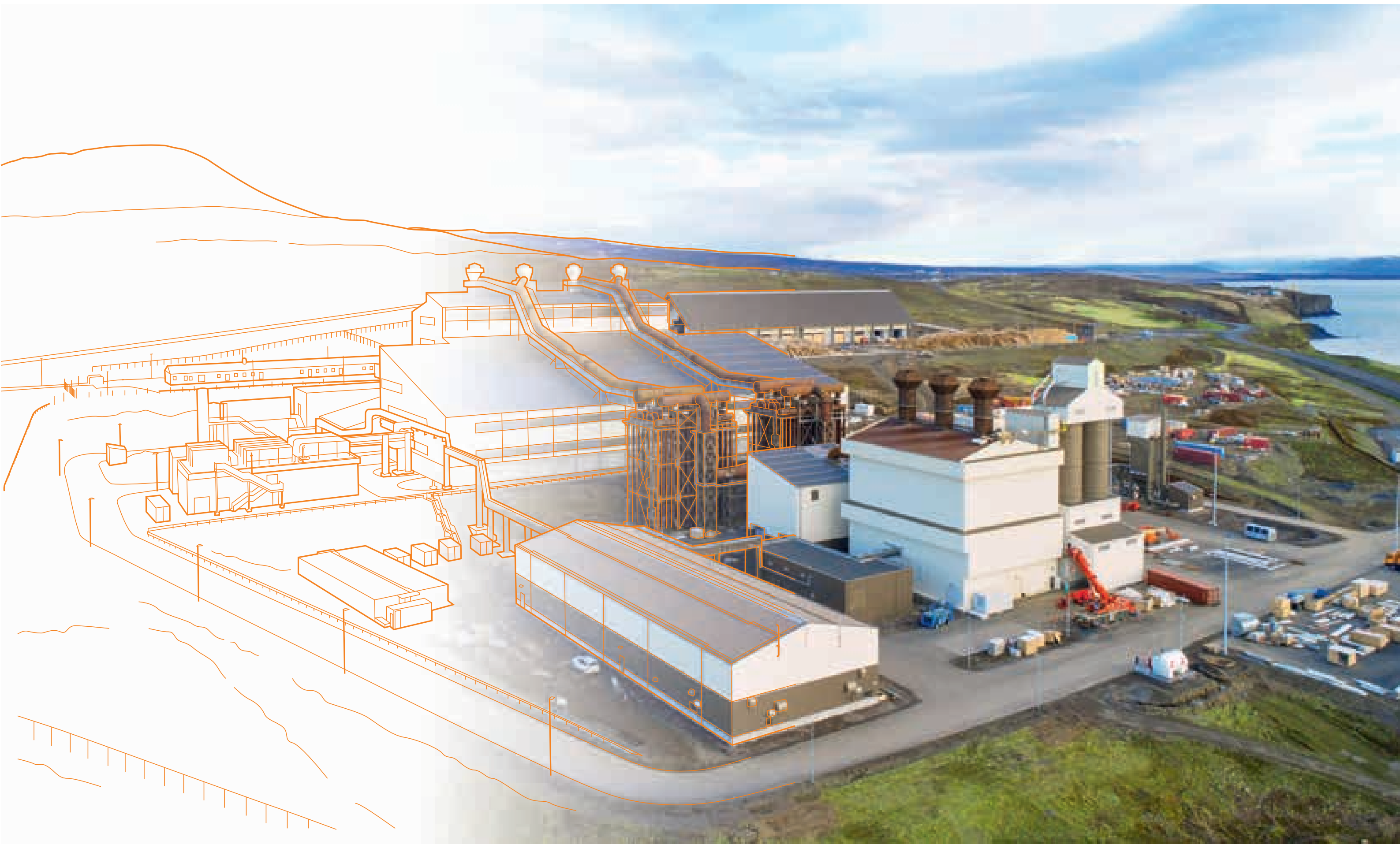
Shaping the Future

PCC Group
Annual Report 2017



PCC at a glance

Key financials of the PCC Group
per IFRS

		2017	2016
Consolidated statement of income			
Sales	€m	**683.2**	568.9
Gross profit	€m	**202.8**	181.3
EBITDA*	€m	**73.8**	76.4
EBIT*	€m	**41.0**	48.2
EBT*	€m	**13.6**	24.6
Net result	€m	**8.7**	19.1
Consolidated balance sheet			
Total assets	€m	**1,057.3**	951.8
Non-current assets	€m	**792.6**	724.3
Current assets	€m	**261.8**	227.3
Equity	€m	**139.1**	135.0
Non-current provisions and liabilities	€m	**658.2**	590.4
Current provisions and liabilities	€m	**259.2**	226.3
Key group indicators			
Equity ratio*	%	**13.2**	14.2
ROCE*	%	**5.0**	6.7
Gross cash flow	€m	**60.3**	70.6
Capital expenditures	€m	**101.4**	159.3
Employees at home and abroad (as of Dec. 31)		**3,389**	3,032
Consolidated sales by segment			
Polyols segment	€m	**145.4**	126.0
Surfactants segment	€m	**120.5**	101.5
Chlorine segment	€m	**100.9**	71.8
Specialty Chemicals segment	€m	**199.3**	161.9
Consumer Products segment	€m	**21.8**	24.1
Energy segment	€m	**11.8**	11.3
Logistics segment	€m	**75.2**	65.5
Holding/Projects segment	€m	**8.4**	6.9
Total sales	€m	**683.2**	568.9
Consolidated sales by region			
Germany	€m	**145.2**	116.0
Poland	€m	**248.1**	224.3
Other EU Member States	€m	**157.6**	121.1
Other Europe	€m	**48.6**	30.8
USA	€m	**17.6**	18.8
Asia	€m	**36.7**	29.5
Other Regions	€m	**29.3**	28.5
Total sales	€m	**683.2**	568.9

Rounding differences possible.
* For explanations and definitions, see page 7.

The segments of the PCC Group

Shaping the Future

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New silicon metal plant of
PCC BakkiSilicon hf in Iceland.

PCC. Creating value together

The segments of the PCC Group

Polyols

Polyols form the basis of polyurethane (PU) foam materials that serve a wide range of applications in many industries and sectors. Examples include our iPoltec® foam technology for the furniture and mattress industries and our PU foam systems – in both panel and spray form – for the effective thermal insulation of buildings.

Polyols segment	**2017**	2016
Total sales [1]	**€ 145.4 m**	€ 126.0 m
EBITDA [2]	**€ 15.6 m**	€ 12.3 m
Capital expenditures [2]	**€ 10.1 m**	€ 13.1 m
Employees	**242**	204

Surfactants

Offering multiple effects in foaming, wetting, emulsifying and cleaning, surfactants are primary ingredients in many functional liquids and care products. In toothpastes and shampoos they generate the foaming and cleaning action, while in dishwashing detergents they serve to dislodge dirt and grease from hard surfaces.

Surfactants segment	**2017**	2016
Total sales [1]	**€ 120.5 m**	€ 101.5 m
EBITDA [2]	**€ 9.9 m**	€ 10.2 m
Capital expenditures [2]	**€ 3.5 m**	€ 1.6 m
Employees	**279**	260

Chlorine

Chlorine is one of the most important feedstocks of the chemicals industry, and its downstream products are key ingredients in our everyday lives. They can be found, for example, in water treatment, in the petrochemicals industry and in food production. Ultra-pure monochloroacetic acid (MCAA) also forms part of our product portfolio.

Chlorine segment	**2017**	2016
Total sales [1]	**€ 100.9 m**	€ 71.8 m
EBITDA [2]	**€ 32.0 m**	€ 24.3 m
Capital expenditures [2]	**€ 23.1 m**	€ 14.4 m
Employees	**409**	381

Specialty Chemicals

This is our biggest-selling segment. Its products include phosphorus-based flame retardants, plasticizers and stabilizers, additives for hydraulic oils and admixtures such as superplasticizers to improve the flowability of fresh concrete. The biggest business in the segment is our traditional commodity trading unit.

Specialty Chemicals segment	**2017**	2016
Total sales [1]	**€ 199.3 m**	€ 161.9 m
EBITDA [2]	**€ 8.4 m**	€ 5.7 m
Capital expenditures [2]	**€ 6.8 m**	€ 3.8 m
Employees	**360**	353

Consumer Products

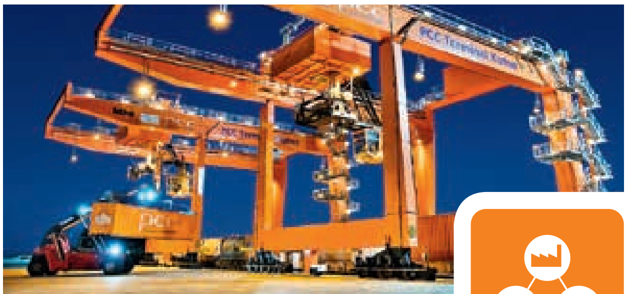
Our range of fast-moving consumer goods encompasses household and industrial cleaners, laundry detergents and personal care products – including a portfolio distributed under Polish brandnames such as "ROKO", "Flo" and "Brilless Premium." Likewise allocated to this segment is our matches and firelighters production unit.

Consumer Products segment	**2017**	2016
Total sales [1]	**€ 21.8 m**	€ 24.1 m
EBITDA [2]	**€ –3.7 m**	€ –2.4 m
Capital expenditures [2]	**€ 0.6 m**	€ 0.9 m
Employees	**537**	476

Energy

In this segment, we operate power plants within the Conventional Energies business unit primarily to supply electricity to our production facilities. In addition, we build and operate within the Renewable Energies business unit environmentally sound small hydropower plants located in the Republic of Macedonia and Bosnia and Herzegovina.

Energy segment	**2017**	2016
Total sales [1]	**€ 11.8 m**	€ 11.3 m
EBITDA [2]	**€ 7.2 m**	€ 9.8 m
Capital expenditures [2]	**€ 9.3 m**	€ 6.7 m
Employees	**186**	183



Logistics

With five wholly owned intermodal terminals, we are among the leading providers of container transport services in Poland. Our block train service routes run from Poland through Germany and on to the Netherlands and Belgium. Our tanker fleet specializes in the road haulage of liquid chemicals across Europe.

Logistics segment	**2017**	2016
Total sales [1]	**€ 75.2 m**	€ 65.5 m
EBITDA [2]	**€ 7.7 m**	€ 5.6 m
Capital expenditures [2]	**€ 2.3 m**	€ 2.7 m
Employees	**465**	410

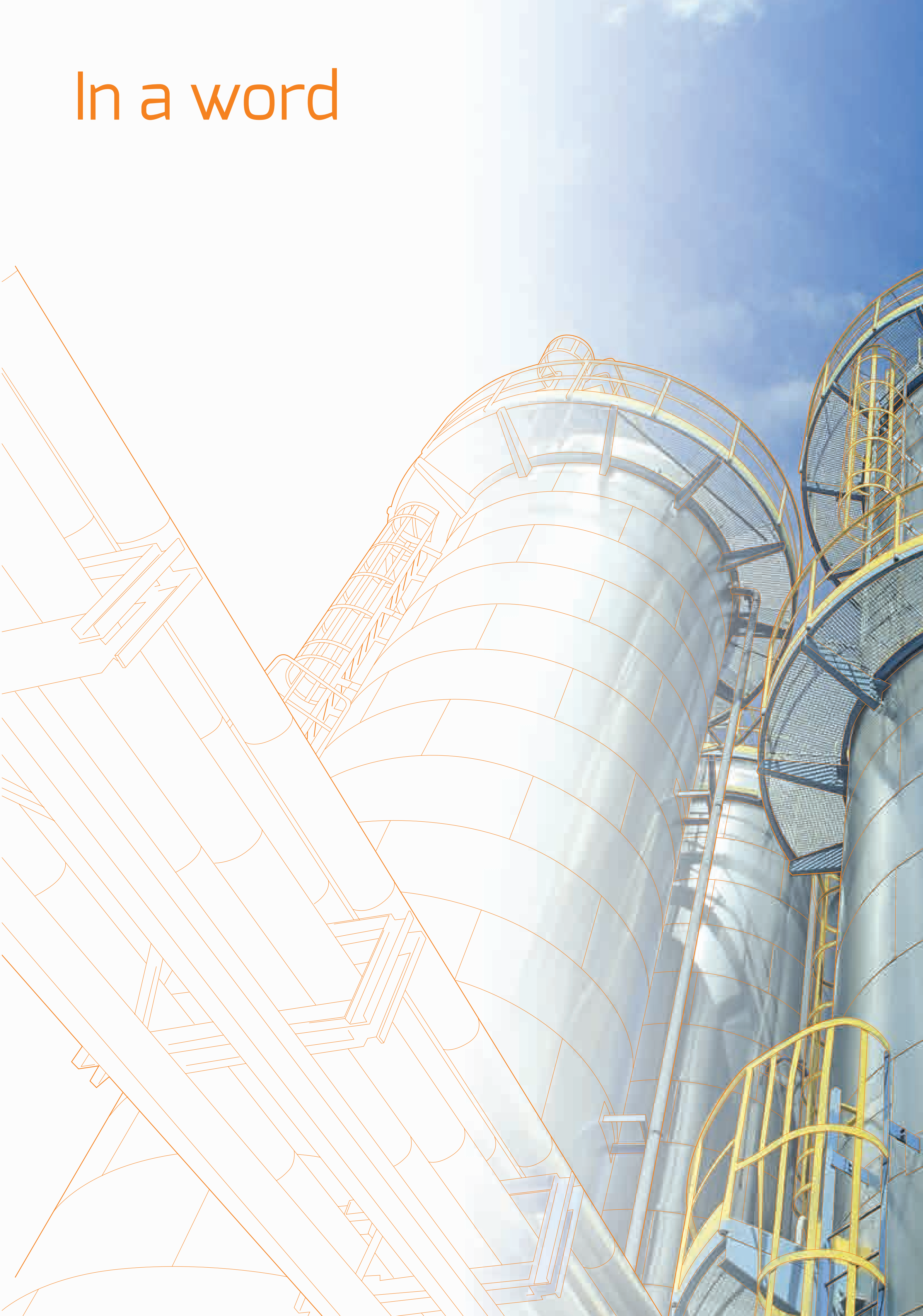
Holding / Projects

In this segment, we plan and develop future-aligned projects such as our ultra-modern and environmentally compatible production plant for silicon metal recently commissioned in Iceland. The holding company also provides corporate services to the Group entities in fields such as finance, R&D and IT.

Holding / Projects segment	**2017**	2016
Total sales [1]	**€ 8.4 m**	€ 6.9 m
EBITDA [2]	**€ –3.3 m**	€ 10.9 m
Capital expenditures [2]	**€ 45.8 m**	€ 116.1 m
Employees	**911**	765

Rounding differences possible.
1 Net external 2 Including consolidation adjustments

In a word



→ Some are happy to sit back and let the future unfold. However, we in the PCC Group are convinced that we can and indeed must actively shape the future by continuing to pursue our extensive investment activities. With our chemical manufacturing companies, we are part of one of the key industries of the 21st century gearing up to meet global challenges. We take the associated responsibilities seriously by investing in modern technologies and driving innovation. By seizing today's opportunities, we are creating new value for our customers and employees, for our investors and partners, and for our wider environment – for example with our new silicon metal production facility, one of the most advanced and environmentally compatible in the world. Shaping the future? It's in our DNA.

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05 Consolidated financial statements

Modern production facilities at the largest chemicals site of the PCC Group in Brzeg Dolny.

01 Information for our investors

→ In 2017, the PCC Group generated consolidated sales of €683.2 million, an increase of 20.1% over the previous year. Gross profit rose by 11.9% to €202.8 million. With a positive one-off effect of €10 million having been recorded in 2016, earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) showed a decrease to €73.8 million, falling €2.6 million short of that prior-year figure. This exceptional item was also reflected in the comparison of earnings before taxes (EBT), which came in at €13.6 million in fiscal 2017 against €24.6 million in the previous year.

Development of selected Group indicators

Key financials of the PCC Group per IFRS		2017	2016	Absolute change	Relative change
Sales	**€m**	**683.2**	**568.9**	**114.2**	**20.1 %**
Polyols segment	€m	145.4	126.0	19.4	15.4 %
Surfactants segment	€m	120.5	101.5	19.0	18.7 %
Chlorine segment	€m	100.9	71.8	29.1	40.5 %
Specialty Chemicals segment	€m	199.3	161.9	37.4	23.1 %
Consumer Products segment	€m	21.8	24.1	−2.4	−9.8 %
Energy segment	€m	11.8	11.3	0.5	4.5 %
Logistics segment	€m	75.2	65.5	9.7	14.8 %
Holding/Projects segment	€m	8.4	6.9	1.5	21.8 %
Gross profit	€m	202.8	181.3	21.6	11.9 %
EBITDA [1]	€m	73.8	76.4	−2.6	−3.4 %
EBIT [2]	€m	41.0	48.2	−7.2	−15.0 %
EBT [3]	€m	13.6	24.6	−11.0	−44.7 %
Net result	€m	8.7	19.1	−10.4	−54.6 %
Gross cash flow [4]	€m	60.3	70.6	−10.3	−14.6 %
ROCE [5]	%	5.0	6.7	−1.7 [9]	−25.2 %
Net debt [6]	€m	632.9	563.7	69.2	12.3 %
Net debt/EBITDA		8.6	7.4	−1.2	−16.2 %
Group equity	**€m**	**139.1**	**135.0**	**4.1**	**3.0 %**
Equity ratio [7]	%	13.2	14.2	−1.0 [9]	−7.3 %
Return on equity [8]	%	6.3	14.1	−7.8 [9]	−55.3 %
Capital expenditures	**€m**	**101.4**	**159.3**	**−57.8**	**−36.3 %**
Employees (Dec. 31)		**3,389**	**3,032**	**357**	**11.8 %**
Germany		128	124	4	3.2 %
International		3,261	2,908	353	12.1 %

Rounding differences possible.

1 EBITDA (Earnings before Interest and other financial items, Taxes, Depreciation and Amortization)
2 EBIT (Earnings before Interest and other financial items, and Taxes) = Operating profit = EBITDA – Depreciation and amortization
3 EBT (Earnings before Taxes) = EBIT – Interest and other financial items
4 Gross cash flow = Net result adjusted for non-cash income and expenses
5 ROCE (Return on Capital Employed) = EBIT/(Average equity + Average interest-bearing borrowings)
6 Net debt = Interest-bearing borrowings – Liquid funds – Other current securities
7 Equity ratio = Equity capital/Total assets
8 Return on equity = Net result for the year/Average equity
9 Change in percentage points

Preface by the Chairman of the Administrative Board of PCC SE

Dear Customers,
Business Partners and Investors,
Colleagues, Employees,
Ladies and Gentlemen,

I am delighted to present to you herewith the annual report of the PCC Group for fiscal 2017. This year, we succeeded in increasing Group sales by 20.1 % year on year, to € 683.2 million. In addition to the overall increase in sales volumes compared with the previous year, the main reason for this is the significantly higher price level for chemical commodities. The upward trend in crude oil prices and the generally good cyclical and macro-economic situation were the main drivers of this development. At the same time, rising raw material prices on the purchasing side led to higher input costs. However, this was

» The market value of our subsidiaries successfully floated on the Warsaw stock exchange in recent years continued to develop extremely well in 2017 with the capitalized value of shares we hold exceeding the 500 million euro mark as of December 31, 2017.«

Waldemar Preussner
Chairman of the Administrative Board of PCC SE

largely offset by corresponding adjustments in our selling prices – even though in some cases these could only be implemented with a time lag. In addition, the increasing focus of our portfolio companies on higher-value products and the modernization and expansion investments that have since been completed also proved beneficial in 2017.

2017 saw us remain resolutely faithful to our long-term strategy. Our capital expenditures for the year amounted to a still high € 100 million, although this was significantly below the corresponding figure for the previous year of around € 160 million. This was mainly due to delays in, among others, our silicon metal project in Iceland, and thus ultimately only meant a postponement of corresponding investment amounts to the first half of 2018. New investments are additionally planned for 2018, which should lead to further growth in the coming years. Our first priority remains to achieve a continual, sustainable increase in our enterprise value.

Gross profit again up by more than 10 %

The past fiscal year saw gross profit increase to over € 200 million, representing a growth rate of 11.9 %. Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) came in at € 73.8 million. Although this was € 2.6 million less than in the previous year, it should be noted that a positive one-off effect of around € 10 million resulting from the sale of so-called white energy certificates was recorded in fiscal 2016. These certificates, granted to PCC Rokita SA in recognition of the achievement of certain energy efficiency parameters, were sold in 2016 with the proceeds taken immediately to income. Adjusted for this exceptional item, the solid earnings result of the previous year was once again improved upon in 2017 with a plus of more than 10 %. Earnings before taxes (EBT) amounted to € 13.6 million, a fall of € 11.0 million versus the prior-year figure of € 24.6 million. However, the aforementioned exceptional item must also be taken into account in this comparison, as must the further increased burden of interest, depreciation and amortization resulting from our extensive capital expenditure program.

Once again, the Chemicals division with its segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products was our main revenue generator. Due to the aforementioned high commodity price levels prevailing and further increases in sales volumes, it was also this division that recorded the highest rate of growth within the Group: Sales across all five segments increased by 21.1 % to

€ 587.9 million. The Logistics division also expanded its revenues to the tune of 14.8 % to € 75.2 million, while sales at the Energy division remained flat at their prior-year level. The Chemicals division also made by far the largest contribution on the earnings side, with the Chlorine segment posting a particularly successful set of figures. The corresponding business unit of PCC Rokita SA benefited from consistently high price levels for, in particular, caustic soda (sodium hydroxide). Further strengthened in 2017 with the commissioning of the fifth production line for polyether polyols and the start of production of polyester polyols, the Polyols segment again made an appreciable positive contribution to earnings. Overall, our strategic focus on higher-value specialty products also paid off. By contrast, the Consumer Products segment again remained in deficit throughout 2017.

The Logistics division continued to be dominated by PCC Intermodal S.A. during 2017. This affiliate was once again able to improve its operating performance year on year thanks to a significant rise in the number of container handling operations that occurred from the middle of the year. Especially on the corridor from Rotterdam to Poland strong growth was recorded which, gratifyingly, has continued beyond the end of 2017. As a result, PCC Intermodal S.A. further expanded its train services along this route. In addition, investments were also made in 2017 to further optimize the company's five transshipment terminals.

In the Energy division, the Conventional Energies business unit with the power plant of PCC Rokita SA and the electricity and heat utility PCC Energetyka Blachownia Sp. z o.o. remained the strongest contributor to results. Within the Renewable Energies business unit, the number of small hydropower plants in operation in 2017 remained unchanged at five, with construction of a sixth power plant having finally begun in 2017 after a long series of delays. Its completion is now scheduled for 2018.

In the Holding / Projects division, our biggest project to date – the construction of the silicon metal production plant of PCC BakkiSilicon hf in Iceland – was the absolute focus both last year and into the new year. Commissioning began early in 2018 with ignition of the first furnace, with the first trial deliveries soon becoming available to our customers. Further progress was also made in 2017 in the implementation of our dimethyl ether (DME) project in Russia. This production plant, for which our Russian joint venture partner will supply the raw material methanol, is also to be completed in the coming months and will start operations in the third quarter of 2018.

Market value of PCC investments in subsidiaries passes € 500 million mark

The market value of our subsidiaries successfully floated on the Warsaw stock exchange in recent years continued to develop extremely well in 2017: PCC SE holds a significant majority interest in PCC Rokita SA, PCC Exol SA and PCC Intermodal S.A., respectively. The capitalized value of the share packages we held as of December 31, 2017 totaled € 515 million, an increase of € 176 million or 52 % year on year. The total market value of these investments as of the reporting date was € 615 million (previous year: € 405 million). The valuation of our equities portfolio as of December 31, 2017 totaled over € 900 million.

Expectations for 2018

As in previous years, the PCC Group strategy will continue in 2018 to be aligned to the sustainable growth of our affiliates and associates in conjunction with a continuous increase in their respective enterprise values. As a predominantly long-term investor, the holding company PCC SE will continue to support its Group companies in expanding their particular strengths while also further optimizing and diversifying its investment portfolio. The capital projects completed last year will contribute to consolidated earnings for the full year for the first time in 2018, with additional growth coming from the further optimization of our production facilities for monochloroacetic acid (MCAA) and polyester polyols. Added to this, we have the commissioning of our silicon metal plant and the DME production facility to look forward to. In some business units, however, initial and start-up losses are still expected. The burden of depreciation, amortization and interest expenses is also set to increase over the short term. Overall, therefore, we anticipate that the earnings result in 2018 will remain roughly flat versus that of fiscal 2017.

A word of thanks

As is the case every year, I would like to extend my particular thanks to you, our employees. It is a constant source of pride and delight for me to witness your commitment, your motivation and your creativity as, together, you create the platform that gives PCC its future-aligned and profitable perspective. My Administrative Board colleagues, the Group management and I know that this promising outlook owes much to your immense dedication, on which we continue to depend as an essential basis for our business development.

I must also extend my gratitude to you, our several thousand investors. As our financial backers, your confidence in and commitment to us are, of course, also essential to our success. By subscribing to our bonds, a large number of you have supported our progress over many years; indeed, many of you have accompanied us on our journey since our first bond issuance in October 1998 – almost 20 years ago. The confidence you place in us means we bear a great responsibility, of which we are constantly conscious. Please be assured, therefore, that we will continue to dedicate our efforts to maintaining your faith in us as your partner.

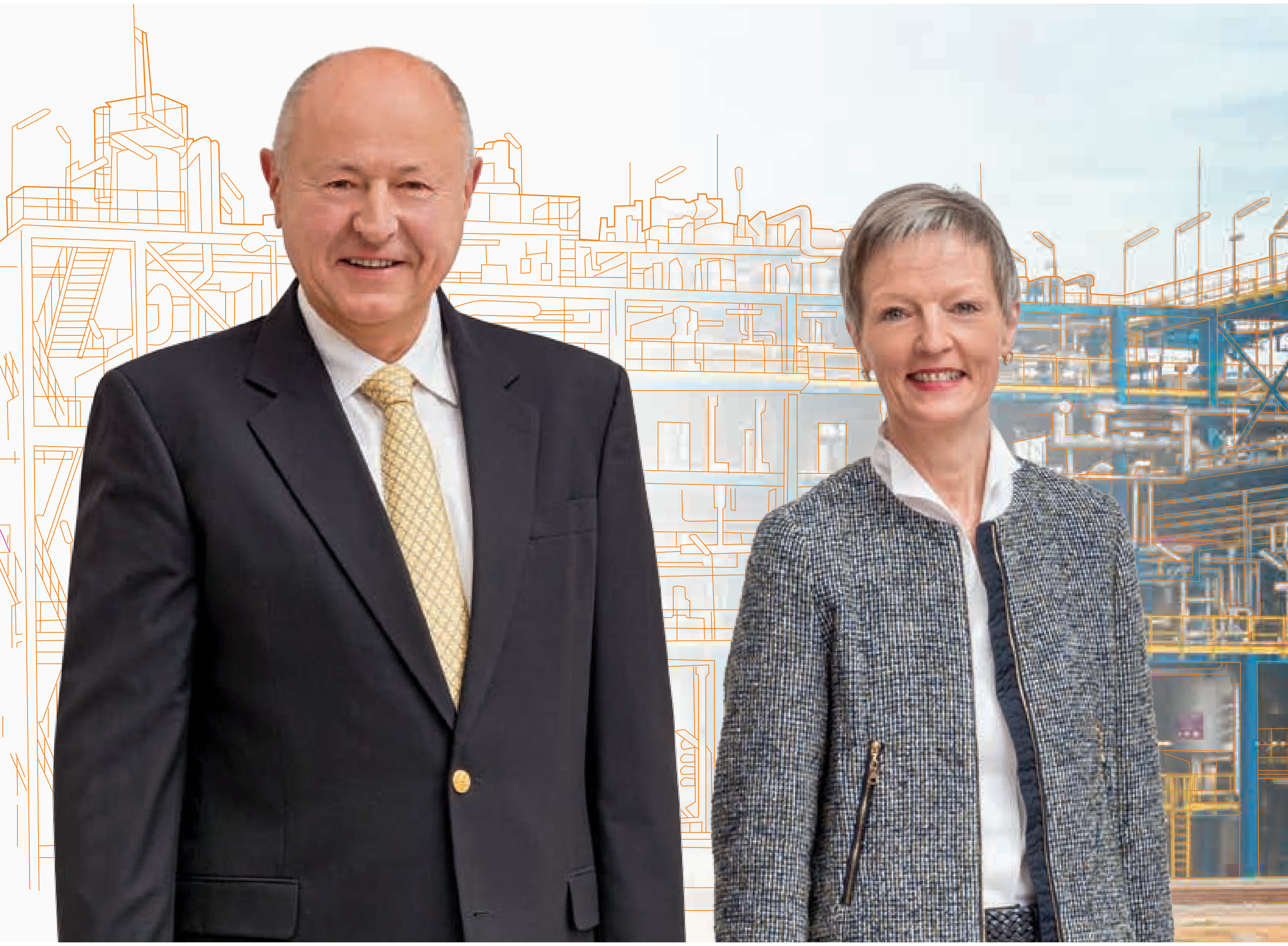
I trust that PCC SE can look forward to enjoying your confidence and support as we pursue our long-term investment policy as the basis for the further development of our Group and the platform for continuous growth in the enterprise value of our affiliates.

Duisburg, May 2018

Waldemar Preussner
Chairman of the Administrative Board of PCC SE

Corporate bodies

Administrative Board and Managing Directors of PCC SE



Waldemar Preussner

Chairman of the Administrative Board of PCC SE

In 1993, Waldemar Preussner (59) established the company Petro Carbo Chem Rohstoffhandelsgesellschaft mbH (today: PCC Trade & Services GmbH) in response to market liberalization in Eastern Europe. The company remains at the core of the PCC Group. 1998 saw the carve-out of the holding company PCC AG, and in 2007 its corporate form was changed to that of a European corporation (Societas Europaea – SE). Waldemar Preussner is the sole shareholder of PCC SE and Chairman of its Administrative Board. He also holds a number of supervisory board mandates within the PCC Group.

Ulrike Warnecke

Managing Director of PCC SE

Ulrike Warnecke (55) has held a number of directorships with PCC since the company was first established. As Managing Director of the holding company, PCC SE, she is primarily responsible for Finance, Human Resources and Public Relations. Her operational responsibilities extend to the segments Specialty Chemicals and Consumer Products. She is the Managing Director of our most important trading company, the founding entity PCC Trade & Services GmbH, and is a member inter alia of the supervisory board of PCC Consumer Products S.A.

The Administrative Board of PCC SE is made up of three members:
- → Waldemar Preussner, Dipl.-Volkswirt (Chairman)
- → Dr. rer. oec. (BY) Alfred Pelzer (Vice Chairman)
- → Reinhard Quint

PCC SE is headed by its two Managing Directors:
- → Ulrike Warnecke
- → Dr. rer. oec. (BY) Alfred Pelzer

Dr. rer. oec. (BY) Alfred Pelzer

Vice Chairman of the Administrative Board and Managing Director of PCC SE

Dr. rer. oec. (BY) Alfred Pelzer (58) has been in managerial positions with PCC since 1995. In 2007, he was appointed Vice Chairman of the Administrative Board of PCC SE. He is also a Managing Director of PCC SE with primary responsibility for the operational areas of chemical production, logistics, sales and distribution. He holds a number of supervisory board mandates within the PCC Group, including at PCC Rokita SA, PCC Exol SA, PCC Synteza S.A. and PCC Intermodal S.A.

Reinhard Quint

Member of the Administrative Board of PCC SE

Reinhard Quint (75) began supporting PCC in an advisory, non-executive role in 2002. Since the transformation of the Group in 2007 into a European corporation, he has been a member of the Administrative Board of PCC SE. He also holds the following mandate: he is a member of the Corporate Development Council of Duisburger Hafen AG. Prior to that he was for many years Chairman of ThyssenKrupp Services AG (known today as ThyssenKrupp Materials International GmbH), Essen.

The Direktinvest unit of PCC SE

PCC bonds: An essential instrument in financing our growth since 1998

The Group parent and holding company PCC SE finances itself through a combination of equity funds and borrowings, whereby the issuance of corporate bonds (bearer debentures) constitutes an essential financing instrument. This allows us to react quickly to new market or investment opportunities, enabling us to flexibly finance business purchases as well as the organic growth of our Group without undue reliance on the banks. Hence, the issuance of bonds – primarily to a wide circle of private investors, but also to institutional investors – will remain a central component of our financing strategy going forward. At the same time, we are gradually broadening our funding base through targeted project and loan financing.

Relatively small bearer debenture issuance volumes in amounts up to €40 million provide us with the flexibility necessary to cover our financing requirements. The distribution of our liabilities across a comparatively large number of small issuances also reduces the risk of sudden burdens impacting on our financial metrics; the result is a balanced process of fund inflows and repayment outflows. In keeping with our conservative business philosophy, we only create funds through our security emissions to the extent needed by PCC as a growth-led investor to promote the further development of the Group.

PCC is one of Germany's most experienced issuers of SME securities: Since the first issuance on October 1, 1998, we have – as of December 31, 2017 – issued 60 corporate bonds and one profit participation certificate. Of these instruments, we have redeemed 42 bonds as of the reporting date, with all the interest payments duly made and debt servicing requirements satisfied to schedule.

PCC. Direktinvest

PCC SE bonds per December 31, 2017

ISIN	Fixed coupon p.a.	Start of tenor	End of tenor	Listing	Nominal value in €k as of Dec. 31, 2017
DE000A1TM979	7.00 %	Jul. 1, 2013	Apr. 1, 2018	Frankfurt	15,654
DE000A2AAVL7	3.50 %	May 1, 2016	Jul. 1, 2018	Frankfurt	8,908
DE000A2GSDP5	2.00 %	Aug. 1, 2017	Aug. 1, 2018	–[1]	2,619
DE000A1YCSY4	7.00 %	Dec. 1, 2013	Oct. 1, 2018	Frankfurt	19,996
DE000A13R5K3	6.50 %	Oct. 15, 2014	Jan. 1, 2019	Frankfurt	13,749
DE000A11QFD1	6.75 %	May 15, 2014	Apr. 1, 2019	Frankfurt	8,909
DE000A2AAY93	3.00 %	Oct. 17, 2016	Jul. 1, 2019	Frankfurt	22,581
DE000A13R7S2	6.25 %	Dec. 1, 2014	Oct. 1, 2019	Frankfurt	20,000
DE000A2E4ZZ4	3.00 %	Jul. 1, 2017	Feb. 1, 2020	Frankfurt	7,481
DE000A14KJ35	6.00 %	May 1, 2015	Apr. 1, 2020	Frankfurt	18,218
DE000A2E4HH0	3.00 %	Oct. 1, 2017	Jul. 1, 2020	Frankfurt	12,023
DE000A162AP6	5.00 %	Oct. 1, 2015	Oct. 1, 2020	Frankfurt	25,000
DE000A2E4Z04	4.00 %	Jul. 1, 2017	Apr. 1, 2021	Frankfurt	19,927
DE000A2AAY85	4.00 %	Oct. 17, 2016	Jul. 1, 2021	Frankfurt	23,187
DE000A13SH30	6.75 %	Dec. 1, 2014	Oct. 1, 2021	Frankfurt	19,890
DE000A14KJ43	6.50 %	May 1, 2015	Apr. 1, 2022	Frankfurt	16,181
DE000A2GSSY5	4.00 %	Oct. 1, 2017	Jul. 1, 2022	Frankfurt	24,902
DE000A162AQ4	6.00 %	Oct. 1, 2015	Oct. 1, 2022	Frankfurt	24,860

1 Due to shortness of tenor, not included in the open market of the Frankfurt Stock Exchange.

PCC SE securities in circulation

As of December 31, 2017, there were a total of 18 bonds and one profit participation certificate in circulation, representing a combined nominal volume of around €315.1 million. After the balance sheet date, the profit participation certificate ISIN DE000A0MZC31 issued in 2007 with a volume of €11.0 million was terminated by PCC SE with due notice to December 31, 2017 and redeemed as of January 1, 2018. The 7.00 % bond ISIN DE000A1TM979 with a placed volume of €15.7 million was redeemed in full on maturity as of April 1, 2018. There were two new issuances in 2018 up to April 1: On January 1, 2018, the 4.00 % bond ISIN DE000A2G8670 was issued with a tenor of five years (issue volume up to €25 million) and on April 1, 2018 the 3.00 % bond DE000A2G9HY2 was issued with a tenor of four years (issue volume up to €10 million). As with all PCC securities, interest is paid quarterly. The corporate bonds of PCC SE currently available for subscription can be found on the internet at www.pcc-direktinvest.eu.

Credible, transparent financial information for our investors

We consistently publish relevant, current corporate and financial data relating to PCC in a prompt and transparent fashion. All such information can be found at any time on the internet under the PCC. Direktinvest section of www.pcc.eu and also at www.pcc-financialdata.eu. The certified consolidated financial statements of the PCC Group, which we publish each year in the form of an Annual Report, are also available for downloading in PDF form from an online archive. This contains all the annual reports since the first published for fiscal 2003, and also all the quarterly reports that have regularly appeared since 2001. The PCC. Direktinvest section on www.pcc.eu also contains information relating to new security issuances and bonds currently in circulation.

PCC. Direktinvest

PCC SE profit participation certificate as of December 31, 2017 [1]

ISIN	Fixed coupon p.a.	Start of tenor	End of tenor [1]	Listing	Nominal value in €k as of Dec. 31, 2017
DE000A0MZC31	8.75 %	Oct. 1, 2007	Jan. 1, 2018	Frankfurt	10,997

PCC. Direktinvest

PCC SE bond maturities 2017

ISIN	Fixed coupon p.a.	Start of tenor	End of tenor	Listing	Redemption volume in €k
DE000A13R7R4	4.00 %	Dec. 1, 2014	Jan. 1, 2017	Frankfurt	10,000
DE000A14KJR0	4.00 %	May 1, 2015	Jul. 1, 2017	Frankfurt	12,005
DE000A1R1AN5	7.25 %	Feb. 1, 2013	Oct. 1, 2017	Frankfurt	29,768
DE000A162AN1	3.50 %	Oct. 1, 2015	Dec. 1, 2017	Frankfurt	14,511

1 The profit participation certificate (ISIN DE000A0MZC31) was terminated with due notice by PCC SE and redeemed as of January 1, 2018.

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1+2+3 The annual PCC Investors' Day at Group HQ, the PCC Villa in Duisburg-Homberg, regularly provides some 1,000 to 1,500 investors with an opportunity for direct discussions with Group management. (Images of our July 2017 Investors' Day)

4 At our Information Evenings – like here in Düsseldorf – the management presents PCC SE as a bond issuer.

The traditional PCC Investors' Day in Duisburg: Investors engaged in discussion with members of our Group management

Each year, PCC SE invites its financial backers to its traditional Investors' Day at the PCC Villa, the Group headquarters in Duisburg-Homberg. On this festive occasion, which usually takes place in early summer, we offer our investors an opportunity to talk personally with our management on recent business performance, strategy and PCC's current and planned investment projects. Over the years, between 1,000 and 1,500 of our investors have regularly availed themselves of this chance to interact directly with the Chairman of the Administrative Board, Waldemar Preussner, and the Managing Directors, Ulrike Warnecke and Dr. Alfred Pelzer, and also with the decision-makers and product managers of the German Group companies.

PCC Information Evenings: Direct dialog with existing and potential investors around Germany

Complementary to the Investors' Day, during the fourth quarter of each year we invite existing and potential investors to attend the PCC Information Evenings held in various cities across Germany, thus providing a further opportunity for direct dialog with these interested parties. During these events, members of the senior management present both PCC as a conglomerate group and PCC SE as a bond issuer, and make themselves available for direct discussions both during the open Q&A session and at the subsequent get-together.

