Press Release: HELM Group – 2013 Results

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Hamburg, 15 May 2014

In 2013 the pace of global economic expansion accelerated slightly, with the volume of world trade likewise recording a slight 2% growth rate year-on-year. In the process, the regions developed quite differently and, for the first time in four years the western industrialised nations, with the US in the lead, were the driving force behind the economic revitalisation. The euro area managed to free itself from the recession.

In contrast, key emerging market economies underwent a phase of weakness, and even the Chinese economy faltered slightly and failed to meet observers' expectations. In spite of geo-political uncertainties, the oil price trended sideways in a relatively stable trading range, thanks to generally high production volumes.

In total, HELM AG succeeded in generating gratifying results once again in fiscal 2013.

It was possible for revenues volumes to be defended in nearly all business units, making it possible for global sales at EUR 9.67 billion to almost match the record level of the previous year (down by as little as 3%).

The slight decline is essentially due to the lower fertilizer prices and the development of the US dollar's exchange rate in relation to the euro. Expressed in USD, revenues were at the previous year's level.

Consolidated results: performance figures

in EUR million	2013	2012	2011
Revenues			
Global revenues	9,666 (-3%)	9,978 (+5%)	9,503
Foreign revenues	5,018 (-6%)	5,352 (+5%)	5,087
Profit			
EBITDA	120.5 (-42%)	209.5 (+72%)	121.8
Earnings before taxes	109.7 (-44%)	197.4 (+85%)	106.7
Consolidated net income	82.2 (-49%)	160.2 (+107%)	77.5

After exceptional factors stemming from the first-time consolidation of our minority stakes in production facilities in Trinidad & Tobago and in Oman had doubled our operating profit in 2012, the HELM Group returned to the good level of the previous years in fiscal 2013.

With consolidated net income of EUR 82.2 million (previous year: EUR 160.2 million), in 2013 the Group achieved the third-best year in its entire corporate history.

Aside from the parent company, almost all domestic and foreign branches and holdings contributed to this gratifying result.

With its strong focus on chemicals, pharmaceuticals, crop protection products and fertilizers as well as nutrition, strategic product management, a global sales organisation in over 30 countries and a marketing strategy geared to long-term success, the Group managed further to consolidate its global market position.

As in previous years, a special focus was on the further expansion of the domestic distribution business via the HELM subsidiaries.

Europe remained the primary sales market for the HELM Group in 2013, with an increased share to 61% (previous year: 53%). Asia followed at a slightly weaker share of 14% (previous year: 18%) and the Americas at 24% (previous year: 28%). The African continent remains negligible as a sales market for the HELM Group with a share of only 1%.

The consistent policy of retaining earnings to underpin equity is being continued. This provides the HELM Group with greater stability and independence, especially in economically difficult times. Equity was up by EUR 33 million, to reach EUR 625 million (previous year: EUR 592 million). With an equity ratio of 44.4% (previous year: 40%), the Group reflects a very good balance sheet structure. Fixed assets amounted to EUR 225.3 million, supported by EUR 625 million in equity.

We are satisfied with the results for fiscal 2013, and the company is on a very solid footing.

Performance of the individual business units – overview

2013 was not an easy year for Europe's chemicals industry, and it was particularly difficult for basic and petrochemicals. Nevertheless, HELM's **Chemicals** segment and its business units Feedstocks and Derivatives managed to improve on the previous year's sales by 6.6%, achieving yet another good result.

In the process, the development of the various product groups was mixed. Chemicals represents a significant share of sales amounting to 60%.

The reorganisation of the former business unit Chemical Solids (as at 1 January 2013) proved to be a correct and successful strategy. In this context, chemicals activities were transferred to the business unit Derivatives, and an independent business unit **Crop Protection** was established. This business unit developed highly dynamically, boosting its revenues by just over 17% and generating a very good operating result. What is crucial for the success of this business unit are in-house developments of generic crop protection products for the markets in Latin and North America as well as in Europe.

With roughly 80% market share, the business unit **Pharma** constitutes the main sales market in Europe. The price pressure in the market for generic drugs, driven by an increasing number of public tenders by the health funds and by compulsory discounts, still remained high in 2013.

