Other social security expenses	537	523
Total	**106,413**	**102,765**

Amounts arising from compounding the interest on personnel provisions, particularly pension provisions, are not reported as personnel expenses. They are reported as part of the financial income under net interest income.

AVERAGE NUMBER OF EMPLOYEES

	2024	2023
ChemPharm Refining	744	747
ChemPharm Sales	564	538
Plastics	307	326
Other	73	72
Total	**1,688**	**1,683**

(32) Other Operating Expenses

IN € THOUSAND	2024	2023
Freight costs and other distribution costs	32,267	33,005
Third-party goods and services	27,457	23,615
Third-party repairs and maintenance	21,571	18,202
Exchange rate loss from foreign currency items	18,422	9,792
Insurance premiums, fees and contributions	9,029	9,954
IT costs	6,140	5,220
Legal and consulting fees, expenses for annual financial statements and Annual Shareholders' Meeting	5,250	4,902
Cost Transfers	4,191	4,443
Other personnel expenses	2,491	2,262
Commission	2,063	1,800
Other taxes	1,934	2,463
Travel expenses	1,605	1,751
Expenses for short-term leases and leases of low-value assets	1,150	1,228
Miscellaneous	18,531	17,283
Total	**152,101**	**135,920**

(33) Financial Income

IN € THOUSAND	2024	2023
Interest income from short-term bank deposits	593	631
Income from loans	54	47
Other interest and similar income	5	158
Total interest income	**652**	**836**
Income from equity investments	–	357
Miscellaneous financing income	1	50
Other financing income	**1**	**407**
Financing income	**653**	**1,243**

(34) Financing Expenses

IN € THOUSAND	2024	2023
Interest expense relating to loan interest	7,165	6,291
Interest expense from the compounding of pension provisions	1,996	2,060
Interest expense relating to lease liabilities	1,188	1,274
Commitment commission	411	442
Other interest and similar expenses	1,147	2,630
Financing expenses	**11,907**	**12,697**

Further information on leases can be found in Notes (40).

(35) Income Taxes

Since January 1, 2009, the net income of German companies has been subject to a uniform corporation tax rate of 15% plus a solidarity surcharge of 5.5%. In conjunction with a trade tax burden of 13.549% (previous year: 14.1%), this amounts to an income tax rate of H&R KGaA in Germany of 29.37% (previous year: 29.92%). As in the previous year, income tax rates for significant companies abroad are between 17% and 30%. Any interest on tax arrears is reported under interest expense. Deferred income tax expense includes changes in deferred tax assets and liabilities.

In the 2024 financial year, no top-up tax was recognized in connection with global minimum taxation. The application of the temporary transitional regulations in accordance with Section 84 et seq. of the Minimum Tax Act showed that the effective tax rate is not below 15% in any country in which the H&R Group conducts business activities. Furthermore, there are no effects on income taxes due to regulations on minimum taxation that have not yet been introduced in the countries in which the H&R Group operates. The potential levying of local top-up tax is ruled out as the effective tax rate is above 15%.

Income taxes paid or owed in individual countries as well as tax accruals and deferrals are shown as income taxes.

These can be broken down as follows:

IN € THOUSAND	2024	2023
Current income tax expenses	-13,181	-6,813
Current income tax refunds	466	175
Total current taxes	**-12,715**	**-6,638**
Deferred taxes from tempo-rary differences	-1,663	-1,179
Deferred taxes from loss carryforwards	6,570	-425
Total deferred taxes	**4,907**	**-1,604**
Total	**-7,808**	**-8,242**

Current income tax expenses fell by €704 thousand in the financial year (previous year: €259 thousand) due to the utilization of loss carryforwards.

In accordance with IAS 12.34, a deferred tax asset is recognized for a tax loss carryforward available as of the reporting date if it is considered probable that there will be sufficient future taxable profit against which the loss carryforward can be utilized. At H&R

KGaA, domestic tax loss and interest carryforwards led to the recognition of €7.247 thousand (previous year: €274 thousand) in deferred taxes, with €85 thousand (previous year: €213 thousand) being recognized for foreign tax loss carryforwards. Overall, in Group companies that reported a loss in the previous year or the current year, a surplus of deferred tax assets totaling €1.371 thousand was recognized (previous year: €701 thousand). Recognition of the deferred tax assets is justified due to the fact that positive tax income is expected in the future due, among other things, to new corporate strategies, which will exceed the impact on earnings caused by the reversal of the temporary differences.

In addition to the deferred tax assets recognized for loss carryforwards, there are also domestic corporation tax losses in the amount of €11,877 thousand (previous year: €7,781 thousand) and trade tax losses of €5,790 thousand (previous year: €3,952 thousand), the realization of which is not sufficiently guaranteed and for which therefore no deferred tax claims have been recognized. Based on current laws, the loss carryforwards cannot expire. As of the reporting date, foreign loss carryforwards for which no deferred tax assets have been recognized totaled €1,130 thousand (previous year: €783 thousand) and essentially may be utilized without restriction within two to nine years. No deferred tax claims were recognized for deductible temporary differences totaling €5,580 thousand (previous year: €2,898 thousand).

Deferred tax assets of €490 thousand were added for the remeasurement of defined-benefit pension plans (previous year: €1,068 thousand) and were recognized in other comprehensive income. The change in equity instruments measured at fair value through other comprehensive income led to a change in the deferred taxes recognized in other comprehensive income (with no effect on profit or loss) in the amount of €17 thousand (prior year: €37 thousand). Revenues related to changes in deferred tax assets of €655 thousand (previous year: revenues of €1,711 thousand) were recognized in other comprehensive income in connection with cash flow hedges.

For €9,509 thousand in temporary differences in the retained earnings of subsidiaries (previous year: €9,429 thousand), no deferred tax liabilities were recognized because of existing control in accordance with IAS 12.39.

The expected income tax expense and the reported income tax expense can be reconciled as follows:

IN € THOUSAND	2024	2023
Earnings before income tax	**20,692**	**18,805**
Theoretical income tax rate: 29.37% (previous year: 29.92%)	**6,077**	**5,627**
Effects from tax rate differences	-2,040	-991
Effects from previous years’ taxes	-722	-545
Non-deductible expenses	2,929	2,232
Tax-free income	-972	-961
Foreign withholding tax	1,505	131
Effects from changes in tax rates	-3	478
Unrecognized deferred tax assets for loss carryforwards	536	1,145
Write-down of deferred taxes	379	407
Effects from holdings valued at equity	117	184
Other tax effects	2	535
Income tax expense as per consolidated income statement	**7,808**	**8,242**

The deferred tax items were attributable to the following individual statement of financial position items:

IN € THOUSAND	12/31/2024 Deferred tax assets	12/31/2024 Deferred tax liabilities	12/31/2023 Deferred tax assets	12/31/2023 Deferred tax liabilities
Intangible assets	–	2,191	2	2,695
Property, plant and equipment	712	32,215	957	31,991
Financial assets	173	20,825	163	636
Inventories	2,131	–	2,523	26
Receivables and other assets	358	433	243	16
Pension provisions	4,941	–	4,830	–
Other provisions	569	77	572	43
Liabilities	37,499	363	17,971	1,002
Tax loss carryforwards	7,332	–	762	–
Total	**53,715**	**56,104**	**28,023**	**36,409**
Netting	-50,617	-50,617	-24,557	-24,557
Total	**3,098**	**5,487**	**3,466**	**11,852**

(36) 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.