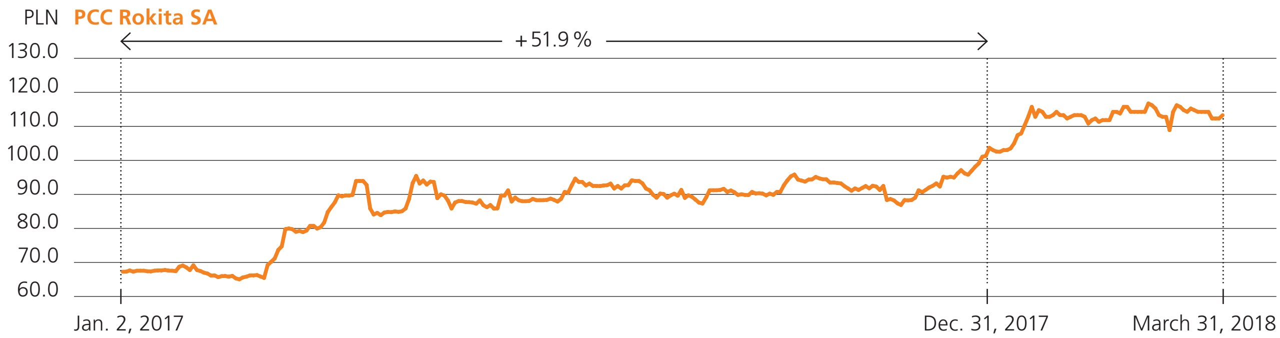
Share price performance of PCC affiliates in Poland

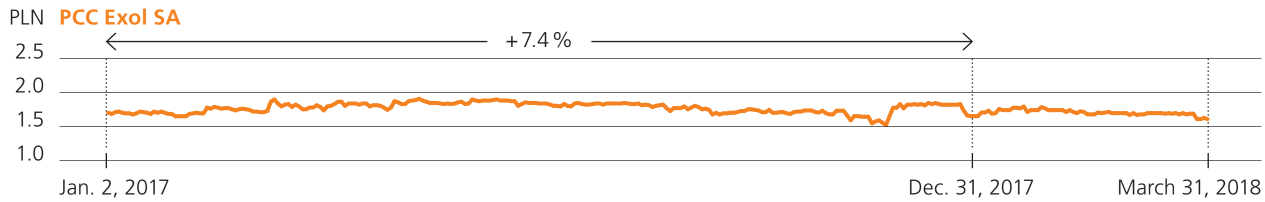
Capitalized share value of the three PCC companies listed on the Warsaw Stock Exchange rises to € 515 million

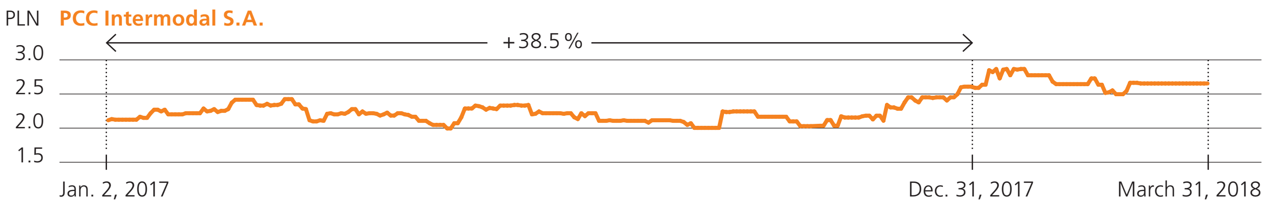
Three PCC Group companies – PCC Rokita SA, PCC Exol SA and PCC Intermodal S.A. – are listed on the Warsaw Stock Exchange (GPW). The market value of the shares held by PCC SE in these affiliates totaled € 514.7 million as of December 31, 2017, up 52.1 % year on year. The total capitalized value of these investments as of the reporting date was € 615 million (previous year: € 405 million).

As the majority shareholder, PCC SE is the strategic investor in all three listed subsidiaries. The primary drivers for an IPO from PCC's standpoint are availability of a transparent market price, a strengthened equity base and the possibility of financing future investments through additional equity measures. PCC SE last successfully floated its largest chemical company, PCC Rokita SA, on the stock exchange in June 2014. As of December 31, 2017, the closing price for shares in PCC Rokita SA (PLPCCRK00076) was PLN 103.00, representing an increase of 51.9 % year on year. The market capitalization figure at the end of the year was thus the equivalent of € 412.0 million. The share price has continued to rise

Price performance of PCC shares on the Warsaw stock exchange (GPW)







in the course of the current fiscal year. As of March 31, 2018, the closing price was PLN 113.50, almost 3.5 times the original issue price of PLN 33.16. PCC SE holds 84.16 % of the shares in PCC Rokita SA.

In the case of surfactants manufacturer PCC Exol SA (PLPCCEX00010), the successful development of its operating performance has not been reflected in the share price, due to the very small number of shares in free float. At PLN 1.74, the closing price as of December 31, 2017 was 7.4 % above that of the previous year. As a result, the market capitalization value rose to the equivalent of €61.7 million. PCC SE holds 85.82 % of the shares in PCC Exol SA.

The price of shares in PCC Intermodal S.A. (PLPCCIM00014) rose sharply by 38.5 % in the course of fiscal 2017, closing at PLN 2.88 as of December 31, 2017. The market capitalization of this company per the reporting date amounted to the equivalent of €41.0 million. The closing price on March 31, 2018 was PLN 2.67. Fiscal 2017 saw changes in the PCC SE stake, which rose to 76.62 % as of December 31, 2017 (previous year: 69.52 %). Effective February 7, 2018, PCC SE together with its co-shareholders Hupac Ltd. and the management of PCC Intermodal S.A. held 94.47 % of the voting rights under a shareholders' agreement. This safely exceeded the voting rights threshold of 90 %. In order to acquire the shares of the remaining minority shareholders, a squeeze-out procedure was initiated in accordance with Polish capital market law. With this completed, PCC SE held as of March 8, 2018 a total of 84.46 % of the capital of PCC Intermodal S.A., with its share of the voting rights rising to 89.06 %.

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1 The new MCAA plant of PCC MCAA Sp. z o.o. in Brzeg Dolny. Completed at the end of 2016, it serves to extend the chlorine value chain.

2 Production line 4 of PCC Rokita SA for the manufacture of polyether polyols at the Brzeg Dolny site.

Financial reporting at PCC SE in accordance with IFRS

PCC SE is the holding company of the PCC Group. Its operational focus is on the sustainable management and growth-aligned optimization of its investment portfolio comprising majority and minority shareholdings. One of our primary objectives in this regard is to create and continuously increase enterprise value.

The consolidated financial statements of the PCC Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed within the European Union (EU). The following condensed financial information relating to PCC SE has likewise been prepared in accordance with IFRS. The IFRS financial statements of PCC SE differ from those prepared according to the German Commercial Code (HGB, aka German GAAP) primarily in the valuation of financial assets. Several investments of PCC SE are listed on stock exchanges from which regular market prices are available. These form the basis for determining their fair value. In the case of investments for which there are no market prices publicly available, the valuation basis is provided either by recent transactions or valuation models. Changes in the valuation of investments are recognized per IFRS in equity under other comprehensive income.

PCC SE statement of comprehensive income per IFRS

Figures in €k	2017	2016
Result from investments and affiliated companies [1]	33,541	13,902
Other operating income	10,605	4,589
Other operating expenses	11,738	12,575
Depreciation and amortization	906	1,060
Interest result, net	–11,507	–12,454
Other financial income (+), expenses (–)	–3,313	–1,629
Earnings before taxes (EBT)	**16,682**	**–9,228**
Taxes on income	769	–171
Net result	**15,913**	**–9,057**
Fair value measurement of financial assets [2]	234,927	–31,546
Deferred taxes recognized in OCI [3]	–70,478	9,464
Total income and expenses recognized in equity	**164,449**	**–22,082**
Total comprehensive income	**180,362**	**–31,139**

1 Result from investments and affiliated companies contains gains/losses from disposal of financial assets, dividends, changes in investments accounted for using the equity method, and impairments.

2 In accordance with IAS 39, all financial investments have been classified as available-for-sale (AfS). Of these in 2017, three listed investments plus one further participation have been measured as level 1 (based on market prices), all other investments as level 3 (based on valuation models). Level 3 measures are used where no market prices and no recent comparable information on transactions are available.

3 OCI (Other Comprehensive Income)

PCC SE's net financial liabilities increased year on year from €245.9 million to €270.3 million. According to the IFRS statement reproduced here, its equity ratio amounts to 49.9 %, representing an increase year on year of 5.4 percentage points. The primary assets of PCC SE are non-current financial investments. The amount disclosed under investments accounted for using the equity method remained unchanged versus prior year.

PCC SE balance sheet per IFRS

Figures in €k	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Assets			
Non-current assets	**1,034,620**	758,666	792,258
Intangible assets	356	406	251
Property, plant and equipment	10,404	11,076	7,651
Investment property	–	2,493	2,572
Investments accounted for using the equity method	37	37	37
Non-current financial assets	1,023,823	744,654	781,504
Other non-current assets	–	–	242
Current assets	**69,676**	70,561	87,582
Inventories	–	–	–
Trade accounts receivable	7,666	6,128	6,839
Other receivables and other assets	7,290	6,477	15,856
Current financial assets	20,097	18,370	26,069
Cash and cash equivalents	34,622	39,587	38,818
Assets held for sale	2,291	–	–
Total assets	**1,106,587**	829,227	879,840
Equity and liabilities			
Equity	**551,672**	368,882	424,340
Non-current provisions and liabilities	**486,361**	366,562	386,821
Provisions for pensions and similar obligations	–	–	–
Other provisions	–	–	–
Deferred tax liabilities	222,520	149,779	156,747
Non-current financial liabilities	263,841	216,784	230,074
Other liabilities	–	–	–
Current provisions and liabilities	**67,789**	93,783	68,680
Provisions for pensions and similar obligations	–	–	–
Other provisions	617	419	395
Trade accounts payable	1,197	1,579	978
Tax liabilities	–	–	–
Current financial liabilities	61,213	87,103	61,829
Other liabilities	4,762	4,681	5,478
Liabilities related to assets held for sale	765	–	–
Total equity and liabilities	**1,106,587**	829,227	879,840

The table below shows the fair values of PCC SE's investment portfolio. In all, the investment portfolio of PCC SE comprising subsidiaries, associates, joint ventures and shareholdings had a fair value of €936.6 million as of December 31, 2017. Of this figure, €514.7 million (55.0%) is accounted for by shares held by PCC SE in three listed subsidiaries.

Fair values of PCC SE's investment portfolio

Figures in €k	Dec. 31, 2017	Dec. 31, 2016
Stock-exchange listed investments [1]	**514,666**	338,457
PCC Rokita SA	412,023	256,868
PCC Exol SA	61,666	56,157
PCC Intermodal S.A.	40,976	25,432
Stock-exchange listed participations [1]	**6,886**	9,367
S.C. Oltchim S.A.	6,886	9,367
Non-listed investments [2]	**415,039**	329,962
PCC BakkiSilicon hf	127,580	162,652
PCC MCAA Sp. z o.o.	93,901	60,435
PCC Trade & Services GmbH	55,325	27,460
PCC Consumer Products S.A.	38,977	23,096
PCC Synteza S.A.	24,365	15,209
ZAO PCC Rail	23,953	–
PCC Silicium S.A.	13,157	8,334
PCC Energetyka Blachownia Sp. z o.o.	7,455	4,864
PCC MORAVA-CHEM s.r.o.	5,815	3,365
PCC IT S.A.	3,003	2,228
PCC Seaview Residences ehf	2,592	4
distripark GmbH	2,450	50
PCC Prodex GmbH	1,956	–
distripark.com Sp. z o.o.	279	8,065
Other investments	14,231	14,200
Total	**936,591**	677,786

1 Relates exclusively to the specific shareholding held by PCC SE as of the reporting date, translated to euro as of that date if quoted in a foreign currency.
2 From 2016, adjusted for the values of investments from the date of initial transition to IFRS which, although still held within the PCC Group, are no longer shareholdings specifically held by PCC SE.

02 The strategy of PCC

→ PCC is a growth-oriented, internationally active management and holding company. Our portfolio of affiliated companies and equity investments is focused on the chemicals sector, where our companies are broadly diversified. In addition, we have various operations in the fields of logistics and energy. Through our ongoing investment activities, we are continuously expanding our business interests with a view to leveraging the growth potential available in the global markets in which we operate.

The production plant for monochloroacetic acid (MCAA), which came on stream at the end of 2016, will contribute to a further significant increase in the profitability of our Chlorine segment over the long term.

Group strategy

→ Our Group strategy focuses on ensuring the sustained growth of our affiliates and associates in conjunction with a continuous increase in existing and the creation of new enterprise value.

As a predominantly long-term investor, the Group holding company PCC SE continually strengthens the market position of the PCC companies through regular targeted investment. While remaining risk-aware, we resolutely exploit new business and product opportunities. We develop new market segments related to our existing expertise and drive growth with both project investments and acquisitions, concentrating especially on lucrative niche and sub-markets.

Over the two decades-plus of our existence, this approach has enabled PCC SE to establish an international group of companies linked by internal synergies, with our main objective – ensuring the sustainable increase of its enterprise value – constantly in mind. Through value-led growth, we underpin both the trust of our investors and the fairness-based partnership relationship we enjoy with all our stakeholders, from our employees, customers and suppliers to the residents of our site locations.

The majority of our affiliates are active in the chemicals sector, operating in a broadly diversified array of business areas. We also pursue activities in the fields of logistics and energy. We are continuously expanding all of these operations through our ongoing investment activities, enabling us to seize growth opportunities in increasingly globalized markets. PCC companies are already among the leading suppliers of a number of products and applications in certain regions.

One such is our largest subsidiary, PCC Rokita SA, which is the most important polyols producer in Eastern Europe. With our investments, we are concentrating in particular on modernizing and expanding our capacities in order to be able to respond even more effectively to the requirements and needs of our customers. Recent examples of this are the complete technology switch of our chlor-alkali electrolysis operation to the modern and environmentally friendly membrane process, and the expansion and modernization of several container transshipment terminals in the Logistics segment.

At the same time, we systematically develop new business and product areas as soon as such opportunities open up for us. We take the current market situation into account and determine the profit potential through conservative, risk-based analyses. We are consistently focused on sustainable growth potential and the continuity of expected cash flows. We will only enter new fields of activity if we have at our disposal a fundamental understanding of the business and its risks. One example is our Iceland project, which has been our primary investment focus in recent years: In the summer of 2015, after several years of planning, we began building there one of the world's most advanced production plants for silicon metal, the quartzite raw material for which comes from our own quarry in Poland, acquired back in 2009.

In addition to project investments, further growth is also to be initiated in the future through targeted acquisitions. Our main focus is on positioning ourselves in less competitive niche and sub-markets. The majority of our locations and investment projects are in Europe, especially in the growing economies of Central, Eastern and Southeast Europe. In addition, we have further advanced the internationalization of our activities by investing in the USA, Southeast Asia and West Africa. We are intensifying this process, for example by expanding the business activities of our Polyols segment in Thailand. And we have taken another important expansion step in the fast-growing Asian chemicals market by purchasing shares in our joint venture partner there.

Our active investment portfolio management approach also includes the sale of operations and investments in cases where attractive earnings can be generated and the funds released can be invested in the expansion or development of other core activities. The holding company will also divest operations and investments if they no longer generate satisfactory returns or fail to offer attractive development potential.

The divisions, segments and business units of the PCC Group

Divisions	**Chemicals**					**Energy**	**Logistics**	**Holding / Projects**
Segments	Polyols	Surfactants	Chlorine	Specialty Chemicals	Consumer Products	Energy	Logistics	Holding/ Projects
Business units	– Polyols – Polyurethane Systems	– Anionic Surfactants – Non-ionic Surfactants – Betaines (Amphoteric Surfactants)	– Chlorine – MCAA – Other Chlorine Downstream Products	– Phosphorus and Naphthalene Derivatives – Alkylphenols – Commodity Trading – Quartzite	– Household and Industrial Cleaners, Detergents and Personal Care Products – Matches and Firelighters	– Renewable Energies – Conventional Energies	– Intermodal Transport – Road Haulage – Rail Transport	– Portfolio Management – Projects – Services

1 The new silicon metal plant in Iceland as it looked in April 2018: in the foreground the day bins for raw material supply and in the background the furnace building.

2 Our employees (pictured here at the Brzeg Dolny site) are our most important asset. It is therefore a strategic imperative for PCC to encourage their development.

To finance investments, we rely on a combination of equity and debt, with the issue of bonds remaining a key instrument in our funding mix. PCC started issuing bearer debentures independently back in 1998 and was thus one of the first SME bond issuers in Germany. In so doing, we succeeded in establishing a sustainable instrument for bank-independent and flexible corporate financing. The proceeds generated since that time have been used in particular to finance business acquisitions as well as for expansion and modernization investments. The regular issue of bonds with comparatively small volumes of up to €40 million allows us to react quickly to market changes and seize growth opportunities.

We are also continuously improving our internal business processes, our performance culture and our flexibility. In pursuing our strategic objectives, we have also set ourselves clear sustainability targets with the economic, ecological and social aspects given equal weighting (see also our Sustainability Report in the Management Report starting on page 68). Our holistic approach to sustainable development is consistently linked to quality and cost criteria. This helps ensure that we maintain a tenable balance between the needs and requirements of our various stakeholder groups while at the same time facilitating the ongoing development of new, value-adding activities.

Our more than 3,300 employees are the primary factor governing our success and our most important asset. We encourage their commitment and their willingness to develop their own skills and expertise, offering them scope for independent, results-oriented work and opportunities to assume ownership responsibility. We support our employees in their further personal development through specific preparation for new tasks and associated further training. Similarly, we place great value on cultural and technical diversity in our personnel management activities so that we may benefit from a broad process of mutual interaction, including the international exchange of knowledge and information, as a means to garnering greater success in the different markets in which we operate.

For us, leadership therefore means more than just defining sustainable, profitable targets and developing suitable strategies and concepts to attain them. It also means motivating employees to work with management to achieve our common objectives. And even though management may assume overall responsibility for the business of PCC, individual initiative and creativity on the part of our people is specifically encouraged to the fullest extent possible. Our employees are granted decision-making authority on the basis of "as much managerial supervision as necessary, as much individual responsibility as possible." The principles underlying this approach are provided by our Basic Values and our Code of Ethics and Conduct which can be found at www.pcc.eu. Each employee of the PCC Group acknowledges these values and our code with their signature.

The strategy of the Group divisions

Chemicals division with its segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products

The strategic goal of our Chemicals division is to further consolidate and, wherever possible, expand our – in part – market-leading positions in Poland and Central and Eastern Europe. Through our investments in this division, particularly at our largest chemical site in Brzeg Dolny, Lower Silesia, we concentrate effort on selected product areas in the Polyols, Surfactants, Chlorine and Specialty Chemicals segments. In the Polyols and Surfactants segments in particular, we are driving the development of higher-value specialty products, applications and system solutions. In 2017, for example, we started up our fifth production line for the manufacture of polyether polyols. These are used primarily for the manufacture of intermediate products for downstream polyol production. To expand its product portfolio, last year PCC Rokita subsidiary PCC PU Sp. z o.o. established a production plant for polyester polyols required in the manufacture of applications such as insulation foam and elastomers. We are also pursuing our internationalization strategy in the Polyols segment. In 2017, PCC Rokita SA and PCC Exol SA founded a joint venture, Elpis Sp. z o.o., which has in turn signed a cooperation agreement with the PETRONAS Chemicals Group, Southeast Asia's largest petrochemicals supplier, to develop a joint production site in Malaysia. In the previous year, PCC Rokita SA had already taken a major step toward expansion in Asia by acquiring 25 % of the shares in its Thai joint venture partner IRPC Polyol Company Ltd.

Another example of our investment strategy in recent years was the construction of a production plant for the manufacture of ultra-pure monochloroacetic acid (MCAA) as part of the Chlorine segment. The facility was commissioned at the end of 2016 and has significantly extended our value chain, as the chlorine we produce ourselves serves as its primary feedstock. MCAA is used as an intermediate product primarily in the manufacture of personal care products, with further applications in the agricultural, food and pharmaceutical industries. The plant thus also enables backward integration, as MCAA is used as an input for the betaine production of our surfactants segment.

In addition to international expansion, priority is given to investments in the various sites of the segments of our Chemicals division. The modernization and expansion of existing plants, invariably aligned to future-oriented environmental and economic standards, are just as important as the construction of new production facilities. For example, the switchover of our chlorine production technology to the environmentally more compatible membrane process, which was completed in 2015, has significantly increased energy efficiency and thus made an appreciable contribution to the financial performance of the segment.

In the Specialty Chemicals segment, investments in the Phosphorus and Naphthalene Derivatives business unit focus in particular on the manufacture of flame retardants. This segment also manages PCC's original core business, trading in petroleum- and carbon-based commodities. In addition to this trading operation, one of the core tasks of this business unit is to support our production companies in their markets, an area in which our trading companies have acquired almost 25 years of expertise in both procurement and sales.

The PCC Consumer Products subgroup in the Consumer Products segment is aiming to generate future growth through the increased development of its own brands together with further expansion of its business activities in the Eastern European markets and in the direction of Asia (especially China). As these ventures develop, the subgroup should find itself back on track and heading for success.

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1 + 2 Employees of the PCC Group in production and in the laboratory: Their commitment, competence and initiative make a significant contribution to the ongoing profitable development of PCC.

3 **Within the Intermodal Transport business unit, we have modernized and significantly expanded our terminals in recent years. (Here in the picture: the Kutno terminal)**

4 **We are planning and developing future projects in the Holding / Projects division, thereby relieving our operating units.**

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The Energy division

Operations in the Energy division are aligned primarily to the construction and operation of power plants. The strategic focus here is on the development, planning, implementation or sale of projects, particularly in the Renewable Energies business unit. Our Group subsidiary PCC DEG Renewables GmbH, a joint venture with KfW subsidiary DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne, operates as a project company. So far, we have been able to commission one small hydroelectric power plant in central Bosnia and four in the Republic of Macedonia, where construction of a fifth power plant began in October 2017. This brings us closer to our goal of operating a portfolio of power plants that could be sold as a block to a strategic investor if necessary. The largest contributions to sales and earnings in this division are made by the Conventional Energies business unit with the combined heat and power plant of PCC Rokita SA, which has been further modernized in recent years, and the Polish electricity and heat utility PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle.

The Logistics division

The Logistics division is dominated by the intermodal transport business of PCC Intermodal S.A. based in Gdynia, Poland. This Group subsidiary offers container transshipment services both within Poland and from the major seaports of Rotterdam, Antwerp, Hamburg and Bremerhaven to Poland and vice versa. At the beginning of 2016, the company also launched a direct service between Germany's heavily industrialized Ruhr area and central Poland. PCC Intermodal S.A.'s growth focus is on the further expansion of this route network and the expansion and optimization of its five combined transportation terminals. The construction of a sixth terminal near Gdynia is likewise in the planning pipeline. Since 2017, PCC Intermodal S.A. has been increasingly using its own locomotives for the traction of its container block trains, the aim being to achieve cost advantages over the competition in the still tough competitive environment of the transshipment logistics business. The PCC Group also operates in the international market for hazardous goods transport services with the road haulage company PCC Autochem Sp. z o.o., Brzeg Dolny, and is active in the Russian rail transport market with its own wagon/freight car fleet operated by its affiliate ZAO PCC Rail, Moscow.

The Holding / Projects division

In the Holding/Projects division, which in addition to the holding company PCC SE also includes other entities and business units from the areas of IT and research and development, we manage projects that are still in the development, planning or construction phase. One such is our project in Iceland, long the primary investment focus within the Group: In the north of the island, we have built one of the most advanced and environmentally compatible production plants for silicon metal in the world. An important objective in this undertaking, which represents an investment volume of around 300 million US dollars (around €265 million), was to effectively extend our value chain – the plant receives its quartzite feedstock from our own quarry in Zagórze, Poland. Construction of the facility began in June 2015 and commissioning commenced at the end of April 2018.

A further project of the Holding/Projects segment involves constructing a plant for the production of ultra-pure, aerosol-grade dimethyl ether (DME). This is being pursued within the joint venture OOO DME Aerosol, Pervomaysky (Russia), in harness with our long-standing Russian partner JSC Shchekinoazot. The plant is located on the premises of the latter in the Tula region, some 180 kilometers south of Moscow. DME is mainly used as an odorless and environmentally compatible propellant. Commissioning of the plant with an annual capacity of 20,000 metric tons is planned for the third quarter of 2018.

03 Investments

→ We are actively shaping the future of our Group through our extensive investments, opening up new perspectives for our operations and creating the basis for sustained profitable growth. In fiscal 2017, the expansion and modernization projects of previous years, especially in the Chlorine segment and at the container terminals of the Logistics division, made a significant contribution to earnings. We further strengthened our Polyols segment with the commissioning of the fifth production line for polyether polyols and start-up of the polyester polyols plant. As in the two previous years, the focus of our investments in 2017 was again on our silicon metal plant in Iceland, which we are currently in the process of commissioning.

The new silicon metal plant of PCC BakkiSilicon hf in Iceland – one of the most advanced of its kind in the world in terms of both cost efficiency and environmental compatibility.

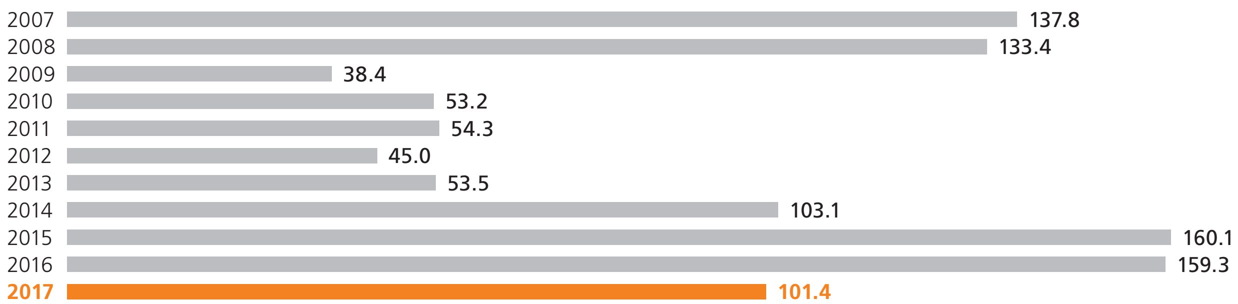
PCC investments

→ Fiscal 2017 saw us continue driving forward our extensive long-term investment program. Group-wide, capital expenditures totaled € 101.4 million. We thus remained below the high prior-year level of € 159.3 million, as a large part of the investments for the construction of our silicon metal plant in Iceland had been postponed to the first quarter of 2018 due to delays in its completion. As in previous years, by far the largest portion of the investment volume (94.9 %) was used for property, plant and equipment in 2017, above all for the Iceland project, the largest single investment in the history of PCC to date.

In the past year, we again succeeded in successfully completing or decisively advancing a number of long-term investment projects. In the Chemicals division in particular, we continued our campaign of modernizing and expanding our production facilities and establishing new production lines.

One of the areas on which we focused in 2017 was the Polyols segment. PCC Rokita SA invested in the expansion of its production capacities and product portfolio at our large chemical site in Brzeg Dolny, Lower Silesia, and also acquired a stake in a Thai chemical company with a view to also driving expansion in Asia. We continued our expansion investments in the Chlorine segment, aimed once again at significantly increasing capacities. In the Logistics segment, following the extensive expansion of our container terminals in previous years, we increased expenditure on fleet vehicles and machinery in 2017. In the Energy segment, we continued the modernization of our power plant in Brzeg Dolny and were finally able to start construction of our sixth small hydroelectric power plant in Macedonia. And in the Holding/Projects segment, we not only pushed ahead with our Iceland project, the commissioning of which commenced at the end of April 2018, but we were also able to start construction of our production plant for ultra-pure, aerosol-grade dimethyl ether (DME) in Russia in 2017. Commissioning of this plant is planned for the third quarter of 2018. In the following we would like to present our investment projects, which were either completed in 2017 or are currently ongoing.

Capital expenditures of the PCC Group in € million



Investments in the Chemicals division

Polyols segment

Expansion investments in the Polyols business unit

With the commissioning of the fifth production line for polyether polyols at the Brzeg Dolny site in mid-2017, PCC Rokita SA was able to increase its total capacity to 110,000 metric tons per year (based on standard polyol production). In July 2017, almost the entire plant capacity of the new production line was utilized for the first time, primarily for the manufacture of intermediates for complex polyol production.

110,000

metric tons of polyether polyols

This is the total annual production capacity (based on standard polyols) of the five production lines of PCC Rokita SA at the Brzeg Dolny site.

With this investment, PCC Rokita SA can continue to focus in particular on higher-grade polyols. The company has more than 40 years of experience in the production of polyols, and the first of the current five production lines was put into operation in 1976. In the past ten years in particular, the variety of applications for polyols has developed very dynamically. They are in demand for the furniture industry and mattress manufacturers and also for construction applications. PCC Rokita SA is one of the leading manufacturers of polyether polyols in Eastern Europe and the only one in Poland to date.

To expand its product portfolio, PCC PU Sp. z o.o., Brzeg Dolny, a subsidiary of PCC Rokita SA in the Polyols segment, has also built a production plant for polyester polyols. These polyols are used in a number of applications, such as the manufacture of elastomers and insulation products. Annual capacity lies in the region of 13,000 metric tons. At the end of June 2017, PCC PU produced its first complete batch of polyester polyols. The company is currently continuing product release procedures with several potential customers and is working on further technical improvements.

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1 + 2 Production facilities at the Brzeg Dolny site for the manufacture of polyols: On the left the tank farm of the new production plant for polyester polyols of PCC Rokita subsidiary PCC PU Sp. z o.o. And on the right: Part of the new Polyols 5 production line of PCC Rokita SA.

3 We are strengthening the Surfactants segment by investing in a number of modernization and expansion projects (the photo shows part of the tank farm of sulfonation plant 2 of PCC Exol SA).

3

PCC Rokita SA increases stake in Thai polyols producer

In the Polyols segment, we have also been investing more heavily in internationalization since 2015, especially in the fast-growing Asian chemicals market. 2017 and 2018 saw another important step taken in this direction with the acquisition of a total of 50 % of the shares in the Thai polyols and polyurethanes producer IRPC Polyol Company Ltd. (IRPC Polyol), headquartered in Bangkok.

PCC Rokita SA initially acquired 25 % of the shares in IRPC Polyol from its parent company, the Thai petrochemicals group IRPC Public Company Ltd. That was on February 28, 2017. The corresponding purchase agreement was concluded in December 2016. At the beginning of 2018, PCC Rokita SA also signed a purchase agreement for a further 25 % of the shares in IRPC Polyol. PCC Rokita SA thus holds 50 % of the shares effective April 30, 2018.

Surfactants segment

Expansion investments in surfactant production

PCC Exol SA continued to modernize and expand its surfactant production facilities in 2017. In addition to an increase in capacity, the investments encompass construction of two plants for the manufacture of specialty products, with completion planned for 2020.

PCC Exol SA currently has an annual capacity of 117,000 metric tons of surfactants, which are produced at two sites in Poland: There are two sulfonation plants, one ethoxylation plant and the new betaine plant at Brzeg Dolny, with one ethoxylation plant at Płock. PCC Exol SA also has a production plant for specialty surfactants in Piedmont (South Carolina) owned and operated by its US subsidiary PCC Chemax, Inc.

Chlorine segment

Capacity expansion in chlorine production

Following the modernization and expansion investments made in previous years, PCC Rokita SA started its next phase of capacity expansion in 2017 by ordering two further electrolyzers. These units, electrolyzers VI and VII, were delivered in early 2018 and are currently being installed. Commissioning is scheduled for the end of May. In order to be able to utilize the full capacity of all seven electrolyzers, the ancillary facilities are also having to be augmented. After completion, which is scheduled for early 2019, capacity will have increased from the current 153,000 metric tons of chlorine per year to 209,000 metric tons and from 168,000 metric tons of caustic soda per year to 230,000 metric tons.

168,000

metric tons of caustic soda

This current capacity of our chlorine electrolysis plant is to be increased to 230,000 metric tons by 2019.

With the switch in our chlorine production technology, completed in 2015, to the more environmentally compatible membrane process, and the various expansion activities of recent years, we have cut carbon emissions by 750 kilograms of CO_2 per metric ton of caustic soda produced. These savings are the direct result of the considerably higher energy efficiency of this modern technology.

In addition, investments were made in the construction of a new plant for liquefying chlorine gas in 2017. Chlorine is discharged in gaseous form from the electrolyzers and is then cooled, dried, cleaned and compressed. With the commissioning of the new plant for liquefying chlorine gas at the end of the first quarter of 2018, we were able to shut down the previous facility completely.

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1+2 The new electrolysis plant of PCC Rokita SA: The successful switch in chlorine production technology has been contributing full-year earnings to our Group earnings since 2016. The environmentally compatible membrane process results in CO_2 savings of 750 kg per metric ton of caustic soda produced.

Expansion of the propylene oxide plant

In the Chlorine segment, PCC Rokita SA has further invested in the capacity expansion of its propylene oxide plant over the last two years. Propylene oxide (PO) is required for the production of polyols. Hence, the expansion of our PO production – supplemented by existing PO supply contracts with long-term partners – will make a significant contribution to securing our raw material base for future growth in the Polyols segment. The current annual capacity is 48,000 metric tons.

Specialty Chemicals segment

Investments in the processing plant serving our quartzite quarry

PCC Silicium S.A. embarked upon a dedicated investment program at the end of 2016 to ensure the supply of high-grade quartzite rock for our new silicon metal plant in Iceland. Hence, the beginning of 2018 saw the completion of a new facility for washing the rock under high pressure, together with the installation of an optical sorter that employs LED technology to identify the quartzite pieces suitable for silicon metal production and remove the lower-grade material.

The first deliveries to Iceland were made at the end of 2017 while the two facilities were still going through the commissioning phase. The quartzite has been needed there since April 2018 when commissioning started on the silicon metal plant.

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3 Propylene oxide plant of PCC Rokita SA at the Brzeg Dolny site: Annual production capacity there currently amounts to 48,000 metric tons.

4 Quarry of PCC Silicium S.A. in Zagórze, Poland: It is from here that the quartzite for our silicon metal plant in Iceland is supplied.

1 In Macedonia, we were finally able to start construction of our sixth small hydroelectric power plant in 2017 (in the picture: the first construction phase of the 5 km long penstock).

2 We have equipped the combined heat and power plant at our largest production site in Brzeg Dolny, Lower Silesia, with modern electrostatic precipitators.

Investments in the Energy division

Modernization of the combined heat and power plant at the Brzeg Dolny site

Assigned to the Conventional Energies business unit, the combined heat and power plant EC-3 operated by PCC Rokita SA at our chemicals site in Brzeg Dolny supplies not only electricity and process steam to PCC's own chemical production facilities, but also district heating to the majority of households in the small town of Brzeg Dolny.

The desulfurization plant was modernized in 2017 and put into operation at the beginning of 2018. This has significantly reduced sulfur dioxide emissions to well below the limit stipulated in the European Industrial Emissions Directive IED, which has been in force in Poland since the beginning of the year.

The installation of a second electrostatic precipitator last year also completed the upgrade of the filter system serving the combined heat and power plant.

In addition, a back-pressure turbine was installed and commissioned in 2017, leading to significantly reduced energy generation costs.

Construction of the Kriva Reka small hydropower plant

The power plant project at the Kriva Reka ("crooked river" in English) site is our fifth in the Republic of Macedonia and the sixth in total. After many years of approval procedures and an extensive planning phase, our local project company, PCC NEW HYDRO DOOEL Skopje, a subsidiary of PCC DEG Renewables GmbH, was finally able to start construction of the small hydropower plant in October 2017. We obtained the concession for this project in September 2012. In January 2014, we then submitted the development plan to the Macedonian government and, after its approval, began acquiring the land rights.

At the present time, there are three building activities being carried out concurrently. In addition to concrete work on the inlet structure and the power house, almost 30 % of the approximately 5 km long penstock has so far been laid. Construction is scheduled for completion in 2018.

With an installed capacity of around 1.6 megawatts, the power plant is expected to generate around 6.94 million kWh of electricity per year, making it the largest of our – by then – six small hydroelectric power plants in Southeast Europe. The Kriva Reka power plant will cut emissions by about 6,500 metric tons of CO_2 per year on average as compared to the CO_2 emissions typical of the regional electricity supply grid.

About half of the project financing is provided by the Macedonian subsidiary of Frankfurt-based ProCredit Holding AG & Co. KGaA.

Investments in the Logistics division

Investments in the container terminals

In the past financial year, PCC Intermodal S.A., which dominates PCC's Logistics division, concentrated its investment activity on expanding the electrification of its largest container terminal, the Kutno facility in central Poland. In addition, its vehicle and machinery pool was expanded with the purchase of additional container trailers. PCC Intermodal S.A. has its own terminals in Frankfurt (Oder), Brzeg Dolny, Gliwice, Kutno and Kolbuszowa. The first four of these have been modernized and significantly expanded in recent years.

The company also has a major project in the planning phase for the hinterland of Gdansk Bay. A 60 hectare freight transport center is to be built there with an annual handling capacity of over 1 million TEU (unit of measurement for 20-foot standard containers).

3

3 Reach stackers are used for container handling flexibility alongside gantry cranes at our terminals.

4 PCC Intermodal S.A. transfers containers between road and rail at five wholly owned terminals (pictured: our Brzeg Dolny site).

5 Modern gantry cranes such as those here at the Kutno terminal speed up handling times and increase handling capacities.

4

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Investments in the Holding / Projects segment

Construction of a silicon metal production plant in Iceland

2017 saw steady progress in the construction by Group subsidiary PCC BakkiSilicon hf of our state-of-the-art silicon metal production plant near the small town of Húsavík in northern Iceland. Work continued over the course of the year within the planned budget and timeframe. Preparations for cold commissioning began in late summer 2017, with the raw materials for the start of operations having been delivered and the coal store filled. The first delivery of quartzite from Poland by our subsidiary PCC Silicium S.A. reached the port of Húsavík in November, where almost simultaneously the electrodes for the electric arc furnaces and logs arrived from Finland.

Delays occurred at the end of December 2017 preventing the start of hot commissioning that had been scheduled for the end of the year. After completion of the complex dust extraction systems, which among other things ensure air quality for local residents and the wider environment, the hot commissioning phase finally commenced on April 30, 2018 with the start-up of the first of the two electric arc furnaces. The first step involved striking the arc between the electrodes in the furnace. The temperature was then continuously raised with the charge of quartzite, low-ash coal, wood chip and limestone then being added. Eleven days later, on May 11, 2018, the furnace had finally reached its operating temperature of 2,000 degrees Celsius and the first tap of liquid silicon metal took place, marking the official start of production. Under full load, the plant will produce at least 32,000 metric tons of silicon metal per year.

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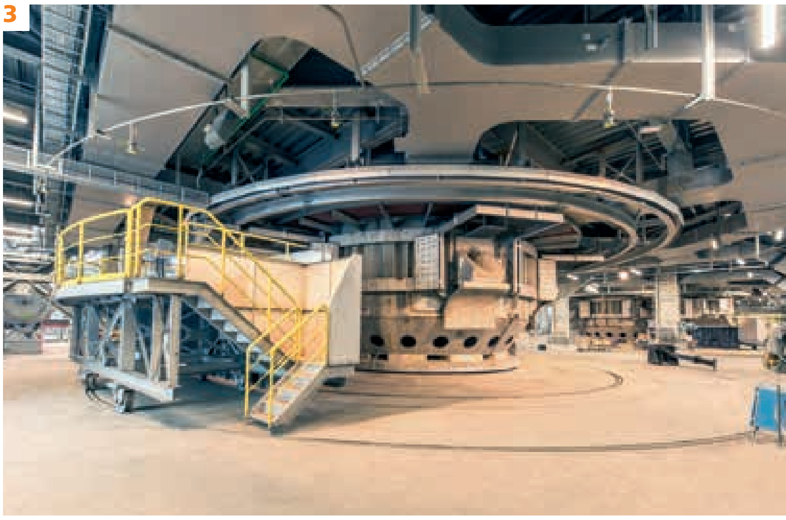

With an investment volume of around € 265 million, the project is the largest single investment in the history of the PCC Group to date. After several years of planning, the construction site was inaugurated in September 2015 in the presence of Icelandic government representatives. The investment outlay was largely covered by a loan from KfW IPEX-Bank. Icelandic investors also contributed about a quarter, not least because the plant directly creates around 120 new jobs and many more at various service providers and suppliers in the area. The project has thus been instrumental in improving the economic situation in this industrially somewhat underdeveloped region in northern Iceland.

€ 265 million
in investment volume

In addition to the German KfW-IPEX-Bank, Icelandic investors have also contributed to the investment outlay represented by our Iceland project involving construction of a silicon metal plant.

1 **Our silicon metal plant in the north of Iceland is terraced and therefore not visible from the small town of Húsavík (seen here in the background).**

2 + 3 **One of the two electric arc furnaces, which essentially are at the heart of the silicon metal plant. In the photo above: The so-called stoking floor with the furnace door open; in the photo below: the tapping floor of the furnace.**

2

1

1 The official start of production of the silicon metal plant took place with the first tapping operation on May 11, 2018.

2 View through the open furnace doors of electric arc furnace 1 of our silicon metal plant in Iceland shortly after start-up (photo showing the three electrodes).

Silicon metal is an important industrial raw material. It is used, for example, in the production of silicones, the end products of which play a role in many people's everyday lives, from sealing compounds to baking molds. Silicon metal is also an important alloyant in high-strength aluminum alloys, as used for example in the automotive industry, and it is also, in its processed form, a primary input material in the manufacture of photovoltaic modules. Worldwide, about 3 million metric tons of silicon metal are produced annually, mainly in China, which has a market share of about 59 percent. According to information from the German government published in 2016, Germany uses around 200,000 metric tons per year, but produces only 30,000 metric tons for the domestic market. The plant of PCC BakkiSilicon hf has an annual capacity of 32,000 metric tons and most of its production is already contracted to German industrial customers. This project is therefore destined to make a significant contribution to securing raw material supplies for Germany's economy. In recognition of this, the German government provided a loan guarantee to facilitate construction of our silicon metal plant.

The new plant obtains quartzite as its primary raw material mainly from the quarry of the Group subsidiary PCC Silicium S.A. in Zagórze, Poland. This is highly advantageous for securing plant operations, as it means supplies of the most important raw material are not dependent on third parties. And the corresponding logistics costs of transport by rail and ship to Iceland are more than compensated for by the advantages of electricity procurement. Since the production process is very energy-intensive, Iceland with its rich renewable energy sources (especially geothermal energy) and comparatively low electricity prices is an ideal location.