With a slight reduction in revenues by 4.1%, the business unit Pharma nevertheless achieved a substantially better operating result than in the preceding year. For 2014, the business unit continues to anticipate a difficult market environment.

The biotechnology joint venture Richter-Helm managed to successfully license off its first in-house developed product Teriparatid for treatment of severe osteoporosis – in the US as well as in other selected overseas markets.

2013 was a difficult year for the business unit **Fertilizer**. The exceptionally long winter and equally cold and wet spring meant that the start to the season for the fertilizer markets was delayed by three months. This resulted in a massive decline in prices and restraint in terms of buying behaviour. Revenues of this business unit declined by just under 23% year-on-year, essentially on account of pricing and exchange rate factors, in tandem with significantly declining but still acceptable earnings.

On the whole, for 2014 the business unit anticipates a year characterised by greater price volatility overall, but solid foundations are in place to ensure a successful performance.

The Fertilizer business unit, with 28% share, likewise makes a significant contribution to Group sales.

In the business unit **Nutrition**, the pressure on prices in evidence for years now continued to impact foodstuff and feed additivies in 2013 owing to excess production capacities. With a decline in overall sales of EUR 75.2 million (previous year: EUR 86.6 million), the business unit failed to achieve its target figures, especially in the animal nutrition segment. Due to a lack of potential prospects, HELM abandoned the animal nutrition segment at the end of 2013/beginning of 2014 and is now focusing on human nutrition additives instead.

The development of the HELM companies worldwide within the business unit **HELM-International** also proceeded very well in spite of partly difficult market conditions. The intensive extension of the local distribution business, primarily with regard to the Group's strategic core products as well as close, very good co-operation of all HELM entities with their Group parent company represented the foundations for this successful performance. The HELM companies managed to boost their sales by just under 4%, to EUR 4,376.8 million, reaching a new record level.

On the whole, this business unit generates a very good operating result.

The **number of employees** of the worldwide HELM organisation once again rose slightly.

In total, HELM has a workforce of 1,431 (1,414) employees worldwide in over 90 branches, sales offices and participations. Of these, on 31 December 2013 HELM had 634 (624) employees in Hamburg and 694 (684) in Germany.

The low fluctuation rate of 5.5% at HELM AG once again reflected the high level of job satisfaction amongst employees in 2013.

HELM continues to invest substantially in vocational and advanced training of its own budding talents: 63 of these underwent training at HELM in 2013, either as part of a dual study course or dual training pursuant to the German Vocational Training Act (Berufsbildungsgesetz). In parallel, 13 trainees engaged in natural sciences or economic studies completed a 2-year programme.

Outlook for 2014

A further slight recovery of the world economy is anticipated for 2014, based on a moderate economic revitalisation in Europe and the Americas as well as in a number of countries in Asia. The demand situation for chemical products can be described as stable. Continual investments in our product development, our joint ventures in production facilities and long-term marketing agreements represent a solid starting point for the financial year 2014.

The 1st quarter of 2014 already reflected a very good quarterly result with stable sales, representing an encouraging start to the new year. This development was buttressed in particular by the Fertilizer, Feedstocks and Derivatives business units.

We are highly satisfied with the results for the 1st quarter and we are also confident for the coming months and expect very good half-year statistics.

In addition to the targeted extension of the US as a supply source for petrochemical base products, the development of Asia as a sales region enjoys top priority. For the targeted development of new supply sources and long-term marketing agreements, HELM plans to establish a specialised Project Development division.

To reinforce our marketing activities in the field of acids and lyes in the Mediterranean region, on 1 January 2014 HELM took over the local Spanish distributor Geblasa S. A. (with locations in Madrid and Sevilla). Geblasa was established in 1975 and is specialised in the distribution of chlorine alkali products and solvents throughout Spain, with fields of application in the nutrition, paper, cleaning agent and metal industry.

HELM's subsidiary HELM Skandinavien A/S will be opening a further distribution location in Kragerø in southern Norway in mid-2014. In addition to Copenhagen, Horslet and Stockholm, this is the fourth location of HELM in Scandinavia. The primary business of this subsidiary likewise is the distribution of acids and lyes.

Hans-Christian Sievers