The number of ordinary shares in circulation is 37,221,746, as in the previous year.

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

	2024	2023
Consolidated income attributable to shareholders in € thousand	10,623	10,556
Average number of shares in circulation	37,221,746	37,221,746
Earnings per ordinary share (undiluted) in €	0.29	0.28
Earnings per ordinary share (diluted) in €	0.29	0.28

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

Additional Notes

(37) Segment Reporting

The business segments subject to reporting requirements under IFRS 8 were identified on the basis of the divisions monitored in the internal reporting system, whose performance data form the basis for management decisions.

The aggregation of business segments subject to separate, internal reporting is performed in accordance with IFRS 8.12, which stipulates that all of the following must be comparable within each segment: the nature of products and services; the types of production processes; the class or category of customers for products and services as well as the methods used to market products and services.

The ChemPharm Refining segment includes both of the chemical production sites in Germany, whose production processes, organizational structures and distribution networks are closely interlinked. This segment's core products are paraffins, white oils, plasticizers, base oils, lubricants and other crude-oil-based specialty products. In addition to bitumen, by-products of the production process include feedstocks and bunker fuel. Revenue was achieved from contract manufacturing as part of this production process.

The ChemPharm Sales segment encompasses foreign companies that process chemical-pharmaceutical raw materials and distribute these new products and other products for sale. These are mainly paraffins, plasticizers, wax emulsions and other crude-oil-based specialty products.

The Plastics division develops, manufactures and sells high-precision plastic parts produced using the injection molding method.

Other activities are those associated with non-operating companies, as well as segments exempt from mandatory reporting. This includes H&R KGaA, which as the holding company is responsible for the strategic leadership of the Group companies comprising the various segments and for deciding how to efficiently allocate funds within the Group. The Other Activities segment also generates income from IT services.

	Chemical-Pharmaceutical Raw Materials			
	ChemPharm Refining		ChemPharm Sales	
IN € THOUSAND	2024	2023	2024	2023
External sales	797,677	808,233	492,609	492,712
Consolidated sales	19,381	19,979	–	–
Sales revenue by segment	817,058	828,212	492,609	492,712
Cost of materials	-632,125	-632,569	-385,117	-392,452
Personnel expenses	-64,291	-62,353	-24,887	-22,289
Depreciation and amortization	-46,209	-45,812	-11,878	-11,701
of which impairments	-1,717	-3,145	-1,604	-790
Interest income	493	561	599	634
Interest expense	-10,400	-14,572	-4,571	-4,830
Earnings before income tax	-2,055	-1,734	25,736	15,568
EBIT	7,851	12,276	29,708	19,764
EBITDA	54,060	58,088	41,586	31,465
Capital expenditure	46,630	48,066	9,856	5,502
Income from holdings valued at equity	249	273	–	–
Shares in holdings valued at equity	1,449	1,386	–	–

The list of shareholdings shows which segment each Group company belongs to.

The segments' operating performance and further information on their products are described in the combined management report.

Remarks Concerning Segment Data
Intercompany sales indicate the level of sales between the segments. Sales and revenues between the segments are always accounted for on an arm's-length basis. The segment sales figure is equal to the sum of external and internal sales.

The column "Consolidation/reconciliation" contains eliminations of all intragroup transactions as well as intradivisional receivables and payables.

The valuation principles for H&R KGaA's segment reporting are based on the IFRS guidelines applied in the consolidated financial statements. The geographical distribution of external sales is calculated according to the locations of the respective customers. The assets and investments are assigned to the regions on the basis of the company's domicile.

	Plastics							
	Plastics		Other activities		Consolidation/ Reconciliation		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	47,954	51,310	–	–	–	–	**1,338,240**	1,352,255
	–	–	–	–	-19,381	-19,979	**–**	–
	47,954	51,310	–	–	-19,381	-19,979	**1,338,240**	1,352,255
	-28,862	-29,263	–	–	19,400	21,172	**-1,026,704**	-1,033,112
	-10,660	-11,767	-6,575	-6,356	–	–	**-106,413**	-102,765
	-2,728	-2,848	-2,011	-2,038	–	–	**-62,826**	-62,399
	–	–	–	–	–	–	**-3,321**	-3,935
	36	177	12,625	15,108	-13,101	-15,644	**652**	836
	-1,166	-1,006	-8,867	-7,957	13,097	15,668	**-11,907**	-12,697
	-892	1,066	-2,143	2,806	46	1,099	**20,692**	18,805
	238	1,846	-5,901	-4,702	50	1,075	**31,946**	30,259
	2,966	4,694	-3,890	-2,664	50	1,075	**94,772**	92,658
	4,450	7,455	3,132	864	–	–	**64,068**	61,887
	–	–	-493	-696	–	–	**-244**	-423
	–	–	1,671	2,164	–	–	**3,120**	3,550

H&R KGaA generated €609,5 million in sales (previous year: €615.3 million), or more than 10% of consolidated sales, with one customer in the ChemPharm Refining segment. The following table shows how external sales revenue is broken down by region, products and services:

IN € THOUSAND	ChemPharm Refining		ChemPharm Sales		Plastics		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Germany	676,453	682,819	14,106	15,039	8,798	9,294	–	–	699,357	707,152
Rest of Europe	119,026	120,252	51,736	50,568	17,724	21,874	–	–	188,486	192,694
Rest of world	2,198	5,162	426,767	427,105	21,432	20,142	–	–	450,397	452,409
Total	**797,677**	**808,233**	**492,609**	**492,712**	**47,954**	**51,310**	**–**	**–**	**1,338,240**	**1,352,255**
Chemical-pharmaceutical products – core products	425,874	443,271	490,397	491,593	–	–	–	–	916,271	934,864
Chemical-pharmaceutical products – by-products	258,413	250,782	2,212	1,119	–	–	–	–	260,625	251,901
Precision plastics	–	–	–	–	47,954	51,304	–	–	47,954	51,304
Provision of services	113,390	114,180	–	–	–	6	–	–	113,390	114,186
Total	**797,677**	**808,233**	**492,609**	**492,712**	**47,954**	**51,310**	**–**	**–**	**1,338,240**	**1,352,255**

The following table shows how non-current assets are broken down by region:

NON-CURRENT ASSETS

IN € THOUSAND	2024	2023
Germany	392,265	396,616
Rest of Europe	17,453	17,744
Rest of world	65,464	62,768
of which China	34,109	35,467
Group	**475,182**	**477,128**

RECONCILIATION OF OPERATING INCOME TO CONSOLIDATED INCOME

IN € THOUSAND	2024	2023
Operating income (EBITDA) of H&R KGaA	**94,772**	**92,658**
Depreciation, amortization and impairments of intangible assets and property, plant and equipment	-62,826	-62,399
Financing income	653	1,243
Financing expenses	-11,907	-12,697
Income taxes	-7,808	-8,242
Consolidated income	**12,884**	**10,563**

(38) Notes to the Consolidated Cash Flow Statement

The cash flow statement has been prepared in accordance with the requirements of IAS 7. It shows the origin and use of cash flows.

The statement of cash flows divides the payment streams into three areas: cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

Cash and cash equivalents include bank balances, cash in hand, and checks, which are identified on the statement of financial position. As of December 31, 2024, €0 thousand (previous year: €1,000 thousand) was recognized as cash and cash equivalents; this was deposited in pledged accounts as collateral and therefore subject to access restrictions.