In March 2014, PCC BakkiSilicon hf concluded a Power Purchase Agreement (PPA) with Iceland's largest energy utility Landsvirkjun. The favorable conditions negotiated are guaranteed for 15 years and the contract includes an extension option. In the first operating phase, the plant will be provided with a 58 MW supply. Landsvirkjun has developed a new geothermal area just 25 kilometers from Húsavík, building a 90 MW power plant there to supply the entire new industrial park, of which the nucleus is our silicon metal plant.

The new silicon metal plant of our Icelandic project company PCC BakkiSilicon hf has been designed as one of the most climate-friendly and environmentally compatible in the world. The use of Iceland's geothermal resources in silicon metal production cuts greenhouse gas emissions by around two-thirds as compared to other plants around the world. With silicon metal production at the PCC plant powered entirely by renewable energy, the CO_2 footprint of the overall process is drastically reduced. For example, the cumulative CO_2 emissions of a silicon metal plant in China – by far the world's largest producer – are about 3.5 times higher on average than those of the PCC plant in Iceland. Taking this comparison, our new facility cuts CO_2 emissions by 12.66 tons per ton of silicon metal produced. This is the conclusion of a study by the Faculty of Energy Systems and Energy Economics at the Ruhr University Bochum under Prof. Dr.-Ing. H.-J. Wagner commissioned by PCC. And CO_2 emissions in the five most important producer countries – China, Brazil, the USA, France and Norway – are also almost three times higher than those of the PCC plant. Compared to the average emissions of these countries, the PCC plant in Iceland cuts CO_2 emissions by 9.65 tons per ton of silicon metal produced. Iceland therefore offers clear advantages over China and other countries with a less favorable energy mix, despite the fact that all the raw materials have to be shipped to Iceland to operate our plant. The location in the North Atlantic also has its own advantages, however, not least because its central position between the European and American customer markets.

When designing the complex near Húsavík, great care was taken to ensure that the buildings – laid out in terraces – are not visible from the small town. And, as already mentioned, the dust emissions generated during silicon metal production are almost completely removed from the ambient air in the PCC plant by high-performance filter systems. The entire production is therefore not only economically efficient, but also exceptionally sustainable.

Investments in Icelandic real estate

About 120 new jobs have been created for the operation of the silicon metal plant alone. In 2017, therefore, PCC SE invested in the construction of homes in order to offer new local employees an attractive living environment. The developer is the Icelandic subsidiary PCC Seaview Residences ehf, Húsavík. The first of the initially 22 duplex houses, built on a plot of land provided by the municipality in a very beautiful location, became occupied in March 2018.

Construction of a production plant for dimethyl ether in Russia

Through the joint venture OOO DME Aerosol, Pervomaysky (Russia), PCC SE and its long-standing partner, the Russian chemicals group JSC Shchekinoazot, is building a plant for the production of ultra-pure, aerosol-grade dimethyl ether (DME). DME is mainly used in the cosmetics industry as a propellant for such things as hairsprays and also for the production of polyurethane foam for the construction industry. The aim of the 50/50 joint venture is to develop the Eastern European market. The plant is being built on the site of our joint venture partner, about 180 kilometers south of Moscow in the Tula region, with a planned annual capacity of 20,000 metric tons. The modern methanol plant already in place there guarantees a secure raw material base for the new DME production facility.

Construction of the Russian plant began in April 2017 with the structural steelwork well underway by August 2017. Further progress was made during the winter months of 2017/2018. Meanwhile, almost all the equipment has been installed, with work now commencing on the pipework. The steel constructions for the pipe bridges are currently being completed. With all its trays in place, the DME distillation column was completed in April 2018. Commissioning of the plant is scheduled for the third quarter of 2018.

3+4 Production plant for ultra-pure, aerosol-grade dimethyl ether (DME) under construction in Russia's Tula region. Completion of the plant is scheduled for the third quarter of 2018. Its annual capacity will be 20,000 metric tons.

4

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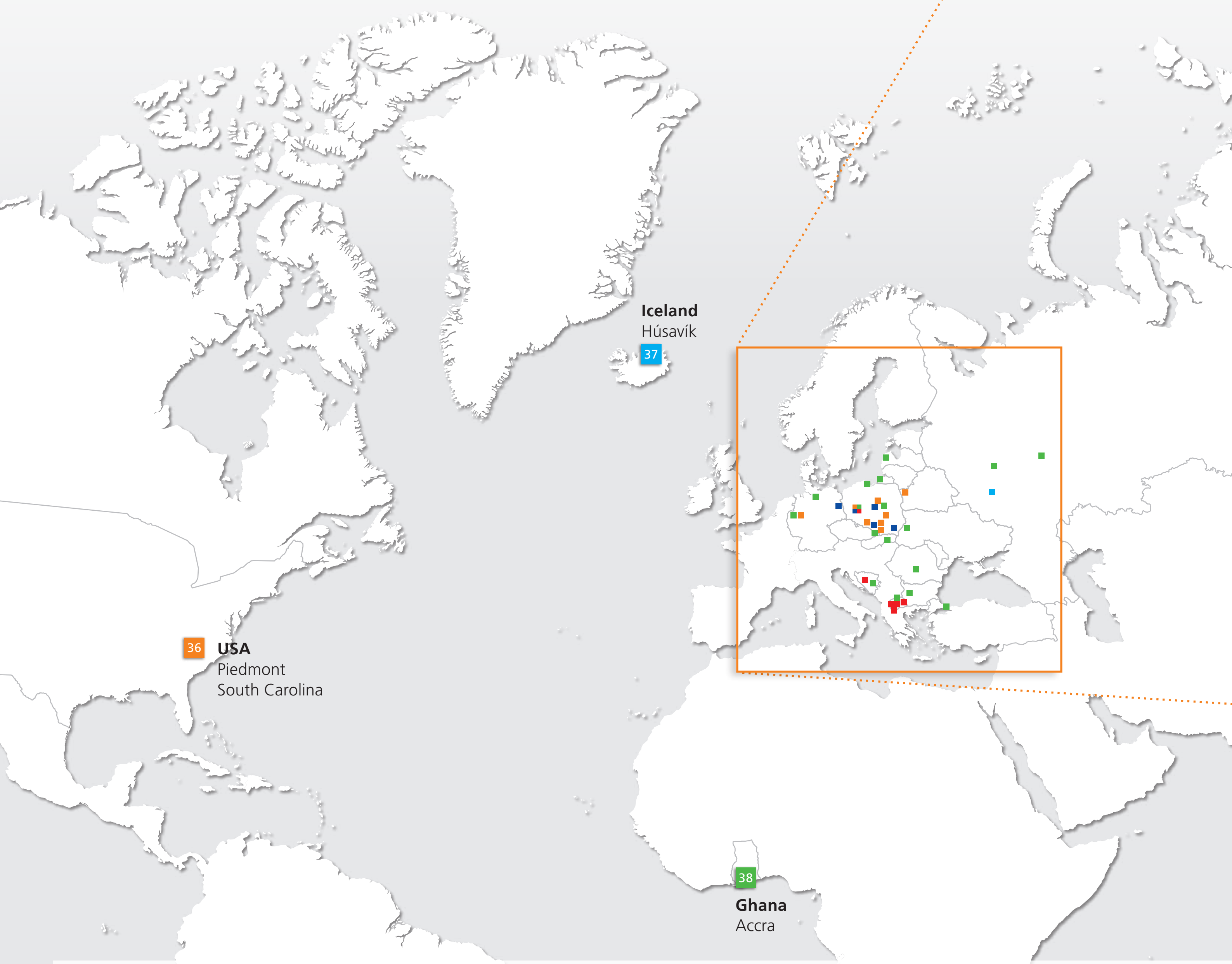
PCC Group sites

→ 3,389 employees – 40 sites – 18 countries
The PCC Group companies are active at 40 sites in 18 countries (as of December 31, 2017). Most of our 3,389 employees work in Europe. However, the PCC Group is also represented in America, Asia and Africa.



Chemicals production sites

- 2 Essen (D)
- 6 Brzeg Dolny (PL)
- 8 Płock (PL)
- 10 Kędzierzyn-Koźle (PL)
- 12 Mysłowice (PL)
- 13 Zagórze (PL)
- 16 Czechowice-Dziedzice (PL)
- 21 Grodno (BY)
- 36 Piedmont, South Carolina (USA)

Power plants

- 6 Brzeg Dolny (PL)
- 25 Prusac/Donji Vakuf (BIH)
- 28 Galičnik (MK)
- 29 Brajčino (MK)
- 30 Patiška (MK)
- 32 Gradečka (MK)
- 33 Kriva Reka (MK) – under construction

Container terminals

- 4 Frankfurt (Oder) (D)
- 6 Brzeg Dolny (PL)
- 7 Kutno (PL)
- 11 Gliwice (PL)
- 14 Kolbuszowa (PL)

Projects

- 22 Pervomaysky (Shchekino) (RU)
- 37 Húsavík (ISL)
- 40 Kuala Lumpur (MAL)

Trading / Sales and distribution / Administration

- 1 Duisburg (Group headquarters)

All the sites indicated in green are trading companies, sales, distribution and administration units or regional offices.

The structure of the PCC Group

→ The PCC Group comprises some 80 companies and affiliates in Germany and abroad. The fully consolidated entities of the individual segments are shown on this double page (status as of December 31, 2017). A detailed list of the various shareholdings can be found under Note 43 to the consolidated financial statements at the back of this report.

Polyols segment

Polyols business unit
of PCC Rokita SA
Brzeg Dolny (Poland)
(84.16 %)

PCC Prodex Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

PCC Prodex GmbH
Essen (Germany)
(100 %)

PCC PU Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

PCC Therm Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

PCC Energia EOOD
Sofia (Bulgaria)
(100 %)

IRPC Polyol

IRPC Polyol Company Ltd. *
Bangkok (Thailand)
(21.04 %)

Surfactants segment

PCC Exol SA
Brzeg Dolny (Poland)
(85.82 %)

PCC Chemax, Inc.
Piedmont, SC (USA)
(85.82 %)

PCC Exol Kimya Sanayi
ve Ticaret Limited Şirketi
Istanbul (Turkey)
(85.82 %)

Chlorine segment

Chlorine business unit
of PCC Rokita SA
Brzeg Dolny (Poland)
(84.16 %)

MCAA SE
Brzeg Dolny (Poland)
(100 %)

PCC MCAA Sp. z o.o.
Brzeg Dolny (Poland)
(97.30 %)

Specialty Chemicals segment

Phosphorus and Naphthalene Derivatives business unit
of PCC Rokita SA
Brzeg Dolny (Poland)
(84.16 %)

PCC Synteza S.A.
Kędzierzyn-Koźle (Poland)
(100 %)

PCC Silicium S.A.
Zagórze (Poland)
(99.99 %)

PCC Specialties GmbH
Duisburg (Germany)
(100 %)

PolyU GmbH
Essen (Germany)
(100%)

Commodity Trading business unit

PCC Trade & Services GmbH
Duisburg (Germany)
(100 %)

PCC MORAVA-CHEM s.r.o.
Český Těšín (Czech Republic)
(100 %)

NOVOBALT terminal

AO Novobalt Terminal
Kaliningrad (Russia)
(100 %)

EURO URETHANE

S.C. EURO Urethane S.R.L.
Râmnicu Vâlcea (Romania)
(58.72 %)

* Joint venture consolidated using the equity method

PCC SE

PCC SE, holding company of the PCC Group, Duisburg (Germany)

Consumer Products segment

PCC Consumer Products S.A.
Brzeg Dolny (Poland)
(100 %)

PCC Consumer Products Kosmet Sp. z o.o.
Brzeg Dolny (Poland)
(100 %)

Kosmet Sp. z o.o.
Brzeg Dolny (Poland)
(100 %)

OOO PCC Consumer Products Navigator
Grodno (Belarus)
(100 %)

OOO PCC Consumer Products
Moscow (Russia)
(100 %)

PCC Consumer Products Czechowice S.A.
Czechowice-Dziedzice (Poland) (99.74 %)

PCC Packaging Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

Energy segment

Energy business unit of PCC Rokita SA
Brzeg Dolny (Poland)
(84.16 %)

PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle (Poland) (84.46 %)

PCC DEG Renewables GmbH
Duisburg (Germany)
(60 %)

GRID BH d.o.o.
Sarajevo (Bosnia and Herzegovina) (51.37 %)

PCC HYDRO DOOEL Skopje
Skopje (Republic of Macedonia) (60 %)

PCC Izvorsko EOOD
Sofia (Bulgaria)
(60 %)

NOVI Energii OOD
Sofia (Bulgaria)
(36 %)

PCC NEW HYDRO DOOEL Skopje, Skopje (Republic of Macedonia) (60 %)

Logistics segment

PCC Intermodal S.A.
Gdynia (Poland)
(76.62 %)

PCC Intermodal GmbH
Duisburg (Germany)
(76.62 %)

PCC Autochem Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

ZAO PCC Rail
Moscow (Russia)
(100 %)

Holding / Projects segment

Headquarters business unit of PCC Rokita SA
Brzeg Dolny (Poland)
(84.16 %)

PCC IT S.A.
Brzeg Dolny (Poland)
(100 %)

PCC Apakor Sp. z o.o.
Brzeg Dolny (Poland)
(83.81 %)

Ekologistyka Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

LabMatic Sp. z o.o.
Brzeg Dolny (Poland)
(83.94 %)

ChemiPark Technologiczny Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

Aqua Łososiowice Sp. z o.o.
Brzeg Dolny (Poland)
(84.16 %)

Projects business unit

PCC BakkiSilicon hf
Húsavík (Iceland)
(86.50 %)

PCC Seaview Residences ehf
Húsavík (Iceland)
(100 %)

OOO DME Aerosol *
Pervomaysky (Russia)
(50%)

distripark.com sp. z o.o.
Brzeg Dolny (Poland)
(91.92 %)

distripark GmbH
(since January 2017; formerly PCC Energy Trading GmbH)
Essen (Germany)
(100 %)

Elpis Sp. z o.o.
Brzeg Dolny (Poland)
(84.99 %)

* Joint venture consolidated using the equity method

04 Group management report

→ Overall, management regards the development of the net assets, financial position and results of operations of the PCC Group in fiscal 2017 as positive, especially in view of the earning power maintained. The Chemicals division continues to be the main contributor to the PCC Group's sales and earnings. Further significant milestones were achieved in 2017 toward the long-term improvement of the earnings situation and increasing the enterprise value of the company.

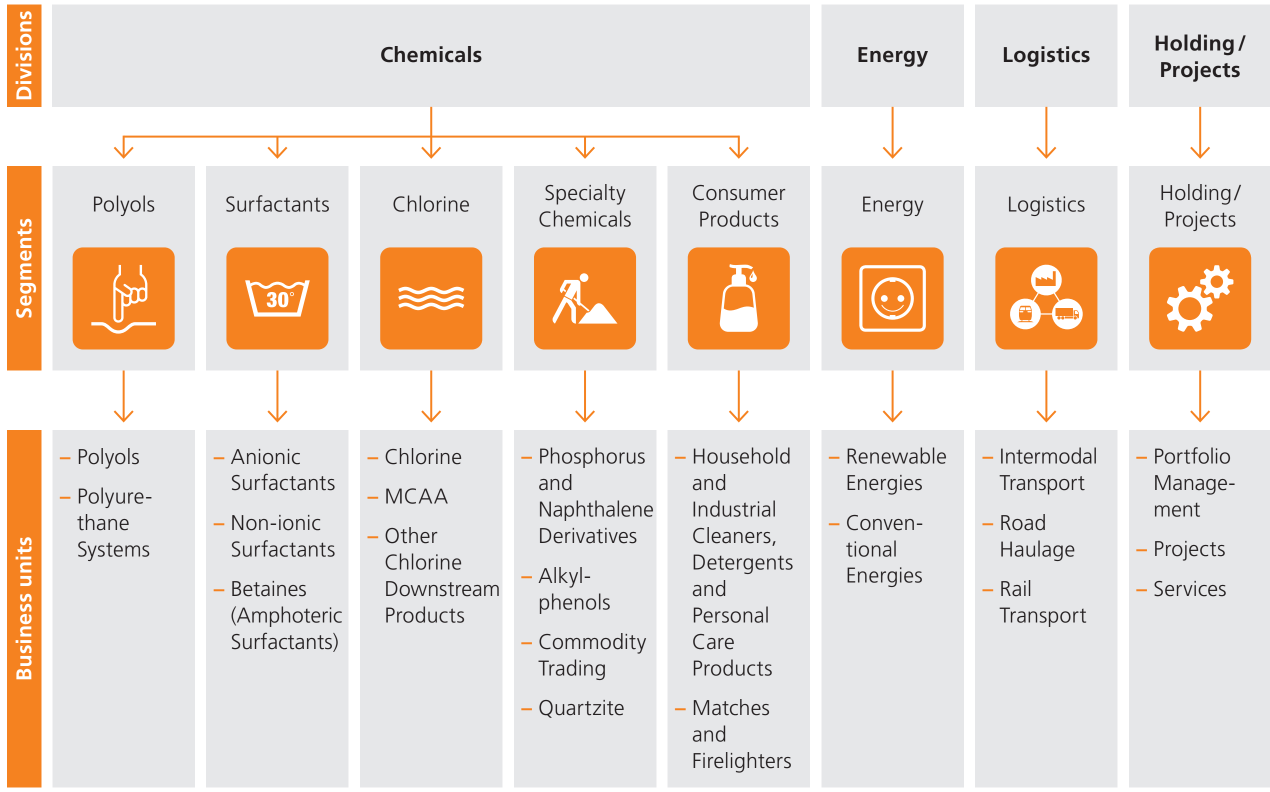

Sulfonation plant 2 of PCC Exol SA for the production of anionic surfactants at our Brzeg Dolny site.

Organization of the PCC Group

→ The PCC Group has more than 3,300 employees working at 40 sites in 18 countries. Our investment portfolio is divided into eight segments. The seven segments Polyols, Surfactants, Chlorine, Specialty Chemicals, Consumer Products, Energy and Logistics carry the operational responsibility.

Our international companies and entities control 19 business units allocated to these segments. The eighth segment, Holding/Projects, comprising our parent and holding company PCC SE together with other companies and entities, is primarily responsible for providing corporate services in the fields of finance, business development, IT, environmental protection, site infrastructure management, research & development and engineering & technology. Also managed under this segment are PCC BakkiSilicon hf (silicon metal project in Iceland), OOO DME Aerosol (dimethyl ether project in Russia) and a number of smaller project companies.

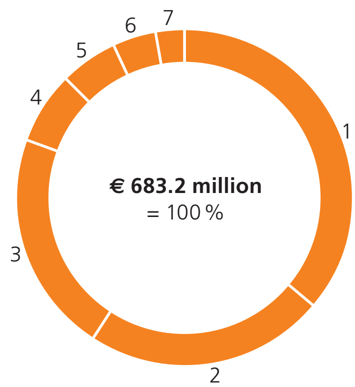
The divisions, segments and business units of the PCC Group



The Group strategy of PCC is aligned to sustainable business investments and operational development with the aim, in particular, of generating further enterprise value. As a growth-led investor predominantly aligned to the long term, the holding company PCC SE supports its portfolio of affiliated businesses in their entrepreneurial development and in the expansion of their various specific strengths. The existing investment portfolio is subject to a regime of proactive management and continual optimization. Group policy encompasses both ongoing scrutiny of further projects and acquisitions with the objective of competence-related diversification into new market segments, and engagement in other non-core activities that we develop only to a certain degree of market maturity and then offer for sale. Overall, this approach is intended to create the basis for further sustainable growth going forward.

For the purpose of our financial communication, we pool our business activities within seven regions: Germany, Poland, Other EU Member States, Other Europe, USA, Asia, and Other Regions. In fiscal 2017, we generated 21.3 % (previous year: 20.4 %) of our sales with customers in Germany, with 36.3 % attributable to customers in Poland (previous year: 39.4 %). Including PCC SE, the consolidated financial statements of the PCC Group for 2017 cover a scope of 49 fully consolidated entities. There are also two joint ventures accounted for using the equity method.

Sales by region 2017 in %



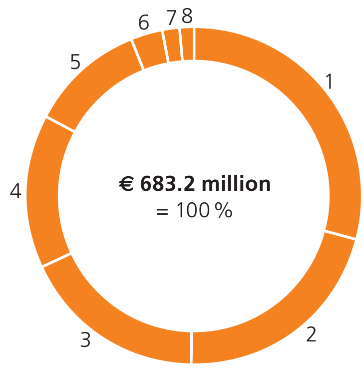
1	Poland	**36.3 %**
2	Other EU Member States	**23.1 %**
3	Germany	**21.3 %**
4	Other Europe	**7.1 %**
5	Asia	**5.4 %**
6	Other Regions	**4.3 %**
7	USA	**2.6 %**

Core business activities

Consolidated sales in fiscal 2017 amounted to € 683.2 million. Compared to the previous year (€ 568.9 million) this represents an increase of € 114.2 million or 20.1 %. Our revenue expectations were thus also exceeded. In addition to increased sales volumes, the main reason for this is the significantly higher commodity price levels prevailing as compared to the previous year. The upward trend in crude oil prices and the generally good cyclical and macro-economic situation were the main drivers of this development. The Chemicals division accounted for by far the largest share of sales growth with an increase of € 102.5 million. With a share of 86.0 % (previous year: 85.3 %), this division remained the main contributor to Group revenues. The Logistics segment generated around 11.0 % of consolidated sales (previous year: 11.5 %). This segment recorded a 14.8 % increase in sales to € 75.2 million, mainly as a result of the further year-on-year improvement in the performance of PCC Intermodal S.A., Gdynia (Poland). Sales in the Energy segment rose by € 0.5 million to € 11.8 million. And revenues in the Holding/Projects segment grew by € 1.5 million to € 8.4 million.

Business development in the individual Group segments again varied greatly, as the following detailed analysis shows.

Sales by segment 2017 in %



1	Specialty Chemicals	**29.2 %**
2	Polyols	**21.3 %**
3	Surfactants	**17.6 %**
4	Chlorine	**14.8 %**
5	Logistics	**11.0 %**
6	Consumer Products	**3.2 %**
7	Energy	**1.7 %**
8	Holding/Projects	**1.2 %**

Business performance by segment

Polyols

Polyols are basic feedstocks used in the production of polyurethane (PU) foams and PU systems that have a wide range of applications in a large number of industries. PU flexible foams are used, among other things, in the manufacture of high-comfort mattresses. Rigid foams are used in the refrigeration industry for insulation purposes and in the construction industry as sealing foam. Applications for PU systems include thermal insulation, PU adhesives for mining, block systems incorporating thermal insulation panels, and polishing discs for the automotive industry.

The Polyols segment comprises the Polyols and Polyurethane Systems business units. Managed under this segment are the corresponding business unit of PCC Rokita SA, Brzeg Dolny (Poland), i.e. its Polyols business unit with its polyether polyols, and PCC PU Sp. z o.o., Brzeg Dolny, whose production plant for polyester polyols went into service in 2017. PCC Therm Sp. z o.o., Brzeg Dolny, and the Bulgarian company PCC Energia EOOD, Sofia, are also incorporated in the Polyols segment. The business of these two portfolio companies, namely the production and sale of insulation and other building materials, remained under development in 2017. The Polyols segment is completed by the two system houses PCC Prodex Sp. z o.o., Brzeg Dolny, and PCC Prodex GmbH, Essen (Germany), and the IRPC Polyol Company Ltd. of Bangkok (Thailand) in which PCC Rokita SA holds a non-controlling interest. This associate was consolidated for the first time in 2017 using the equity method. The number of employees in the Polyols segment at the end of the fiscal year was 242 (previous year: 204).

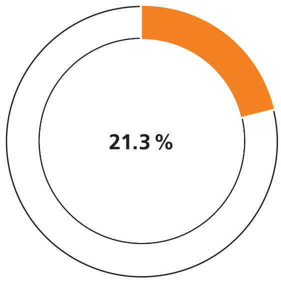
The Polyols segment generated sales of € 145.4 million in fiscal 2017 (previous year: € 126.0 million). While the share of Group revenues therefore fell slightly to 21.3 % (previous year: 22.1 %), sales at the segment level increased by 15.4 %. In addition to the high level of commodity prices prevailing, the main reasons for this were increased sales volumes, resulting among other things from the capacity expansion in relation to polyether polyols (commissioning of the fifth production line) and the start of production of polyester polyols. The segment again made a significant positive contribution to consolidated earnings in 2017.

We will continue to systematically diversify and expand the product portfolio of the Polyols business unit in the future, with the proportion of higher-value specialty polyols continuing to rise. Geographical expansion is also to be further promoted, especially in the Asian market, which continues to exhibit dynamic growth. PCC Rokita SA reached another important milestone in the development of sites outside Poland at the end of 2016 with the acquisition of the aforementioned minority interest in a Thai polyols producer. IRPC Public Company Ltd., Bangkok, the parent company of this manufacturer, is also a joint venture for the distribution of polyols and PU systems on the Asian market.

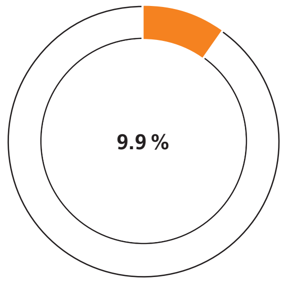
The Polyurethane Systems business unit was further strengthened by investments both in Poland and in Germany, with further capital injections in the pipeline. In 2017, for example, PCC Prodex GmbH commissioned a plant in Essen for the production of polishing discs under the brand name Plasthan®. The Polish systems house PCC Prodex Sp. z o.o. centralized its activities at the Brzeg Dolny site in 2017 in order to more efficiently harness synergies with the parent company PCC Rokita SA going forward.

Key facts and figures for the Polyols segment 2017

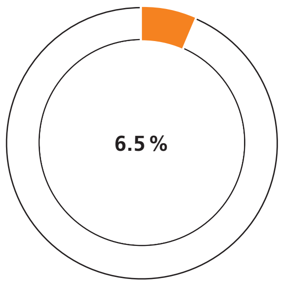
Share of Group sales
in %



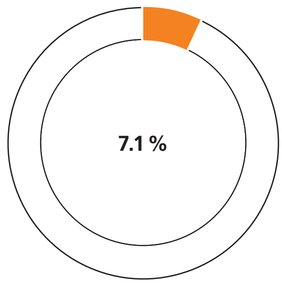
Share of Group capital expenditures
in %



Share of Group property, plant and equipment
in %



Share of Group employees
in %



Polyols segment Figures in € m	2017	2016	Absolute change	Relative change
Net external sales, consolidated	**145.4**	126.0	19.4	15.4 %
Sales to other PCC segments	**17.2**	10.2	7.0	68.6 %
Total sales of the segment	**162.5**	136.2	26.4	19.3 %
EBITDA	**15.6**	12.3	3.3	26.9 %
Property, plant and equipment	**47.4**	38.1	9.3	24.5 %
Capital expenditure on intangible assets and property, plant and equipment	**10.1**	13.1	−3.0	−22.9 %
Number of employees (Dec. 31)	**242**	204	38	18.6 %

Surfactants

Surfactants – or surface-active agents – have an extremely wide range of applications. They reduce the surface tension of a liquid or the interfacial tension between, for example, a solid surface and a liquid. The actions they produce include foaming, wetting, emulsifying and cleaning. Surfactants are basic components of detergents and cleaning and personal care products. They are also used in the textile and agrochemical industries as well as in the production of lubricants, paints, coatings and plastics.

The segment is divided into the business units Anionic Surfactants, Non-ionic Surfactants and Betaines (Amphoteric Surfactants). This segment includes PCC Exol SA, Brzeg Dolny, its Turkish sales company in Istanbul and PCC Chemax, Inc. in Piedmont (South Carolina, USA). In 2017, segment sales amounted to € 120.5 million, € 19.0 million higher than in the previous year, representing an increase of 18.7 %. The share of total PCC Group sales remained almost constant at 17.6 % (previous year: 17.8 %). The number of employees at year-end was 279 (previous year: 260).

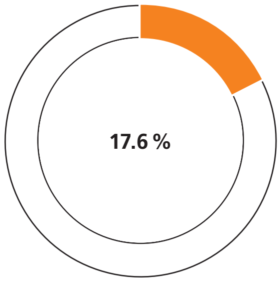
This segment also made another positive contribution to consolidated earnings in 2017, but was unable to match the level achieved in the previous year. The main reason for this was the sharp rise in the price of fatty alcohols, which PCC Exol SA was only able to pass on to its own customers with a time lag – and then only partially. So while PCC Exol SA was again able to close 2017 with a positive result with the significant growth in sales and the further increase in the proportion of higher-quality products in its product portfolio, its earnings were down on the previous year.

The US subsidiary of PCC Exol SA, PCC Chemax, Inc. experienced a similar development. Sales of chemicals to the oilfield industry, previously the main customer sector of PCC Chemax, Inc., remained at a low level in 2017. In addition, the development and sale of products for other applications and the sale of Exol products in the USA progressed more slowly than planned. In the second half of the year, things became even more difficult, at least temporarily, due to the impact of Hurricane Irma on the US economy. Nevertheless, PCC Chemax, Inc. also closed fiscal 2017 on a positive note.

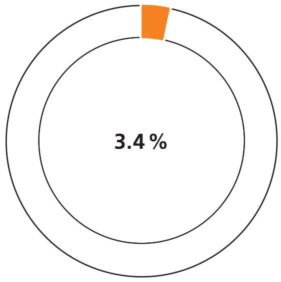
As in the case of the Polyols segment, the PCC Group is also pursuing a strategy of increasing internationalization in the Surfactants segment, particularly in the Asian market. Together with PCC Rokita SA, PCC Exol SA is examining a production project in Malaysia to be pursued in cooperation with the Petronas Chemicals Group. For this purpose, a joint venture was established between these two sister companies in Poland with Elpis Sp. z o.o., Brzeg Dolny, which was newly included in the scope of consolidation of the PCC Group in the Holding / Projects segment in 2017.

Key facts and figures for the Surfactants segment 2017

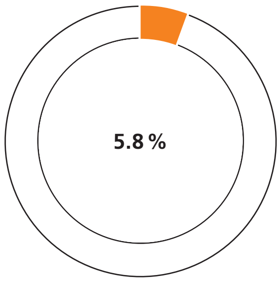
Share of Group sales
in %



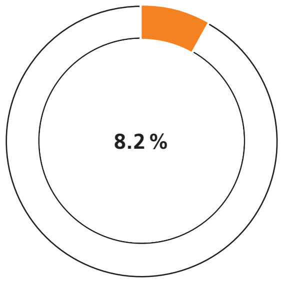
Share of Group capital expenditures
in %



Share of Group property, plant and equipment
in %



Share of Group employees
in %



Surfactants segment Figures in € m	**2017**	2016	Absolute change	Relative change
Net external sales, consolidated	**120.5**	101.5	19.0	18.7 %
Sales to other PCC segments	**27.1**	22.6	4.5	20.0 %
Total sales of the segment	**147.7**	124.1	23.5	19.0 %
EBITDA	**9.9**	10.2	−0.3	−3.1 %
Property, plant and equipment	**42.1**	40.1	1.9	4.8 %
Capital expenditure on intangible assets and property, plant and equipment	**3.5**	1.6	1.8	> 100 %
Number of employees (Dec. 31)	**279**	260	19	7.3 %

Chlorine

Chlorine is one of the most important and most-produced raw materials used in the chemical industry. Within our Group, it is used, among other things, for the production of propylene oxide for polyols production, and as a feedstock for the manufacture of monochloroacetic acid (MCAA) and phosphorus derivatives. Chlorine is also employed as a disinfectant and, like various chlorine derivatives, is also used in water management and petrochemistry.

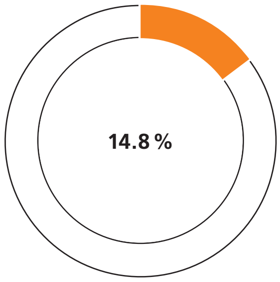
The Chlorine segment is divided into three business units: Chlorine, MCAA and Other Chlorine Downstream Products. This segment includes the corresponding Chlorine business unit of PCC Rokita SA, MCAA SE and PCC MCAA Sp. z o.o., all located in Brzeg Dolny. Sales in this segment increased by 40.5 % compared to the previous year, to € 100.9 million. As a result, the share of Group sales rose from 12.6 % to around 14.8 %. The segment employed 409 people in the past fiscal year (previous year: 381).

On the earnings side, too, both the corresponding figures for the previous year and our expectations for 2017 were significantly exceeded. Sales volumes grew as a result of increased MCAA production and rising market demand. In addition, prices for the by-product caustic soda (sodium hydroxide), which had already been high since the beginning of 2017, continued to rise in the course of the year. Prices were boosted by, among other things, production interruptions suffered by several European competitors. As a result, the Chlorine business unit of PCC Rokita SA closed fiscal 2017 in clearly positive territory and was once again the main earnings driver among all the business units of the PCC Group.

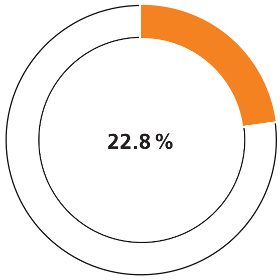
By contrast, the MCAA business unit continued to incur start-up losses throughout 2017. The first production column of the MCAA plant was put into service at the end of 2016, and the second began operation in mid-2017. During the course of the year, work then continued on optimizing the production process and its various input factors. The MCAA plant has considerably extended the chlorine value chain of the PCC Group. In the long term, this plant will contribute to a further significant increase in profitability in the Chlorine segment.

Key facts and figures for the Chlorine segment 2017

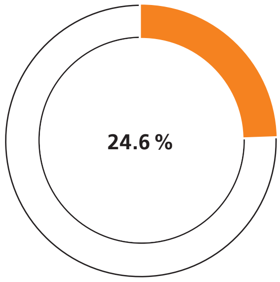
Share of Group sales
in %



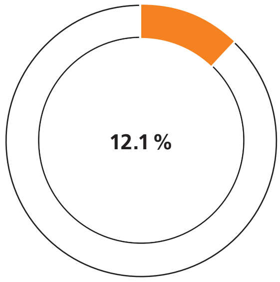
Share of Group capital expenditures
in %



Share of Group property, plant and equipment
in %



Share of Group employees
in %



Chlorine segment Figures in € m	2017	2016	Absolute change	Relative Change
Net external sales, consolidated	**100.9**	71.8	29.1	40.5 %
Sales to other PCC segments	**68.8**	57.8	11.0	19.0 %
Total sales of the segment	**169.6**	129.6	40.1	30.9 %
EBITDA	**32.0**	24.3	7.7	31.8 %
Property, plant and equipment	**179.3**	156.2	23.1	14.8 %
Capital expenditure on intangible assets and property, plant and equipment	**23.1**	14.4	8.7	60.7 %
Number of employees (Dec. 31)	**409**	381	28	7.3 %

Specialty Chemicals

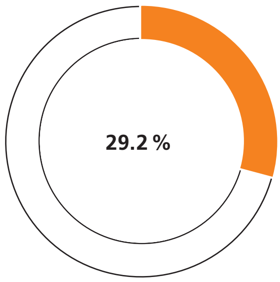
The product range of the Specialty Chemicals segment is particularly broad: Our manufactures range from phosphorus-based flame retardants, plasticizers and stabilizers to additives for hydraulic oils and admixtures formulated to improve the workability of fresh concrete. The traditional commodity trading business of the PCC Group and our quartzite quarry in Poland have also remained part of this segment to date.

The Specialty Chemicals segment comprises the Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA, the alkylphenol manufacturer PCC Synteza S.A., Kędzierzyn-Koźle (Poland), and the following companies: PCC Trade & Services GmbH, Duisburg (Germany), PCC Morava-Chem s.r.o., Český Těšín (Czech Republic), AO Novobalt Terminal, Kaliningrad (Russia), PCC Silicium S.A., Zagórze (Poland), and S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea (Romania). Overall, the Specialty Chemicals segment generated sales of € 199.3 million in the past fiscal year. The previous year's figure of € 161.9 million was thus exceeded by 23.1 %. This segment therefore remained the Group's strongest in terms of sales. At 360, the number of employees remained roughly at the prior-year level (353).

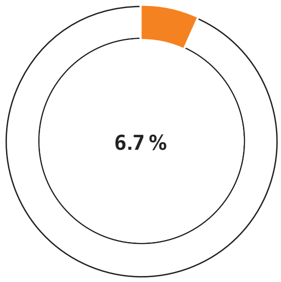
Once again, PCC Trade & Services GmbH was the main sales driver in the Specialty Chemicals segment in 2017. Although sales volumes of this portfolio company remained at the previous year's level, sales and operating profit rose significantly compared to 2016. As a consequence of additional tax demands resulting from the tax audit for the years 2011 to 2015, net income for the year – while still positive – remained below the corresponding figure for the previous year. The main reasons for the strong operating performance of PCC Trade & Services GmbH are the high price level for chemical commodities and the sharp rise in prices for coke breeze and coke fines over the course of the year. PCC Trade & Services GmbH continued to benefit from this trend beyond the turn of the year. The brisk demand for chemical commodities as well as coke and anthracite continued at the beginning of 2018 due to persistently strong economic development and the positive growth forecasts for both the chemical and steel industries. This positive trend should also rekindle the performance of PCC Morava-Chem s.r.o. in the coming months. The latter affiliate recorded a small loss in fiscal 2017, partly due to significantly lower sales to two previous major customers.

Key facts and figures for the Specialty Chemicals segment 2017

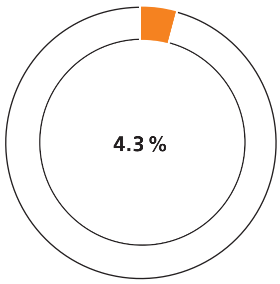
Share of Group sales
in %



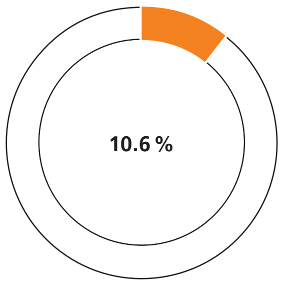
Share of Group capital expenditures
in %



Share of Group property, plant and equipment
in %



Share of Group employees
in %



Specialty Chemicals segment Figures in € m	**2017**	2016	Absolute change	Relative change
Net external sales, consolidated	**199.3**	161.9	37.4	23.1 %
Sales to other PCC segments	**22.0**	18.1	3.9	21.5 %
Total sales of the segment	**221.3**	180.0	41.3	23.0 %
EBITDA	**8.4**	5.7	2.7	47.4 %
Property, plant and equipment	**31.4**	26.8	4.6	17.2 %
Capital expenditure on intangible assets and property, plant and equipment	**6.8**	3.8	3.0	79.2 %
Number of employees (Dec. 31)	**360**	353	7	2.0 %

The alkylphenol producer PCC Synteza S.A. and the Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA again closed the 2017 fiscal year in better-than-expected positive territory. This gratifying trend also continued beyond the turn of the year and should be further strengthened by the expansion of alternative production facilities at PCC Synteza S.A. in cooperation with PCC Rokita SA.

In contrast, PCC Silicium S.A. ended fiscal 2017 with another loss, as had been expected. In particular, the previous primary business of this portfolio company, namely the sale of ballast for the construction of roads and railway lines, continued to operate at a deficit. Nevertheless, sales in this business unit increased significantly in the course of the year. The sale of quartzite grades not suitable for the silicon metal production of PCC BakkiSilicon hf, Húsavík (Iceland), also posted appreciable growth in 2017. The corresponding Eastern European customers have also already signaled regular purchases for 2018. Together with the quartzite consignments to Iceland (the first delivery took place in the fourth quarter of 2017), this should provide a stable basis for the future growth of this portfolio company. The investments required for extraction and processing of the quartzite grades destined for Iceland were largely completed in 2017. These investments have been financed by PCC SE.

The Specialty Chemicals segment also includes S.C. Euro-Urethane S.R.L., whose future remains strongly dependent on the further development of our second Romanian investment, S.C. Oltchim S.A., Râmnicu Vâlcea (32.34 % stake held by PCC SE), which is also a shareholder in S.C. Euro-Urethane S.R.L. The company S.C. Oltchim S.A. has been in regulated insolvency proceedings under Romanian law since 2013, in the course of which a restructuring plan was adopted in April 2015. The company was granted a total of 48 months to implement the plan. In 2015, S.C. Oltchim S.A. resumed production of polyols and oxo alcohols, among other chemical commodities. The debt level of the company was also cut back in 2015, as a result of which S.C. Oltchim S.A. was able to end that fiscal year with a positive result. The shares of S.C. Oltchim S.A. have since returned to trading on the Bucharest Stock Exchange (BVB). The published figures of S.C. Oltchim S.A. show a positive annual result for 2016 with an upward trend indicated for 2017. However, the new privatization process embarked upon in 2017 has not yet been completed. According to publicly available information, there are binding offers from prospective buyers for various assets, but the final decision of the creditors' committee is still pending. We are therefore awaiting further developments.

In the future, the Specialty Chemicals segment will focus even more strongly on the development of high-quality specialty products for customer-specific applications. To this end, PCC SE established PCC Specialties GmbH, Duisburg, and PolyU GmbH, Essen, two new German companies in 2017. Both companies have been consolidated since they were founded and will start operating in Germany in 2018.

Consumer Products

In the Consumer Products segment, our focus is on the production of household cleaners, detergents and personal care products. Private label products are manufactured for well-known discounters and retail chains as are, increasingly, PCC's own brands. Detergents and cleaning agents for industrial applications are also manufactured for supply to cleaning companies, hotels and restaurants, the food industry, agriculture and similar. The segment's product portfolio also includes matches and firelighters.

The segment is managed by PCC Consumer Products S.A., Brzeg Dolny. A further drop in sales was recorded in this segment in the fiscal year under review: After €24.1 million in the previous year, sales declined to just €21.8 million in 2017, a decrease of 9.8 %. The share of Group sales thus

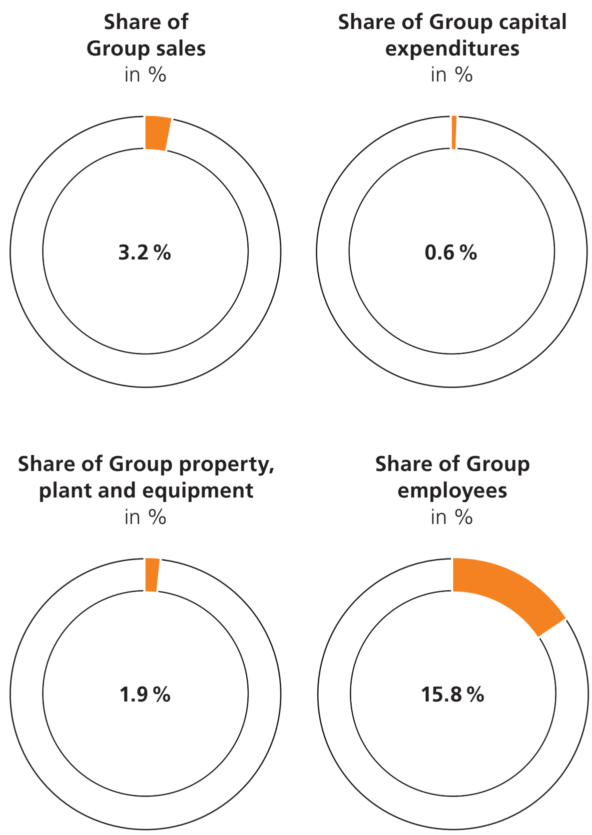
Consumer Products segment Figures in €m	**2017**	2016	Absolute change	Relative change
Net external sales, consolidated	**21.8**	24.1	−2.4	−9.8 %
Sales to other PCC segments	**0.5**	0.1	0.4	> 100 %
Total sales of the segment	**22.3**	24.3	−2.0	−8.3 %
EBITDA	**−3.7**	−2.4	−1.4	−58.2 %
Property, plant and equipment	**13.8**	14.2	−0.4	−2.9 %
Capital expenditure on intangible assets and property, plant and equipment	**0.6**	0.9	−0.3	−33.9 %
Number of employees (Dec. 31)	**537**	476	61	12.8 %

fell to 3.2 % (previous year: 4.2 %). As of the end of the past fiscal year, this segment employed 537 people (previous year: 476).

Again in 2017, developments in the Consumer Products segment were dominated by the performance of PCC Consumer Products Kosmet Sp. z o.o. ("PCC CP Kosmet"), Brzeg Dolny, which manufactures household cleaners, detergents and personal care products. Sales and earnings of this affiliate were again below the prior-year level and also significantly below expectations. The gap created by the now almost complete "disappearance" of what was once PCC CP Kosmet's biggest customer, has still not been filled. This customer started its own production operation in 2015 and has since successively reduced its purchases from PCC CP Kosmet. While PCC CP Kosmet attracted a number of new customers in Poland in 2017, and sales to customers in Belarus and Russia also stabilized due to the slight market recovery there, the company nevertheless closed fiscal 2017 with a substantial loss. The other investments of the PCC Consumer Products subgroup in Belarus and Russia, and the matches factory PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice (Poland), also failed to meet sales and earnings expectations in 2017 and reported losses at the end of the year. These, however, remained of subordinate relevance.

PCC SE continues to expect its consumer goods activities to recover in the long term. The further expansion of business in the Eastern European markets and in the direction of Asia (especially China), as well as the intensified development of our own labels combined with a complete redesign should lead to renewed growth at PCC Consumer Products Kosmet Sp. z o.o. in the coming years. For this reason, PCC SE decided at the beginning of 2017 to strengthen the equity of this affiliate through the intermediary holding company PCC Consumer Products S.A. with implementation of a capital increase of around € 7.3 million (PLN 32.0 million). Further capital injections (in the form of loans) are to follow in 2018. These are intended to cover the losses incurred and the liquidity requirements for the planned realignment of the business.

Key facts and figures for the Consumer Products segment 2017



Energy

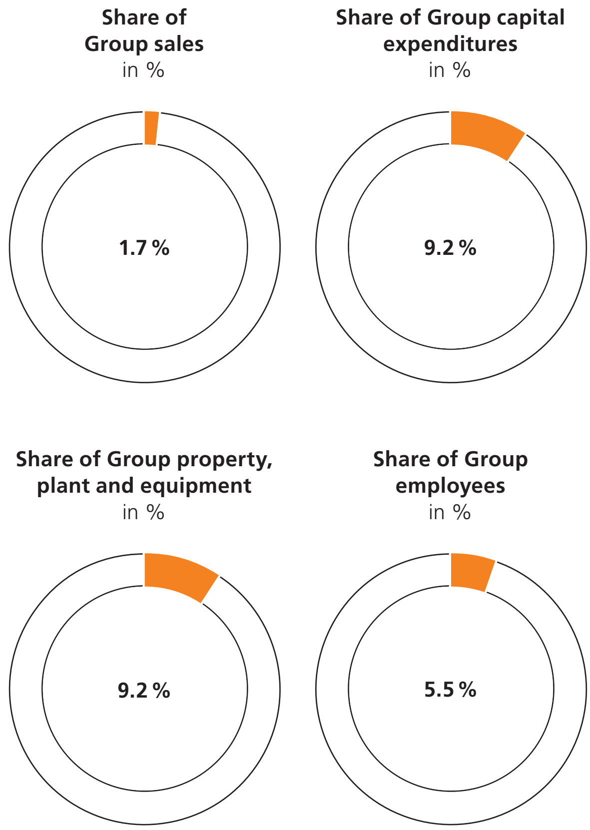
The Energy segment (equivalent to the Energy division) comprises two business units: Conventional Energies, which in particular supplies our major chemical site in Poland with electricity and process steam, and Renewable Energies, within which we plan and operate small hydroelectric power plants in Southeast Europe. So far, we have connected five of these environmentally friendly power-generating facilities to the grid.

In this segment, we manage on the conventional side the corresponding Energy business unit of PCC Rokita SA, and also PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle (Poland). PCC DEG Renewables GmbH, Duisburg, including its subsidiaries in Bosnia and Herzegovina, the Republic of Macedonia and Bulgaria, is also incorporated within the Energy segment. In the past fiscal year, the active affiliates in this segment generated sales of € 11.8 million (previous year: € 11.3 million). The number of employees at year-end was 186 (previous year: 183).

The main contributor to sales and earnings in this segment remained the Conventional Energies business unit with PCC Energetyka Blachownia Sp. z o.o., a utility company that operates in the energy and heat supply sector, and the Energy business operation of PCC Rokita SA. The activities of the latter include ensuring the power supply to our Brzeg Dolny site through its own power station.

In the Renewable Energies area, the number of small hydroelectric power plants in operation at the end of 2017 remained at five. One of these is in Bosnia and Herzegovina, with the other four in the Republic of Macedonia. Construction of a fifth power plant in Macedonia began in 2017 and is scheduled for completion in 2018. For the remaining three sites in Bosnia and Herzegovina, however, there are still some permits that have to be obtained. As before, there appears to be no end in sight to this lengthy process. The sale of the two portfolios in the respective countries, which PCC SE and its joint venture partner DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne, are striving to achieve, is also proving difficult due to their small scale. That said, the power plants in operation continued to generate relatively stable cash flows in 2017. However, earnings fell short of our expectations, partly due to the mild winter of 2016/2017 and the unfavorable hydrology that persisted in the further course of the year. The negotiations started in 2016 together with PCC DEG Renewables GmbH aimed at restructuring the existing debt finance at more favorable terms were successfully concluded in 2017. In parallel, further potential power plant locations were (and continue to be) regularly examined. All these measures are intended to make the portfolios in Bosnia and Herzegovina and the Republic of Macedonia more attractive to potential buyers. In addition, there are commitments in hydropower and wind power projects in Bulgaria, which are currently "on hold" because neither the political nor the economic conditions for implementation are conducive to their pursuit. We are therefore awaiting further developments.

Key facts and figures for the Energy segment 2017



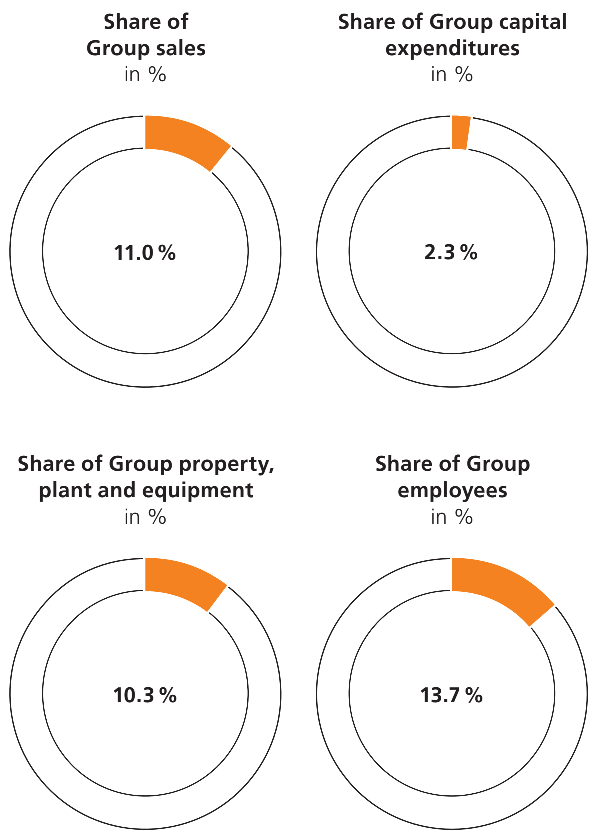
Energy segment Figures in € m	**2017**	2016	Absolute change	Relative change
Net external sales, consolidated	**11.8**	11.3	0.5	4.5 %
Sales to other PCC segments	**19.4**	19.3	0.2	0.8 %
Total sales of the segment	**31.2**	30.6	0.7	2.2 %
EBITDA	**7.2**	9.8	−2.6	−26.3 %
Property, plant and equipment	**66.7**	58.8	7.9	13.4 %
Capital expenditure on intangible assets and property, plant and equipment	**9.3**	6.7	2.6	39.8 %
Number of employees (Dec. 31)	**186**	183	3	1.6 %

Logistics

The Logistics segment (equivalent to the Logistics division) is divided into three business units: Intermodal Transport, Road Haulage and Rail Transport. PCC is one of Poland's leading providers of container transport services. The logistics network based on several wholly owned container terminals extends from Eastern Europe to the Benelux countries. PCC's tanker fleet specializes in the Europe-wide road haulage of liquid chemicals. In Russia, PCC maintains a fleet of broad-gauge railway wagons.

The Logistics segment includes the Polish company PCC Intermodal S.A., Gdynia, and its German subsidiary PCC Intermodal GmbH, Duisburg, as well as PCC Autochem Sp. z o.o., Brzeg Dolny, and in Russia ZAO PCC Rail, Moscow. The Logistics segment generated revenues of €75.2 million in 2017, 14.8 % more than the previous year's €65.5 million. The number of employees at the end of the fiscal year was 465 (previous year: 410).

Key facts and figures for the Logistics segment 2017



The Logistics segment was again dominated in 2017 by PCC Intermodal S.A., whose portfolio includes regular combined transport services both within Poland and on international routes starting from Rotterdam, Hamburg and Duisburg, among others. In the first months of fiscal 2017, the business performance of this affiliate fell significantly below our expectations. The number of containers handled temporarily fell sharply. The main reason for this was the temporary, artificial shortage of available shipping space, which ultimately led to increasing sea freight charges. This situation eased again in the course of the first half of the year. In addition, PCC Intermodal S.A. was able to win back some major customers at the end of the first quarter and thus successively and substantially increase the number of container handling operations. Especially on the corridor from Rotterdam to Poland strong growth was recorded, which continued beyond the end of 2017. As a result, PCC Intermodal S.A. has continued to expand its train services along this route. Thanks to this positive development, PCC Intermodal S.A. was ultimately able to exceed its sales targets and bring its 2017 fiscal year to a successful close overall. However, earnings remained below our expectations, partly due to the weak first quarter and an increased interest burden on existing debt. PCC Intermodal S.A. continued to work on optimizing its terminals in 2017, work that included the electrification of the tracks in Kutno with the financial support of PCC SE. Since 2017, the company has also been increasingly focusing on plans to use its own locomotives for the traction of its container trains. In the still tough competitive environment

Logistics segment Figures in €m	**2017**	2016	Absolute change	Relative change
Net external sales, consolidated	**75.2**	65.5	9.7	14.8 %
Sales to other PCC segments	**13.1**	11.2	1.9	17.0 %
Total sales of the segment	**88.3**	76.7	11.6	15.1 %
EBITDA	**7.7**	5.6	2.1	37.9 %
Property, plant and equipment	**75.1**	74.0	1.1	1.4 %
Capital expenditure on intangible assets and property, plant and equipment	**2.3**	2.7	−0.4	−15.3 %
Number of employees (Dec. 31)	**465**	410	55	13.4 %

of the global logistics business, this is intended to generate cost advantages over the competition, which should lead to earnings growth for this affiliate in the coming years.

Despite adverse conditions, the tanker haulage company PCC Autochem Sp. z o.o. was able to achieve a positive turnaround in 2017, although again falling short of our expectations. As in the past, it was not always possible to achieve maximum tank truck fleet operating rates. The reasons for this were, on the one hand, the loss of some major customers already suffered in 2016 (sometimes due to pricing) and, on the other hand, continuing problems in recruiting a sufficient number of drivers with the necessary qualifications; this has become increasingly difficult in Poland since the introduction of the minimum wage in Germany. However, the changes introduced in the sales strategy of PCC Autochem Sp. z o.o. in the previous year and an improvement in the wages and conditions offered to qualified drivers began to bear their first fruit in 2017. In addition, the further expansion of the tanker cleaning business is expected to lead to further growth and improved earnings at this affiliate in 2018.

Business performance at the Russian rail wagon operator ZAO PCC Rail again showed an upward trend due to the positive development of the Russian economy and the associated further increase in wagon tariffs compared with the previous year. Significant increases were recorded in both revenue and EBITDA in 2017. Our expectations for 2017 were likewise exceeded. 550 of the nearly 600 wagons of ZAO PCC Rail remained hired out to a subsidiary of Russian Railways. The rest of the wagons remained in service for a long-term customer. ZAO PCC Rail's cash flow therefore held stable in 2017, enabling this affiliate to repay a further portion of the loans received from PCC SE for investments in the wagon fleet. Another series of redemption payments is planned for 2018. However, due to the weakening of the Russian ruble against the euro, ZAO PCC Rail posted as of the reporting date significant expenses from exchange rate differences in the valuation of the euro loans received from PCC SE. As a result, it was unable to avoid closing fiscal 2017 with an overall loss. On the basis of the wagon hire situation described above, however, business development at ZAO PCC Rail should remain positive in 2018, at least on an operational level, not least because rail is destined to remain the most important mode of transport in Russia in the long term.

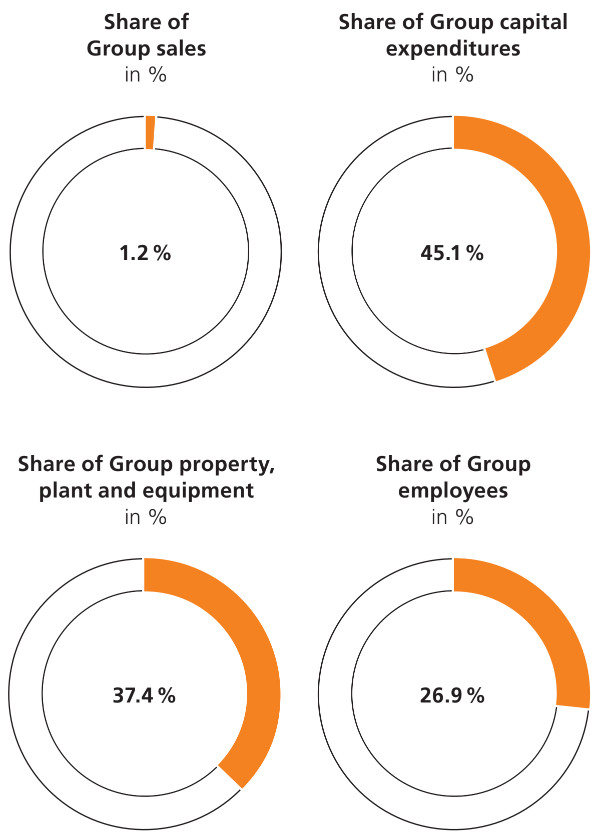
Holding / Projects

The Holding / Projects segment provides centralized and cross-segment services for the Group companies. This applies to the areas of finance, marketing and public relations, law, information technology, research and development, repair and maintenance, among others. In addition, projects of the PCC Group are managed in their development phase within this segment, as in the case of the silicon metal production plant currently being commissioned in Iceland and the dimethyl ether plant under construction in Russia.

In addition to the Group holding company PCC SE, the Holding / Projects segment (equivalent to the Holding / Projects division) includes the following portfolio companies: PCC IT S.A., PCC Apakor Sp. z o.o., LabMatic Sp. z o.o. and Ekologistyka Sp. z o.o., each based in Brzeg Dolny. These affiliates, supplemented by the Headquarters business unit of PCC Rokita SA, largely provide cross-company and intra-Group services. Also consolidated in this segment is distripark.com Sp. z o.o., Brzeg Dolny (a joint subsidiary of PCC Rokita SA and PCC SE). Products of the PCC Group and, since 2017, products of third-party suppliers are marketed directly to smaller customers (B2B) via the internet platform of

Holding / Projects segment (incl. consolidation) Figures in € m	2017	2016	Absolute change	Relative change
Net external sales, consolidated	**8.4**	6.9	1.5	21.8 %
Sales to other PCC segments	**38.5**	36.5	2.0	5.4 %
Total sales of the segment	**46.9**	43.4	3.5	8.0 %
EBITDA	**−3.3**	10.9	−14.2	>−100 %
Property, plant and equipment	**272.8**	254.1	18.7	7.3 %
Capital expenditure on intangible assets and property, plant and equipment	**45.8**	116.1	−70.4	−60.6 %
Number of employees (Dec. 31)	**911**	765	146	19.1 %

Key facts and figures for the Holding / Projects segment 2017



this portfolio company. Through distripark GmbH (formerly PCC Energy Trading GmbH), Essen, this activity was also extended to the German market in 2017. The liquidity of both start-ups was supported by loans from their parent companies, an approach that will continue in 2018.

In addition, the two project companies of PCC SE, the Icelandic entity PCC BakkiSilicon hf and the Russian joint venture OOO DME Aerosol, Pervomaysky, are incorporated in the Holding / Projects segment. The latter associate was consolidated using the equity method. Completion of the production plant for dimethyl ether (DME), which we are building together with a long-standing Russian partner in the Tula region, was delayed beyond the turn of 2017 / 2018. Production at this plant, for which our Russian partner will supply the raw material methanol, is now scheduled to commence in the third quarter of 2018. This project is partly financed by a Russian bank.

The commissioning of the PCC BakkiSilicon hf state-of-the-art silicon metal plant is scheduled for the second quarter of 2018. The first of the two electric arc furnaces was started up on April 30. The facility has a capacity of 32,000 metric tons per year, most of which has already been contracted to industrial customers in Germany. Since 2017, PCC SE has also been investing in the construction of homes for the future employees of PCC BakkiSilicon hf through PCC Seaview Residences ehf, Húsavík, which was founded in the previous year. This company is likewise consolidated in the Holding / Projects segment. Since 2017, Elpis Sp. z o.o., the joint project company of PCC Rokita SA and PCC Exol SA for their planned activities in Malaysia, has also been part of this segment.

Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) of this segment amounted to € –3.3 million in the past fiscal year and were thus significantly below the previous year's figure of € 10.9 million. However, this prior-year result included a positive one-off effect of € 9.5 million resulting from the gain on the disposal of so-called "White Certificates" awarded to PCC Rokita SA by the Polish government recognizing the achievement of certain energy efficiency parameters. These certificates were sold in 2016 through the Headquarters business unit of PCC Rokita SA and were thus booked to the Holding / Projects segment. The number of employees at the end of the fiscal year was 911 (previous year: 765).

Business development and financial performance

Development of selected Group indicators

Key financials of the PCC Group per IFRS		2017	2016	Absolute change	Relative change
Sales	**€m**	**683.2**	**568.9**	**114.2**	**20.1 %**
Polyols segment	€m	145.4	126.0	19.4	15.4 %
Surfactants segment	€m	120.5	101.5	19.0	18.7 %
Chlorine segment	€m	100.9	71.8	29.1	40.5 %
Specialty Chemicals segment	€m	199.3	161.9	37.4	23.1 %
Consumer Products segment	€m	21.8	24.1	–2.4	–9.8 %
Energy segment	€m	11.8	11.3	0.5	4.5 %
Logistics segment	€m	75.2	65.5	9.7	14.8 %
Holding/Projects segment	€m	8.4	6.9	1.5	21.8 %
Gross profit	€m	202.8	181.3	21.6	11.9 %
EBITDA [1]	€m	73.8	76.4	–2.6	–3.4 %
EBIT [2]	€m	41.0	48.2	–7.2	–15.0 %
EBT [3]	€m	13.6	24.6	–11.0	–44.7 %
Net result	€m	8.7	19.1	–10.4	–54.6 %
Gross cash flow [4]	€m	60.3	70.6	–10.3	–14.6 %
ROCE [5]	%	5.0	6.7	–1.7 [9]	–25.2 %
Net debt [6]	€m	632.9	563.7	69.2	12.3 %
Net debt/EBITDA		8.6	7.4	–1.2	–16.2 %
Group equity	**€m**	**139.1**	**135.0**	**4.1**	**3.0 %**
Equity ratio [7]	%	13.2	14.2	–1.0 [9]	–7.3 %
Return on equity [8]	%	6.3	14.1	–7.8 [9]	–55.3 %
Capital expenditures	**€m**	**101.4**	**159.3**	**–57.8**	**–36.3 %**
Employees (Dec. 31)		**3,389**	**3,032**	**357**	**11.8 %**
Germany		128	124	4	3.2 %
International		3,261	2,908	353	12.1 %

Rounding differences possible.

1 EBITDA (Earnings before Interest and other financial items, Taxes, Depreciation and Amortization)
2 EBIT (Earnings before Interest and other financial items, and Taxes) = Operating profit = EBITDA – Depreciation and amortization
3 EBT (Earnings before Taxes) = EBIT – Interest and other financial items
4 Gross cash flow = Net result adjusted for non-cash income and expenses
5 ROCE (Return on Capital Employed) = EBIT/(Average equity + Average interest-bearing borrowings)
6 Net debt = Interest-bearing borrowings – Liquid funds – Other current securities
7 Equity ratio = Equity capital/Total assets
8 Return on equity = Net result for the year/Average equity
9 Change in percentage points

Earnings position

Overall, the PCC Group ended fiscal 2017 with earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) of € 73.8 million, down € 2.6 million or 3.4 % on the prior-year figure of € 76.4 million. At € 683.2 million, PCC Group sales in 2017 were a substantial 20.1 % higher than the figure of € 568.9 million generated in 2016. With sales volumes remaining high, the upturn in commodity prices was particularly instrumental in generating revenue growth. Together, the segments of the Chemicals division recorded an increase in sales of € 102.5 million. Similarly, the Logistics division achieved an increase in sales of € 9.7 million. With an increase of € 0.5 million compared to the previous year, the Energy division saw its revenue levels remain virtually constant. The effect of changes in the scope of consolidation in 2017 was insignificant at less than 0.1 % of consolidated revenues.

For most of the PCC companies, the euro is not the functional currency. Consequently, exchange rate effects in the translation of sales and earnings figures have an impact on the consolidated income statement. On the basis of unchanged exchange rates compared to the previous year, PCC Group sales would have been € 670.2 million, a decrease of € 13.0 million or 1.9 %. The strengthening of the Polish złoty was a major factor in this regard.

In 2017, the PCC Group increased its gross profit by around € 21.6 million or 11.9 % to € 202.8 million (previous year: € 181.3 million). The gross margin amounted to 29.7 % (previous year: 31.9 %). The strategy of increasingly focusing on higher-value products and specialty chemicals in selected business areas supported the improvement in gross profit. The upward trend in crude oil prices and the generally good cyclical and macro-economic situation were the main drivers of the general increase in commodity prices.

Compared to the previous year, personnel expenses increased by 13.4 % from € 60.5 million to € 68.6 million. The number of employees rose by 11.8 % from 3,032 to 3,389 as of the reporting date. The increase in the number of employees occurred across all segments – not least due to the sustained growth of the PCC Group. In regional terms, 265 new jobs were created in Poland and 90 in the Other Europe region, the latter reflecting the increase in personnel for the silicon metal plant in Iceland.

At € 9.4 million, other operating income was € 13.3 million below the prior-year figure of € 22.7 million. This decrease is mainly due to the proceeds from the sale of all the so-called "White Certificates" awarded to PCC Rokita SA for the achievement of certain energy efficiency parameters resulting from the technology switch in chlor-alkali electrolysis in 2016.

New products and the further development of existing customer solutions are continuously being researched in the segments of the Chemicals division. Cross-company project teams are also formed for this purpose. The PCC Group posted research and development (R&D) expenses of € 3.5 million in the past fiscal year (previous year: € 3.3 million). In addition, two new companies were established in Germany in November 2017 with the aim of further developing the product portfolio of the PCC Group in the Specialty Chemicals segment based on both partially existing products and completely new solutions. Both are due to go into service in fiscal 2018.

Capital expenditures totaled € 101.4 million in 2017, € 57.8 million below the prior-year level of € 159.3 million. By far the largest portion of this figure was attributable to the Holding/Projects segment, and in particular construction of the silicon metal plant in Iceland. Also worthy of particular mention are ongoing replacement and expansion investments as well as projects in the Polyols and Chlorine segments. In addition, € 7.3 million was invested in the associate OOO DME Aerosol for its dimethyl ether project in Russia (previous year: € 1.7 million).

The revenue stream from the silicon metal project is expected to start flowing in the second quarter of 2018. The DME plant should start operations in the third quarter of 2018. The investments completed in the Polyols and Chlorine segments in 2017 should make positive contributions to sales, gross profit and the earnings results of the PCC Group throughout 2018. At the same time, all investments represent an increase in depreciation, amortization and interest expense in the consolidated statement of income. In the balance sheet, this effect was already largely reflected as of the 2017 reporting date in the increase in both non-current assets and non-current financial liabilities. Depreciation and amortization increased by 16.4 % from € 28.2 million to € 32.8 million in the past fiscal year.

Interest and similar expenses result from both liabilities from bonds and liabilities to banks and in the past fiscal year rose only slightly by 5.1 % from € 25.0 million to € 26.3 million. Both PCC SE and other Group companies were able to finance their activities at better interest rates than in the previous year. The weighted interest rate of all interest-bearing liabilities decreased from 5.37 % to 5.14 %. However, financial liabilities increased further in the wake of the capital expenditures made. Interest accruing on the creation of a qualifying asset is capitalized during the construction period.

Gains and losses arising from foreign exchange/currency translation differences are recognized under financial result. In fiscal 2017, these produced a net effect of € –3.3 million (previous year: € 0.1 million).

Compared to the previous year, earnings before taxes (EBT) decreased by € 11.0 million from € 24.6 million to € 13.6 million. As with EBITDA, the one-off effect of € 9.5 million from the sale of the aforementioned "White Certificates" in the previous year was a major factor in this regard.

Total comprehensive income of the PCC Group rose slightly from € 13.4 million to € 14.1 million.

Net assets

At € 1,057.3 million, total assets exceeded the billion euro mark in the past fiscal year, outstripping the previous year's figure by € 105.5 million or 11.1 %. Nearly two thirds of this increase was attributable to non-current assets. Intangible assets rose by € 2.3 million to € 35.2 million. A significantly greater increase was recorded in property, plant and equipment: The total here increased by 10.0 % from € 66.1 million to € 728.4 million, primarily as a result of the aforementioned investment program embarked upon by the PCC Group. By far the largest portion of these capital expenditures related to the construction of a silicon metal plant in Iceland, the commissioning of which began at the end of April 2018. In addition, replacement and expansion investments were made at the PCC Rokita SA site in Brzeg Dolny (Polyols, Chlorine and Energy segments). The decline in investment property results from a reclassification to assets held for sale and relates to properties attributable to the holding company PCC SE.

Assets relating to associates consolidated using the equity method increased to € 1.5 million versus the previous year. Included here is the addition of the Thai joint venture shares in IRPC Polyol Company Ltd., Bangkok. The joint venture OOO DME Aerosol, which is responsible for the development and construction of a dimethyl ether plant, has a balance sheet value of zero due to losses, as commonly incurred by project companies at this stage, being currently higher than the carrying amount of this investment. Together with the joint venture partner, PCC SE is financing 30 % of the total investment volume. The remaining 70 % is being financed by a Russian bank.

The decrease in non-current financial assets by € 3.7 million to € 8.8 million was mainly due to the valuation of long-term securities held on the reporting date.

Current assets rose by € 34.5 million to € 261.8 million. Inventories and trade accounts receivable increased from € 45.6 million to € 61.4 million and from € 67.5 million to € 80.5 million respectively due to the increase in commodity prices. Other receivables and other assets rose by € 11.0 million to € 41.0 million. This increase mainly related to other assets and resulted from the € 3.9 million increase in receivables from factoring companies resulting from the growth in our operating business involving commodities trading.

At € 78.1 million, cash and cash equivalents were € 5.9 million lower than in the previous year.

Non-current assets are reclassified as assets held for sale if there is a clear intention to sell them within the next 12 months. This item increased by € 2.7 million year on year to € 2.8 million, the rise being attributable to investment properties held for sale.

Financial position

Total equity of the PCC Group increased by € 4.1 million to € 139.1 million. Revenue reserves / other reserves decreased by € 1.5 million to € 98.9 million. Minority interests rose by € 1.4 million to € 45.4 million. Other equity items / other comprehensive income increased by € 4.2 million from € – 14.4 million to € – 10.2 million. This was mainly due to a decrease of € 6.1 million – from € – 21.3 million to € – 15.2 million – in negative foreign currency translation differences recognized directly in equity. The remeasurement of defined-benefit pension obligations resulted in no material change compared to the previous year. The fair value measurement of financial assets had an effect of € –1.9 million on equity as of the reporting date. The equity ratio decreased from 14.2 % to 13.2 % due to the balance sheet extension.

The long-term investments are financed with long-term borrowings. Non-current provisions and liabilities increased by € 67.8 million to € 658.2 million in 2017, with deferred tax liabilities decreasing by € 1.2 million to € 9.4 million. Non-current financial liabilities increased by € 68.1 million to € 601.6 million, due primarily to the increase in bond liabilities for financing investments. Other liabilities include deferred income which increased by € 1.3 million to € 41.3 million due primarily to deferred subsidies for some of the investment projects mentioned.

Of the bond liabilities in existence, PCC SE redeemed in full and on maturity a total of four during 2017: bond ISIN DE000A13R7R4 in the amount of € 10.0 million on January 1, ISIN DE000A14KJR0 in the amount of € 12.0 million on July 1, ISIN DE000A1R1AN5 in the amount of € 29.8 million on October 1 and ISIN DE000A162AN1 in the amount of € 14.0 million on December 1. This resulted in a total repayment volume of € 65.8 million for 2017. Within the same time period, five new bonds with interest rates of between 2.0 % and 4.0 % p.a. and different tenors and maturity dates were issued as of July 1, August 1 and October 1, 2017. The nominal issue volume placed by the end of the year totaled € 67.0 million. These funds were used for further investments in existing portfolio companies and ongoing projects, and also, in part, for the refinancing of the liabilities due in 2017. Aside from PCC SE, whose bonds are denominated in euro, other Group companies also issue bonds. Those issued by PCC Rokita SA and PCC Exol SA in Poland, denominated in złoty, had a value of € 77.1 million (previous year: € 50.0 million) as of year-end 2017. Compared to the previous year, the bond issued in US dollars by the equity partner of the Icelandic project company has a reduced value within the Group of € 3.1 million due to depreciation of the US dollar.

Current provisions and liabilities increased by € 32.8 million to € 259.2 million. This increase mainly related to trade account payables and can be explained by the growth in operating business. Other liabilities also increased, while current financial liabilities decreased. This increase was due to changes in liabilities arising from investments and the expansion of the factoring framework as a result of the sales growth.

Provisions for pensions and similar obligations and other provisions decreased by € 2.3 million to € 13.8 million (previous year: € 16.0 million).

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	78,072	83,969
Financial liabilities	710,928	647,637
Net financial liabilities	**632,856**	563,668

The net debt of the PCC Group rose from € 563.7 million to € 632.9 million in fiscal 2017. In particular, non-current financial liabilities increased due to the high level of capital expenditures implemented. At the same time, cash and cash equivalents decreased. Due to the also slightly lower earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) compared to the previous year, the ratio of net debt to EBITDA deteriorated from 7.4 to 8.6 in the year under review. As a result of the high investment volume continuing in 2018 and then declining from 2019, we currently expect to be able to achieve our medium-term goal of improving this figure to below 5.0 beyond the 2018 fiscal year.

Overall, the company management regards developments in our net assets, financial position and results of operations in fiscal 2017 as positive, due particularly to the earning power that has been maintained. Although expectations indicated in the prior-year reporting were not fulfilled in all businesses and areas, some business units nevertheless ended fiscal 2017 better than anticipated. Moreover, further major milestones were reached in 2017 aligned to the long-term improvement in our earnings position and further increasing our enterprise value.

PCC SE – Condensed report per HGB (German Commercial Code)

By way of supplement to the report relating to the PCC Group, we hereby submit in the following an appraisal of the performance and development of PCC SE, parent company of the PCC Group headquartered in Duisburg, Germany. At the core of the business activities undertaken by PCC SE is a commitment to the long-term engagement in and development of its portfolio business investments. One of our primary objectives in this regard is to create and continuously increase enterprise value. As a growth-led investor with a predominantly long-term view, PCC SE supports its affiliates and portfolio companies in their development and in the expansion of their respective strengths. Aside from the active management of our investment portfolio, our main tasks include the strategic management and control of our affiliated companies at home and abroad. A further focus lies on cross-group financing activities and market observation and advisory services with the purpose of further extending our group of companies aligned to competence-related diversification. We focus in particular on positioning ourselves in less competitive submarkets and market niches. We concentrate our investments primarily in the higher-growth regions of Eastern and Southeast Europe, and also more recently in Asia.

The annual financial statements of PCC SE are prepared in accordance with the German Commercial Code (HGB, the German GAAP). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed within the European Union (EU). This results in differences in the measurement and recognition principles applied, relating primarily to intangible assets, provisions, financial instruments, leasing transactions and deferred taxes.

As in previous years, the costs incurred by PCC SE in performing its holding company function are – with the exception of financing costs and the legal and consultancy costs arising in relation to planned new projects, acquisitions or divestments – allocated within the framework of a license fee agreement by means of a revenue-based formula to the companies included in the consolidation scope. Exempted from this rule are affiliates which, in 2017, did not generate any appreciable external sales or which have not yet adopted the PCC logo in their company style. Also exempted are affiliates of which the business operations were discontinued and which are now merely being wound down.

Business development and financial performance of PCC SE

Revenues of PCC SE increased in fiscal 2017 by €0.3 million from €4.4 million to €4.7 million. This is mainly due to the increase in recharge revenue from cost allocations that resulted from the significant year-on-year increase in revenues. As in the previous year, 2017 revenue was also generated from the rental of the company's own properties, the chartering out of the company airplane and from the leasing of employees. These revenues were offset by expenses for purchased services, personnel and travel expenses, and legal and consulting costs.

At €7.9 million, total other operating income was significantly higher than the prior-year figure of €3.0 million. This included €5.8 million in income from write-ups of financial assets, €5.0 million of which related to ZAO PCC Rail and €0.8 million to PCC Organic Oils Ltd., Accra (Ghana). The corresponding loans from PCC SE had been written off in 2014 for reasons of commercial prudence. Significantly rising sales and the positive growth prospects for the coming fiscal year then led to yet another write-up in 2017. This represents an increase of €5.8 million compared to the corresponding figure for the previous year (€17 k). In contrast, income from exchange rate differences decreased by €0.5 million from €2.3 million to €1.8 million. In addition, income of €0.3 million had been generated in the previous year from the sale of property, plant and equipment.

On the cost side, personnel expenses rose by €0.1 million to €5.2 million, mainly due to correspondingly higher bonus payments to the Managing Directors resulting from the improved net earnings result for 2016. Other operating expenses also increased, by €1.4 million to €12.2 million. One of the main causes lies in the rise in expenses from exchange rate differences of €1.1 million from €3.8 million to €4.9 million. In addition, foreign taxes in the amount of €0.3 million (previous year: €10 k) were recognized in 2017. And there was also an increase in the year-end accounting and auditing costs as well as in other expenses. By contrast legal and consulting costs and bond expenses showed a decrease compared to the previous year. In the case of bonds, this is due to the complete elimination of TV advertising costs. There were no allocations to specific valuation allowances in 2017 (previous year: €0.1 million).

Condensed statement of income of PCC SE per HGB (German Commercial Code) Figures in € k	2017	2016
Sales revenue	4,689	4,371
Other operating income	7,862	2,997
Purchased goods and services	–508	–781
Personnel expenses	–5,239	–5,131
Depreciation of property, plant and equipment and amortization of intangible assets	–788	–950
Other operating expenses	–12,158	–10,753
Income from investments	34,842	19,348
Other interest and similar income	6,139	6,160
Write-downs of financial assets	–792	–5,873
Interest and similar expenses	–17,647	–18,614
Taxes on income	–417	179
Earnings before taxes	**15,984**	**–9,048**
Other taxes	–299	–29
Net income (previous year: Net loss)	**15,685**	**–9,077**

Depreciation and amortization of intangible assets and property, plant and equipment decreased by € 0.2 million from € 1.0 million to € 0.8 million, largely due to write-downs for the "old" company airplane, which was sold in the course of 2017.

Income from investments rose significantly by € 15.5 million from € 19.3 million to € 34.8 million, this improvement once again being largely attributable to PCC Rokita SA. PCC Exol SA and PCC Energetyka Blachownia Sp. z o.o. also contributed to the income from investments.

At € 6.1 million, interest income remained at the prior-year level and, as in the previous year, was generated primarily by affiliated companies. Write-downs on financial investments were recognized in 2017 in the amount of € 0.8 million. The prior-year figure was € 5.9 million and mainly related to the year-end write-down of the carrying amount of PCC Consumer Products S.A.

Interest expenses decreased by € 1.0 million year on year to € 17.6 million, although liabilities from bonds amounted to € 303.6 million at the reporting date, € 27.8 million higher than the corresponding figure for the previous year of € 275.8 million. The explanation lies in the fact that the average interest rate for these bonds declined compared to the previous year.

As a result of these developments, the 2017 fiscal year closed with positive earnings before taxes (EBT) of € 16.1 million (previous year: € –9.2 million). After deduction of income tax and other taxes, net income for the year amounted to € 15.7 million. By contrast, the result for the previous year was a net loss of € –9.1 million.

Taking into account the distribution to the shareholder of PCC SE in 2017 from retained earnings, the aforementioned net income for the year led to the equity shown on the balance sheet rising from € 48.6 million to € 62.4 million. At the same time, liabilities increased by € 22.1 million from € 309.4 million to € 331.5 million, due primarily to the aforementioned increase of € 27.8 million in liabilities from bonds. Liabilities to affiliated companies exerted a countervailing effect: These decreased by € 6.7 million to € 3.5 million. As a result of these developments, the balance sheet total increased to € 394.6 million (previous year: € 358.4 million). Nevertheless, the equity ratio improved from 13.6 % to 15.8 %.

Liabilities from bonds amounted to € 303.6 million (previous year: € 275.8 million). In addition, there was an amount of € 3.8 million in liabilities from bonds still reported under other liabilities (previous year: € 2.0 million). In the course of 2017, four bonds with a total volume of € 65.8 million were repaid in full on maturity.

Condensed balance sheet of PCC SE per HGB (German Commercial Code)
Figures in €k

	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	356	406
Property, plant and equipment	13,334	14,260
Financial assets	311,540	273,598
Receivables and other assets	34,507	30,110
Securities	–	–
Cash on hand and credit balances at banks	34,622	39,587
Prepaid expenses	177	171
Deferred tax assets	101	315
Assets	**394,637**	**358,447**
Equity	62,409	48,574
Provisions	712	445
Bond liabilities	303,585	275,834
Bank liabilities	1,899	2,031
Trade accounts payable	238	345
Liabilities to affiliated companies	3,609	10,272
Other liabilities	10,984	9,871
Profit participation certificate	10,997	11,076
Deferred tax liabilities	203	–
Equity and liabilities	**394,637**	**358,447**

At the same time, four new bonds with interest rates of between 3.0 % and 4.0 % p.a. and different tenors and maturity dates were issued as of July 1 and October 1, 2017. In addition, a 2 % p.a. bond with a one-year tenor was issued on August 1, 2017. These funds generated from the new issuances were used for further investments in existing portfolio companies and ongoing projects, and also, in part, for the refinancing of the liabilities due in 2017.