Non-cash operating expenses and earnings and gains from disposals of property, plant and equipment are eliminated from cash flow from operating activities. Interest received, interest paid and income taxes paid and received are allocated to this area. Cash flow from operating activities is calculated using the indirect method.

H&R KGaA considers the liabilities from supplier finance agreements to be part of the working capital that is used for the company's main revenue-generating activities. Cash outflows for the settlement of liabilities from supplier finance agreements are therefore reported under cash flow from operating activities.

Cash flow from investing activities includes cash investments in intangible assets, property, plant and equipment and financial investments.

Cash flow from financing activities includes new borrowings, repayments of financial liabilities and advance payments received from customers, as well as dividend payments.

For additions to fixed assets in the amount of €4,836 thousand (previous year: €5,342 thousand) no cash outflow took place; trade payables in the same amount therefore exist.

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

IN € THOUSAND	Liabilities to banks	Advance payments received	Lease liabilities	Total
1/1/2023	**192,007**	**2,519**	**52,234**	**246,760**
Changes affecting cash flow				
Repayments	-159,482	–	-13,356	-172,838
Borrowings	125,614	4,004	–	129,618
Non-cash changes				
Leasing costs	–	–	6,402	6,402
Changes due to fluctuations in exchange rates	-1,374	-119	-230	-1,723
Change in accrued/deferred interest	797	–	–	797
Netting against trade receivables	–	-2,400	–	-2,400
12/31/2023	**157,562**	**4,004**	**45,050**	**206,616**
Changes affecting cash flow				
Repayments	-183,528	–	-12,872	-196,400
Borrowings	177,909	3,027	–	180,936
Non-cash changes				
Leasing costs	–	–	10,429	10,429
Changes due to fluctuations in exchange rates	692	97	186	975
Change in accrued/deferred interest	-828	–	–	-828
Netting against trade receivables	–	-4,101	–	-4,101
12/31/2024	**151,807**	**3,027**	**42,793**	**197,627**

The general form in which the statement of cash flows is presented and the reporting options are exercised has not changed since the previous period.

(39) Financial Instruments

(39.1) General Information

The fair values of financial assets are derived from stock market prices or are calculated on the basis of recognized valuation methods. In the case of other financial assets, it is assumed that the fair value is equal to the carrying amount. The carrying amount of the financial assets corresponds to the maximum default risk. If default risks of financial assets can be identified, such risks are recognized in the form of impairment losses.

On the liabilities side, financial instruments mainly include liabilities measured at amortized cost.

As an international company, H&R KGaA is exposed to risks relating to prices of commodities and raw materials, currency fluctuations, and changes in interest rates in the course of its ordinary business activities. Details concerning the risk management system used to deal with these risks can be found in Note (48), Risk Management Policy, Capital Management and Hedging Measures.

(39.2) Information Concerning Derivatives

The majority of the derivatives relate to the Climate protection agreement, the valuation of which is determined on the basis of the development of electricity price, gas price and CO_2 price parameters. Due to lack of availability of long-term information on energy exchanges, H&R KGaA uses external market studies for the valuation purposes, the results of which are based on various market price scenarios. In financial year 2024, the income from financial instruments measured at fair value through profit and loss totaled €3,029 thousand (previous year: €152 thousand).

Derivative financial instruments are also used to hedge currency fluctuations and raw materials price risks from the operating business. The types of instruments employed are primarily currency forward contracts, interest rate swaps and raw material price hedging contracts (swaps). The latter two are designated as cash flow hedges. The changes in the cash flows of the hedged items resulting from changes in the EURIBOR rate are offset against the changes in the cash flows of the interest rate swaps. The interest rate swaps are based on 3-M-Euribor so changes in the cash flows of the hedged item are offset against the changes in the cash flows of the interest rate swaps. Within the scope of raw material price hedging, only those risk components are included that relate to the Brent or Platts Fuel Oil listing. The starting point for the analysis of the raw materials price risk are the planned purchases of raw materials, as well as planned sales of products, the sale prices of which also depend on raw materials market prices. The average prices secured under raw material price hedges over the financial year were US$ 75.69 per barrel of Brent Crude (previous year: US$ 88.79 per barrel) and US$ 394.24 per metric ton in relation to Platts fuel oil assessments (previous year: US$ 501.91 per metric ton).

Other comprehensive income from cash flow hedges went down by €2,165 thousand (previous year: €-5,756 thousand) due to changes to the fair market values of the derivatives, the amounts transferred in the income statement and the basis adjustments.

The following table shows the development of the reserve for cash flow hedges from raw material price hedging contracts:

DEVELOPMENT OF THE RESERVE FOR CASH FLOW HEDGES

IN € THOUSAND	2024	2023
As of 1/1	**442**	**6,197**
Changes in fair value	-3,657	-5,873
Amount transferred to the income statement	3,655	-2,985
Amount transferred to inventories	-2,028	3,103
As of 12/31	**-1,588**	**442**

As in the previous year, no inefficiencies due to cash flow hedges occurred in the reporting year.

The following tables show the reported fair values of the derivative financial instruments as of December 31, 2024, and December 31, 2023.

NOMINAL AND MARKET VALUES OF DERIVATIVES IN 2024

			Fair values	
IN € THOUSAND	Nominal value	Maturity	positive	negative
Climate protection agreement	116,478	until 2042	70,677	–
Raw material price hedging contracts	100,373	until 2026	2,127	-3,740
Currency forward contracts	139,142	until 2025	995	-604
Interest rate swap	20,000	until 2026	–	-136

NOMINAL AND MARKET VALUES OF DERIVATIVES IN 2023

IN € THOUSAND	Nominal value	Maturity	Fair values positive	Fair values negative
Raw material price hedging contracts	76,149	until 2024	1,303	-1,274
Currency forward contracts	17,335	until 2024	232	-66

The nominal value shows the gross volume. Positive market values are recognized under other financial assets and negative market values under other financial liabilities.

(39.3) Maturity Analysis

H&R KGaA's liquidity risk consists of contractually agreed obligations to make future interest and redemption payments on financial liabilities and derivative financial instruments.

The maturities of these undiscounted payment streams are shown in the table below:

2024

IN € THOUSAND	Carrying amount	2025	2026	2027-2029	2030-2034	2035 and later
Liabilities to banks	151,807	92,214	46,724	12,341	8,123	–
Lease liabilities	42,793	12,058	8,982	9,488	10,039	8,006
Liabilities arising from derivatives with hedge accounting items	3,876	3,354	522	–	–	–
Liabilities arising from derivatives without hedge accounting items	604	604	–	–	–	–
Other financial liabilities	1,628	1,370	258	–	–	–

2023

IN € THOUSAND	Carrying amount	2024	2025	2026-2028	2029-2033	2034 and later
Liabilities to banks	157,562	81,340	19,795	55,463	11,560	–
Lease liabilities	45,050	11,564	8,721	10,980	10,461	9,662
Liabilities arising from derivatives with hedge accounting items	1,274	1,274	–	–	–	–
Liabilities arising from derivatives without hedge accounting items	66	66	–	–	–	–
Other financial liabilities	414	394	20	–	–	–

(39.4) Information on Categories of Financial Instruments

According to IFRS 7, financial assets and liabilities have to be grouped in such a way that a distinction can be made between financial instruments stated at fair value and those valued at amortized cost.