On the assets side of the balance sheet, non-current assets increased from € 288.3 million to € 325.2 million. The main reasons for this were the increase in shareholdings in affiliated companies from € 196.5 million to € 211.7 million and the rise in loans to affiliated companies from € 64.8 million to € 87.0 million. At € 13.4 million, receivables from affiliated companies remained at the prior-year level. Overall, however, receivables and other current assets increased by € 4.4 million from € 30.1 million to € 34.5 million, essentially due to the increase in other assets. Bank balances amounted to € 34.6 million on the reporting date (previous year: € 39.6 million).

Cash flow from operating activities deteriorated from € 23.6 million to € 20.0 million despite the significantly higher net income for the year. This was primarily due to the substantial decrease in liabilities to affiliated companies (by € 6.7 million). In the previous year there had been an increase here of € 9.9 million. In contrast, a significant decrease of € 8.8 million was recorded for other assets in the previous year, whereas this item rose by € 3.1 million in 2017.

Overall, the company management regards developments in our net assets, financial position and results of operations in fiscal 2017 as satisfactory. The earnings result showed a significant improvement compared to that of the previous year. Although net income ultimately came in below our expectations, 2017 saw a number of major milestones achieved in the long-term improvement in our earnings position and enterprise value.

Opportunities for and risks to future development

Our increasing focus on higher-grade products and our planned diversification with respect to our sales markets will, in the view of the management, be the primary source of opportunity for the future growth of the PCC Group. Added to this are further modernization and expansion investments through which our market position in the individual segments is to be further extended.

Aside from general economic risks, there are also political risks in the form of the Russia-Ukraine conflict, which lie outside our control. However, the impact on the operating business of our portfolio companies from this conflict remains negligible. The situation could change if the EU were to extend its economic sanctions against Russia, or Russia were to impose corresponding export restrictions or other sanctions that specifically affect the business of a PCC company. At the time of preparation of this management report, however, such eventualities appear to be unlikely.

The US government's recent plan to impose punitive tariffs on steel and aluminum imports and any subsequent countermeasures by Europe, China and other economic nations could lead to an international trade conflict in the future with a correspondingly negative impact on global economic growth. It remains to be seen what consequences this may have for the future development of the PCC Group.

Other indirect factors that could affect the performance of our investments and thus their dividend payments to PCC SE include price change and default risks. The latter should be eliminated as far as possible through the conclusion of commercial credit insurance policies by our portfolio companies. Price change risks are minimized through the conclusion of back-to-back transactions, through price formulas and/or through the use of price hedging instruments.

In addition, both PCC SE and the operationally active portfolio companies are exposed to the risk of changes in interest rates and foreign exchange parities. However, these can be at least partially eliminated by hedging transactions. The foreign exchange rate and foreign currency risk encountered in the PCC Group should be significantly reduced once the euro has been introduced into Poland as its official currency.

Our affiliates in the Chemicals division are, in particular, also exposed to the risk of rising environmental protection costs in the wake of increasingly stringent waste, effluent and other pan-European environmental regulations. Investment requirements possibly resulting from these could, in the future, have a negative effect on the earnings position of this division and thus also on the dividend flows from the affiliates concerned to PCC SE. The same applies to possible additional charges arising in the future in connection with the EU regulation REACH (European legislation on the registration, evaluation, authorization and restriction of chemicals) which came into force on June 1, 2007. The utilization of further potential for savings may, however, compensate to some extent for any additional costs incurred.

In our financial planning, we continue to anticipate regular liquidity inflows arising in the future from the issuance of corporate bonds. Increasing obstacles within the SME bonds market segment could possibly – at least temporarily – lead to liquidity bottlenecks. This risk is to be countered over the long term through the acquisition of alternative financing sources, including at the institutional level. However, the latter will require the satisfaction of certain prerequisites including a significant reduction in our debt ratio, an objective on which we will be increasingly focusing in the coming years. In addition, work is continuing to replace some of the liquidity loans granted to subsidiaries by bank loans.

Internal control system and risk management in relation to the group accounting process

The consolidated financial statements of PCC SE as of December 31, 2017 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable on the closing date and as adopted in the European Union (EU), and in supplementary compliance with the statutory disclosure requirements specified in Section 315e (1) HGB (German Commercial Code).

The consolidated financial statements are prepared within the PCC Group in a multi-stage process using standardized consolidation software supplied by IDL GmbH Mitte. The pre-consolidated financial statements of individual subsidiaries, duly audited by their own auditors, are incorporated by PCC SE within the consolidated financial statements. Responsibility for advice and support with respect to the consolidation system, for the consolidation chart of accounts standardized across the Group, and for implementation of the consolidation adjustments, lies with PCC SE. The companies incorporated within the consolidated financial statements are required to abide by standard accounting and financial reporting guidelines. These also specify the recognition and valuation principles to be applied in compliance with the provisions of IFRS.

All the companies included in the consolidated financial statements are provided with a binding, uniform calendar of due dates for the preparation of their financial statements and completion of the associated audits. Automated and manual checks and controls are integrated at every stage of the process. Procedural rules ensure that all business transactions and the preparation of the annual financial statements are recorded, processed and documented in full, promptly, accurately and with correct period allocation. Before the final submission to PCC SE, a quality-assuring review process is performed within the subsidiaries of the PCC Group by their own executive bodies or with direct involvement of their management. This internal procedure concludes with a formal written confirmation of the system's effectiveness together with a signed release of the financial statements of the individual companies and related information for incorporation in the consolidated financial statements.

Internal control system and risk management in relation to the ongoing control of affiliates

PCC SE controls its affiliates on the basis of a rolling three-year planning regime with the budget for the current fiscal year being reviewed twice annually. Any necessary adjustments are documented in Forecast I or Forecast II, as the case may be. However, the original budget remains the point of reference for the ongoing monthly reporting of the individual companies. The binding submission dates for budget planning, Forecast I and Forecast II, and also the individual monthly reports are communicated and agreed for the following 12 months at the end of each fiscal year on the basis of a Group-wide reporting calendar.

The current performance of the individual affiliates is the subject of regular review meetings. These are attended not only by members of the Group financial control and performance management team but also by members of the associated departments of the individual affiliates/business units and also the senior management of PCC SE together with the management or business unit director of each individual entity. The Managing Directors and the members of the Administrative Board of PCC SE also perform supervisory board duties at various affiliates. Both within these oversight bodies and in the aforementioned review meetings, any deviations from budget at the affiliates/business units are discussed and countermeasures considered. The implementation of the latter is the responsibility of the local management in each case.

In addition, PCC SE aided by a treasury information platform available throughout the organization continuously reviews the development of the liquidity situation and exposure to foreign exchange fluctuations within the Group. Aside from weekly cash flow reports, the Group Controlling department also prepares a six-month liquidity plan – updated at the beginning of each month – on the basis of the data and information submitted. Liquidity planning at PCC SE is undertaken by senior management with a 24-month horizon in respect of loan financing. The information is then made available to the Administrative Board. Fluctuations in liquidity and temporary cash requirements in the individual entities and segments can thus be quickly identified and then resolved within the Group.

Sustainability report / Non-financial report

The section "Sustainability report/Non-financial report," which contains the information pursuant to Sections 289b to 289e HGB (German Commercial Code) and Sections 315b and 315c HGB, is not subject of the audit pursuant to Section 317 (2) sentence 4 HGB.

The pursuit of sustainable development as a means of securing and protecting the future is a core component of our long-term strategy. We constantly align the management and optimization of our international investment portfolio to extending our corporate values while also focusing on the creation of new and increasing enterprise value. Realizing this sustainability in an economic sense is the core task of the Group holding company PCC SE. Above all, this entails ensuring responsible business management aligned to reducing our exposure to financial and operational risks. The essential economic component of sustainability goes hand in hand with other aspects: for example, the protection of the environment and natural resources or responsible action in our social environment. Our growth should not restrict the opportunities available to future generations – on the contrary: economic success and the assumption of responsibility for the creation of ecological and social benefit are mutually dependent. This holistic understanding of sustainable development is the basis of our value-led growth strategy. We attach particular importance to credible and transparent communication with all our stakeholders.

On the following pages we present the components of the Sustainability Report of the PCC Group:

→ **Brief description of the business model**
→ **Corporate social responsibility at PCC**
→ **Sustainability in the PCC Group companies**
→ **Non-financial report**

Brief description of the business model

PCC is an internationally active group of portfolio companies and affiliates led by the Duisburg-based holding company PCC SE. The PCC Group employs more than 3,300 people in Germany and around the world. The Chemicals division generates by far the largest share (86.0 %) of Group sales, followed by the Logistics division. The Energy and Holding/Projects divisions make only marginal contributions to revenues. Consolidated sales in fiscal 2017 amounted to €683.2 million.

The Group strategy of PCC is aligned to sustainable business investments and operational development with the aim, in particular, of generating further enterprise value. As a growth-led investor predominantly aligned to the long term, the holding company PCC SE supports its portfolio of affiliated businesses in their entrepreneurial development and in the expansion of their various specific strengths. The existing investment portfolio is subject to a regime of proactive management and continual optimization. Group policy encompasses both ongoing scrutiny of further projects and acquisitions with the objective of competence-related diversification into new market segments, and engagement in other non-core activities that we develop only to a certain degree of market maturity and then offer for sale. Overall, this approach is intended to create the basis for further sustainable growth going forward.

The largest site of the PCC Group is located near Wrocław, Poland. There, PCC manufactures chemicals such as polyols, chlorine, surfactants and resin additives for the automotive, furniture, detergent and plastics industries, among others. As an example, the proprietary polyol Rokopol iPol® manufactured there is the primary component in the production of cold-cure foam for particularly comfortable foam mattresses. Our container logistics connect European destinations, partly via our own transshipment terminals, and in the Energy segment we operate a number of modern power plants. Within our Holding/Projects segment, we have recently commissioned a silicon metal production plant located in Iceland.

Corporate social responsibility at PCC

Our sense of CSR or corporate citizenship reflects our entrepreneurial and societal awareness and forms the foundation of our sustainability strategy. For us, corporate social responsibility means that we listen to and properly take into account the concerns of all stakeholders related to or associated with our Group. As an international conglomerate operating in many different markets, PCC maintains in some cases very close relationships with a wide variety of interest groups: These include our employees from various cultures, our customers and suppliers, the residents neighboring our

40 locations in 18 countries, subscribers to our bonds, institutional investors and banks, but also government and public institutions such as regulatory authorities or universities. In addition, our entrepreneurial activities may also influence the quality of life of future generations, which we also regard as "stakeholders" in the broader sense.

In practice, CSR at PCC means, for example, that we do not tolerate corruption, that we guarantee the safety of our employees in the workplace and that we always comply with environmental regulations. By adhering to rules of this kind, we make socially accepted standards our own, thus also adding further weight to them. As a conscientious corporate citizen, we are also committed to adhering to ever more exacting standards: for example, in the resolute support of environmental protection initiatives or the principle of maintaining open and transparent communication with all interest groups.

To this end, we have developed special precepts based on our general sustainability guidelines for those areas in which the interests of the respective stakeholders intersect with ours. One example of this is our Code of Ethics. This is binding for all employees in the Group and stipulates, among other things, the rules of fairness and reliability that apply in our dealings with colleagues and with our business partners.

We also engage in regular dialog with our stakeholders – a process that helps us meet their expectations and find the right responses to emerging trends in our markets and in society. Examples of this are our information evenings for current and potential investors, which we hold annually in several German cities, and the Investors' Day, always held in early summer, for which we invite our bond subscribers to our Group headquarters in Duisburg-Homberg.

The holding company PCC SE assumes responsibility for strategic positions and mission statements in Group-wide areas such as transparency in communication with our bond subscribers. Meanwhile, the individual PCC Group companies serve as the actual drivers of the dialog with our diverse interest groups at our different sites. Working on its own initiative, PCC Exol SA has, for example, played a pioneering role in both CSR reporting and sustainable surfactant production. As part of its sustainability reports, our subsidiary regularly conducts interviews with representatives from its social and business environment, the results of which are used in the evaluation and orientation of its sustainability commitment. Our largest Group company, PCC Rokita SA, has also stepped up its commitment to CSR and hence in 2017 was again included in the RESPECT index of particularly sustainable companies listed on the Warsaw Stock Exchange.

Sustainability in the PCC Group companies

PCC's sustainability policy:

→ PCC SE and all companies of the PCC Group are committed to an ethical and sustainable approach in all business activities.

→ All actions are based on the principles of the worldwide Responsible Care® initiative. This represents the efforts of the chemical industry to continuously improve environmental protection and occupational health and safety – irrespective of legal requirements.

→ PCC strives for a corporate culture in which continuous improvement, sustainable competitiveness and outstanding performance are in line with ethical standards.

→ PCC assumes ethical responsibility for sustainable, economically effective, ecological and fair business practices.

→ The Group's social responsibility is an integral part of the corporate philosophy.

→ All employees of the PCC Group are trained according to their function, authority and qualifications to assume the responsibilities incumbent upon them.

→ Our sustainability strategy is implemented in practice by the individual PCC companies in our Group segments, i.e. our five Chemicals segments and the Logistics, Energy and Holding/Projects segments.

The recent history of PCC Rokita SA, for example, shows how sustainability is successfully implemented at PCC. The company is the main sales and earnings generator of the PCC Group and is one of Poland's largest chemical companies. PCC Rokita SA is the largest chemical producer in Lower Silesia. Through substantial investments in the modernization and expansion of production capacities, we have not only formed with PCC Rokita SA a flourishing chemical subgroup in the past almost 15 years, but also created what is now an important factor for the region, for example as a major and multi-award-winning employer. PCC Rokita SA also supplies large parts of the town of Brzeg Dolny – about 25 kilometers northwest of Wrocław – with environmentally friendly heat through its modern cogeneration plant.

At the end of last year, PCC Rokita SA was again included in the RESPECT sustainability index, the only ranking of its kind in Central and Eastern Europe, as one of only 28 companies – only two of them from the chemical industry – among the nearly 500 companies listed on the Warsaw Stock Exchange. In addition, PCC Rokita SA was recognized with the "Klony" award by the Polish Bank Ochrony Środowiska (Bank for Environmental Protection) in the category "Significant Environmental Impact," in particular for the complete switchover of its chlorine production operation to the environmentally friendly membrane process. The award is given annually for the environmentally and socially compatible development of companies to improve the quality of life of the inhabitants in the respective regions.

The other companies of PCC are also extending their commitment to sustainability, above all PCC Exol SA, the surfactants manufacturer of the Group. One of the main product groups manufactured in the production facilities of PCC Exol SA is that of feedstocks for the cosmetics industry. In addition to economic and ecological aspects, one of the most important criteria for the qualification of suppliers of cosmetic raw materials is the system of Good Manufacturing Practices (GMP) certified by the European Federation for Cosmetic Ingredients (EFfCI). PCC Exol SA is the first company in Poland to implement and register this system. One of the most important requirements for the approval of suppliers by customers from the group of international cosmetics and detergent manufacturers is the reporting of environmental impacts within the framework of the Carbon Disclosure Project (CDP). PCC Exol SA's goal here is to reduce CO_2 emissions by 15 % between 2015 and 2020. The company has developed and implemented an energy management system with a view to achieving this target.

Taken as a whole, the five PCC Chemicals segments exemplify the sustainability commitment of the individual PCC production units. They continue to increase the efficiency of their production facilities, they are introducing increasingly advanced and environmentally friendly technologies, and their chemical innovations improve the quality of products that many people use in their everyday lives. In this way, the Chemicals division not only ensures its long-term business success, but also contributes to the protection of resources, the climate and our natural environment. In our companies, we also explicitly promote the social commitment of our employees.

As a rapidly growing chemical producer, PCC is part of a key industry of the 21st century. The intensive work of scientists and researchers in the chemical industry, including in PCC laboratories, is increasingly focused on developing new product concepts that are not only economically efficient but also environmentally friendly. For example, the innovative chemical substances used by our chemical companies ensure that hydraulic oils need to be changed less frequently and that houses can be thermally insulated more effectively; they enable the production of cosmetics that are even more skin-friendly, and of foams that are not only comfortable but also virtually emission-free and exceptionally flame-retarding. Our ambition reads: Our chemistry should not only be creative and innovative, but also sustainable.

The companies in our Chemicals segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products thus pursue sustainability in the first instance in what they produce: new developments that contribute to making products in many sectors more durable, safer and more environmentally sound. Secondly, we pursue sustainability in how we produce our chemical products and applications. We are conserving the planet's limited raw material resources by ensuring their increasingly efficient use – for example, in Ghana, West Africa, we are currently developing a sustainable supply chain for palm kernel oil as an input material for our surfactant production. And we are protecting our climate by further improving our emission avoidance technology. By completely switching our chlorine production to energy-efficient and environmentally acceptable membrane technology, for example, we have – since 2015 – been able to cut emissions by 750 kilograms of CO_2 per metric ton of caustic soda produced, compared to the conventional amalgam process. Our production meets high environmental standards and we often satisfy new requirements long before they come into force. For example, with the technology switch in chlorine production, we were almost three years ahead of new EU regulations.

Initiatives and certifications

The goal of firmly anchoring sustainability in all companies of the PCC Group is also served by the involvement of PCC units in a large number of certification procedures, the signing of public agreements and membership in initiatives. Several awards and high ratings in sustainability rankings, especially in the case of our production companies PCC Exol SA, PCC Rokita SA, PCC Synteza S.A. and PCC Consumer Products Kosmet Sp. z o.o. ("PCC CP Kosmet"), serve to strengthen our strategic resolve in this regard. For example, three of our companies have been awarded a "Gold" certificate in the renowned EcoVadis sustainability ranking: PCC Exol SA, PCC Synteza S.A. and PCC CP Kosmet thus count among the companies with the best international ratings.

Documenting and communicating sustainability to the outside world raises awareness within our Group of its importance. It encourages beneficial interaction with "like-minded" companies and also enables us to benchmark our progress in both absolute terms and in comparison to our competitors. And we are enthusiastically involved in initiatives to promote sustainable chemistry. Because this is also how we secure our future – in very much our own interest. The main certifications and initiatives are each assigned to the five sustainability aspects indicated in the following section.

Non-financial report

In accordance with the CSR Directive Implementation Act (CSR-RUG) adopted on April 19, 2017, the PCC Group is publishing a non-financial report pursuant to Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) for the first time in respect of fiscal 2017 and will then do so annually thereafter. PCC SE will henceforth present its non-financial group report as part of the management report. At the company level, use will be made of the exemption clause. Unless otherwise stated, the performance indicators relate to the companies included in the scope of consolidation. No adjustments are made in respect of the previous year to reflect adjustments to the scope of consolidation in the year under review.

This non-financial report is based on the requirements of the German Sustainability Code (DNK) and summarizes the key facts on the five aspects of environmental issues, employee issues, respect for human rights, social issues and the fight against corruption and bribery. In addition, the general section of this non-financial report describes measures and initiatives of the PCC Group and individual companies that demonstrate our Group's multifaceted commitment to corporate social responsibility.

Below you will find key non-financial metrics of the PCC Group relating to the five sustainability aspects mentioned, and corresponding policy guidelines, risks and measures to reduce and avoid them, plus our related goals. Our approach here is to present the PCC Group as a whole and refrained from mentioning individual affiliates.

1. Environmental issues

The environmental domain particularly affects the interests of local communities, such as the residents neighboring our sites. Here we are committed to complying with all applicable regulations, rules and standards with regard to environmental protection and, in addition, to pursuing all our investments on the basis of advanced, environmentally compatible, yet economically efficient and, in particular, energy-saving technologies. In addition to the safety of our employees, the preservation of the environment takes top priority for us. We therefore protect it, for example, through the responsible use of raw materials and the reduction of energy consumption and greenhouse gas emissions.

PCC policy in relation to environmental issues

The great importance we attach to environmental protection in the PCC Group determines the choice of production processes and products as well as informing our commitment to sustainability and safety. This is also written in our Code of Ethics, which is binding for the entire PCC Group.

We implement all our investment projects using modern, environmentally acceptable and thus also energy-saving and economically efficient technologies.

PCC strives to minimize raw material and energy consumption in its production processes and continuously analyzes possibilities for improving working methods, production processes and products. Our aim here is to ensure that they are safe and acceptable to employees, customers, the public and other stakeholders.

Every employee is jointly responsible for the protection of people and the environment in his or her working domain. The laws, regulations and internal guidelines on environmental protection, health, plant safety and occupational safety must be strictly observed at all times. Every line manager and supervisor is obliged to instruct, supervise and support his or her employees in the exercise of this responsibility.

The commercial exploitation of natural resources such as air, water and soil may generally only take place within the framework of a previously granted permit. The same applies to the construction and operation of production facilities as well as their modification or expansion. Any unauthorized release of substances must be avoided.

Waste must be disposed of in accordance with statutory regulations. If third parties are involved for this purpose, it must be ensured that they also comply with prevailing environmental regulations and the corresponding specifications of PCC.

Measures

PCC's business activities have an impact on the environment, particularly in the area of our chemical production. Significant environmental impacts include emissions of air pollutants, consumption of raw materials and feedstocks, handling of hazardous substances, usage of water and energy, wastewater pollution, waste disposal, accidents and noise emissions.

The companies of the PCC Group continuously analyze all areas and activities that could have an impact on the environment and the efficient use of resources. In doing so, PCC carefully takes into account the information provided by all interest groups, in particular local residents. This dialog with local stakeholders is conducted by the respective Group companies.

To conserve the environment and resources, we in the PCC Group – and particularly in the Chemicals division – pursue all our investment projects on the basis of advanced, environmentally compatible technologies that are, above all, both energy and economically efficient. One example of this is the switchover of our chlorine production technology to the environmentally acceptable membrane electrolysis process, which was completed in 2015. This energy-efficient technology has enabled us to significantly reduce electricity consumption by around 30 % and thus also substantially reduce CO_2 emissions: Compared to the conventional amalgam process, we save 750 kilograms of CO_2 per metric ton of caustic soda produced. This technology switch has also meant that mercury, which had previously been used for chlorine electrolysis, has been completely eliminated from the production cycle. Another example is our silicon metal production plant in Iceland, the commissioning of which began at the end of April 2018. It has been designed as one of the most advanced in the world, in both economic and environmental terms. The plant's power requirement is entirely covered by renewable energy sources – above all the use of geothermal energy – and the installation of state-of-the-art electrostatic precipitators means the facility operates virtually free of dust emissions.

The mainstay of our Logistics segment is intermodal container transport, an operation that efficiently combines environmentally friendly rail and flexible road transport. Compared with pure road transport, our combined intermodal transport enabled emission savings of more than 158,836 metric tons of CO_2 in 2017 against a total capacity of 2,020.4 million ton-kilometers, compared with 166,495 metric tons of CO_2 against 2,115.4 million ton-kilometers in the previous year (calculated on the basis of data from the Federal Environment Agency – reference year 2016 – dated March 8, 2018. Source: TREMOD 5.72).

In the Energy segment, we reduced dust emissions from 50 to 20 milligrams per cubic meter by installing modern electrostatic precipitators at our combined heat and power plant, a cogeneration unit that we commissioned at the Brzeg Dolny chemical site in 2008. As a result, the plant is operating even more substantially below the current limit value of 100 mg/m³ applicable in Poland. In the Renewable Energies business unit, our focus is on the construction and operation of small hydropower plants, which are known for their particular environmental compatibility due to their relatively low impact on nature. Five of these units, four in the Republic of Macedonia and one in central Bosnia, have so far been connected to the grid, enabling CO_2 emission savings averaging over 22,000 metric tons per year (annual average) – calculated in comparison to the CO_2 emissions of the regional electricity supply. The four Macedonian hydropower plants were officially registered by the UNFCCC as climate protection projects under the Kyoto Protocol back in 2013.

Numerous certifications, the signing of public agreements and membership of initiatives document the commitment of PCC's affiliates and portfolio companies to environmental issues:

Certifications and initiatives in relation to environmental issues

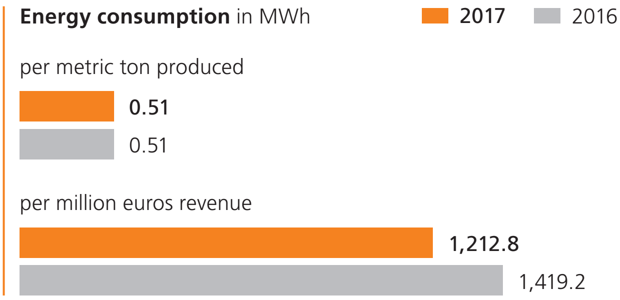
Certification / Initiative		Company
Certification of environmental management systems to ISO 14001:2004		– PCC Rokita SA – PCC Exol SA – PCC CP Kosmet – PCC MCAA – LabAnalityka Sp. z o.o. (LabAnalityka)
Certification of quality management systems to ISO 9001:2008		– PCC Rokita SA – PCC Exol SA – PCC CP Kosmet – PCC MCAA – PCC Autochem – LabAnalityka – LabMatic Sp. z o.o.
Certification of energy management systems to ISO 50001:2011		– PCC CP Kosmet – PCC Rokita SA – PCC Exol SA
Certification in Good Manufacturing Practice (EFfCI)		– PCC Exol SA
Certification in Good Manufacturing Practices – Cosmetics – to ISO 22716		– PCC CP Kosmet
Membership of the global chemistry industry initiative Responsible Care®		– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC Consumer Products Kosmet Sp. z o.o. (PCC CP Kosmet)
Inclusion in the Global Compact of the United Nations		– PCC Exol SA
"Gold" and "Silver" ratings of the sustainability platform for CSR reporting, EcoVadis		– PCC Exol SA (Gold 2017) – PCC Rokita SA (Silver 2017) – PCC CP Kosmet (Gold 2017) – PCC Synteza S.A. (Gold 2018)
Membership of CEFIC & CESIO covering the safe usage of surfactants		– PCC Exol SA

Certification / Initiative	Company
Product certifications through Ecocert according to the cosmetics standard COSMOS: Ecocert Cosmetics and Ecocert Cosmos	– PCC Exol SA
Certified member of the Roundtable on Sustainable Palm Oil	– PCC Exol SA
Participation in the Carbon Disclosure Project aligned to combating climate change	– PCC Exol SA
Inclusion in the “Green Chemistry Cluster” (Poland) aligned to promoting sustainable innovation	– PCC Rokita SA
Member of the initiative “Charter for Sustainable Cleaning” of the A.I.S.E.	– PCC CP Kosmet
BRC production standards certificate issued by the British Retail Consortium	– PCC CP Kosmet
Listing in the RESPECT sustainability index of the Warsaw Stock Exchange	– PCC Rokita SA

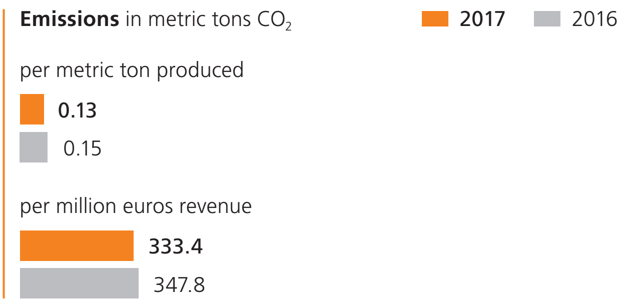
Performance indicators

The PCC Group determines the performance indicators relevant to its business activities on an annual basis. In addition to greenhouse gas emissions (GHG) in the definition of Scope 1, these include both energy consumption and water usage within the environmental domain. Scope 1 defines greenhouse gas emissions arising directly from our own assets or those controlled by PCC companies. In the case of energy consumption, all energy sources are recorded together, i.e. electricity, gas, heat, steam, fuel oil, gasoline and diesel, without any distinction being made in the data record. The water usage data relate to both water for the production process and wastewater. Similarly, we do not differentiate as to whether usage, consumption or emissions are due to the manufacture of a saleable end product or to internal further processing.

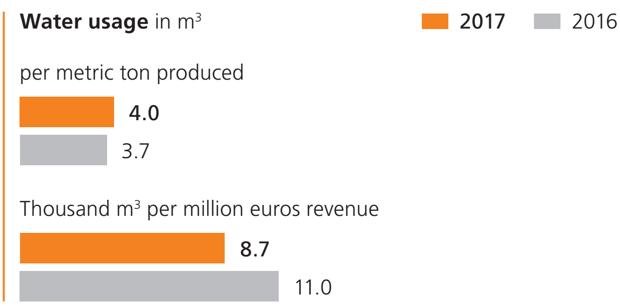
The specific energy consumption of our affiliates in the segments of the Chemicals division amounted to 0.51 MWh per metric ton produced, with the figure unchanged from the previous year. A total of 828,551 MWh (previous year: 807,418 MWh) of energy was used. Of this amount, 55,568 MWh or 6.7 % (previous year: 61,624 MWh or 7.6 %) was generated from renewable energy sources.



Absolute greenhouse gas emissions rose by 15.1 % year on year from 197,879 to 227,795 metric tons of CO_2 equivalents. Most of the greenhouse gas emissions were attributable to carbon dioxide (CO_2). Specifically, i.e. in relation to sales, emissions of greenhouse gases were reduced by 4.1 % compared to the previous year, as the following chart shows.



Water usage and wastewater generation are mainly due to the manufacturing process of our affiliates in the Chemicals division. Absolute water consumption was reduced by 5.5 % compared to the previous year. In relation to the volumes produced in the aforementioned business areas, specific water consumption amounted to 3.7 m³ per metric ton produced, representing a decrease of 8.3 %.



Goals

In the long term, the PCC Group aims to reduce specific consumption, particularly of energy and water. At the same time, the proportion of energy supplied from renewable energy sources is to be increased. The specific emission of greenhouse gases is to be further reduced.

Our new silicon metal production plant in Iceland will make a major contribution to reducing specific greenhouse gas emissions after taking into account those arising from the use of externally generated electricity included in Scope 2. Despite the projected increase in absolute emissions, the specific values will continue to improve as the plant's CO_2 emissions in Iceland are well below the global average of comparable production facilities. In addition to the high plant efficiency, the reason for this lies particularly in the exclusive use of electricity from renewable energies to power production.

2. Employee issues

Under the heading of employee issues, the first priority is always that of ensuring personnel safety. We invest in technical safety and training so as to continuously improve occupational health and safety not only within the PCC companies but also along the value chain. We regularly review compliance with our safety, health and environmental standards. Our continued investment in modern production facilities makes a significant contribution to occupational safety.

In addition, we also promote the individual development of our employees. We offer them scope to work under their own initiative on a results-led basis, together with the opportunity to take on responsibility. Hence, they are given decision-making powers, with employee initiative and creativity also being specifically encouraged according to each individual's potential. We support our people in their personal development, offering them task-aligned preparation as they take up new duties and personalized continuous professional training. In our human resources management, we attach great importance to diversity, i.e. the promotion of cultural and professional variety. Discrimination of all kinds is not tolerated within the organization. And the regulations requiring equality between women and men are binding.

PCC policy in relation to employee issues

In its Code of Ethics, PCC recognizes the four basic principles of the International Labour Organization (ILO). These are freedom of association and the right to collective bargaining, and the rejection of forced labor, child labor and discrimination. This means that all employees have the right to fair, polite and respectful treatment. Hence, PCC does not tolerate any discrimination or harassment of employees. Specifically, discrimination or harassment on the grounds of race, religion, origin, gender, disability, age, marital status, sexual orientation or membership of trade unions or political parties is prohibited at PCC.

Aside from the protection of the wider environment, the safety of our employees has top priority. PCC is therefore committed to ensuring a safe working environment at all times. In the event of an accident or malfunction, PCC will take the necessary measures to avert and repair the damage as quickly and effectively as possible and inform the authorities.

The provisions on equality between men and women must be complied with. The equality encompasses in particular areas such as task allocation, pay, training, professional development and promotion. All forms of sexual harassment in the workplace are prohibited. Sexual harassment is defined as any conduct with a sexual connotation which is undesirable to the person concerned and degrades his or her dignity.

Bullying as the deliberate exclusion and humiliation of an employee is not tolerated. Bullying is defined as systematic, persistent or repeated hostile behavior with the purpose of isolating a person at the workplace, within the workforce or even from the workplace.

PCC shall take all reasonable measures to prevent discriminatory conduct and harassment. All employees are called upon to report any discrimination or harassment observed in their working environment to their supervisor, the human resources department or the compliance officer.

Measures

Within the PCC Group, there are risks to employees with regard to occupational health and safety, particularly in the manufacturing PCC companies. We are actively working to create a safe working environment for our people, continuously improving working conditions by using advanced technologies and investing in modern production facilities. For example, the complete technological switchover of our chlorine production to the modern membrane process has completely eliminated mercury from the production operation, significantly improving workplace quality in the facilities concerned.

We ensure that all employees enjoy equal opportunities in every dimension for their professional development, in relation to access to further training and in terms of their promotion opportunities. In the PCC Group, we invest heavily in the training and further education of employees. Last year alone, time spent on such measures equated to 107,246 hours (previous year: 42,590 hours). The majority of this increase in training and further education time is due to the increased training requirements of the new employees of PCC BakkiSilicon hf in Iceland for operation of the silicon metal plant. Occupational health and safety plays an important role in the training topics. For example, we were able to reduce work-related accidents with incapacity of more than one day to 43 in 2017 (previous year: 57). The number of sick days due to occupational accidents was reduced Group-wide to 1,718 (previous year: 2,165). As a result, the number of sick days due to accidents at work per employee fell to an average of 0.51 (previous year: 0.71).

We reward our people appropriately and respect all employee rights of freedom of organization and co-determination. We reject all forms of discrimination. Backed up by insights revealed in personal discussions, the relatively high average period of service with the PCC Group of around nine years appears to indicate a certain degree of employee satisfaction. The average age of almost 40 years is evidence that we make use of the expertise of older employees while also providing entry opportunities for young people. We thus create a diversity, with good team performance being facilitated by the mixing of complementary skills and experience.

The companies of the PCC Group support their employees through flexible working time models. The models on offer range from working time accounts, part-time contracts and early retirement arrangements to home office agreements.

We encourage open communication between employees and with our stakeholders, as evidenced by numerous certifications, the signing of public agreements and membership of initiatives:

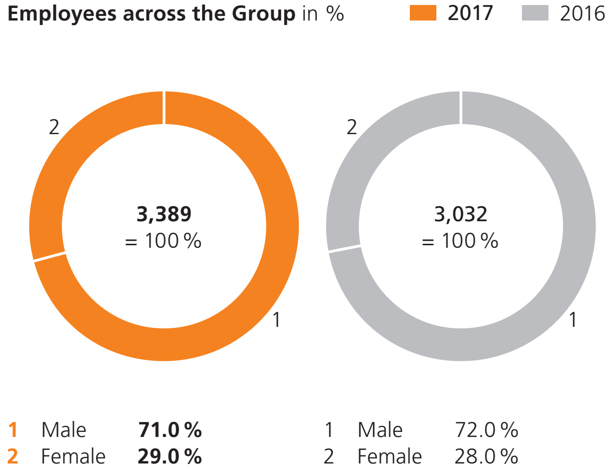
Certifications and initiatives in relation to employee issues

Certification / Initiative	Company
Membership of the global chemistry industry initiative Responsible Care®	– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC Consumer Products Kosmet Sp. z o.o. (PCC CP Kosmet)
Certification according to the occupational health and safety management system assessment specification OHSAS 18001: 2007	– PCC Rokita SA – PCC Exol SA – PCC CP Kosmet
Certification in Good Manufacturing Practices – Cosmetics – to ISO 22716	– PCC CP Kosmet
Certification in Good Manufacturing Practice (EFfCI)	– PCC Exol SA
BRC production standards certificate issued by the British Retail Consortium	– PCC CP Kosmet
Membership of CEFIC & CESIO covering the safe usage of surfactants	– PCC Exol SA
"Gold" and "Silver" ratings of the sustainability platform for CSR reporting, EcoVadis	– PCC Exol SA (Gold 2017) – PCC Rokita SA (Silver 2017) – PCC CP Kosmet (Gold 2017) – PCC Synteza S.A. (Gold 2018)
Inclusion in the Global Compact of the United Nations	– PCC Exol SA
Signatory of the "Diversity Charter" promoting employee diversity in companies and combating discrimination	– PCC Rokita SA – PCC Exol SA
Certified member of the Roundtable on Sustainable Palm Oil	– PCC Exol SA

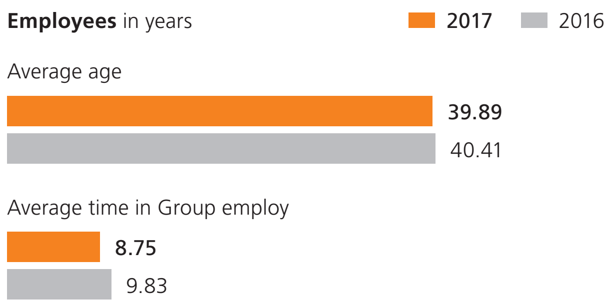
Performance indicators

The PCC Group is an internationally active conglomeration, as is reflected not only in the worldwide sale and distribution of products and services, but also in the diversity of our employees. Around the world we employ people from 28 nations. Due to our many investments in new regions, companies and production facilities, the number of employees is also rising continuously. In the past year alone, it increased by more than 10 % to 3,389. This growth in employee numbers can be seen across all divisions and segments. The proportion of women in this total amounts to 29.0 % (previous year: 28.0 %). At 16.8 %, the proportion of women in the first and second levels of management at our affiliates was slightly below the previous year's figure of 18.0 %, despite an absolute increase in the year under review.

Employees across the Group in %



Employees in years



Goals

PCC has set itself the goal of continuously raising the standards of health and safety for the Group's employees, with a special focus on our new sites. We continue to pay particular attention to accident prevention and health protection at the workplace as well as to health-related prevention measures. Beyond a safe, pleasant working environment based on mutual appreciation, it is a central goal of PCC to offer all employees opportunities for further development, for example through further training. In addition, there are to be further improvements in family/career compatibility, one of the aims being to increase the proportion of women at all levels of the Group.

3. Respect for human rights

Within its sphere of influence, PCC respects and supports the protection of international human rights in accordance with the UN Charter of Human Rights. Violations of human rights are therefore not tolerated and are duly sanctioned upon confirmation. This is underlined in particular by PCC Exol SA's membership of the United Nations Global Compact. PCC fully recognizes all fundamental rights under the UN Charter of Human Rights.

Measures

Both PCC SE and the companies in the investment portfolio are actively committed to respecting human rights. This is also documented in particular by the signing or membership of a number of initiatives.

Initiatives to promote respect for human rights

Certification / Initiative		Company
Membership of the global chemistry industry initiative Responsible Care®		– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC CP Kosmet
Signatory of the "Diversity Charter" promoting employee diversity in companies and combating discrimination	KARTA RÓŻNORODNOŚCI	– PCC Rokita SA – PCC Exol SA
Inclusion in the Global Compact of the United Nations	THE GLOBAL COMPACT WE SUPPORT	– PCC Exol SA

Performance indicators

No violations of human rights were reported in either the companies of the PCC Group or the holding company in 2017 or 2016. Any potentially reported violation would be investigated by the Group management and sanctioned upon confirmation.

Goals

PCC is committed to fully prioritizing respect for human rights now and in the future. The respect for human rights enshrined in the Code of Ethics of the PCC Group is obligatory for all executive bodies, managers and employees in all PCC companies. This applies in particular, but not exclusively, to locations in regions in which PCC has not yet been commercially active. PCC believes that monitoring of compliance with human rights must be intensified at such places.

4. Social issues

At PCC, business activity is closely linked to social responsibility. In the social sphere, we take into account not only the interests of the residents neighboring PCC sites, but also those of the general public. Our Group companies are members of international organizations in the field of CSR and implement corresponding programs. PCC SE and its subsidiaries promote social initiatives and institutions. We also support our employees in their social volunteering work and we actively engage in dialog with local communities. Our social responsibility remit also includes cooperation with universities and other educational institutions as well as providing support to sport and culture.

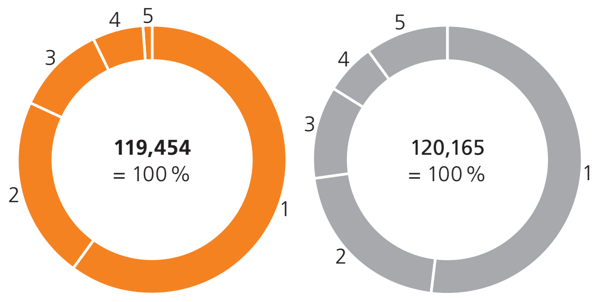
Sponsorship money is only granted on the legal basis applicable in each case. This also requires the approval of the senior management of PCC SE or the executive board or management of the respective Group companies. Cash payments and other financial contributions to politicians, political parties, political associations or other political organizations are strictly prohibited.

Performance indicators

The companies of the PCC Group have different stakeholders. The following value added statement shows that the largest portion of the total output generated in the Group has flowed back to our most important stakeholders, our employees. €71.5 million, or 59.8 % of the value generated in the 2017 reporting year went to employees in the form of wages and salaries, employer benefits for social security, pension benefits and other benefits. The state received 10.9 % of the value added of the PCC Group in the form of tax payments such as corporate income taxes or property taxes. Our investors, subscribers to bonds and also minority shareholders in participations received €33.5 million or 28.1 % of the value added through interest payments or dividends. The value added retained in the company is available for investments in future growth.

Distribution of value added Figures in €k	2017	2016
Value added	**119,454**	120,165
Distribution		
Employees	**71,467**	63,056
State	**13,025**	13,013
Investors/Lenders	**26,295**	25,013
Other shareholders	**7,245**	7,575
Net result	**1,423**	11,507

Distribution of value added in %



	2017		2016
1 Employees	**60.0 %**	1 Employees	52.0 %
2 Investors/Lenders	**22.0 %**	2 Investors/Lenders	21.0 %
3 State	**11.0 %**	3 State	11.0 %
4 Other shareholders	**6.0 %**	4 Other shareholders	6.0 %
5 Net result	**1.0 %**	5 Net result	10.0 %

Achievements related to social issues

As examples, PCC SE and its subsidiaries sponsor several children's homes in a patronage role, and we support the German Child Protection Association at our Duisburg site, especially in funding a drop-in facility for young mothers. In Tanzania we have been involved in recent years with the aid organization AOHM Amani Orphans' Home Mbigili for AIDS orphans, sponsoring the construction of a house and financing study scholarships. We also sponsor local and regional sports and cultural events. For example, we are the name sponsor of the PCC Stadium in Duisburg-Homberg near our Group headquarters, and are the main sponsor of the football club VfB Homberg e.V., which is based there. Employees of our chemical plants in Poland are regularly involved in social initiatives, for example in support of orphanages, and our US subsidiary PCC Chemax, Inc. has long been a partner of an aid organization for disabled children in Piedmont, South Carolina.

In the year under review, the PCC companies received a total of 11 requests for donations (previous year: 13). As of year-end the PCC Group currently supports 67 projects (previous year: 65).

Goals

PCC has set itself the goal of continuing to drive value creation within the Group for the benefit of all stakeholders going forward. We strive to continuously augment our commitment to our social responsibilities through the increasing involvement of our Group companies in international organizations and initiatives in the field of CSR, and are implementing corresponding programs in pace with this effort. We also want to further expand our involvement at a non-business level, for example in the form of cooperation with universities and other educational institutions.

5. Combating bribery and corruption

PCC does not tolerate any form of active or passive corruption, extortion or bribery. This is laid down in the PCC Code of Ethics, which is binding for all employees of the PCC Group.

Measures

Business relations with suppliers and business partners are to be conducted exclusively according to factual and commercial criteria. Personal interests have no role to play in such transactions. The prohibition on receiving or giving gifts applies not only to direct financial contributions, but also to other benefits which could jeopardize the commercial independence of either party. Complementary to the relevant tax regulations and approval obligations, PCC has a strict policy in place governing the granting and acceptance of benefits, gifts or invitations. Adherence to this policy must be assured at all times.

Performance indicators

In order to ensure compliance with statutory provisions and the objectives that exist in this domain, all measures aligned to preventing and sanctioning corruption are only approved once all the bodies responsible have conducted their own thorough examinations.

Number of significant fines and penalties for non-compliance with laws and regulations: 0 (previous year: 0)

Anti-corruption initiatives

Certification / Initiative		Company
Membership of the global chemistry industry initiative Responsible Care®		– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC CP Kosmet
Inclusion in the Global Compact of the United Nations	THE GLOBAL COMPACT WE SUPPORT	– PCC Exol SA

Goals

PCC will continue to take uncompromising action against bribery and corruption on the basis of its zero-tolerance strategy. Our goal is to ensure that the Group remains untainted by cases of this kind.

Events after the balance sheet date

The profit participation certificate issued in 2007 with a placed volume of € 11.0 million was redeemed in full on term expiration effective January 1, 2018, due notice of cancelation having been given by the issuer. The accrued premium was released from equity to income accordingly.

In February 2018, PCC SE concluded a shareholders' agreement with Hupac Ltd., Chiasso (Switzerland), and the management of PCC Intermodal S.A. which serves to pool the 94.47 % voting rights in PCC Intermodal S.A. held by these shareholders. On this basis, a squeeze-out of the remaining minority shareholders was initiated in accordance with Polish capital market law. The squeeze-out process was successfully concluded on March 7, 2018. PCC SE thus increased its share in the capital of PCC Intermodal S.A. to 84.46 % and its voting rights to 89.06 %. Based on the above-mentioned shareholders' agreement, the voting rights of these parties now amount to 100 % in the company.

In February 2018, PCC SE founded PCC Insulations GmbH, headquartered in Duisburg. Starting in 2018, all activities in the manufacture and sale of insulation and other building materials will be pooled, centrally controlled and further expanded under this intermediate holding company.

Effective March 8, 2018, Elpis Sp. z o.o. became the 100 % shareholder of PCC Oxyalkylates Ltd., Kuala Lumpur, Malaysia. This project company is considering a potential investment in a joint production site with PETRONAS Chemicals Group in Kertih, Terengganu Province, Malaysia.

On April 1, 2018, PCC SE repaid on maturity the 7.00 % bond ISIN DE000A1TM979 from 2013. The redemption amount was € 15.7 million.

Effective February 28, 2018, PCC Rokita SA entered into an agreement with IRPC Public Co. Ltd., Bangkok (Thailand), for the acquisition of a further 750,000 shares in the joint venture IRPC Polyol Company Ltd., Bangkok. The purchase was subject to conditions precedent, which were fulfilled in full and on both sides as of April 30. PCC Rokita SA thus acquired a further 25 % stake in this company for THB 52 million, thereby increasing its shareholding to 50 % of the capital and voting rights.

Outlook for 2018

The focus of the PCC Group in fiscal 2018 will once again be on its predominantly long-term strategy of portfolio company investment and development. The core activities and competitiveness of the Group will likewise continue to be further enhanced through capital expenditures going forward. Looking ahead, green-field and brown-field projects will also be given due consideration as opportunities arise. The two current projects, the silicon metal production plant in Iceland for which commissioning started at the end of April, and the DME plant in Russia, for which completion is planned for the third quarter of 2018, will contribute to the Group's growth in the coming years. Moreover, the strategy of proactive investment portfolio management accompanied by ongoing portfolio optimization measures is likewise to be continued. The primary objective remains to steadily increase our enterprise value.

In view of the positive business development of, in particular, PCC Rokita SA and also the majority of the other affiliated companies of PCC SE in 2017, dividend payments to PCC SE are once again expected to be higher in 2018 versus prior year. By far the greatest contribution will again be made by PCC Rokita SA. Gains from the disposal of portfolio companies or other "one-offs" have not been taken into account in this forecast.

The current budget for 2018 to 2020, prepared for the operating businesses of the Group companies and affiliates in the fourth quarter of 2017, provides for an increase in sales revenue in 2018 of around 15 % to 20 %. At Group level, the assumption is that earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) will be significantly higher than in 2017. The Polyols and Surfactants segments should be able to exceed their good prior-year figures. This also applies to the Specialty Chemicals segment as a whole. A stable, positive performance is anticipated for the trading business managed within this segment. The Chlorine segment should also be able to build on the exceptionally good figures of the previous year. In addition, the Intermodal Transport business unit is also expected to improve its results. By contrast, the Consumer Products segment is expected to continue trading at a loss in 2018. However, due in particular to the expected improvement in the economic situation at PCC Consumer Products Kosmet Sp. z o.o., the deficits should be significantly lower than in the previous year. In addition, start-up losses are also expected for the portfolio companies PCC BakkiSilicon hf and OOO DME Aerosol, which will commence operations in 2018. Overall, however, EBITDA should be significantly higher than in the previous year. Consolidated earnings before taxes (EBT), on the other hand, should remain at the level of 2017, due primarily to the further increase in the burden of interest, depreciation and amortization on recently completed investments. The corporate management anticipates a positive balance in the low double-digit million range. Seen from the current standpoint, significant increases in earnings at the EBT level will – subject to positive or at least stable economic developments in the coming years – only start flowing from fiscal 2019. By then, for instance, the MCAA plant and the new production lines in the Polyols segment, which were commissioned in 2017, can be expected to be operating for the first time at full capacity. Increasing earnings should also be forthcoming in the Intermodal Transport business unit as a result of further increasing terminal handling volumes and the expected growth along the Rotterdam-Duisburg-Poland corridor. The first earnings from the silicon metal project of PCC BakkiSilicon hf and shared earnings from the joint DME project are also expected from 2019. Positive effects on the earnings development of PCC SE are anticipated in the following years in the form of increasing dividend payments. However, the debt of both PCC SE and the PCC Group will initially continue to rise, at least temporarily, in particular due to the realization of the silicon metal project. However, the medium-term objective of the PCC Group remains to improve its Net debt/EBITDA ratio to less than 5.0.

The main revenue and earnings generator in fiscal 2018 will again be the Chemicals division, followed at some significant distance by the Logistics division. We anticipate that the operating rate within the Chemicals division will largely be comparable with that maintained in 2017. Sales volumes are expected to increase further, partly due to the commissioning of the silicon metal and DME production plants. Increased sales and earnings versus the previous year are expected in almost all segments. The continuing high level of commodity prices underpinned by sound economic development and positive growth prospects underlies this forecast. Our policy of migration to higher-value specialty products – especially in the Polyols and Surfactants segments – will further contribute to this positive development. The focus in future will be even stronger on the development of such products for customer-specific applications. It is to this end that PCC SE established PCC Specialties GmbH and PolyU GmbH in 2017, two new companies that will begin operations in Germany in 2018. In accordance with the underlying corporate planning for 2018, stable, positive earnings development is expected for the trading business managed under the Specialty Chemicals segment. By contrast, as already mentioned, losses are still expected for the Consumer Products segment in 2018, although to a much lesser extent than in previous years.

Revenues in the Logistics segment are expected to increase by more than 20 % in fiscal 2018, with the intermodal transport business contributing the lion's share. Due to the existing order situation and the continuing good economic situation in Europe, business development should be above the level of the previous year. The tanker haulage business and the rail wagon operator ZAO PCC Rail should also be able to exceed their prior-year results. In the case of ZAO PCC Rail, however, this presupposes a certain degree of stability in the Russian currency.

The Energy segment will continue to be essentially dominated by project development in the course of 2018 and will remain of minor significance for both Group sales and Group earnings.

The strategy of proactive investment portfolio management and ongoing portfolio optimization will continue to be rigorously pursued in 2018 and beyond. As part of this approach, activities that are not regarded as part of our core business will be gradually divested, with sustainable growth and a continuous improvement in our enterprise value remaining the key criteria guiding our corporate decision-making.

Duisburg, April 30, 2018

PCC SE

Ulrike Warnecke
Managing Director

Dr. rer. oec. (BY) Alfred Pelzer
Managing Director

Expansion of our chemical production capacities constitutes a long-standing focus of our investment strategy (picture shows modern process equipment located at our Brzeg Dolny site).

05 Consolidated financial statements

→ At €1,057.3 million, PCC Group total assets exceeded the billion euro mark in fiscal 2017 and was up on the 2016 figure by €105.5 million or 11.1%. Property, plant and equipment in particular increased by 10.0% to €728.4 million. In addition to ongoing investments in the Chemicals division, the main reason for this lies in the construction of our silicon metal plant in Iceland.

Auditor's opinion

We have audited the consolidated financial statements prepared by PCC SE, Duisburg, – comprising a consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income for the period, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements – and the group management report for the financial year from January 01, 2017 to December 31, 2017. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315e paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting presentation – in compliance with generally accepted accounting principles – of the net assets, financial position and results of operations in the consolidated financial statements and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PCC SE, Duisburg, for the financial year from January 01, 2017 to December 31, 2017 comply with IFRSs, as adopted by the EU, and the additional requirements of the German commercial law pursuant to section 315e paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, May 14, 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Kai-Niclas Rauscher	Achim Krichel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated statement of income

Figures in €k	(Note)	2017	2016
Sales revenue	(6)	**683,181**	568,943
Change in inventory of finished products and work in progress		4,141	1,172
Other internal costs capitalized	(7)	4,780	8,802
Purchased goods and services	(8)	489,285	397,664
Personnel expenses	(9)	68,606	60,526
Other operating income	(10)	9,388	22,745
Other operating expenses	(11)	69,265	67,051
Income from investments accounted for using the equity method	(12)	–507	–
Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA)	(39)	**73,827**	76,422
Depreciation and amortization	(13)	32,832	28,202
Operating profit from continuing operations (EBIT)	(39)	**40,996**	48,219
Interest and similar income	(14)	2,112	1,684
Interest and similar expenses	(14)	26,295	25,013
Currency translation result	(15)	–3,263	94
Other financial income		148	0
Other financial expenses		86	376
Earnings before taxes from continuing operations (EBT)	(17)	**13,611**	24,609
Taxes on income	(16)	4,944	5,526
Net result for the year		**8,667**	19,082
Net result attributable to Group		1,423	11,507
Net result attributable to minority interests		7,245	7,575

Consolidated statement of comprehensive income

Figures in €k	2017	2016
Net result for the year	**8,667**	19,082
Income and expenses recognized in equity for future recycling through profit or loss	**5,469**	–5,593
Exchange differences on translation of foreign operations	7,351	–5,151
Fair value measurement of financial assets	–2,637	–277
Fair value measurement of cash flow hedges	12	–294
Deferred taxes on items for future recycling through profit or loss	744	130
Income and expenses recognized in equity not for future recycling through profit or loss	**–71**	–69
Remeasurement of defined benefit pension plans	–71	–65
Other changes not for future recycling through profit or loss	–14	–15
Deferred taxes on items not for future recycling through profit or loss	14	10
Total income and expenses recognized in equity	**5,398**	–5,662
Total comprehensive income	**14,066**	13,420
Share of comprehensive income attributable to Group	5,582	6,737
Share of comprehensive income attributable to minority interests	8,484	6,683

Consolidated balance sheet

Assets in € k	(Note)	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Non-current assets		**792,631**	724,312	592,224
Intangible assets	(19)	35,202	32,914	25,258
Property, plant and equipment	(20)	728,434	662,347	542,657
Investment property	(21)	959	3,483	3,670
Investments accounted for using the equity method	(12)	1,466	–	–
Non-current financial investments	(22)	8,790	12,513	12,119
Other non-current financial assets	(23)	12,009	8,629	4,771
Income tax receivables		–	–	26
Deferred tax assets	(33)	4,020	4,425	3,723
Other receivables and other assets	(26)	1,752	–	–
Current assets		**261,820**	227,325	231,985
Inventories	(24)	61,443	45,607	45,720
Trade accounts receivable	(25)	80,489	67,503	64,972
Other receivables and other assets	(26)	41,008	30,023	40,442
Income tax receivables		809	222	453
Cash and cash equivalents	(37)	78,072	83,969	80,398
Assets held for sale		**2,844**	152	197
Assets held for sale	(21)	2,844	152	197
Total assets		**1,057,296**	951,789	824,406

Equity and liabilities in € k	(Note)	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Equity	(27)	**139,135**	135,049	135,047
Subscribed capital		**5,000**	5,000	5,000
Capital reserve		**56**	56	56
Revenue reserves/Other reserves		**98,944**	100,424	98,586
Other equity items/OCI		**–10,242**	–14,401	–9,631
Minority interests	(28)	**45,378**	43,970	41,036
Non-current provisions and liabilities		**658,237**	590,428	476,992
Provisions for pensions and similar obligations	(29)	**605**	516	423
Other provisions	(30)	**3,800**	5,571	7,043
Deferred tax liabilities	(33)	**9,449**	10,619	10,949
Financial liabilities	(31)	**601,587**	533,512	419,872
Other liabilities	(32)	**42,796**	40,210	38,705
Current provisions and liabilities		**259,159**	226,311	212,367
Provisions for pensions and similar obligations	(29)	**95**	67	63
Other provisions	(30)	**9,253**	9,888	9,657
Current tax liabilities		**2,331**	3,550	1,873
Trade accounts payable		**81,166**	62,414	63,596
Financial liabilities	(31)	**108,641**	113,542	99,017
Other liabilities	(32)	**57,673**	36,851	38,162
Liabilities associated with assets held for sale		**765**	–	–
Liabilities associated with assets held for sale	(21)	**765**	–	–
Total equity and liabilities		**1,057,296**	951,789	824,406

Consolidated statement of cash flows

Figures in €k	(Note)	2017	2016
Net result for the year		**8,667**	**19,082**
Depreciation and amortization		32,832	28,202
Write-downs of financial investments		3	286
Income (–), expense (+) from income tax		4,944	5,526
Income (–), expense (+) from interest		24,183	23,329
Change in provisions for pensions and other provisions		–2,289	–1,144
Interest received		213	225
Income taxes paid		–6,556	–3,172
Increase (+), decrease (–) in value adjustments for receivables and other assets		84	1,169
Gains (–), losses (+) from disposal of property, plant and equipment		–357	–408
Write-ups of intangible assets and property, plant and equipment		–1,022	–76
Result from investments accounted for using the equity method		507	–
Other non-cash gains (–), expenses (+)		–922	–2,438
Gross cash flow		**60,286**	**70,583**
Increase (–), decrease (+) in inventories		–15,835	113
Increase (–), decrease (+) in trade accounts receivable		–13,478	–3,313
Increase (–), decrease (+) in accounts receivable from affiliated companies		204	614
Increase (–), decrease (+) in other assets		–12,617	695
Increase (+), decrease (–) in trade accounts payable		18,908	–1,162
Increase (+), decrease (–) in accounts payable to affiliated companies		35	183
Increase (+), decrease (–) in other liabilities		21,593	1,337
Cash flow from operating activities		**59,097**	**69,050**
Proceeds from disposal of intangible assets		255	15
Proceeds from disposal of property, plant and equipment		1,282	12,627
Proceeds from disposal of investment property		124	–
Proceeds from disposal of investments accounted for using the equity method		–	10
Proceeds from disposal of non-current financial investments		655	–
Proceeds from disposal of other non-current financial assets		28	–
Capital expenditures on intangible assets		–3,565	–3,576
Capital expenditures on property, plant and equipment		–86,561	–158,772
Capital expenditures on investments accounted for using the equity method		–2,201	–
Capital expenditures on non-current financial investments		–18	–170
Capital expenditures on other non-current financial assets		–1,923	–3,386
Capital expenditures on the acquisition of consolidated subsidiaries and other business units		–193	–1
Cash flow from investing activities		**–92,119**	**–153,254**

CONTINUED

Figures in € k	(Note)	2017	2016
Dividends paid to shareholder and owner		–1,850	–1,250
Dividends paid to minority interests		–6,452	–3,530
Proceeds from issuance of bonds		126,020	89,236
Payments for redemption of bonds		–74,164	–68,743
Proceeds from banks		42,179	154,114
Payments to banks		–26,182	–54,220
Payments in respect of finance lease liabilities		–3,535	–2,616
Inflows in respect of financial liabilities to affiliated companies		–	518
Outflows in respect of financial liabilities to affiliated companies		0	–990
Proceeds from the disposal of shares in a subsidiary without loss of control		5	–
Payments for the acquisition of shares in a subsidiary without gain of control		–2,804	–
Interest paid		–27,188	–24,201
Cash flow from financing activities		**26,030**	**88,318**
Changes in cash and cash equivalents due to cash transactions		–6,993	4,114
Changes in cash and cash equivalents due to foreign exchange rates		996	–581
Changes in cash and cash equivalents due to changes in consolidation scope		100	38
Cash and cash equivalents at the beginning of the period		83,969	80,398
Cash and cash equivalents at the end of the period	(37)	**78,072**	**83,969**

Consolidated statement of changes in equity

Figures in €k	Subscribed capital	Capital reserve	Revenue reserves/ Other reserves	Other equity items/OCI	Equity attributable to Group	Minority interests	Total Group equity
Jan. 1, 2016	5,000	56	98,586	−9,632	**94,010**	41,036	**135,047**
Dividends paid	–	–	−1,250	–	**−1,250**	−3,530	**−4,780**
Changes in consolidation scope and other consolidation effects	–	–	−8,419	–	**−8,419**	−219	**−8,638**
Net result for the year	–	–	11,507	–	**11,507**	7,575	**19,082**
Other comprehensive income	–	–	–	−4,770	**−4,770**	−892	**−5,662**
– Currency translation differences	–	–	–	−4,294	**−4,294**	−857	**−5,151**
– Remeasurement of defined benefit pension plans	–	–	–	−56	**−56**	−8	**−65**
– Fair value measurement of financial assets	–	–	–	−277	**−277**	–	**−277**
– Fair value measurement of cash flow hedges	–	–	–	−268	**−268**	−26	**−294**
– Other changes not for future recycling through profit or loss	–	–	–	−15	**−15**	–	**−15**
– Deferred taxes recognized in OCI	–	–	–	140	**140**	–	**140**
Dec. 31, 2016	5,000	56	100,424	−14,401	**91,079**	43,970	**135,049**

Figures in €k	Subscribed capital	Capital reserve	Revenue reserves/ Other reserves	Other equity items/OCI	**Equity attributable to Group**	Minority interests	**Total Group equity**
Jan. 1, 2017	5,000	56	100,424	–14,401	**91,079**	43,970	**135,049**
Dividends paid	–	–	–1,850	–	**–1,850**	–6,452	**–8,302**
Changes in consolidation scope and other consolidation effects	–	–	–1,053	–	**–1,053**	–625	**–1,678**
Net result for the year	–	–	1,423	–	**1,423**	7,245	**8,667**
Other comprehensive income	–	–	–	4,159	**4,159**	1,239	**5,398**
– Currency translation differences	–	–	–	6,104	**6,104**	1,247	**7,351**
– Remeasurement of defined benefit pension plans	–	–	–	–64	**–64**	–8	**–71**
– Fair value measurement of financial assets	–	–	–	–2,637	**–2,637**	–	**–2,637**
– Fair value measurement of cash flow hedges	–	–	–	12	**12**	–	**12**
– Other changes not for future recycling through profit or loss	–	–	–	–14	**–14**	–	**–14**
– Deferred taxes recognized in OCI	–	–	–	758	**758**	–	**758**
Dec. 31, 2017	5,000	56	98,944	–10,242	**93,757**	45,378	**139,135**

Notes to the consolidated financial statements

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Summary of the main accounting and valuation principles

(1) General disclosures

PCC Societas Europaea (PCC SE) is a non-listed corporation under European law headquartered in Duisburg and the parent company of the PCC Group. Its address is Moerser Str. 149, 47198 Duisburg, Germany. It is recorded in the Commercial Register of Duisburg District Court under reference HRB 19088.

The consolidated financial statements of PCC SE as of December 31, 2017 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable on the closing date and as adopted in the European Union (EU), and in supplementary compliance with the statutory disclosure requirements specified in Section 315e (3) HGB in conjunction with Section 315e (1) HGB (German Commercial Code).

Assets, liabilities and all other balance sheet items are recognized and measured in accordance with those IFRS applicable and mandatory as of December 31, 2017.

The closing date for the consolidated financial statements is December 31, 2017, which is also the closing date for the annual financial statements of PCC SE. The Group's fiscal year corresponds to the calendar year.

The annual and subgroup financial statements of the subsidiaries included in the consolidation are also prepared to this closing date. The financial statements of PCC SE and the consolidated subsidiaries are prepared in accordance with uniform accounting and valuation principles.

The currency employed in the preparation of the consolidated financial statements is the euro. The reporting currency is the euro. Unless otherwise indicated, all amounts are given in thousand euros (€ k), with the consequence that rounding differences are possible.

Individual items of the balance sheet and the consolidated statement of income of the PCC Group have, in part, been aggregated in order to improve clarity of presentation. These items are explained in the notes. The total cost approach (classification of expenses by nature) has been retained unchanged in the consolidated statement of income.

The PCC Group presents current and non-current assets and also current and non-current liabilities as separate classification groups in the balance sheet in accordance with IAS 1.60, with further subdivision according to their respective useful lives/maturities/tenors being additionally provided where appropriate in these notes to the consolidated financial statements as of December 31, 2017.

The Managing Directors of PCC SE finalized these financial statements in their meeting of May 03, 2018, whereupon they were presented to the Administrative Board for examination and approval, and then released for publication.

(2) Changes in accounting policy; standards and interpretations for which application is not yet mandatory

Mandatory standards and interpretations applied for the first time

The following standards and interpretations, or changes thereto, were applied for the first time as mandatory in preparation of the consolidated financial statements as of December 31, 2017.

Standard / Interpretation	Mandatory first-time application according to IASB as of	Mandatory first-time application in the EU as of
Amendments to IAS 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	January 1, 2017
Amendments to IFRS 12 "Disclosure of Interests in Other Entities": Annual Improvement Project Cycle 2014–2016	January 1, 2017	January 1, 2017
Amendments to IAS 7 "Statement of Cash Flows": Disclosure Initiative	January 1, 2017	January 1, 2017

IAS 7 "Statement of Cash Flows": Disclosure Initiative

The amendments to IAS 7 aim to give users of financial statements a better overview of cash and non-cash movements in changes in financial liabilities. For this purpose, a reconciliation statement from the opening balance to the closing balance is to be attached to the notes to the cash flow statement effective fiscal 2017.

The amendments to IAS 12 clarify the accounting treatment of deferred tax assets on unrealized losses on available-for-sale financial assets.

The other standards to be applied for the first time did not have any material impact on the consolidated financial statements of PCC SE.

Standards and interpretations for which application is not yet mandatory

The IASB has published standards and interpretations and/or amendments thereto listed in the following which are not yet mandatory as of fiscal 2017. Some of these standards and interpretations have not yet come into force and/or have not yet been endorsed or adopted by the EU, and have therefore not been applied by the PCC Group.

Standard / Interpretation	Mandatory first-time application according to IASB as of	Mandatory first-time application in the EU as of
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers": Clarifications	January 1, 2018	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018	January 1, 2018
Amendments to IFRS 2 "Share-Based Payment": Classification and Measurement of Share-Based Payment Transactions	January 1, 2018	January 1, 2018
Amendments to IFRS 4 "Insurance Contracts": Application of IFRS 9 "Financial Instruments" in conjunction with IFRS 4 "Insurance Contracts"	January 1, 2018	January 1, 2018
Amendments to IFRS 1 "First-time Adoption of IFRSs": Annual Improvement Project Cycle 2014–2016	January 1, 2018	January 1, 2018
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Annual Improvement Project Cycle 2014–2016	January 1, 2018	January 1, 2018
Amendments to IAS 40 "Investment Property": Transfers of Investment Property	January 1, 2018	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	January 1, 2018
IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation	January 1, 2019	January 1, 2019
IFRS 16 "Leases"	January 1, 2019	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021	Not yet known
Amendments to IAS 19 "Employee Benefits": Plan Amendments, Curtailments and Settlements	January 1, 2019	Not yet known
Amendments to References to the Conceptual Framework in IFRS Standards, 2018	January 1, 2020	Not yet known
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures	January 1, 2019	Not yet known
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016	Not adopted by the EU
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019	Not yet known
Annual Improvement Project Cycle 2015–2017	January 1, 2019	Not yet known

The PCC Group is currently determining the extent to which new, not yet mandatory standards and interpretations will influence the consolidated financial statements. Unless otherwise indicated below, the current expectation is that the standards and interpretations listed above that are not yet mandatory will not have a material impact on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB published the new standard IFRS 15 "Revenue from Contracts with Customers". The purpose of this new standard relating to revenue realization is to bring together the many regulations contained in the various standards and interpretations that have existed to date. At the same time, uniform basic principles are defined which are applicable to all industries and for all kinds of sales transaction. The questions as to how much and at what date or across what period revenue is to be recognized as realized are answered with the aid of a five-step model.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also contains a number of other regulations covering questions of detail and also an extension to the notes required. The new standard is mandatory as of fiscal years beginning on or after January 1, 2018. First-time application must be retrospective. However, various simplification options are granted, for example in the form of a modified retrospective initial application. In April 2016, clarifications to IFRS 15 were published which relate particularly to identification of separate performance obligations, the distinction between principal and agent, and the recognition of royalty revenue from licenses. These clarifications still have to be endorsed and adopted by the EU. The PCC Group will apply the standard from January 1, 2018, making use of the modified retrospective initial application option. Transition effects relating to the previous period are recognized cumulatively in equity. A Group-wide analysis of possible transition effects revealed that customer contracts are mainly concluded on the basis of the "C" group of Incoterms, with the proportion of revenue relating to goods sold and the cost of carriage/transport services being identified as separate performance obligations. Approximately half of the Group's annual sales are generated on this basis, with the proportion of carriage/transport costs in the high single-digit percentage range. If this ratio is transferred to the sales expected to be generated around the reporting date, the theoretical effect on revenues is less than €0.5 million and on earnings it is zero. In consideration of the impact on the financial statements and the presentation of our net assets, financial position and results of operations, and in further consideration of the expense necessarily incurred in the administration process, the PCC Group has come to the conclusion that these performance obligations should be recognized as sales revenue and reported accordingly once the goods are transferred to the first carrier/freight forwarder. There will be no further separation in treatment. The PCC Group still expects first-time application of the standard to result in expansion of the disclosures provided in the notes to the consolidated financial statements. As regards the categorized recording of revenues from goods sold and revenues from transport services, we expect a shift between these categories in the low to mid double-digit million range, with no impact on net revenues. Liabilities from discounts, rebates and bonuses to customers are currently recognized under other provisions. An amount of just over €1.0 million will therefore be reclassified to other liabilities as of January 1, 2018.

IFRS 16 "Leases"

In January 2016, the IASB published the new standard IFRS 16 "Leases". IFRS 16 establishes principles for the recognition and measurement, disclosure and notes required in respect of leases. The objective is to ensure that lessees and lessors are provided with relevant information with respect to the effects of leasing transactions. At the same time, the previous accounting model according to IAS 7, in which leases were classified as operating or financial, was discarded in favor of a uniform lease accounting concept in keeping with the concept of control. For the lessee, the standard provides for a single accounting model. In the case of the lessee, it means that all assets and liabilities arising from a lease agreement must be disclosed in the balance sheet where the term exceeds 12 months, or where the asset concerned is not classed as minor (option). For accounting purposes, the lessor continues to distinguish between finance or rental lease agreements (finance or operating leases). Application of IFRS 16 "Leases" becomes mandatory as of fiscal years starting on or after January 1, 2019. Application in advance of this date is allowed provided that IFRS 15 "Revenue from Contracts with Customers" is already being applied in full in advance of its mandatory date. The lessee must apply IFRS 16 either in full and retrospectively, taking into account earlier reporting periods, or must recognize the cumulative adjustment effect as of the date of first-time application as an equity entry at the start of the fiscal year in which the standard is first applied. The EU has yet to adopt the standard. The PCC Group is not planning early application of the standard and will disclose the cumulative adjustment effect in equity as of January 1, 2019. A complete analysis of the effects on individual items of the consolidated balance sheet and the consolidated statement of income has not yet been completed. The operating lease obligations reported as of December 31, 2017 amount to less than €0.5 million. We therefore assume at this point in time that, despite the additional disclosure of assets and liabilities from operating leases, there will be no significant effects on consolidated net income, consolidated equity and consolidated total assets.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" contains regulations for the classification and measurement of financial instruments, for accounting for hedge relationships and for the recognition of impairment losses in respect of financial instruments. The IASB published the final version of the standard on July 24, 2014 in the course of completing the various phases of its comprehensive project in relation to financial instruments.

As a result, the previous accounting methods applied to financial instruments as specified under IAS 39 "Financial Instruments: Recognition and Measurement" can be entirely replaced by the accounting methods described in IFRS 9. The now published version of IFRS 9 supersedes all previous versions. The central requirements of the final IFRS 9 standard can be summarized as follows:

→ The requirements of IFRS 9 relating to scope of application, recognition and derecognition remain largely unchanged compared to the preceding standard IAS 39.

→ However, the provisions of IFRS 9 introduce a new classification model for financial assets that is absent from IAS 39.

→ The subsequent measurement of financial assets is to be aligned in future to three categories with different value criteria and a different method of value change recognition. Categorization is performed as a function both of the contractual cash flows emanating from the instrument and of the business model in which the instrument is held. Essentially, these are therefore mandatory categories. In addition, however, the company or entity also has a number of options available to it.

- By contrast, the existing requirements in respect of financial liabilities were extensively adopted in IFRS 9. The only significant change relates to financial liabilities in the fair value option. Fair value fluctuations in these liabilities due to changes of a company's own risk of default are to be recognized under other comprehensive income.

- IFRS 9 provides for three stages which, in future, will determine both the level of loss to be recognized and the treatment of interest income. Accordingly, losses already expected on receipt are to be recognized on the basis of the present value of a 12-month expected credit loss (Stage 1). If there is a significant deterioration in credit quality, the risk provision needs to be increased to the level of the expected losses over the entire remaining life of the financial instrument (Stage 2). On receipt of an objective indication of impairment, interest income is calculated on the basis of the net carrying amount – i.e. it is reduced by expected credit losses (Stage 3).

- In addition to extensive transitional provisions, IFRS 9 also specifies comprehensive disclosure regulations in respect of both the transition and current application. Changes compared to IFRS 7 "Financial Instruments: Disclosures" relate particularly to the impairment requirements.

Due to the new regulations governing impairment losses, it is anticipated that losses expected in some cases will, in future, be expensed at an earlier stage.

The final IFRS 9 is to be applied for fiscal years beginning on or after January 1, 2018. The PCC Group will apply this standard as of January 1, 2018; retrospective application with corresponding adjustment of the comparative periods will not take place. The effects arising from introduction will be recognized directly in equity. The new classification and valuation regulations for non-consolidated companies and affiliates mean that the previous classification of "available for sale (AfS)" will essentially be changed to a case-by-case decision approach. Non-consolidated companies are either measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI). In the PCC Group, all non-consolidated companies and affiliates are classified as FVOCI as of January 1, 2018, and recognized with a carrying amount of €8.8 million.

In accordance with IFRS 9, trade accounts receivable are assigned to the measurement category "at amortized cost" as of January 1, 2018. A transition analysis of other financial assets did not reveal any further significant adjustment requirement.

Following completion of the analysis of possible effects of the new impairment model, the PCC Group currently anticipates that only the reclassification of trade accounts receivable will have a material effect on equity. This should amount to approximately €0.1 to €0.2 million at the time of transition.

It is expected that the amendments included in IFRS 7 in conjunction with IFRS 9 will require expansion and adjustment in the notes to the consolidated financial statements.

(3) Scope of consolidation

The basis for consolidation of the entities incorporated in the consolidated financial statements was provided by the annual financial statements (or commercial balance sheets II according to IFRS) of the companies concerned as of December 31, 2017, said documents having been prepared on the basis of uniform accounting principles.

Included in the consolidated financial statements of December 31, 2017 are the financial statements of the parent company PCC SE and of those subsidiaries over which the parent company exercises control.

Subsidiaries not responsible for material business operations and regarded individually and in aggregate as being immaterial in terms of portraying a true and fair view of the net assets, financial position, results of operations and cash flows of the Group, have been omitted from the consolidation process and are therefore not reflected in the consolidated financial statements.

For a detailed schedule of shareholdings in accordance with Section 313 (2) HGB (German Commercial Code), please refer to Note (43).

Fully consolidated subsidiaries	Germany	Abroad
Jan. 1, 2016	5	38
– Additions	–	1
– Disposals/Mergers	–	1
Jan. 1, 2017	5	38
– Additions	2	3
– Disposals/Mergers	–	–
Consolidated subsidiaries as of Dec. 31, 2017	**7**	**41**

There were five additions to the scope of consolidation in fiscal 2017. Of these, three were allocated to the Holding/Projects segment and two to the Specialty Chemicals segment. The additions in the Holding/Projects segment are Elpis Sp. z o.o., ChemiPark Technologiczny Sp. z o.o. and Aqua Łososiowice Sp. z o.o., all based in Brzeg Dolny (Poland). Because they exceeded the materiality thresholds, the latter two companies were included in the scope of consolidation of the PCC Rokita subgroup and thus also in the PCC Group.

PCC Specialties GmbH, Duisburg, and PolyU GmbH, Essen, were newly established entities. These two companies of the Specialty Chemicals segment have the task of developing higher-quality products for customer-specific applications and will commence operations from fiscal 2018.

The joint venture Elpis Sp. z o.o. established by PCC Rokita SA and PCC Exol SA acquired 100 % of the shares in PCC Oxyalkylates Ltd., Kuala Lumpur (Malaysia), effective March 8, 2018. This local project company is considering a potential investment in a joint production site with PETRONAS Chemicals Group in Kertih, Terengganu Province, Malaysia.

None of the above companies fall under the scope of IFRS 3.

In the case of S.C. Oltchim S.A., Râmnicu Vâlcea (Romania), which is listed in the schedule of shareholdings under Note (43), PCC SE has no codetermination rights whatsoever that would enable it to exert a significant influence over the company.

(4) Consolidation methods

The consolidated financial statements of the PCC Group contain all the material German and international subsidiaries over which PCC SE is able to exercise control.

Subsidiaries are fully consolidated from the time of acquisition. The time of acquisition is defined as the time at which the parent company acquires control over these Group entities. Subsidiaries remain included in the consolidated financial statements until they are no longer under the control of the parent company.

All intercompany receivables and payables and intra-Group income and expenses are eliminated on consolidation. Intercompany results are, where material, also eliminated.

The acquisition of subsidiaries is accounted for using the purchase method. The consideration transferred in the course of a business combination is measured at fair value. This is determined from the total of the fair values of the assets transferred at the time of acquisition less the liabilities assumed from the previous owners of the acquired entity and the equity instruments issued by the Group in exchange for control of the acquired entity. Transaction costs associated with business combinations are expensed against income on incurrence.

The purchase price is distributed between the acquired assets and liabilities on first-time consolidation. Any positive difference between the purchase price and the amount allocated is recorded as goodwill. Goodwill thus arises as the surplus represented by the total of the consideration transferred plus the amount of all non-controlling shares in the acquired company, and the fair value of the equity share previously held by the acquirer in the acquired entity (where applicable) above the balance of the fair values of the acquired identifiable assets and liabilities assumed on the date of acquisition. In the event that a negative difference is identified, and remains confirmed after a second assessment, this is immediately recognized as income. Any goodwill recognized is subjected to an impairment test at least once a year. For more details, please refer to Note (19).

Participating interests in associated companies and joint arrangements, i.e. those entities accounted for using the equity method, are recognized at cost in the consolidated balance sheet. In the following periods, the annual net profit or loss realized is proportionally allocated in accordance with the equity value approach. The dividends received in the reporting year are then deducted from the applied equity value. The differences that may arise on first-time consolidation are taken into account in the equity value approach. At each balance sheet date, the Group investigates whether there are indications that an impairment loss needs to be recognized with respect to the shares in an associated company or a joint venture. In this case, the difference between the carrying amount and the expected net realizable value is recognized as an impairment loss in the consolidated statement of income under income from investments accounted for using the equity method.

(5) Explanatory notes to the accounting and valuation principles

Property, plant and equipment
Property, plant and equipment are recognized at cost less accumulated scheduled depreciation and accumulated impairment charges, in accordance with IAS 16. The revaluation method is not applied. Costs for repairs and maintenance of property, plant and equipment are immediately expensed. Regular maintenance of major plant or the replacement of major components is capitalized where additional future benefits are anticipated. The scheduled straight-line depreciation amounts are based on the following useful lives:

in years	2017	2016
Buildings and structures	5–75	5–80
Plant and machinery	3–38	3–29
Other facilities, factory and office equipment	1–29	1–28

An item of property, plant and equipment is derecognized either on disposal or when the further use of the asset is no longer expected to generate any economic benefit. The gains or losses arising from the derecognition of the asset are determined as the difference between the net proceeds and the book value/carrying amount of the asset, and recognized through profit or loss in the period in which the asset is derecognized. Value write-ups arising from impairment reversals are recognized in other operating income.

The residual values, useful lives and depreciation methods are regularly reviewed and, where required, adjusted at the end of each fiscal year.

Investment property
Investment property, i.e. real estate held for the purpose of generating rental income or value increase, is capitalized at cost. Value write-ups are recognized under other operating income; write-downs/impairments are recognized under depreciation.

Assets in this category are accounted for using the acquisition cost model and subjected to scheduled depreciation over a useful life ranging between 14 and 31 years.

Intangible assets
Acquired intangible assets are recognized at cost less accumulated amortization and accumulated impairment charges. Where the prerequisites for capitalization of internally generated intangible assets are satisfied, such assets are duly recognized. Intangible assets capitalized are generally amortized using the straight-line method over their estimated useful lives ranging between 2 and 25 years, and relate essentially to concessions for the operation of technical facilities. The intangible assets capitalized within the Group – other than goodwill – have limited useful lives.

Research and development expenses are accounted for in accordance with IAS 38 "Intangible Assets". Research costs are expensed on incurrence. Development expenses may be capitalized under certain circumstances (see IAS 38.57), depending on the possible outcome of the associated development activities. Development expenses of a project qualify for capitalization where the Group can prove that the project is both technically feasible, resulting in the generating of internal benefits, or allowing the sale of an asset, and that both the intention and the funds exist to complete said asset and to utilize or sell it. Assessment of this possible outcome necessitates material assumptions by the management involved. Moreover, the Group must verify that the expenditures to be allocated to the intangible asset during its development can be reliably calculated.