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

IN € THOUSAND	Valuation category according to IFRS 9	12/31/2024 Carrying amount	Fair value (for information)	12/31/2023 Carrying amount	Fair value (for information)
Financial assets					
Cash and cash equivalents	Measured at amortized cost	62,531	62,531	69,443	69,443
Trade receivables	Measured at amortized cost	134,999	134,999	105,805	105,805
Other financial assets					
Financial investment in equity instruments	Measured at fair value through other comprehensive income	2,979	2,979	1,827	1,827
Derivatives with hedge accounting item	Measured at fair value through other comprehensive income	2,127	2,127	1,303	1,303
Derivatives without hedge accounting item	Measured at fair value through profit or loss	71,672	71,672	232	232
Other current securities	Measured at fair value through profit or loss	31	31	31	31
Other financial assets	Measured at amortized cost	18,117	18,117	15,934	15,934
Financial liabilities					
Trade payables	Measured at amortized cost	93,285	93,285	103,065	103,065
Liabilities from supply chain financing arrangements	Measured at amortized cost	56,971	56,971	–	–
Liabilities to banks	Measured at amortized cost	151,807	151,453	157,562	156,333
Other financial liabilities					
Lease liabilities	Measured at amortized cost	42,793	42,793	45,050	45,050
Derivatives with hedge accounting items	Measured at fair value through other comprehensive income	3,876	3,876	1,274	1,274
Derivatives without hedge accounting item	Measured at fair value through profit or loss	604	604	66	66
Miscellaneous financial liabilities	Measured at amortized cost	1,628	1,628	414	414

Since trade receivables, trade payables, other financial assets, other financial liabilities and cash and cash equivalents generally have short-term maturities, their carrying amounts do not deviate significantly from their fair values on the reporting date. The fair values of other long-term receivables and payables with remaining maturities of more than one year are equal to the present value of the payments associated with the assets and are subject to the relevant current discount rates.

Net Results by Valuation Category.
The expenses, income, gains and losses from financial instruments can be broken down into the following categories:

2024

IN € THOUSAND	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at fair value through profit or loss	Total
Interest income	649	–	–	–	649
Interest expense	–	-9,590	–	-105	-9,695
Impairment/ reversals of impairments	-497	–	–	–	-497
Fees recorded as expenses	–	-1,078	–	–	-1,078
Other financial expenses/ income	1	–	-1,013	3,029	2,017
Net income/loss	**153**	**-10,668**	**-1,013**	**2,924**	**-8,604**

2023

IN € THOUSAND	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at fair value through profit or loss	Total
Interest income	806	–	–	–	806
Interest expense	–	-7,607	–	-1,349	-8,956
Impairment/ reversals of impairments	-134	–	–	–	-134
Fees recorded as expenses	–	-1,220	–	–	-1,220
Other financial expenses/ income	50	–	-7,840	152	-7,638
Net income/loss	**722**	**-8,827**	**-7,840**	**-1,197**	**-17,142**

Interest expenses of financial liabilities measured at amortized cost exclusively include effects from using the effective-interest method. €-2,989 thousand (previous year: €2,458 thousand) of income and expenses from financial instruments measured at fair value through other comprehensive income relate to liabilities arising from derivatives with hedge accounting items. €824 thousand (previous year: €-8,213 thousand) relate to assets arising from derivatives with hedge accounting items, with €1,152 thousand (previous year: €-2,442 thousand) relating to valuation effects arising from an equity instrument. The expenses for financial instruments measured at fair value through profit or loss in the previous year concern assets relating to the factoring program that expired on December 31, 2023.

(39.5) Additional Disclosures on Financial Instruments

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 level, fair values are measured by models that use parameters that are 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:

12/31/2024

IN € THOUSAND	Level 1	Level 2	Level 3
ASSETS			
Financial assets measured at fair value through other comprehensive income	–	–	2,979
Financial assets measured at fair value through profit or loss	31	–	–
Derivatives with hedge accounting item	–	2,127	–
Derivatives without hedge accounting item	–	995	70,677
Total	**31**	**3,122**	**73,656**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Derivatives with hedge accounting item	–	3,876	–
Derivatives without hedge accounting item	–	604	–
Total	**–**	**4,480**	**–**

12/31/2023

IN € THOUSAND	Level 1	Level 2	Level 3
ASSETS			
Financial assets measured at fair value through other comprehensive income	–	–	1,827
Financial assets measured at fair value through profit or loss	621	–	–
Derivatives with hedge accounting item	–	1,303	–
Derivatives without hedge accounting item	–	232	–
Total	**621**	**1,535**	**1,827**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Derivatives with hedge accounting item	–	1,274	–
Derivatives without hedge accounting item	–	66	–
Total	**–**	**1,340**	**–**

Derivatives with hedge accounting item include financial instruments for interest rate swaps and hedging raw materials price risks. The fair value of these Level 2 derivatives is determined as the present value of the expected cash flows from these contracts. The calculation of the expected cash flows of the commodity derivatives takes place on the basis of the forward price curves for liquid oil futures/forwards, which are adjusted by markups for deviating delivery locations/qualities. The discounting takes place using market-driven interest rates.

The Level 2 derivatives without hedge accounting item relate to currency forward contracts, which are recognized at fair value. The fair values are determined using observable market interest rate curves. Further information about derivatives can be found in Note (39.2).

The Level 3 derivative without hedge accounting relates to the Climate protection agreement signed in 2024. The valuation is based on discounted cash flow method, in which future cash flows determined on the basis of the electricity price, gas price and CO_2 price parameters are discounted to the balance sheet date using the respective risk-free interest rate (zero rates). Overnight indexed swap rates on the reporting date serve as the basis for determining the zero rates. As only contracts with a term of 3-5 years are usually traded on the energy exchanges, the valuation cannot be carried out using exchange-traded products due to the long term maturity. For this reason, H&R KGaA uses an external market study for the valuation, which is incorporated into a model using numerous scenario calculations to determine the expected annual subsidy amounts.

The Climate protection agreement grants the Federal Republic of Germany a unilateral right of withdrawal if the budget situation does not allow the agreement to be fulfilled (so-called budget reservation). As this imponderability cannot be reliably assessed, the budget reservation was not taken into account when measuring the derivative.

As part of sensitivity analysis, a fluctuation range of 10% is assumed for the derivative. A 10% increase in electricity prices would lead to an increase in the fair value of € 7,777 thousand, while a 10% decrease would reduce the fair value by € 8,069 thousand. A 10% increase in gas prices, on the other hand, would lead to a reduction in fair value of € 2,801 thousand. Correspondingly lower gas prices would result in an increase in fair value of € 3,102 thousand. A 10% reduction in the CO_2 price trend would result in a € 3,025 thousand increase in fair value, while an increase would lead to a reduction of € 2,747 thousand.

The Level 3 financial asset relates to an equity instrument measured at fair value through other comprehensive income. The measurement is completed using the discounted cash flow method on the basis of the best information available on the reporting date, with a weighted average cost of capital of 6.75% (previous year: 6.00%) used as a basis. A 10% decrease in expected future cash flows would result in a reduction of fair value of €343 thousand (previous year: €196 thousand) as of the balance sheet date, while a 10% increase in the cost of capital would result in a reduction in equity of €343 thousand (previous year: €168 thousand). In previous year H&R KGaA received a dividend of €357 thousand from this equity instrument.