Inventories
Raw materials, supplies, finished products and work in progress are all recognized at cost. Capitalization of the cost of borrowings in accordance with IAS 23 does not take place in the case of inventories as the prerequisites for this are not met. The acquisition or manufacturing cost of raw materials and supplies is essentially determined using the first in, first out method (FIFO). In isolated, negligible cases, however, the weighted average method may be used instead. Inventories are subjected to a valuation adjustment as of the closing date where the net realizable value is less than the carrying value.

Borrowing costs
Directly attributable borrowing costs incurred as part of the acquisition, construction or manufacture of a qualifying asset are capitalized as part of the cost of acquisition, construction or manufacture. They remain capitalized until the asset is ready for its envisaged use, with the relevant interest rate being duly applied. All other borrowing costs are expensed in the period in which they are incurred.

Financial instruments (IAS 39)
Financial instruments take the form of financial assets and financial liabilities. They are disclosed in the consolidated balance sheet where PCC SE or a subsidiary is a contractual party to the associated transaction. Financial assets are derecognized once the contractual rights to payments from the financial assets expire or the financial assets are transferred to another party together with all material risks and opportunities. Financial liabilities are derecognized once the contractual obligations are settled, canceled or have expired. Regular-way purchases and sales of financial assets are recognized as of the settlement date, that is to say the date on which the Group commits to the purchase or sale of the asset.

Within the PCC Group, financial assets are classified in accordance with the following categories: (a) "At fair value through profit or loss"; (b) "Loans and receivables"; or (c) "Available for sale". Classification depends on the nature of the assets and their purpose. The management determines the classification of financial assets on first-time recognition.

Financial assets that do not belong to the category "At fair value through profit or loss" are initially recognized at their fair value plus transaction costs. Financial assets which belong to the category "At fair value through profit or loss" are initially recognized at their fair value, while the associated transaction costs are immediately expensed.

a) Financial assets recognized at fair value through profit or loss

Financial assets recognized at fair value through profit or loss are those held for trading or which have been designated as belonging to this category on first-time recognition. A financial asset is assigned to this category if it has essentially been acquired with a view to short-term resale. Derivatives likewise belong to this category where they are not qualified as hedges. Financial assets measured at fair value through profit or loss are recognized at their fair value. Any gain or loss arising from such measurement is added to or deducted from income.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted on an active market. Financial assets assigned to this category are recognized in the balance sheet under "Trade accounts receivable", "Other receivables and other assets" and "Cash and cash equivalents". Loans and receivables are subsequently stated at amortized cost using the effective interest method. If there are objective indications of impairment, they are subjected to individual value adjustments. The assessment of the value adjustment requirement is based on experience with respect to the solvency of the customer, the age structure of the asset, days overdue, any existing insurance policies, and customer-specific risks.

c) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which do not fall into any of the other categories described. They are measured at fair value. The fair values are essentially determined on the basis of market prices or quotations. Participating interests of which the fair value cannot be reliably determined are measured at cost and written down on impairment. In the case of such participating interests, the cost of acquisition represents the best estimate of the fair value. Assets that fall under this heading include shares in subsidiaries, associates and joint ventures which, for reasons of materiality, are not fully consolidated or are included in the consolidated financial statements using the equity method. There are generally no plans to sell these participating interests to any significant degree.

Changes in the book values/carrying amounts of monetary financial instruments denominated in a foreign currency within the category of financial assets available for sale are recognized through profit or loss where such changes result from fluctuations in foreign exchange rates. Other changes in the book value/carrying amount of financial assets available for sale are recognized under other comprehensive income. Interest gains arising from application of the effective interest method in respect of securities in the category "Available for sale" are recognized through profit or loss. Dividends payable on equity instruments available for sale are taken to income once the Group becomes legally entitled to payment.

If financial assets classified as available for sale are sold or become impaired, the cumulative changes in fair value recognized in equity are recycled through profit or loss.

Financial liabilities are categorized either at fair value through profit or loss or as other financial liabilities. The rules governing initial recognition and measurement and the treatment of transaction costs are similar to those applicable to financial assets. With financial liabilities recognized at fair value through profit or loss, gains and losses arising from subsequent measurement in the following periods are taken to income. Other financial liabilities are measured in subsequent periods at amortized cost in accordance with the effective interest method.

Financial assets and liabilities are only offset and disclosed as a net amount in the balance sheet where there is a legal entitlement to do so and the intention is to settle on a net basis or to discharge the associated liability simultaneously with realization of the associated asset.

Derivative financial instruments are initially recognized at fair value as of conclusion of the associated contract. Subsequent measurement is likewise at fair value as of the respective reporting date. The method for recognizing gains and losses depends on whether the derivative financial instrument is designated as a hedge and, if so, on the nature of the hedged item. The PCC Group designates certain derivative financial instruments either as a) a fair value hedge of a recognized asset, a liability or an unrecognized firm commitment (fair value hedge), b) a hedge against certain risks of fluctuating cash flows (cash flow hedge) associated with a recognized asset or a recognized liability or an expected future transaction with a high probability of occurrence, or

c) as a hedge of a net investment in a foreign business operation (net investment hedge). In the reporting year and also in the previous year, the PCC Group only had cash flow hedges to account for.

On conclusion of a transaction, the Group documents the hedge relationship between the hedging instrument and the main transaction, the purpose of the associated risk management and also the underlying strategy with respect to hedging transactions. Estimates are also documented both at the beginning of the hedging relationship and thereafter as to whether the derivatives used in the hedging relationship extensively compensate for changes in the fair value or the cash flows of the underlying transactions.

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognized under other comprehensive income, with the ineffective portion being recognized directly through profit or loss. Amounts accrued under equity are recycled to profit or loss in the period in which the hedged underlying affects income.

In the event that a hedging transaction expires, is sold or no longer fulfils the criteria for recognition as a hedge, the gain or loss accumulated in equity remains in equity and is only recycled to profit or loss once the originally hedged, future transaction takes place. If the future transaction is no longer expected to occur, the cumulative gains or losses in equity are immediately recycled to profit or loss.

Trade accounts receivable

Trade accounts receivable are recognized at amortized cost. In the event of value adjustments, these are recognized directly in the receivable concerned. Value adjustments are allocated to receivables from insolvent debtors and also receivables that are more than 365 days overdue. Receivables denominated in foreign currency are converted as of the closing date at the applicable euro exchange rate, with any translation differences being recognized through profit or loss. Receivables sold within the framework of open factoring are derecognized at the time of purchase by the factor. Only the remaining pro rata amount that is not purchased continues to be reported under receivables. In silent factoring, the receivable is only derecognized at the time of payment by the factor. At the same time, a receivable from the factor is shown on a settlement account under other assets.

Cash and cash equivalents

Cash and cash equivalents encompass cash balances and checks, credit balances at banks with a term of up to three months from the date of acquisition, and also highly liquid financial assets available at short notice. These items are recognized at amortized cost.

Trade accounts payable; overdrafts

Trade accounts payable, overdraft liabilities and other liabilities are recognized at their repayable or settlement amount.

Provisions

Provisions are created where a past event has given rise to an obligation towards third parties that is likely to lead in the future to an outflow of funds, and where the amount involved can be reliably estimated.

Taxes on income

The PCC Group accounts for deferred taxes in accordance with IAS 12 where differences exist between the carrying amount in the consolidated financial statements and the tax base of an asset. Deferred tax liabilities are essentially recognized on all taxable temporary differences, while deferred tax assets are only recognized where it is probable that taxable profits will be available to enable their realization. The carrying value of deferred income tax assets is examined on each closing date and reduced to the extent that it is no longer probable that sufficient income will be available against which the deferred tax asset can be at least partially realized. Deferred income tax assets not recognized in an earlier period are reassessed at each closing date and recognized to the extent that it currently appears probable that future taxable profits will allow realization of the deferred tax asset.

Deferred tax liabilities and deferred tax assets are netted where there is a right to do so and where they involve the same tax authority.

Current taxes are calculated on the basis of the taxable income of the company for the reporting period. The tax rates applied for each company are those applicable as of the closing date.

Leases (IAS 17)

Concluded lease contracts are treated as either finance leases or operating leases. Where all material opportunities and risks are transferred to the Group as the lessee, the Group is also assigned economic ownership. In the case of contracts that qualify as operating leases, the current lease installments are immediately expensed. Assets held as finance leases are either capitalized at the present value of the minimum lease payments or the fair value of the leased item at the inception of the lease, whichever is the lower. In the event that change of ownership to the lessee at the end of the contractual period is not sufficiently ensured, these assets are either written down over the term of the lease or over their useful life, whichever period is shorter. A lease liability is also recognized in the corresponding amount. The periodic lease payments have to be divided into repayment and interest components. The repayment component reduces the liability, while the interest component is recognized as an interest expense.

Revenue recognition (IAS 18)
The PCC Group recognizes income once the risks and rewards of ownership have been transferred to the purchaser. The Group essentially recognizes its sales revenue with the sale of its products and provision of its services.

Government grants and assistance (IAS 20)
Government grants and assistance are recognized in the consolidated financial statements of the PCC Group as deferred income on the liabilities side, provided that there is reasonable assurance that the entity will comply with any conditions attached to the grant or assistance, and that the grant or assistance will be received. The release of this deferred income is effected through profit or loss under other operating income over the full period of depreciation assigned to the asset created.

Exploration for and evaluation of mineral resources (IFRS 6)
Expenditures on viable exploration drilling operations and also for non-productive drilling operations are capitalized. The expenditures are recognized through to exploitation as assets in course of construction. Once production begins on a positive find, the asset is reclassified to plant and machinery. The capitalized expenses are amortized over the maximum period of production as determined by expert appraisal. If annual investigation of the resources should result in a change in this lifetime estimate, the depreciation period is adjusted accordingly. In the event of the find being determined as unviable in subsequent periods, the asset is written off by way of an unscheduled impairment.

Foreign currency translation
The consolidated financial statements have been prepared in euro, the functional currency of the parent company.

Each company within the Group determines its own functional currency. The items contained in the financial statements of the company concerned are measured using this functional currency. Foreign currency transactions are initially translated into the functional currency at the spot rate applicable on the transaction date.

Monetary assets and liabilities in a foreign currency are translated into the functional currency on each closing date using the spot rate applicable as of that date. All foreign exchange differences are recognized through profit or loss with the exception of translation differences arising from foreign currency loans where these are recognized as hedges of a net investment in a foreign operation. These are recognized directly in equity until the net investment is sold, and only on derecognition are they recycled through profit or loss. Deferred taxes arising from the translation differences of these foreign currency loans are likewise recognized directly in equity.

For entities for which the euro is the functional currency, non-monetary items that are measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Non-monetary items measured at their fair value in a foreign currency are translated at the rate applicable at the time of ascertaining the fair value.

All assets and liabilities resulting from the acquisition of a foreign operation are recognized as assets and liabilities of that foreign operation and translated at the spot rate prevailing on the closing date.

For entities for which the euro is not the functional currency, the assets and liabilities of foreign operations are translated into euro as of the closing date. Income and expenses are translated at the weighted average rate for the fiscal year. The translation differences arising from this are recognized as a separate item in equity. The accumulated amount recognized for a foreign operation in equity is recycled through profit or loss on disposal of that foreign operation.

The exchange rates of the currencies of importance to the consolidated financial statements are indicated in the following table:

	Closing rate		Average rate	
Currency exchange rate for 1 €	**Dec. 31, 2017**	Dec. 31, 2016	**2017**	2016
Bosnian convertible mark (BAM)	**1.9558**	1.9558	**1.9558**	1.9558
Bulgarian lev (BGN)	**1.9558**	1.9558	**1.9558**	1.9558
Belarusian ruble (BYN)	**2.3553**	2.0450	**2.1783**	2.2004
Czech koruna (CZK)	**25.5350**	27.0210	**26.3260**	27.0343
Icelandic króna (ISK)	**125.0500**	119.1300	**120.5400**	133.5905
Macedonian denar (MKD)	**61.4907**	61.4812	**61.5743**	61.5950
Malaysian ringgit (MYR)	**4.8536**	–	**4.8527**	–
Polish złoty (PLN)	**4.1770**	4.4103	**4.2570**	4.3632
Romanian leu (RON)	**4.6585**	4.5390	**4.5688**	4.4904
Russian ruble (RUB)	**69.3920**	64.3000	**65.9383**	74.1446
Ukrainian hryvnia (UAH)	**33.4954**	–	**30.0475**	–
Turkish lira (TRY)	**4.5464**	3.7072	**4.1206**	3.3433
Thai baht (THB)	**39.1210**	–	**38.2960**	–
US dollar (USD)	**1.1993**	1.0541	**1.1297**	1.1069

Use of assumptions and estimates

Preparation of the consolidated financial statements as of December 31, 2017 in compliance with IFRS requires certain estimates and assumptions to be made by the management that influence the amount recognized as assets, liabilities, contingent receivables and contingent liabilities as of the reporting date, and also the income and expenses generated during the fiscal year. The main areas of application for assumptions, estimates and the exercise of discretionary scope are encountered in determining the useful lives of non-current assets, the recognition and measurement of other provisions and pension provisions, and also income tax. It is also necessary when determining goodwill impairment to assess the value-in-use of the cash-generating unit to which the goodwill is assigned. Calculation of the value-in-use requires an estimate of future cash flows from the cash-generating unit and also a suitable discount rate for determining the present value of those future cash flows. Estimates are based on empirical values and other assumptions considered appropriate under the given circumstances. They are continuously reviewed and may deviate from the actual values and figures that come to light. The book values/carrying amounts of items affected by estimates can be found in the following notes and also in the balance sheet. Discretionary decisions which are not based on estimates occur, for example, in relation to the categorization of lease contracts.

Notes to the individual items of the consolidated statement of income

(6) Sales revenue

Sales in fiscal 2017 amounted to €683.2 million (previous year: €568.9 million). Of this, €608.0 million (previous year: €503.5 million) was generated from the sale of goods and products, while €75.2 million (previous year: €65.5 million) came from the sale of services, and in particular transport services. Due to higher commodity prices and with sales volumes remaining high, sales increased by 20.1 % compared to the previous year.

(7) Other internal costs capitalized

The total of other internal costs capitalized essentially derives from manufacturing costs in respect of work or assets capitalized, with material intercompany profits eliminated. The total for this item decreased in the year under review from €8.8 million to €4.8 million.

(8) Purchased goods and services

Figures in €k	2017	2016
Cost of raw materials, supplies and merchandise	403,972	325,284
Cost of external services	66,814	55,313
Transport and warehouse costs	18,500	17,067
Total purchased goods and services	**489,285**	**397,664**

The cost of purchased goods and services increased compared to the previous year by €91.6 million or 23.0 % to €489.3 million. This was mainly due to higher raw material procurement prices throughout fiscal 2017, partly attributable to the rise in the price of crude oil. Also, the worldwide supply of some raw materials was significantly scarcer with a corresponding effect on prices. This price trend continued into the new year. The increase in expenses for purchased services was due to the Intermodal Transport business segment, in particular to the increased number of containers transported.

(9) Personnel expenses

Figures in €k	2017	2016
Wages and salaries	57,391	50,680
Social security contributions	11,148	9,747
Pension costs	67	99
Total personnel expenses	**68,606**	**60,526**

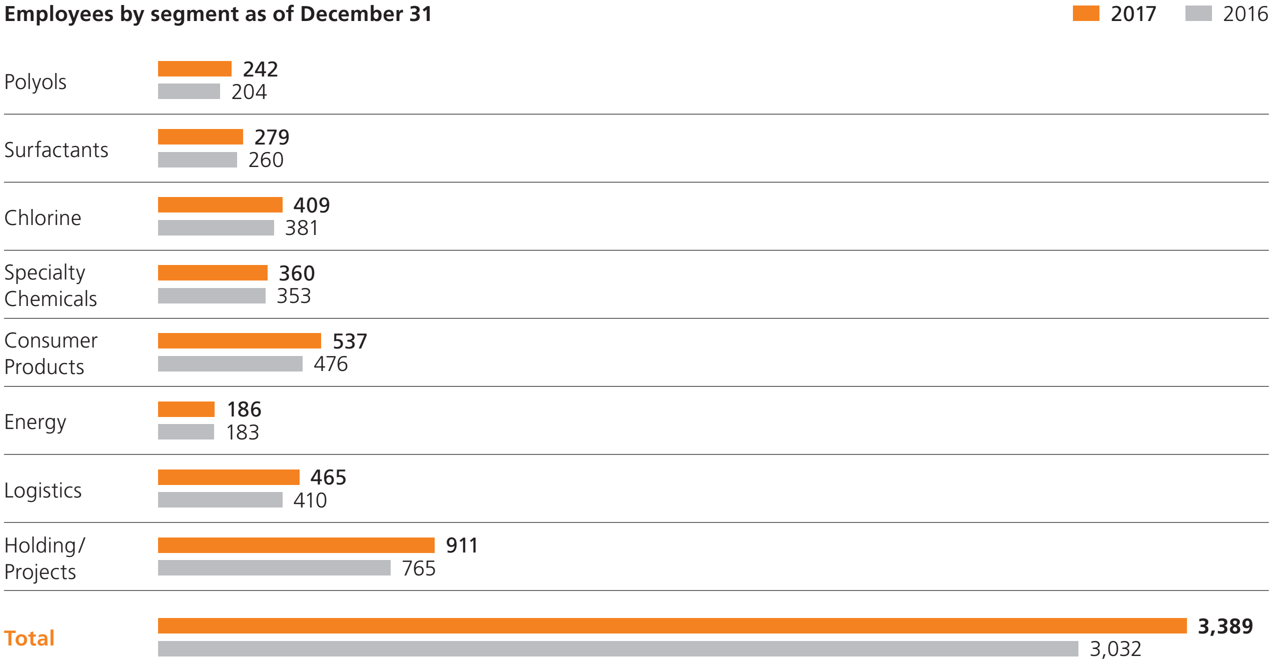
Personnel expenses rose by €8.1 million year-on-year to €68.6 million. This increase is primarily due to the growth in personnel, accompanied by capacity expansions across all segments, but especially in the Holding/Projects segment as the result of construction of a silicon metal plant in Iceland. A significant increase in wage pressures, particularly in Poland, also had a contributory effect. At 3,389 at the end of 2017, the number of employees was 357 or 11.8 % higher than the 3,032 at the end of the previous year.

	Dec. 31, 2017	Dec. 31, 2016
Salaried employees	1,652	1,423
Waged employees	1,737	1,609
Total employees at year-end	**3,389**	3,032

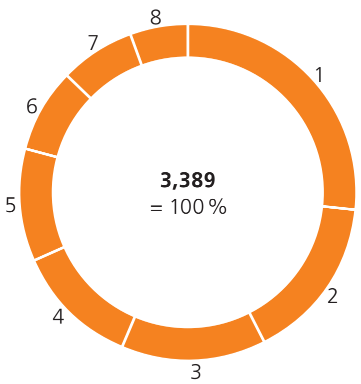
The companies of the PCC Group employed an average of 3,207 people in 2017, an increase of 206 or 6.9 % year on year.

The following graphics show the absolute and relative breakdown of the number of employees by Group segment as of the balance sheet date. The corporate service functions are allocated to the Holding/Projects segment. The investment project of PCC BakkiSilicon hf, Húsavík (Iceland), is also assigned to this segment.

Employees by segment as of December 31



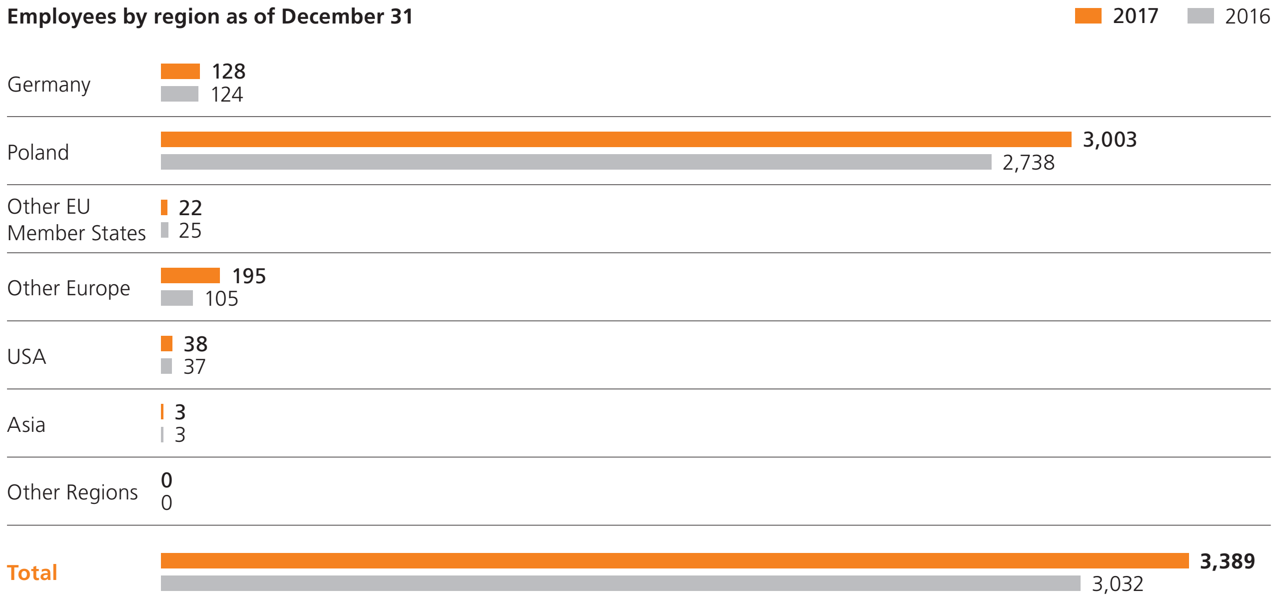
Employees by segment as of December 31, 2017 in %



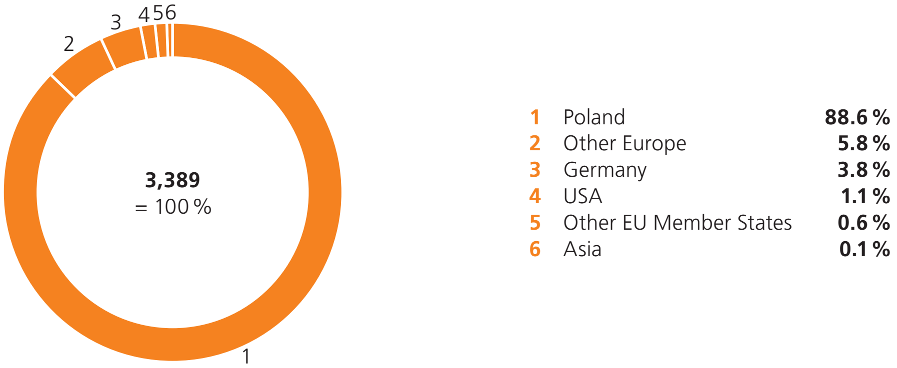
1	Holding/Projects	**26.9 %**
2	Consumer Products	**15.8 %**
3	Logistics	**13.7 %**
4	Chlorine	**12.1 %**
5	Specialty Chemicals	**10.6 %**
6	Surfactants	**8.2 %**
7	Polyols	**7.1 %**
8	Energy	**5.5 %**

The geographic distribution of employees as of the closing date was as follows:

Employees by region as of December 31



Employees by region as of December 31, 2017 in %



(10) Other operating income

Figures in € k	2017	2016
Income from the reversal of other provisions	2,158	2,005
Income from write-ups on non-current assets	1,019	68
Income from the reversal of value adjustments on accounts receivable	678	2,026
Rental and similar income	541	573
Income on disposal of property, plant and equipment	375	692
Insurance reimbursements	295	1,831
Income from costs recharged	227	168
Income on disposal of financial assets	11	100
Income from the sale of energy efficiency certificates	–	9,520
Sundry other operating income	4,084	5,762
Total other operating income	**9,388**	22,745

Other operating income fell by € 13.3 million from € 22.7 million to € 9.4 million in the past financial year. This decline is primarily due to income of € 9.5 million from the sale of energy efficiency certificates in the previous year. These certificates were granted free of charge on application for a particularly energy-saving investment. As they are not required to cover the company's own energy volumes, they were sold in the previous year. This exceptional item was not repeated in 2017.

Income from the release of other provisions increased by € 0.2 million to € 2.2 million, while income from insurance reimbursements fell from € 1.8 million to € 0.3 million.

Income from the reversal of value adjustments on accounts receivable fell from € 2.0 million to € 0.7 million.

(11) Other operating expenses

Figures in € k	2017	2016
Freight expenses	16,881	14,984
Maintenance and repair expenses	9,062	9,802
Other taxes	6,400	5,556
Legal, consultancy and auditing expenses	5,230	5,159
General business expenses	5,152	4,531
Rent and similar expenses	3,605	3,245
Insurance premiums	3,593	3,206
Travel and hospitality expenses	3,527	3,693
Non-wage personnel expenses	2,853	2,531
Marketing, selling and distribution expenses	2,237	2,409
Increase in value adjustments on accounts receivable	415	1,051
Losses on disposal of property, plant and equipment	29	160
Sundry other operating expenses	10,280	10,723
Total other operating expenses	**69,265**	67,051

Other operating expenses increased by 3.3 % from € 67.1 million to € 69.3 million in fiscal 2017.

The biggest single item was freight expenses at € 16.9 million. This represents an increase of € 1.9 million, due primarily to an increase in freight and transport charges of forwarding agents and carriers.

Other taxes include all tax expenses that are not taxes on income. Domestic and foreign taxes on income, and also deferred taxes, are separately disclosed in the tax result and explained under Note (16). At € 6.4 million, the figure for the past fiscal year is € 0.8 million higher than the charge for the previous year of € 5.6 million.

Maintenance and repair expenses fell by € 0.7 million from € 9.8 million in the previous year to € 9.1 million in the past fiscal year. These expenses were mainly attributable to the asset-intensive businesses of the Chemicals segments.

At € 5.2 million, expenses for year-end closing, legal, auditing and consulting services remained flat year on year.

Research and development expenses for the current reporting period came in at € 3.5 million (previous year: € 3.3 million).

(12) Income from investments accounted for using the equity method

Figures in € k	2017	2016
Equity value as of Jan. 1	**–**	–
Changes in consolidation scope	2,201	–
Dividends received	–	–
Proportionate net profit/loss	–728	222
Adjustments for negative value	222	–
Release of negative carry-forward	–	–222
Other changes	–229	–
Equity value as of Dec. 31	**1,466**	–

Because of losses allocated to OOO DME Aerosol, Pervomaysky (Russia), which exceed the equity value recognized, the equity method has been deferred in the case of this entity. The losses are to be carried in a subledger and will be initially offset against future income before any positive share of earnings is recognized in the consolidated statement of income. As of December 31, 2017, the accumulated losses amounted to € 0.4 million (previous year: € 0.1 million). This means that, in the year under review, losses amounting to € 0.3 million have not been recognized.

OOO DME Aerosol

Figures in € k	2017	2016
Income statement		
Revenues	–	–
EBITDA	–159	–28
EBT	–510	471
Net result	–443	449
Balance sheet		
Non-current assets	10,979	3,884
Current assets	1,013	692
Non-current liabilities	10,639	3,740
Current liabilities	1,782	844

IRPC Polyol Company Ltd.

Figures in € k	2017	2016
Income statement		
Revenues	22,993	–
EBITDA	8,530	–
EBT	–2,026	–
Net result	–2,026	–
Balance sheet		
Non-current assets	5,463	–
Current assets	11,197	–
Non-current liabilities	990	–
Current liabilities	9,774	–

The newly acquired shares in IRPC Polyol Company Ltd. in Bangkok (Thailand) were also consolidated in the past fiscal year. The proportionate losses for the fiscal year were taken into account in the additions value of € 2.2 million recognized at the time of acquisition.

The other changes relate to currency translation effects.

In addition to the aforementioned companies, the PCC Group also has a joint venture with IRPC-PCC Company Ltd., Bangkok. For reasons of materiality, this company has not been included in the consolidated financial statements.

(13) Depreciation and amortization

The depreciation of property, plant and equipment increased due to the continuation of the extensive capital expenditure program of the PCC Group that has been put in train in recent years. In fiscal 2017, amortization of intangible assets and depreciation of property, plant and equipment amounted to € 32.8 million, 16.4 % more than in the previous year.

Figures in € k	2017	2016
Amortization of intangible assets	1,890	1,265
Depreciation of property, plant and equipment	30,942	26,937
Total depreciation and amortization	**32,832**	**28,202**

Amortization of non-current intangible assets relates to industrial property rights and similar rights. There were no impairments or write-ups of goodwill either in fiscal 2017 or the previous year. For further information in relation to goodwill, please refer to Note (19). In fiscal 2017, total impairment losses with respect to intangible assets and property, plant and equipment amounted to € 0.4 million (previous year: € 1.3 million). These largely relate to impairments in capitalized expenses of investments in the Energy segment which were ultimately not implemented, together with a number of smaller impairment losses recognized in several segments.

(14) Interest result

The balance of interest income and interest expenses showed a decrease of 3.9 % from € –23.3 million in the previous year to € –24.2 million in the year under review. The breakdown of the individual items reads as follows:

Figures in € k	2017	2016
Interest and similar income	**2,112**	**1,684**
Interest income from deposits	101	91
Interest income on bank balances	586	736
Interest income from discounting of non-current receivables	258	211
Interest income from discounting of non-current provisions	542	–
Derivative financial instruments	–	279
Interest income on intercompany loans	625	366
Interest and similar expenses	**26,295**	**25,013**
Interest payable on bonds	17,429	17,535
Interest payable on profit participation certificates	938	962
Interest payable on bank liabilities	7,184	5,645
Interest payable on factoring arrangements	200	–
Interest expense from discounting of non-current provisions	40	466
Interest expense component of finance lease payments	298	302
Derivative financial instruments	191	82
Interest expense on loans received from affiliates	14	21
Interest result	**–24,183**	**–23,329**

As in the previous year, the largest single item was interest payable on bonds, which remained almost flat year on year at € 17.4 million. Despite increased financial liabilities arising from the investment programs, both the parent company of the PCC Group and its subsidiaries benefited from the continued low interest rate environment for new issuances in the market. Several companies in the PCC Group issue bonds to finance investments and refinance maturing liabilities. Under Note (31) can be found a detailed breakdown of bond liabilities and their tenors.

Interest attributable to investment projects that represent qualifying assets is capitalized during the construction phase in accordance with IAS 23. In the past fiscal year, interest expenses totaling € 12.1 million (previous year: € 8.9 million) were recognized on the assets side. The capitalization rate was 4.3 % (previous year: 6.7 %). The weighted interest rate across all interest-bearing liabilities in fiscal 2017 was 5.1 %, a decrease of 0.3 percentage points compared to the rate prevailing in the previous year.

(15) Currency translation result

Figures in € k	2017	2016
Foreign exchange rate gains	11,475	14,617
Foreign exchange rate losses	14,738	14,523
Currency translation result	**–3,263**	**94**

Gains and losses arising from foreign exchange/currency translation differences are recognized under financial result. While currency translation expenses remained constant compared to the previous year, income from currency translation declined. The net effect amounted to € –3.3 million (previous year: € 0.1 million).

(16) Taxes on income / Tax expense

Figures in € k	2017	2016
Current taxes on income, Germany	2,598	903
Current taxes on income, abroad	2,708	5,048
Current income tax expense	**5,306**	**5,951**
Deferred tax income (–)/expense (+)	–362	–424
Total taxes on income	**4,944**	**5,526**
Other taxes incl. VAT and other excise duties	6,400	5,556
Total tax expense	**11,344**	**11,083**

Taxes on income include the income taxes paid or owed in the individual countries, and also deferred taxes recognized through profit or loss. Taxes on income are comprised of municipal trade and corporate income tax, the solidarity surcharge payable in Germany and the corresponding foreign taxes on income. Other taxes include property taxes, wealth taxes and other comparable tax classes, and amounted to € 6.4 million (previous year: € 5.6 million). These are allocated to other operating expenses.

The effective tax rate of the PCC Group has increased from 22.5 % to 36.3 %. The differences between the corporate income tax rate of 30 % applicable in Germany for 2017, which remained unchanged versus the prior year, and the effective tax rate are indicated in the following reconciliation statement:

Figures in € k	2017	2016
Earnings before taxes (EBT)	**13,611**	**24,609**
Anticipated income tax burden at parent company	4,083	7,383
Effects of changes on income tax rates	– 131	–
Foreign tax rate differentials	3,534	4,801
Results from investments accounted for using the equity method	507	–
Non-taxable income	– 14,092	– 14,835
Non-deductible expenses	11,112	15,427
Deduction of losses for which deferred taxes have been provided	– 1,491	– 5,069
Deduction of losses for which deferred taxes have not been provided	– 2	–
Non-period-related taxes	851	– 45
Result in special economic zones	– 39,016	– 26,542
Permanent differences	25,514	78
Other effects	14,076	24,328
Effective income tax	**4,944**	**5,526**

Individual Group companies have tax losses that can be carried forward. The following indicates the timeframes in which these tax loss carry-forwards can be used and from which deferred tax assets are created. Compared to the previous year, the amount has decreased by € 1.3 million or 12.0 %. Tax loss carry-forwards from which no deferred tax assets have been created amount to € 131.1 million (previous year: € 108.1 million).

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Usable within:		
1 year	–	1,527
2 years	–	–
3 years	128	2
4 years	300	44
5 years and thereafter	1,192	9,139
Carried forward without restriction	7,811	–
Total usable tax losses carried forward	**9,431**	**10,712**

Segment report

(17) Business segment report

The PCC Group is currently active with over 3,300 employees at 40 sites in 18 countries. The investment portfolio of PCC SE is divided into eight segments. The seven segments Polyols, Surfactants, Chlorine, Specialty Chemicals, Consumer Products, Energy and Logistics are assigned full operational responsibility. Allocated to these segments are 19 business units that are managed by the international companies and entities of PCC. The eighth segment, Holding/Projects, includes not only the holding company PCC SE but also other companies and entities, and is primarily responsible for providing corporate services in the fields of finance, business development, information technology, environmental protection, site infrastructure management, research & development and engineering & technology.

The divisions, segments and business units of the PCC Group

Divisions	**Chemicals**					**Energy**	**Logistics**	**Holding/ Projects**
Segments	Polyols	Surfactants	Chlorine	Specialty Chemicals	Consumer Products	Energy	Logistics	Holding/ Projects
Business units	– Polyols – Polyurethane Systems	– Anionic Surfactants – Non-ionic Surfactants – Betaines (Amphoteric Surfactants)	– Chlorine – MCAA – Other Chlorine Downstream Products	– Phosphorus and Naphthalene Derivatives – Alkylphenols – Commodity Trading – Quartzite	– Household and Industrial Cleaners, Detergents and Personal Care Products – Matches and Firelighters	– Renewable Energies – Conventional Energies	– Intermodal Transport – Road Haulage – Rail Transport	– Portfolio Management – Projects – Services

The assignment of the Group's businesses to the seven operational segments assists in the leverage of synergy effects and sharpens the profile of the individual operations. The adoption of this structure underscores the PCC Group's commitment to its strategy of active investment portfolio management and ongoing portfolio optimization. The management of the portfolio assets and affiliates together with examination of further acquisitions for the purpose of competence-related diversification into new market segments remains at the heart of Group policy. The underlying objective over the long term is to build a basis for sustainable growth and to continuously increase enterprise value.

The Polyols segment comprises the Polyols and Polyurethane Systems business units. Their products form the basis of PU foam materials used in a wide range of applications and a large number of industries – from the PCC foam technology iPoltec® for high-comfort mattresses to PU foam systems for the effective thermal insulation of buildings.

Pooled under the Surfactants segment are the business units Anionic Surfactants, Non-ionic Surfactants and Betaines (Amphoteric Surfactants). Because of their multiple effects in foaming, wetting, emulsifying and cleaning, surfactants are essential ingredients in many products. In toothpastes they generate the cleaning effect and foaming action, while in dishwashing products they ensure that dirt and grease are effectively dislodged from hard surfaces.

Chlorine marks the starting point in the value chain of many products manufactured by the other segments of the Chemicals division. For many people, it is also essential for everyday living: In swimming baths, for example, it serves as a disinfectant protecting bathers from germs. Manufactured nowadays by PCC in an environmentally compatible process, chlorine and downstream chlorine products are also used in water treatment and the petrochemical industry.

PCC's biggest single revenue generator is the Specialty Chemicals segment. Its products range from phosphorus-based flame retardants, plasticizers, stabilizers and lubricants to additives for hydraulic oils and admixtures formulated to improve the workability of fresh concrete. The Commodity Trading operation of the PCC Group is also currently allocated to this segment.

The Consumer Products segment encompasses the business unit Household & Industrial Cleaners, Detergents and Personal Care Products – with its own Polish brands such as "ROKO" and "Roko Eco" – and, as its second business unit, Matches and Firelighters.

Within the Energy segment, the main source of sales is the Conventional Energies business unit. This encompasses a cogenerating plant in Poland for supplying our own production facilities, and a regional Polish combined heat, power and steam utility. The focus of the second business unit in this segment, Renewable Energies, is on the development, construction and operation of, in particular, small hydropower plants. In the Republic of Macedonia, we have so far commissioned four of these environmentally friendly electricity generators, with one in Bosnia and Herzegovina also now on stream.

The Logistics segment comprises the three business units Intermodal Transport, Road Haulage and Rail Transport. PCC is one of the leading providers of container transport services in Poland. The logistics network extends from Eastern Europe to the Benelux countries, and the Group entities also operate several wholly owned container transshipment terminals. Operating throughout Europe, the tanker fleet of PCC specializes in the road transport of liquid chemicals. And in Russia, PCC maintains a fleet of broad-gauge railway wagons.

The Holding/Projects segment provides corporate and interdivisional services to the Group companies in fields such as finance, information technology, research & development, and maintenance & infrastructure servicing. The Holding/Projects segment also manages new projects such as the construction of a silicon metal production plant in Iceland and that of a dimethyl ether production facility in Russia.

The valuation principles for the Group's segment report are based on the valuation principles used in preparation of the consolidated financial statements per IFRS. Group-internal transactions are essentially performed in accordance with the same arm-length principles as those involving third parties. According to IFRS 8, operating segments are components of an entity defined on the basis of the internal reporting regime whose operating results are reviewed regularly by the entity's chief operating officer for the purpose of making decisions about resources to be allocated to such segments and assessing their performance on the basis of discrete financial data. Information reported to the main decision-makers for the purpose of the allocation of resources to the operating segments of the Group, and also assessment of their financial performance, relates to the types of products manufactured or services provided.

Sales in fiscal 2017 totaled € 683.2 million, 20.1 % higher than the figure of € 568.9 million generated in 2016. This was due primarily to the general, worldwide increase in price levels affecting almost all commodities. Sales in the Polyols segment increased by 15.4 % to € 145.4 million. The Surfactants segment saw sales grow by 18.7 % to € 120.5 million. The biggest rise in revenue was registered by the Chlorine segment. Here, sales increased by 40.5 % to € 100.9 million. Sales of the Specialty Chemicals segment also improved significantly year on year, by 23.1 % to € 199.3 million. Only in the Consumer Products segment, which is currently undergoing restructuring, did sales decline with a decrease of 9.8 % to € 21.8 million.

In the Logistics segment, revenue rose by 14.8 % from € 65.5 million to € 75.2 million, this rise resulting from a further improvement in the operating rate of the container terminals expanded and modernized in recent years.

The Energy segment increased sales by 4.5 % to € 11.8 million.

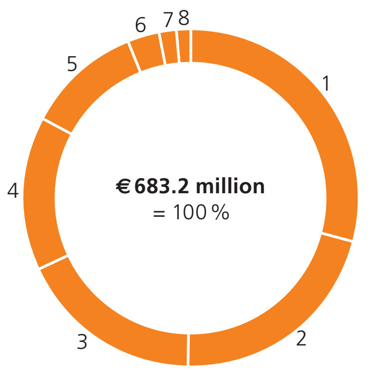
In terms of the total output of the Group in fiscal 2017, the Chemicals division accounted for sales of € 587.9 million (previous year: € 485.3 million) generated by its five segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products. The division's high share of consolidated sales remained virtually unchanged at 86.0 % (previous year: 85.3 %). The proportion of total Group sales generated by the Logistics segment was roughly the same at 11.0 % (previous year: 11.5 %). The proportion accounted for by the Energy segment was likewise largely unchanged at 1.7 % for the year under review. At € 8.4 million (previous year: € 6.9 million), the holding company's segment remained constant in terms of revenues at 1.2 % of total output generated.