The following table shows the allocation of the financial instruments' fair values, which are reported on the statement of financial position at their carrying amounts, to the different levels:

ALLOCATION OF FAIR VALUES OF FINANCIAL INSTRUMENTS

IN € THOUSAND	12/31/2024			12/31/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities and shareholders' equity						
Liabilities to banks	–	151,453	–	–	156,333	–

The fair values are determined using observable market interest rate curves. The expected cash flows were discounted accordingly.

Financial assets and financial liabilities are not offset, apart from the reimbursement right against BP (see Notes (9) and (21)), since no such offset agreements exist. There were no reclassifications among the individual levels in financial year 2024.

In the operating business, the outstanding balances are continuously monitored at the divisional level, i. e., locally. Insofar as the Hansen & Rosenthal Group handles sales and distribution, details are also integrated into its monitoring systems. Default risks are addressed through accounting for risk prevention. Non-recoverable receivables are derecognized and the impairment is reversed. When a doubtful receivable is collected, the previous impairment is reversed. The maximum default risk is reflected in the carrying amounts of the financial assets reported on the statement of financial position, including freestanding derivatives with a positive market value. As of the reporting date, there were no material agreements in place that reduce the maximum default risk.

(40) Leases

The right-of-use assets recognized in the balance sheet relate, in particular, to longer-term leases for land and buildings, as well as for the rental of tank capacities and tank wagons. The lease agreements are negotiated individually and contain various conditions.

Property, plant and equipment includes right-of-use assets under leases as follows:

RIGHT-OF-USE ASSETS UNDER LEASES

IN € THOUSAND	12/31/2024	12/31/2023
Land/buildings	26,291	25,443
Technical equipment/ machinery	15,887	18,433
Other facilities/operating and office equipment	3,147	4,204
Total	**45,325**	**48,080**

The additions to right-of-use assets amounted to €9,458 thousand (previous year: €5,645 thousand) in the financial year 2024.

Depreciation and amortization on right-of-use assets is comprised as follows:

DEPRECIATION AND AMORTIZATION ON RIGHT- OF-USE ASSETS UNDER LEASES

IN € THOUSAND	2024	2023
Land/buildings	2,752	2,853
Technical equipment/ machinery	7,557	7,662
Other facilities/operating and office equipment	2,094	2,040
Total	**12,403**	**12,555**

The amortization of right-of-use assets is included in the depreciation, impairments and amortization of intangible assets item in the income statement.

The following table shows liabilities from leases:

LIABILITIES FROM LEASES

IN € THOUSAND	12/31/2024	12/31/2023
Current lease liabilities	11,868	11,114
Non-current lease liabilities	30,925	33,936
Total	**42,793**	**45,050**

The following table shows the contractually agreed undiscounted cash outflows:

MATURITIES OF LEASE PAYMENTS

IN € THOUSAND	12/31/2024	12/31/2023
Up to one year	12,058	11,564
One to five years	18,470	19,701
> five years	18,045	20,123
Total	**48,573**	**51,388**

Lease liabilities amounting to €12,871 thousand were repaid in the 2024 financial year (previous year: €13,356 thousand).

The following amounts in relation to leases were recognized in the income statement, in addition to amortization on right-of-use assets under leases:

P&L EFFECT FROM LEASES

IN € THOUSAND	2024	2023
Interest expense	1,188	1,274
Expenses for short-term leases	740	822
Expenses for low-value leases	411	405
Total	**2,339**	**2,501**

Prospective future cash outflows in the amount of €25 thousand (previous year: €94 thousand) exist from leases already entered into as of the reporting date, which begin after December 31, 2024, and are not short-term leases.

(41) Other Financial Liabilities

Other financial liabilities comprise order commitments for investments in the amount of €15,481 thousand (previous year: €10,683 thousand) and other financial liabilities in the amount of €3,367 thousand (previous year: €6,801 thousand).

(42) Contingent Liabilities and Receivables

On the reporting date, H&R KGaA had joint liability for pension commitments totaling €16 thousand (previous year: €22 thousand).

A portion of the production sites is rented. Obligations to clean up and restore the property to its original condition will apply when the rental agreement expires. In the very unlikely event that a lessor gives notice of extraordinary termination or does not renew the long-term rental agreement, this would give rise to claims against the lessor for compensation; in this case no cash outflow would be anticipated and therefore no provision has been set up to cover the obligations to restore the property to its original condition. This situation is regularly monitored by the management.

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(43) Governance Bodies of H&R GmbH & Co. KGaA

EXECUTIVE BOARD OF H&R KOMPLEMENTÄR GMBH

	Membership of Supervisory and Advisory Boards
Niels H. Hansen Sole Member of the Executive Board, Hamburg	-

SUPERVISORY BOARD OF H&R GMBH & CO. KGAA

	Membership of Supervisory and Advisory Boards
Dr. Joachim Girg Chairman of the Supervisory Board Managing Director of H&R Beteiligung GmbH, Hamburg	-
Roland Chmiel Deputy Chairman CPA/Chartered Accountant, Rosenheim	-
Sven Hansen Managing Partner of the H&R Group, Managing Director of Tudapetrol Mineralölerzeugnisse Nils Hansen KG	-
Dr. Rolf Schwedhelm Tax lawyer and partner at Streck Mack Schwedhelm, Cologne	Chairman of the Supervisory Board of German Lawyer Academy Society for Education, Training and Services (Deutsche Anwalt Akademie Gesellschaft für Aus- und Fortbildung sowie Service leistungen mbH), Berlin
Sabine U. Dietrich Chartered engineer, Mülheim an der Ruhr	Member of the Supervisory Board of Commerzbank Aktiengesellschaft, Frankfurt am Main, Member of the Supervisory Board of MVV Energie AG, Mannheim
Peter Brömse (from May 28 2024) Graduate engineer, idependent management consultant of operational excellence	-
Dr. Hartmut Schütter (until May 28 2024) Chartered process engineer, freelance consultant, Schwedt/Oder	-

SUPERVISORY BOARD OF H&R GMBH & CO. KGAA (EMPLOYEE REPRESENTATIVES)

	Membership of Supervisory and Advisory Boards
Patrick Ewels Works council chairman H&R ChemPharm GmbH, Salzbergen	-
Dominik Franz Works council chairman of GAUDLITZ GmbH and GAUDLITZ Plastic Technologies GmbH & Co. KG, Coburg	-
Thomas Merting Employee of H&R ChemPharm GmbH, Salzbergen	-

(44) Disclosures 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. Related party transactions 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 longterm 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 and vice versa.

Sales revenue from goods and services to Hansen & Rosenthal totaled €617,377 thousand in financial year 2024 (previous year: €623,622 thousand). Most of this amount was for supplies of chemical-pharmaceutical products in 2024 (€501,294 thousand; previous year: €512,447 thousand) and for contract manufacturing services in 2024 (€108,173 thousand; previous year: €102,874 thousand). Goods and services purchased from Hansen & Rosenthal in financial year 2024 amounted to €119,929 thousand (previous year: €124,414 thousand). The bulk of this amount was for purchases of chemical-pharmaceutical products (€111,945 thousand; previous year: €115,643 thousand).

As of December 31, 2024, receivables due from Hansen & Rosenthal amounted to €62,491 thousand (previous year: €25,466 thousand); liabilities owed to Hansen & Rosenthal came to €24,914 thousand (previous year: €12,251 thousand). Receivables are handled in line with normal commercial conditions and customary retention of title.

Goods and services provided to joint ventures generated €254 thousand in sales revenue in financial year 2024 (previous year: €228 thousand).

Goods and services purchased from joint ventures in financial year 2024 amounted to €2,652 thousand (previous year: €3,094 thousand). These relate primarily to the purchase of energy and IT services.

As of December 31, 2024, receivables due from joint ventures amounted to €102 thousand (previous year: €47 thousand); as in the previous year, there were no liabilities owed to joint ventures.

Supervisory Board and Executive Board

Key management positions are limited to the Supervisory Board and Executive Board of H&R KGaA. Management of the company is provided by the Executive Board of H&R Komplementär GmbH. For performing their tasks, members of the Executive Board received total remuneration of €985 thousand in the financial year, due in the near future (previous year: €1,179 thousand). Members of the Executive Board receive no share-based remuneration and no pension commitments. There were no expenses associated with terminating the employment agreements of managing directors. As of the reporting date, there was a liability of €169 thousand (previous year: €42 thousand) and a receivable of €50 thousand (previous year: €0 thousand) owed to H&R Komplementär GmbH.

Former members of the Executive Board and their survivors received post-employment benefits totaling €248 thousand during the financial year (previous year: €305 thousand). For former members of the Executive Board and their survivors, pension commitments amounted to €2,317 thousand (previous year: €2,249 thousand).

Remuneration for members of the Supervisory Board included basic remuneration plus additional compensation for committee work and fees for attending meetings and totaled €615 thousand (previous year: €515 thousand). This remuneration will be due in the near future.

In addition to their Supervisory Board remuneration, the employee representatives on the Supervisory Board receive fees not related to their work for the Supervisory Board, in the near future. These fees resulted from the respective employment contracts and totaled €193 thousand in financial year 2024 (previous year: €198 thousand).

As in the previous year, no members of the Executive Board or members of the Supervisory Board had received loans from the company as of December 31, 2024.

Data on the remuneration of members of the Executive Board and the Supervisory Board are provided in the remuneration report, which is published at www.hur.com.

H&R KGaA has an Advisory Board that provides advice to the Executive Board. Expenses of €175 thousand were incurred in the financial year for the activities of the Advisory Board in 2024 (previous year: €153 thousand). In financial year 2024, fees paid to members of the governing bodies of H&R KGaA within the scope of consultancy contracts amounted to €75 thousand (previous year: €75 thousand). As of December 31, 2024, liabilities owed to Board members totaled €615 thousand (previous year: €515 thousand). These amounts are due in the short term.

(45) Statement of Compliance Pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Statement of Compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was submitted in December 2024. It is published online at www.hur.com.

(46) Group Audit Fees

The following fees for the services provided by Grant Thornton AG Wirtschaftsprüfungsgesellschaft were recognized for the financial year:

IN € THOUSAND	12/31/2024	12/31/2023
Audits	589	477
of which relating to the previous year	17	24
Other certification or valuation services	84	67
Tax counseling	–	–
Other services	–	–
Total	**673**	**544**

The 2024 fee for auditing services charged by the auditors covers, in particular, the statutory audit of the annual financial statements and the consolidated financial statements of H&R KGaA, and the statutory and voluntary audits of the annual financial statements. The other certification services primarily refer to the audit of the non-financial Group report and audits under the German Renewable Energy Sources Act for subsidiaries of H&R KGaA.

(47) Exemption From Disclosure Under Section 264, Paragraph 3 HGB

For the following fully consolidated subsidiaries, the company has elected to make use of the option to be exempted from the disclosure requirement in accordance with Section 264, paragraph 3 and Section 264b, in conjunction with Section 325 of the German Commercial Code (HGB), and partly made use of concessions regarding the preparation of financial statements:

- H&R OWS Chemie GmbH & Co. KG
- H&R Lube Blending GmbH
- H&R ChemPharm GmbH
- H&R Lube Trading GmbH
- H&R International GmbH
- H&R InfoTech GmbH
- H&R South Africa GmbH
- H&R Group Finance GmbH
- GAUDLITZ Plastics Technology GmbH & Co. KG

(48) Risk Management Policy, Capital Management and Safeguards

The operating business and the financing of H&R KGaA are exposed to various financial and market price risks, in particular liquidity and refinancing risks, counterparty default risk as well as risks associated with fluctuations in raw material prices, currency exchange rates, and interest rates. A systematic risk management system is in place to limit these risks. Hedging transactions, among other things, are used to counter them.

H&R KGaA has implemented a Group-wide risk management system which identifies, analyzes and measures these risks so that informed decisions can then be made about actions to take to prevent or limit such risks. The key components of the risk management system are the planning and controlling process, internal Group rules and regulations, and the reporting function. The Group companies are subject to strict risk management. Dealing authorizations, responsibilities and supervision procedures are established on a binding basis in internal guidelines.

The company holds regular conferences on business performance at which the results of operations and potential risks and opportunities are highlighted and targets and control measures are agreed. Derivative financial instruments are also utilized in this context. In this respect, derivative financial instruments may not, as a matter of principle, be implemented for speculative purposes, but instead serve to hedge against risks in connection with the operating business as well as financial risks.

The Executive Board defines the Group's equity ratio as the basic parameter for capital management, which in turn is aimed at ensuring that the Group will continue to be able to cover its financing needs for capital expenditures and debt service obligations in the future. At the same time, H&R KGaA strives to maintain a capital structure that optimizes the costs of capital provided by our investors and our lenders, while retaining strategic flexibility. Other key control parameters include net debt and net gearing, i. e., the ratio of net debt to operating income (EBITDA).

A syndicated loan and the bilateral loans require the company to meet financial covenants that also relate to its capital base and net gearing. The financial covenants were fully met both at the reporting date and also during the course of the year.

CAPITAL STRUCTURE

	2024	2023	2022	2021	2020
Net debt/EBITDA	1.39	1.46	1.52	1.13	2.25
Equity ratio (in %)	46.2	50.6	49.0	46.7	46.5
Net Gearing	13.4	29.1	42.9	39.9	35.3

Risks Related to the Impacts of Armed Conflicts Armed conflicts can bundle various risks together in a cluster. The material impacts can be that the raw materials needed are no longer available or are available only on the basis of significantly less favorable conditions. In spite of the ongoing war in Ukraine and the Gaza conflict, we once again succeeded in guaranteeing raw materials procurement in 2024. As things stand, we are not expecting the raw materials procurement situation to change in the foreseeable future. We should therefore still be able to secure supplies, albeit on the basis of conditions that will remain less favorable.

Armed conflicts could also have impacts on global trade routes and flows of goods. In particular the situation in the Persian Gulf and therefore access to the Suez Canal could be exacerbated due to political and military tensions and lead to disruptions in trade between Europe and Asia. Suppliers, customers and other business partners could be hard hit as a result, which may lead to defaults or disruptions to services. H&R KGaA will continue to track events carefully, monitor their effects and prepare countermeasures.

Climate-related Risks. As a global enterprise, H&R KGaA is exposed to climate-related risks. These risks include both transitory risks, on other words additional costs incurred due to transition of to a low-carbon economy, and physical climate change risks such as damage to assets as a result of fires or flooding.

As an operator of industrial plants, we run a business that is governed by laws and regulations, meaning environmental, chemical and energy law requirements have to be met. In addition, regulatory, tax and legal changes may be made regarding climate change, with there being a focus in particular on climate and energy policy in the European Union. The potential tightening of these regulations, in particular in Germany or the European Union, brings with it the risk of financial burdens caused by higher operating costs and capital expenditure as well as potential competitive disadvantages vis-à-vis international and non-European market participants.

H&R KGaA runs energy-intensive facilities, in which natural gas is also used as an energy source. H&R KGaA is therefore dependent on the availability of gas, which it has always been able to secure, not least because the use of alternative energy sources could reduce the demand and can continue to do so. The transition to green energy sources plays a special role for H&R, but also depends on external conditions such as regulation and the expansion of the hydrogen network, which H&R can only influence to a limited extent.

More information on this can be found in the Report of the internal Control and Risk Management System and on the Main Opportunities and Risks in the management report.

Liquidity Risks. H&R KGaA ensures that it has sufficient liquidity by monitoring its liquidity status daily, by maintaining financing facilities that have not been utilized in full and by refinancing expiring loan agreements in a timely manner. Compliance with financial covenants is a crucial part of the financing agreements. If these covenants were to be breached and could not be renegotiated or if alternative sources of financing could not be found on short notice, this would jeopardize the continued existence of the Group. H&R KGaA counters this risk by maintaining a financing structure that includes sufficient equity as well as through measures designed to ensure the sustainability and stability of earnings, such as switching the Salzbergen site to a contract-processing model. Since 2024, the Group has been using supplier finance agreements with a notice period of three months, which has improved the Group’s working capital. The financial services provider is in a good financial position and H&R has no significant concentration of liquidity risks with this financial services provider.

Default Risks. Our risks from delays in payment and/or defaults on the part of our customers are limited by our broadly diversified customer base and the low level of dependence on individual debtors. Strict receivables management by our sales/distribution partner, Hansen & Rosenthal, reduces these risks even more. Based on the information currently available, existing del credere risks are covered through impairments.

We counter the default risk of banks with which we have arranged credit lines, entered into hedging transactions or invested funds by only entering into larger, long-term financial transactions with banks that have good credit ratings and by spreading larger transactions among several banks.

Raw Materials Price Risks. H&R KGaA is exposed to price fluctuation risks in, among other things, purchases of raw materials, particularly purchases of atmospheric residue and vacuum gas oil. Most supply agreements concluded with customers for specialty products manufactured by the Chemical-Pharmaceutical Raw Materials division's specialty production sites specify fixed prices for a period of three months at most. Moreover, the production process at a specialty production site can require up to eight weeks from the date on which raw materials arrive to the date when the finished product has been manufactured. This means that rapid increases in raw materials costs cannot be passed on to the markets immediately, but only with a delay. The relevant price trends are constantly monitored and analyzed. Changes in prices of raw materials can result in the recognition of windfall losses and windfall profits, which generally balance out over time. The raw materials price risk mainly affects sales revenues and cost of materials in the ChemPharm Refining and ChemPharm Sales segments (see Note (36)). To counteract the raw materials price risk, H&R KGaA concludes raw materials forward transactions, which are designated as cash flow hedges.

Currency Risks. The international orientation of H&R KGaA means that its operating activities give rise, among other things, to currency risks resulting from fluctuations between the company's functional currency and other currencies. In particular, these are encountered in the area of procurement as a result of US dollar transactions. In the trading business, these risks are partially hedged through forward transactions.

For the presentation of market risks, IFRS 7 requires sensitivity analyses showing the impact of hypothetical changes in relevant risk variables on earnings and equity. It is assumed that the portfolio as of the reporting date is representative of holdings for the entire year.

The following table shows the net exposure in the most significant foreign currency as of the reporting date:

NET EXPOSURE

IN € THOUSAND	US$
12/31/2024	2,822
12/31/2023	14,982

The net exposure consists of statement of financial position items in the respective currency, which is not the functional currency, less derivatives used to hedge the foreign currency effects of the respective item on the statement of financial position. An increase in the US dollar rate by 10% would burden the income and equity with €247 thousand (previous year: €1,362 thousand), while a decline in the US dollar rate by 10% would cause the income and equity to rise by €302 thousand (previous year: €1,665 thousand).

Interest Rate Risks. H&R KGaA employs variable interest rate facilities, among other things, as part of its financing activities. Interest rate swaps are used as interest hedging instruments to limit risks arising from changes in market interest rates.

A sensitivity analysis for interest rate risk is performed on financial liabilities with variable interest rates, including interest income on cash in hand. As of the December 31, 2024, reporting date, a hypothetical 50 basis points or 0.5% increase in the interest rate would have lowered interest income to €41 thousand (previous year: €31 thousand) and would have increased the amount of equity shown accordingly.

(49) Events After the Reporting Date

Between December 31, 2024, and the time of approval of the consolidated financial statements, there were no events with a concrete material impact on the net assets, financial position and results of operations. However, it is possible that the developments of the war in Ukraine or of the Gaza conflict may have significant consequences during the further course of the year. However, due to the volatility of the situation, it is not currently possible to predict how much of an impact they will have with any degree of certainty. Further information on these topics can be found in the Risk and Forecast Report in the management report.

(50) Approval of the Financial Statements

The financial statements were approved and released for publication by the management of the general partner with full personal liability on April 04, 2025.

Salzbergen, April 04, 2025

The Executive Board

Niels H. Hansen
Sole Managing Director

Independent Auditor's Report

To the H&R GmbH & Co. KGaA, Salzbergen

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of H&R GmbH & Co. KGaA, Salzbergen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2024 to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of H&R GmbH & Co. KGaA, Salzbergen, for the financial year from 1 January 2024 to 31 December 2024. In accordance with German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § 289f HGB and § 315d HGB [Handelsgesetzbuch: German Commercial Code], which is referred to in the combined management report, and the subsection "Description of the main features of the internal control and risk management system with regard to the Group accounting process (sections 289 paragraph 4 and 315 paragraph4 HGB)" in the section "Main features of the internal control and risk management system and opinion on the adequacy and effectiveness of these systems" in the combined management report. Furthermore we will not audit the content of the separate non-financial group report, which is referred to in the combined management report and which is intended to be published on the company's website.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereafter "IFRS Accounting Standards"), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2024 and of its financial performance for the financial year from 1 January 2024 to 31 December 2024, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report and the separate non-financial group report referred to above.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2024 to 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following, we present what we consider to be the key audit matter. We have structured our presentation of this key audit matter as follows:

① Risk to the financial statements
② Auditor's Response
③ Reference to related disclosures

Impairment of Goodwill for CGU Salzbergen

① Risk to the financial statements

In the consolidated financial statements of H&R GmbH & Co. KGaA include goodwill with a carrying amount of EUR 17.0 million. Of this amount, EUR 16.7 million is attributable to the goodwill of the Salzbergen cash-generating unit. Goodwill is subjected to an impairment test once a year or as required. The value in use is compared with the carrying amount of the cash-generating unit. The discounted cash flow method is used to determine the value in use of the cash-generating unit. The future cash flows to be discounted are derived from the H&R Group's current planning. The discount rate is determined using the weighted average cost of capital of the cash-generating unit.

As an estimated value, the value in use is essentially influenced by the estimate of future cash flows and the discount rate used and is subject to considerable estimation uncertainty. Against this background, we considered this matter to be of particular significance in the context of our audit.

② Auditor's Response

As part of our audit, we first obtained an understanding of the process implemented to determine the recoverable amounts of cash-generating units and the related controls. In performing our audit, we evaluated the Company's methodology for performing the impairment test and assessed the calculation of the weighted average cost of capital.

We also evaluated the derivation of the projected cash flows from the operating budget planning (2025) approved by the Supervisory Board and the medium-term planning (2026-2029) of the Group approved by the executive directors. We assessed the planning assumptions with regard to their consistency and reasonableness against the background of current and expected conditions in the relevant markets and our understanding of the economic environment of the cash-generating unit. In addition, we inquired management about the above mentioned facts. Furthermore, as part of the goodwill impairment test, we analysed the accuracy of the previous planning by comparing the previous year's planning with the actual results of the financial year and by comparing the current planning with the previous year's planning. Due to the sensitivity of the calculated value in use to changes in the discount rate used, we analysed the parameters used with the assistance of our internal valuation specialists and verified the calculation methods used to derive the discount rate. In addition, we have reviewed and analysed the sensitivity analyses prepared by management for the cash-generating unit.

Our audit procedures did not lead to any reservations relating recoverability of the goodwill of the Salzbergen cash-generated unit.

③ Reference to related disclosures

The disclosures of H&R GmbH & Co. KGaA on goodwill and its recoverability are contained in sections 3, 4 and 12 of the notes to the consolidated financial statements.

Other Information

The executive director or the supervisory board is responsible for the other information. This other information comprises:

- The statement on corporate governance pursuant to Section § 289f HGB and section § 315d HGB to which reference is made in the combined management report,
- the subsection "Description of the main features of the internal control and risk management system with regard to the Group accounting process (sections 289 paragraph 4 and 315 paragraph4 HGB)" in the section "Main features of the internal control and risk management system and opinion on the adequacy and effectiveness of these systems" in the combined management report,
- the responsibility statement of the executive director pursuant to Section 297 paragraph 2 sentence 4 HGB and Section 315 paragraph 1 sentence 5 HGB on the consolidated financial statements and the combined management report,
- the following parts of the annual report “our mission statement”, “our business model”, our products”, our key figures”, “to the shareholders” (incl. “supervisory board report”), “H&R in capital market” and “further information” expected to be made available to us after the date of this auditor's report, and

- the separate non-financial group report pursuant to Section § 315b HGB, which is expected to be made available to us after the date of this auditor's report and to which reference is made in the group management report,
- but not the consolidated financial statements, the audited disclosures in the combined management report and not our auditor´s opinion thereon.

The Supervisory Board is responsible for the supervisory board report. The executive director and the Supervisory Board are responsible for the declaration on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG), which forms part of the declaration on corporate governance. Otherwise, the executive director is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed prior to the date of the audit opinion, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Director and the Supervisory Board for the Consolidated Financial Statements and the combined Management Report

The executive director is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards, as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive director is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive director is responsible for assessing the Group's ability to continue as a going concern. He also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, he is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive director is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive director is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of internal control or these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by the executive director and the reasonableness of estimates made by the executive director and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming audit opinions on the group financial statements and on the combined management report. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive director in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance of Electronic Rendering, of the Consolidated Financial Statements and the Group Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in in the electronic file hrgmbh-cokgaa-2024-12-31-de.zip with the Hash-value 09796305240a16596902c8c18fbe0479d6315d00a3 59ad430f0193bebca04359, calculated by means of SHA256 and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2024 to 31 December 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering, of the consolidated financial statements and the combined management report, contained in the file identified above in accordance with section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB" (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Director and the Supervisory Board for the ESEF Documents

The executive director of the company is responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the group management report in accordance with section 328 paragraph 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 paragraph 1 sentence 4 no. 2 HGB.

In addition, the executive director of the company is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circum-stances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 28 May 2024. We were engaged by the chairman of the supervisory board on 10 January 2025. We have been the group auditor of the H&R GmbH & Co. KGaA, Salzbergen, without interruption since the financial year 2015.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Eric Pritsch.

Hamburg, 4 April 2025

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Senger	Pritsch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Attestation by the Legal Representatives

We hereby affirm that, to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements convey a true picture of the net assets, financial position and results of operations of the Group and that the combined management report pre-sents the course of business, including the Group's business income and situation, in a way that presents a true and fair view while describing the material opportunities for and risks to the Group's expected development.

Salzbergen, April 04, 2025

The Executive Board

Niels H. Hansen
Sole Managing Director

Further Information

Six-year Overview H&R Group Key Figures (IFRS)

		2024	2023	2022	2021	2020	2019
Sales volume (core products) [1)]	KT	797	799	811	869	805	815
Sales revenue	€ MILLION	1,338.2	1,352.3	1,576.0	1,188.4	873.0	1,075.3
Operating income (EBITDA)	€ MILLION	94.8	92.7	124.9	132.5	55.8	52.9
EBIT	€ MILLION	31.9	30.3	69.6	81.6	-0.3	7.4
Earnings before income tax	€ MILLION	20.7	18.8	62.0	73.4	-10.4	-1.2
Consolidated net income	€ MILLION	12.9	10.6	45.4	52.5	-7.8	0.1
Consolidated income attributable to shareholders	€ MILLION	10.6	10.6	42.7	50.2	-9.0	-1.4
Consolidated income per share (undiluted) in €	€	0.29	0.28	1.15	1.35	-0.24	-0.04
Dividend per share	€	0.10	0.10	0.10	–	–	–
Market capitalization on December 31	€ MILLION	126.2	174.2	224.1	261.3	203.6	194.3
Balance sheet total	€ MILLION	1,014.8	903.2	962.1	874.4	745.7	838.6
Net Working Capital	€ MILLION	199.9	209.1	260.1	208.1	106.9	105.9
Equity	€ MILLION	468.6	457.6	471.2	408.5	346.9	363.4
Equity ratio	%	46.2	50.7	49.0	46.7	46.5	43.3
Net debt	€ MILLION	89.2	88.1	136.0	92.9	75.4	86.8
Net gearing	%	13.4	29.1	42.9	39.9	35.3	37.4
Cash flow from operating activities	€ MILLION	70.2	119.1	38.0	37.4	60.1	95.9
Free cash flow	€ MILLION	15.8	62.8	-34.5	-11.1	22.0	20.8

[1)] Chemical-Pharmaceutical Raw Materials division.

[2)] Proposal to the Annual Shareholders' Meeting on May 27, 2025

Financial Calendar

Our financial calendar is updated on an ongoing basis. Please visit our website www.hur.com in the Investor Relations section for the latest events.

April 9, 2025	Publication of Annual Report 2024
May 15, 2025	Publication of Q1 2025
May 27, 2025	Annual Shareholders’ Meeting in Hamburg
August 15, 2025	Publication of Q2 2025
November 14, 2025	Publication of Q3 2025

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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Legal Notices, Addresses

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This annual report was published on April 9, 2025.

Disclaimer

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'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, 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.

Variances for technical reasons

For technical reasons (e. g., conversion of electronic formats) there may be variances between the accounting documents contained in this annual report and those submitted to the electronic Federal Gazette (Bundesanzeiger). In this case, the version submitted to the electronic Federal Gazette shall be binding.

This English version of the annual report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

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