Figures in € k	2017	2016
EBITDA	**73,827**	76,422
Depreciation and amortization	32,832	28,202
Financial result	−27,384	−23,611
EBT	**13,611**	24,609

Business segment report

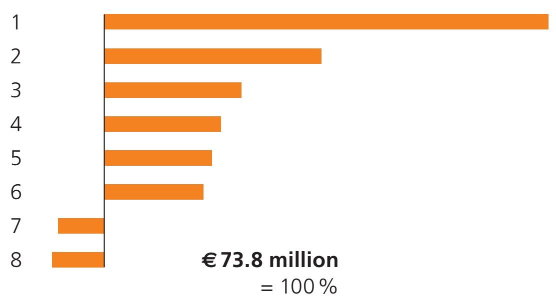
Figures in €k	Polyols		Surfactants		Chlorine		Specialty Chemicals	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Sales per segment (total)	**162,537**	136,186	**147,658**	124,116	**169,649**	129,564	**221,289**	179,979
Sales with other PCC segments	**17,158**	10,179	**27,123**	22,596	**68,756**	57,773	**21,996**	18,100
Net external sales (consolidated)	**145,379**	**126,007**	**120,535**	**101,520**	**100,893**	**71,791**	**199,293**	**161,879**
Contribution to total revenue	**21.3 %**	22.1 %	**17.6 %**	17.8 %	**14.8 %**	12.6 %	**29.2 %**	28.5 %
EBITDA	**15,647**	12,328	**9,916**	10,231	**32,010**	24,282	**8,395**	5,693
EBITDA margin	**10.8 %**	9.8 %	**8.2 %**	10.1 %	**31.7 %**	33.8 %	**4.2 %**	3.5 %
EBIT	**14,045**	10,889	**7,491**	7,445	**21,737**	16,692	**5,070**	2,295
EBIT margin	**9.7 %**	8.6 %	**6.2 %**	7.3 %	**21.5 %**	23.3 %	**2.5 %**	1.4 %
Intangible assets	**1,719**	1,085	**1,846**	1,775	**17,704**	17,549	**1,851**	1,740
Property, plant and equipment	**47,391**	38,078	**42,054**	40,147	**179,283**	156,217	**31,369**	26,767
Financial liabilities	**32,927**	18,900	**44,714**	41,246	**108,133**	89,046	**28,934**	23,795
Capital expenditures on intangible assets and property, plant and equipment	**10,080**	13,077	**3,482**	1,638	**23,078**	14,362	**6,796**	3,792
Depreciation and amortization	**1,602**	1,436	**2,426**	2,786	**10,273**	7,525	**3,325**	3,387
Capital employed (average)	**45,123**	30,172	**68,699**	66,934	**196,167**	184,101	**61,788**	55,665
ROCE	**31.1 %**	36.1 %	**10.9 %**	11.1 %	**11.1 %**	9.1 %	**8.2 %**	4.1 %
Result from investments accounted for using the equity method	**–507**	–	**–**	–	**–**	–	**–**	–
Employees at Dec. 31	**242**	204	**279**	260	**409**	381	**360**	353
Employees (annual average)	**218**	194	**275**	258	**390**	357	**357**	355

Sales by segment 2017 in %



1 Specialty Chemicals **29.2 %**
2 Polyols **21.3 %**
3 Surfactants **17.6 %**
4 Chlorine **14.8 %**
5 Logistics **11.0 %**
6 Consumer Products **3.2 %**
7 Energy **1.7 %**
8 Holding/Projects **1.2 %**

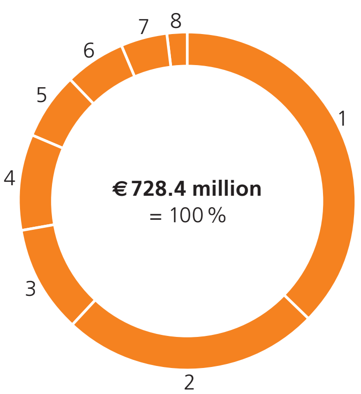
EBITDA by segment 2017 in %



1 Chlorine **43.4 %**
2 Polyols **21.2 %**
3 Surfactants **13.4 %**
4 Specialty Chemicals **11.4 %**
5 Logistics **10.5 %**
6 Energy **9.7 %**
7 Holding/Projects **–4.5 %**
8 Consumer Products **–5.1 %**

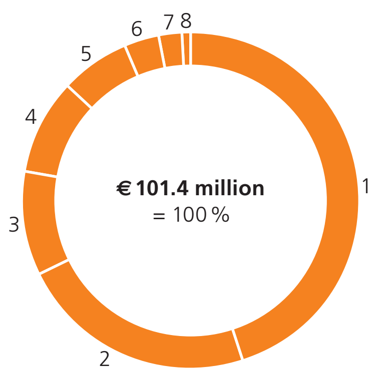
Consumer Products		Energy		Logistics		Holding / Projects		Consolidation		PCC Group	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
22,261	24,274	**31,214**	30,552	**88,266**	76,664	**46,860**	43,399	**–**	–	**889,733**	744,734
490	139	**19,431**	19,275	**13,100**	11,196	**38,499**	36,533	**–**	–	**206,552**	175,791
21,771	24,135	**11,783**	11,277	**75,166**	65,468	**8,362**	6,866	**–**	–	**683,181**	568,943
3.2 %	4.2 %	**1.7 %**	2.0 %	**11.0 %**	11.5 %	**1.2 %**	1.2 %	**–**	–	**100.0 %**	100.0 %
–3,735	–2,361	**7,191**	9,753	**7,740**	5,612	**–4,093**	11,341	**758**	–458	**73,827**	76,422
–17.2 %	–9.8 %	**61.0 %**	86.5 %	**10.3 %**	8.6 %	**–49.0 %**	165.2 %	**–**	–	**10.8 %**	13.4 %
–5,167	–4,002	**3,306**	7,055	**3,336**	1,558	**–9,243**	6,376	**422**	–89	**40,996**	48,219
–23.7 %	–16.6 %	**28.1 %**	62.6 %	**4.4 %**	2.4 %	**–110.5 %**	92.9 %	**–**	–	**6.0 %**	8.5 %
13	16	**4,506**	2,624	**270**	201	**1,670**	1,488	**5,624**	6,438	**35,202**	32,914
13,800	14,216	**66,710**	58,823	**75,068**	73,999	**276,327**	257,839	**–3,568**	–3,740	**728,434**	662,347
13,477	15,435	**42,134**	38,265	**47,059**	48,661	**532,621**	493,232	**–139,771**	–121,527	**710,229**	647,054
569	860	**9,341**	6,681	**2,319**	2,740	**64,488**	116,295	**–18,713**	–170	**101,440**	159,273
1,432	1,641	**3,884**	2,683	**4,403**	4,047	**5,150**	4,931	**336**	–234	**32,832**	28,202
13,975	13,743	**86,441**	77,153	**63,640**	65,072	**1,091,019**	928,027	**–810,476**	–702,313	**816,375**	718,554
–37.0 %	–29.1 %	**3.8 %**	9.1 %	**5.2 %**	2.4 %	**–0.8 %**	0.7 %	**–**	–	**5.0 %**	6.7 %
–	–	**–**	–	**–**	–	**–222**	222	**222**	–222	**–507**	–
537	476	**186**	183	**465**	410	**911**	765	**–**	–	**3,389**	3,032
500	505	**186**	181	**438**	391	**843**	759	**–**	–	**3,206**	3,001

Property, plant and equipment by segment 2017 in %



1	Holding/Projects	**37.4 %**
2	Chlorine	**24.6 %**
3	Logistics	**10.3 %**
4	Energy	**9.2 %**
5	Polyols	**6.5 %**
6	Surfactants	**5.8 %**
7	Specialty Chemicals	**4.3 %**
8	Consumer Products	**1.9 %**

Capital expenditures by segment 2017 in %



1	Holding/Projects	**45.1 %**
2	Chlorine	**22.8 %**
3	Polyols	**9.9 %**
4	Energy	**9.2 %**
5	Specialty Chemicals	**6.7 %**
6	Surfactants	**3.4 %**
7	Logistics	**2.3 %**
8	Consumer Products	**0.6 %**

(18) Regional segment report

Figures in € k	Germany 2017	Germany 2016	Poland 2017	Poland 2016	Other EU Member States 2017	Other EU Member States 2016
Customer location						
Net external sales (consolidated)	**145,225**	115,998	**248,085**	224,270	**157,627**	121,109
Contribution to total revenue	**21.3 %**	20.4 %	**36.3 %**	39.4 %	**23.1 %**	21.3 %
Company location						
Net external sales (consolidated)	**132,876**	97,700	**505,212**	425,419	**21,064**	22,502
Contribution to total revenue	**19.4 %**	17.2 %	**73.9 %**	74.8 %	**3.1 %**	4.0 %
EBITDA	**−4,502**	−5,602	**73,775**	80,320	**9**	231
EBITDA margin	**−3.4 %**	−5.7 %	**14.6 %**	18.9 %	**0.0 %**	1.0 %
EBIT	**−5,910**	−7,071	**44,869**	55,163	**−14**	199
EBIT margin	**−4.4 %**	−7.2 %	**8.9 %**	13.0 %	**−0.1 %**	0.9 %
Intangible assets	**787**	940	**25,608**	22,126	**128**	123
Property, plant and equipment	**12,544**	13,046	**483,378**	427,769	**3,944**	3,719
Investment property	**–**	2,493	**959**	990	**–**	–
Financial liabilities	**333,585**	313,928	**294,052**	244,873	**6,652**	6,435
Capital expenditures on intangible assets and property, plant and equipment	**18,476**	7,498	**63,924**	48,142	**239**	227
Depreciation and amortization	**1,408**	1,469	**28,906**	25,021	**23**	32
Income from investments accounted for using the equity method	**–**	–	**–**	–	**–**	–
Employees at Dec. 31	**128**	124	**3,003**	2,738	**22**	25
Employees (annual average)	**128**	125	**2,873**	2,707	**23**	25

For the purpose of regular internal and external reporting, the business of the PCC Group is divided into seven regions (Germany, Poland, Other EU Member States, Other Europe, USA, Asia and Other Regions). In fiscal 2017, the Group generated 21.3 % of sales with customers in Germany (previous year: 20.4 %), while 36.3 % was accounted for by customers in Poland (previous year: 39.4 %).

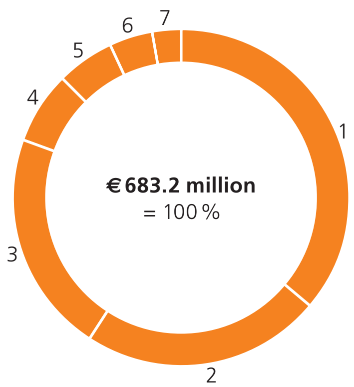
The PCC Group generated a total of 80.6 % of its sales with customers in the member states of the European Union (previous year: 81.1 %), the majority share being taken by Poland and Germany.

Based on company location, Poland accounted for net external sales of € 505.2 million (previous year: € 425.4 million), corresponding to around 73.9 % of the Group total (previous year: 74.8 %). Based on customer location, the figure for Poland was € 248.1 million (previous year: € 224.3 million) or around 36.3 % (previous year: 39.4 %). The sales figure in Germany increased from € 116.0 million to € 145.2 million by customer location, while there was an increase in revenues from € 97.7 million to € 132.9 million by location of company.

Capital expenditures totaled € 101.4 million (previous year: € 159.3 million). The largest share of this was accounted for by the regions Poland and Other Europe, primarily due to the construction of the silicon metal plant in Iceland, and – in the Chlorine and Polyols segments – as a result of the expansion of the membrane electrolysis plant and the construction of a new production line for polyether polyols. Capital expenditures in Poland amounted to € 57.7 million (previous year: € 48.1 million) and in the region Other Europe € 37.4 million (previous year: € 103.4 million).

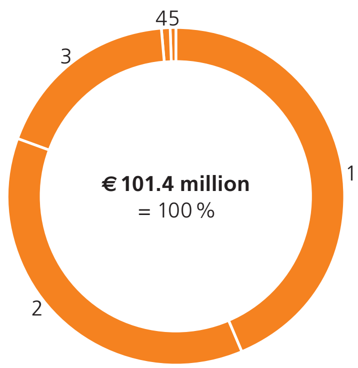
Other Europe		USA		Asia		Other Regions		Consolidation		PCC Group	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
48,637	30,757	17,569	18,816	36,747	29,470	29,290	28,524	–	–	683,181	568,943
7.1 %	5.4 %	2.6 %	3.3 %	5.4 %	5.2 %	4.3 %	5.0 %	–	–	100.0 %	100.0 %
5,443	3,907	18,587	19,344	–	70	–	–	–	–	683,181	568,943
0.8 %	0.7 %	2.7 %	3.4 %	–	0.0 %	–	–	–	–	100.0 %	100.0 %
3,366	1,401	386	520	37	10	–	–	758	–458	73,827	76,422
61.8 %	35.9 %	2.1 %	2.7 %	–	14.8 %	–	–	–	–	10.8 %	13.4 %
1,457	–271	138	280	35	9	–	–	422	–89	40,996	48,219
26.8 %	–6.9 %	0.7 %	1.4 %	–	12.3 %	–	–	–	–	6.0 %	8.5 %
2,125	2,237	930	1,051	–	–	–	–	5,624	6,438	35,202	32,914
228,803	217,578	3,332	3,972	1	3	–	–	–3,568	–3,740	728,413	662,347
–	–	–	–	–	–	–	–	–	–	959	3,483
214,855	201,580	855	1,765	–	–	–	–	–139,771	–121,527	710,229	647,054
37,423	103,431	91	143	–	1	–	–	–18,713	–170	101,440	159,273
1,909	1,673	248	240	1	2	–	–	336	–234	32,832	28,202
–222	222	–	–	–507	–	–	–	222	–222	–507	–
195	105	38	37	3	3	0	0	–	–	3,389	3,032
143	102	38	38	3	3	0	0	–	–	3,206	3,001

Sales by region 2017 in %



1 Poland 36.3 %
2 Other EU Member States 23.1 %
3 Germany 21.3 %
4 Other Europe 7.1 %
5 Asia 5.4 %
6 Other Regions 4.3 %
7 USA 2.6 %

Capital expenditures by region 2017 in %



1 Poland 44.6 %
2 Other Europe 36.9 %
3 Germany 18.2 %
4 Other EU Member States 0.2 %
5 USA 0.1 %
6 Asia 0.0 %
7 Other Regions 0.0 %

Notes to the individual items of the consolidated balance sheet

(19) Intangible assets

Figures in €k	Industrial property rights and similar rights	Goodwill	Internally generated intangible assets	Advance payments	Total
Historical cost					
Jan. 1, 2017	19,536	8,963	8,554	1,627	**38,680**
Changes in consolidation scope	5	–	–	–	**5**
Additions	2,726	–	–	849	**3,575**
Disposals	145	–	41	255	**441**
Reclassifications	403	–	16	–422	**–3**
Reclassified as held for sale	–	–	–	–	**–**
Currency translation differences	697	–231	478	91	**1,034**
Dec. 31, 2017	**23,222**	**8,732**	**9,007**	**1,890**	**42,850**
Amortization					
Jan. 1, 2017	4,488	881	198	199	**5,766**
Changes in consolidation scope	4	–	–	–	**4**
Additions	1,509	–	351	31	**1,890**
Disposals	145	–	–	–	**145**
Write-downs	–	–	–	–	**–**
Reversal of write-downs	–	–	–	–	**–**
Reclassifications	2	–	–	–2	**–**
Reclassified as held for sale	–	–	–	–	**–**
Currency translation differences	211	–107	18	12	**133**
Dec. 31, 2017	**6,069**	**774**	**566**	**239**	**7,648**
Net book value on Dec. 31, 2017	**17,153**	**7,957**	**8,441**	**1,651**	**35,202**

Intangible assets comprise industrial property rights, licenses and similar rights, goodwill, internally generated and developed intangible assets, and advance payments for intangible assets.

The net book values for this class of assets increased in 2017 from €32.9 million to €35.2 million. The change is mainly due to investments and the associated process licenses. There were also reclassifications to property, plant and equipment.

There were no impairment losses in the year under review (previous year: €38.0 k).

As of the reporting date, there were restricted rights of disposal on intangible assets in the amount of €2.9 million (previous year: €3.5 million). Exploration and production activities are carried out by one subsidiary. As of the reporting date, the associated net book value contained in the total for intangible assets amounted to €0.3 million (previous year: €0.4 million). No exploration activities occurred in the year under review. This undertaking is immaterial for the PCC Group, hence there is no separate reconciliation statement in this regard.

Figures in € k	Industrial property rights and similar rights	Goodwill	Internally generated intangible assets	Advance payments	Total
Historical cost					
Jan. 1, 2016	20,562	8,902	–	1,248	**30,712**
Changes in consolidation scope	–	–	–	–	**–**
Additions	805	–	–	3,983	**4,787**
Disposals	1,352	–	–	17	**1,370**
Reclassifications	–12	–	8,554	–3,546	**4,996**
Reclassified as held for sale	–	–	–	–	**–**
Currency translation differences	–466	61	–	–41	**–446**
Dec. 31, 2016	**19,536**	**8,963**	**8,554**	**1,627**	**38,680**
Amortization					
Jan. 1, 2016	4,449	853	–	152	**5,454**
Changes in consolidation scope	–	–	–	–	**–**
Additions	1,186	–	9	32	**1,228**
Disposals	1,350	–	–	5	**1,355**
Write-downs	13	–	–	25	**38**
Reversal of write-downs	–	–	–	–	**–**
Reclassifications	–188	–	188	–	**–**
Reclassified as held for sale	–	–	–	–	**–**
Currency translation differences	379	28	–	–6	**401**
Dec. 31, 2016	**4,488**	**881**	**198**	**199**	**5,766**
Net book value on Dec. 31, 2016	**15,048**	**8,082**	**8,356**	**1,428**	**32,914**

Goodwill

A debit differential that cannot be allocated to other assets on the first-time consolidation of subsidiaries is recognized in the consolidated balance sheet as goodwill. This goodwill does not undergo scheduled amortization; instead, it is subjected at least once a year to an impairment test in accordance with IFRS 3.

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
PCC Silicium S.A.	**2,615**	2,615
PCC Intermodal S.A.	**2,593**	2,593
PCC Rokita subgroup	**1,330**	1,330
PCC Chemax, Inc.	**905**	1,029
PCC Exol SA	**515**	515
Goodwill	**7,957**	**8,082**

The adjacent chart shows all the goodwill recognized within the Group as of December 31, 2017. It also includes the goodwill assumed from the individual financial statements of the US company PCC Chemax, Inc., Piedmont (South Carolina). There were no additions/write-ups nor write-downs either in the year under review or in the previous year. The change in goodwill at PCC Chemax, Inc. results from a foreign exchange effect, as the goodwill is listed in the cash-generating currency of the company, that is to say US dollars.

The annual impairment tests were carried out in each case in the fourth quarter of the fiscal year and were based on management-approved budgets for the three subsequent years. Using a perpetuity growth model, a terminal value was determined on the basis of the last budget year. The achievable amount was ascertained on the basis of value-in-use. As in the previous year, the growth rate assumed was 1.0 %. The planning assumptions derive from empirical values and estimates of the various business managements, taking into account centrally defined global positions such as exchange rates, estimates of economic development, market growth or commodity prices, for which purpose external sources were also consulted. The local tax rates assumed were, once again, 19.0 % in the case of the Polish cash-generating units, and 23.6 % in the case of the US cash-generating unit. With the exception of the figure applicable to the American subsidiary, tax rates were unchanged from the previous year.

Unlike in the previous year, the cost of capital rate is now calculated regionally. This was 7.08 % for Poland and 6.43 % for the USA. In the previous year, it was set at a flat rate of 5.7 % for all companies. Even taking into account a change in the weighted average cost of capital (WACC) of 10 %, there would be no impairment write-down requirement.

(20) Property, plant and equipment

Figures in € k	Land and buildings	Plant and machinery	Factory and office equipment	Advance payments and construction in progress	Total
Historical cost					
Jan. 1, 2017	159,767	315,306	137,495	242,346	**854,914**
Changes in consolidation scope	168	220	40	–	**427**
Additions	13	3,866	861	94,852	**99,592**
Disposals	230	12,171	2,757	17	**15,175**
Reclassifications	4,451	24,577	8,194	−37,193	**30**
Reclassified as held for sale	−681	–	−28	–	**−709**
Currency translation differences	7,096	15,421	6,844	−21,371	**7,990**
Dec. 31, 2017	**170,584**	**347,219**	**150,648**	**278,618**	**947,069**
Depreciation					
Jan. 1, 2017	26,094	115,737	49,433	1,303	**192,567**
Changes in consolidation scope	20	95	35	–	**150**
Additions	4,805	19,482	6,094	–	**30,381**
Disposals	134	11,448	2,605	–	**14,188**
Impairment write-downs	51	121	20	226	**418**
Reversal of write-downs	−49	−102	−29	–	**−180**
Reclassifications	−4	69	−59	–	**6**
Reclassified as held for sale	−169	–	−22	–	**−190**
Currency translation differences	1,166	5,809	2,629	68	**9,671**
Dec. 31, 2017	**31,780**	**129,764**	**55,494**	**1,597**	**218,635**
Net book value on Dec. 31, 2017	**138,804**	**217,455**	**95,154**	**277,021**	**728,434**

The value of property, plant and equipment increased from € 662.3 million to € 728.4 million in the year under review as a result of the capital expenditures implemented by the PCC Group. Continued investments in the construction of a silicon metal plant in Iceland and in various production facilities in the Chemicals segment represent the largest items in the past fiscal year.

Additions to property, plant and equipment amounted to € 99.6 million in fiscal 2017 (previous year: € 172.8 million).

Of this figure, € 42.4 million (previous year: € 133.9 million) was invested in the Holding/Projects segment, under which the Iceland project is managed, and € 20.6 million (previous year: € 14.4 million) in the Chlorine segment, under which the Chlorine business unit and the MCAA plant are managed.

Depreciation of property, plant and equipment amounted to € 30.4 million in the reporting year (previous year: € 25.6 million). The year-on-year increase is primarily due to the completion of previously ongoing investment projects.

In fiscal 2017, impairment losses of € 0.4 million (previous year: € 1.2 million) were recognized on property, plant and equipment. This mainly related to capitalized expenses in respect of projects that were ultimately shelved, broken down into roughly € 0.1 million in the Energy segment, € 0.1 million in the Specialty Chemicals segment and € 0.3 million in the Chlorine segment. Reversals of impairment losses totaled € 0.2 million (previous year: € 0.1 million) with € 0.1 million attributable to the Chlorine segment and € 0.1 million incurred by the Holding/Projects segment.

Figures in € k	Land and buildings	Plant and machinery	Factory and office equipment	Advance payments and construction in progress	Total
Historical cost					
Jan. 1, 2016	131,788	280,333	131,795	186,851	**730,766**
Changes in consolidation scope	–	–	–	–	**–**
Additions	57	2,537	15,960	154,230	**172,784**
Disposals	511	13,744	15,047	365	**29,668**
Reclassifications	31,636	52,420	8,733	–97,771	**–4,982**
Reclassified as held for sale	–	–294	–	–	**–294**
Currency translation differences	–3,202	–5,947	–3,946	–598	**–13,693**
Dec. 31, 2016	**159,767**	**315,306**	**137,495**	**242,346**	**854,914**
Depreciation					
Jan. 1, 2016	22,912	115,993	48,543	661	**188,109**
Changes in consolidation scope	–	–	–	–	**–**
Additions	3,941	15,647	5,995	–	**25,582**
Disposals	344	13,248	3,694	287	**17,573**
Impairment write-downs	82	82	87	962	**1,213**
Reversal of write-downs	–	–53	–4	–2	**–59**
Reclassifications	9	–	–5	–	**5**
Reclassified as held for sale	–	–142	–	–	**–142**
Currency translation differences	–506	–2,543	–1,489	–30	**–4,568**
Dec. 31, 2016	**26,094**	**115,737**	**49,433**	**1,303**	**192,567**
Net book value on Dec. 31, 2016	**133,673**	**199,569**	**88,062**	**241,043**	**662,347**

As of the 2017 balance sheet date, there were restrictions on the right of disposal on individual items of property, plant and equipment in the amount of € 414.0 million (previous year: € 407.8 million). In addition, these serve as collateral security for liabilities. As of December 31, 2017, there were total investment obligations of € 67.0 million (previous year: € 73.4 million) relating to investments already contractually agreed but not yet completed. Furthermore, € 0.2 million (previous year: € 0.6 million) in insurance compensation attributable to property, plant and equipment was received in the past fiscal year.

Within the Holding/Projects segment, the holding company PCC SE decided in the fourth quarter of 2017 to sell its investment properties, with some assets being divested before the end of the fiscal year. The remaining investment properties of PCC SE were reclassified to assets held for sale with a carrying amount of € 2.3 million as of December 31, 2017, due to the intention to dispose of them in the short term. Liabilities directly relating to these assets were reclassified with a value of € 0.8 million to liabilities associated with assets held for sale.

(21) Investment property

Figures in €k	2017	2016
Historical cost		
Jan. 1	4,611	4,687
Changes in consolidation scope	–	–
Additions	–	–
Disposals	150	–
Reclassifications	–27	–14
Reclassified as held for sale	–2,673	–
Currency translation differences	100	–62
Dec. 31	1,861	4,611
Depreciation		
Jan. 1	1,128	1,017
Changes in consolidation scope	–	–
Additions	142	142
Disposals	26	–
Impairment write-downs	–	–
Reversal of write-downs	–	–
Reclassifications	–6	–5
Reclassified as held for sale	–382	–
Currency translation differences	46	–26
Dec. 31	901	1,128
Net book value	**959**	**3,483**

In fiscal 2017, the net book value of investment property amounted to € 1.0 million (previous year: € 3.5 million). There were no impairment losses recognized in the year under review. There were also no additions in 2017 (previous year: € zero). Assets that were returned to in-company use are classified as disposals and have been included in the amount of € 0.2 million (previous year: € zero). Investment properties designated for disposal were reclassified as held for sale at € 2.3 million. There were no reclassifications in the previous year. In total, income of € 0.5 million was generated with investment properties in the past financial year (previous year: € 0.4 million). This was offset by expenses of € 0.4 million (previous year: € 0.3 million). All investment properties remaining after the reclassification are located in the Brzeg Dolny Chemical Park and are leased to third parties. Their fair value cannot, therefore, be reliably ascertained.

(22) Non-current financial assets

Classified under non-current financial assets are shares in affiliated companies which, for materiality reasons, are not consolidated, investments in other entities and also financial investment securities. Their value decreased by € 3.7 million from € 12.5 million to € 8.8 million. The adjustment in the fair value of shares held in S.C. Oltchim S.A. amounted in fiscal 2017 to € –2.5 million (previous year: € –0.3 million).

(23) Other non-current financial assets

This balance sheet item includes loans to affiliated companies that are not consolidated for reasons of materiality, loans to companies in which participations are held and other loans.

On the balance sheet date, the total value under this heading amounted to € 12.0 million, and was thus € 3.4 million higher than in the previous year.

(24) Inventories

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Raw materials and supplies	22,949	14,209
Work in progress	12,227	9,224
Finished products	9,965	7,990
Merchandise	9,592	8,778
Goods in transit	3,959	2,248
Advance payments	2,751	3,157
Total inventories	**61,443**	**45,607**

Inventories increased from € 45.6 million at the end of 2016 to € 61.4 million as of the reporting date. This is mainly due to the worldwide increase in the purchase prices for raw materials.

In the 2017 reporting year, write-ups of € 0.2 million were made to previously impaired inventories due to increased marketability (previous year: € 0.4 million). Impairment losses amounted to € 0.3 million (previous year: € 0.6 million).

(25) Trade accounts receivable

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Trade accounts receivable	84,277	71,542
Individual value adjustments	–3,789	–4,039
Total trade accounts receivable	**80,489**	**67,503**

Trade accounts receivable as of December 31, 2017 all had a remaining term of up to one year in their full amount.

The total value increased compared to the previous year by € 13.0 million or 19.2 %.

Additions to write-downs fell year on year from € 0.7 million to € 0.5 million. Overall, the Group has recognized value adjustments on trade accounts receivable in the amount of € 3.8 million, € 0.3 million less than in the previous year.

Figures in € k	2017	2016
Value adjustments per Jan. 1	**–4,039**	–5,618
Changes in consolidation scope	–9	–
Additions of write-downs	–463	–734
Reversals of write-downs	699	2,049
Disposals	146	160
Currency translation differences	–123	104
Other effects	–	–
Value adjustments per Dec. 31	**–3,789**	–4,039

The maturity structure of all trade accounts receivable that are not impaired is shown below. Approximately 88.6 % of the Group's receivables were neither impaired nor overdue as of December 31, 2017 (previous year: 90.9 %).

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Not value-adjusted and not overdue	**71,285**	61,351
Not value-adjusted and overdue	**9,204**	6,152
up to 30 days	7,429	5,385
30 to 60 days	1,117	257
60 to 90 days	367	73
90 to 120 days	120	87
more than 120 days	170	350
Trade accounts receivable	**80,489**	67,503

Individual companies within the PCC Group use factoring as a receivables financing instrument. The volume of all receivables sold as of the balance sheet date amounted to € 16.2 million (previous year: € 16.0 million).

(26) Other receivables and other assets

Figures in € k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Accounts receivable from affiliated companies	–	588	–	404
Accounts receivable from associated companies	–	11,559	–	10,566
Accounts receivable from enterprises in which participating interests are held	–	–	–	–
Security deposits paid	–	2,980	–	650
Reimbursement claims for VAT and other duties	–	8,420	–	5,481
Receivables from employees	–	25	–	26
Insurance claims	–	1	–	–
Positive fair values on derivative financial instruments	–	3	–	1
Prepaid expenses and deferred charges	1,752	3,588	–	5,356
Loans to affiliated companies	–	832	–	50
Other securities	–	–	–	–
Sundry other assets	–	13,012	–	7,488
Other receivables and other assets	**1,752**	**41,008**	–	30,023

Accounts receivable from affiliated companies as of December 31, 2017 all have a remaining term of up to one year in their full amount. They comprise accounts receivable from affiliated, non-consolidated companies. Further information is also provided in the section on related parties, see Note (38). These are largely loan receivables from project companies. Receivables from enterprises in which participating interests are held relate to loan receivables from an entity over which the PCC Group is unable to exercise control. The change and the remainder of other assets mainly comprise an increase in factoring receivables resulting from the expansion of business in the past fiscal year.

In contrast to the previous year, there will also be non-current prepaid expenses from the 2017 fiscal year. This item has been added to the balance sheet structure and is attributable to accrued implementation costs for ERP software systems at subsidiaries.

As in the previous year, no impairment losses were recognized on other assets or on receivables from affiliated companies.

(27) Equity

The subscribed capital of PCC SE remained unchanged year on year. It amounts to € 5.0 million and is fully paid up. It is divided into 5 million individual share certificates with a par value of € 1 per share.

The items included under revenue reserves/other reserves as of December 31, 2017 are as follows:

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Revenue reserves, retained earnings, valuation reserves and debit differentials set off against revenue reserves	75,886	67,282
IFRS transition reserve	21,635	21,635
Share of net result attributable to Group	1,423	11,507
Total revenue reserves/other reserves	**98,944**	100,424

The movements in equity are indicated in the statement of changes in equity included in the consolidated financial statements.

Revenue reserves/other reserves comprise unappropriated earnings achieved in the reporting period by the subsidiaries included in the consolidated financial statements. The share of the net result from the previous year attributable to the Group in the amount of € 6.7 million is disclosed in the revenue reserves as retained earnings. In fiscal 2017, the sole shareholder of PCC SE was paid out of retained earnings a dividend in the amount of € 1.85 million (previous year: € 1.25 million). This corresponds to a dividend per share amounting to € 0.37 (previous year: € 0.25). Recognized under other comprehensive income are differences arising from foreign currency translation. In the year under review, these increased Group equity by € 6.1 million to €–15.2 million (previous year: €–21.3 million). Gains and losses recognized directly in equity without affecting income are shown in the following:

Figures in € k	Currency translation differences	Remeasurement of defined benefit pension plans	Fair value of financial assets	Fair value of cash flow hedges	Other changes	Total
Jan. 1, 2017	–21,268	–160	6,678	406	–58	**–14,401**
Changes	6,104	–64	–2,637	12	–14	**3,401**
Reclassifications	–	–	–	–	–	**–**
Deferred taxes	–	14	744	–	–	**758**
Dec. 31, 2017	**–15,164**	**–209**	**4,785**	**418**	**–72**	**–10,242**

Figures in € k	Currency translation differences	Remeasurement of defined benefit pension plans	Fair value of financial assets	Fair value of cash flow hedges	Other changes	Total
Jan. 1, 2016	–16,974	–114	6,872	627	–43	**–9,631**
Changes	–4,294	–56	–277	–268	–15	**–4,909**
Reclassifications	–	–	–	–	–	**–**
Deferred taxes	–	10	83	47	–	**140**
Dec. 31, 2016	**–21,268**	**–160**	**6,678**	**406**	**–58**	**–14,401**

(28) Minority interests

German and international minority shareholders hold non-controlling interests in various entities of the PCC Group. The share of minority interests in Group equity as of December 31, 2017 was € 45.4 million, representing an increase of around € 1.4 million compared to year-end 2016.

Subsidiaries with material minority interests are active in various segments of the PCC Group. For details of company names, location of company head offices and share of capital in respect of subsidiaries with material minority interests, please consult the schedule of shareholdings provided under Note (43) drawn up in accordance with Section 313 (2) HGB (German Commercial Code).

There are no material restrictions imposed that go beyond the usual regulations under company law and contractual regulations.

	PCC Rokita subgroup		PCC Intermodal S.A.		PCC DEG Renewables GmbH	
Figures in € k	**2017**	2016	**2017**	2016	**2017**	2016
Balance sheet data						
Minority interests	**28,575**	25,548	**5,366**	6,194	**8,924**	8,918
Minority interests in %	**15.84**	15.84	**23.38**	30.48	**40.00**	40.00
Dividends paid to minority interests	**5,592**	3,282	**–**	–	**–**	–
Non-current assets	**297,021**	247,395	**63,076**	61,371	**22,313**	20,749
Current assets	**86,047**	81,571	**13,040**	12,401	**740**	1,626
Non-current liabilities	**111,008**	91,372	**34,136**	42,033	**500**	–
Current liabilities	**91,682**	75,740	**20,916**	12,071	**244**	79
Statement of income						
Net result attributable to minority interests	**7,187**	7,131	**68**	– 41	**5**	296
Sales revenue	**301,177**	252,838	**72,079**	61,843	**–**	–
Net result	**45,350**	45,003	**292**	– 135	**13**	740
Comprehensive income	**45,078**	44,948	**292**	– 138	**13**	740

(29) Provisions for pensions and similar obligations

Most of the employees of the Polish subsidiaries of the PCC Group are covered by one-time payment benefits from defined benefit pension plans as an add-on to the statutory pension scheme. Defined benefit pension plans are, as a rule, aligned to service time and remuneration. Payments made from defined benefit pension plans are generally granted on attainment of pensionable age or on invalidity or death. Defined contribution plans exist primarily in the form of the statutory pension insurance scheme in Germany and those schemes also applicable to foreign subsidiaries. In the case of employees of the German subsidiaries and the holding company, contributions can also be made to other defined contribution pension schemes in addition to the statutory pension scheme. Typical risk factors for defined benefit obligations are increasing life expectancies, changes in nominal interest rates and increases in inflation and salaries. The present value of the defined benefit obligation arising from a pension plan is determined on the basis of the best-possible estimate of the mortality of the recipient employees both during the employment relationship and after its termination. An increase in the life expectancy of the recipient employees and a decrease in bond interest rates both lead to an increase in the plan liability. In addition, the present value of the defined benefit obligation arising from a pension plan is determined on the basis of the future salaries of the recipient employees. Increases in salary paid to the recipient employees again lead to an increase in the plan liability.

Defined benefit pension plans are internally financed.

At December 31, 2017, provisions for pensions and similar obligations amounted to €0.7 million, representing an increase of €0.1 million over the prior-year figure. Of this, €0.6 million was classified as non-current provisions with a term of more than one year.

Figures in €k	2017	2016
Opening balance of pension obligations as of Jan. 1	**583**	**486**
Current service cost	53	37
Past service cost	–	55
Payments made	–55	–49
Interest expense	10	9
Actuarial gains/losses from changes in demographic assumptions	4	12
Actuarial gains/losses from changes in financial assumptions	–	22
Actuarial gains/losses from experience adjustments	69	33
Changes in consolidation scope	–	–
Currency translation differences	32	–22
Other effects	3	–
Closing balance of pension obligations as of Dec. 31	**700**	**583**

In total, 2,944 employees of the PCC Group companies have defined benefit pension plans (previous year: 2,648). Of this figure, around 71.5 % are male and 28.5 % are female. The average age at year-end 2017 was 41.1 years (previous year: 40.1 years).

As in the previous year, a uniform discount rate of 2.3 % has been applied in calculating pension obligations. The range adopted for the income trend was 2.0 % to 4.0 % (previous year: 2.0 % to 4.0 %). The Polish mortality table for 2016 published by the Central Office for Statistics, which serves as the basis for pension calculations, anticipates a life expectancy of 76.5 years (previous year: 75.6 years).

Changes in the key actuarial parameters would have the following effects on the amounts shown in respect of pension obligations:

	Increase by 0.25 %-points		Decrease by 0.25 %-points	
Figures in €k	2017	2016	2017	2016
Change in underlying discounting rate	–29	–8	4	21
Change in salary trend	4	21	–29	–8
Change in turnover rate	–31	–8	2	19

The above sensitivity analysis may not be representative for the actual change in the defined benefit obligation, as it can be regarded as improbable that deviations from the assumptions made would occur in isolation.

Included in the expense for fiscal 2017 is €5.1 million representing employer contributions to the statutory pension scheme (previous year: €4.5 million). In addition to the contributions to the statutory pension scheme, expenses for defined contribution pension plans in the amount of €0.1 million are also included in the result for the current period (previous year: €0.1 million).

Figures in €k	2017	2016
Expenses for defined benefit pension plans	53	37
Expenses for defined contribution pension plans	87	87
Total pension expenses recognized in result	**140**	124

(30) Other provisions

Figures in €k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Accruals for personnel expenses	–	4,547	–	5,931
Provisions for year-end accounting and audit expenses	–	417	–	367
Provisions for obligations to customers	–	1,790	–	1,790
Provisions for litigation risks	–	–	–	–
Sundry other provisions	3,800	2,499	5,571	1,799
Total other provisions	**3,800**	**9,253**	5,571	9,888

Compared to the previous year, other provisions fell by €2.4 million to €13.1 million. Accruals for personnel expenses decreased by €1.4 million, while provisions for obligations to customers remained unchanged. These latter essentially comprise rebates and compensation claims. Accruals for personnel expenses essentially relate to claims for bonus and holiday payments.

Sundry other non-current and current provisions include re-cultivation obligations of Polish subsidiaries in the amount of €3.4 million as of December 31, 2017 (previous year: €5.3 million). These are multi-year obligations arising from local regulations and will remain in place until 2024 and 2051.

The following table shows the development in other provisions for fiscal 2017. Other changes include foreign exchange effects and changes in the consolidation scope.

Figures in €k	Jan. 1, 2017	Additions	Utilized	Released	Discounted	Other changes	Dec. 31, 2017
Accruals for personnel expenses	5,931	3,931	3,709	1,897	–	290	4,547
Provisions for year-end accounting and audit expenses	367	443	370	22	–	– 1	417
Provisions for obligations to customers	1,790	1,764	1,864	–	–	100	1,790
Provisions for litigation risks	–	–	–	–	–	–	–
Provisions for restructuring	–	–	–	–	–	–	–
Sundry other provisions	7,370	1,928	519	2,184	– 523	228	6,299
Total other provisions	**15,458**	**8,066**	**6,462**	**4,103**	**–523**	**616**	**13,053**

(31) Financial liabilities

The financial liabilities of the PCC Group are comprised of non-current and current liabilities arising from bonds, amounts owed to banks, finance leases, amounts owed to affiliated companies and amounts payable on profit participation certificates. The financial liabilities of the PCC Group had the following maturity profile as of the balance sheet date.

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2017
Profit participation certificates	10,997	–	–	10,997
Bond liabilities	47,177	305,454	91,880	444,511
Bank liabilities	46,950	169,808	28,567	245,326
Finance lease liabilities	3,517	5,843	35	9,395
Financial liabilities with respect to affiliated companies	–	–	–	–
Total financial liabilities	**108,641**	**481,105**	**120,482**	**710,229**

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2016
Profit participation certificates	11,076	–	–	11,076
Bond liabilities	72,466	199,059	121,268	392,793
Bank liabilities	26,518	164,113	41,459	232,090
Finance lease liabilities	3,459	7,592	21	11,072
Financial liabilities with respect to affiliated companies	23	–	–	23
Total financial liabilities	**113,542**	**370,764**	**162,748**	**647,054**

The relevant factors when presenting the maturities of contractual cash flows from financial liabilities are interest payments and redemption of principal, and other payments in respect of derivative financial instruments. The following table shows non-discounted future cash flows. Derivatives are included on the basis of their net cash flows where they have negative fair values and thus represent liabilities. Derivatives with positive fair values are assets and are therefore not taken into account. Trade accounts payable are essentially non-interest-bearing and due within one year. The carrying amount of trade accounts payable therefore corresponds to the total of the future cash flows.

Figures in € k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2017
Profit participation certificates	11,238	–	–	**11,238**
Bond liabilities	53,151	337,124	160,428	**550,702**
Bank liabilities	47,191	123,865	150,272	**321,328**
Finance lease liabilities	3,757	6,097	36	**9,889**
Financial liabilities to affiliated companies	–	–	–	**–**
Cash outflows from financial liabilities	**115,336**	**467,085**	**310,736**	**893,157**

Figures in € k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2016
Profit participation certificates	12,045	–	–	**12,045**
Bond liabilities	86,981	243,902	123,487	**454,371**
Bank liabilities	31,168	134,204	86,437	**251,808**
Finance lease liabilities	3,605	8,454	140	**12,198**
Financial liabilities to affiliated companies	25	–	–	**25**
Cash outflows from financial liabilities	**133,824**	**386,560**	**210,064**	**730,448**

The profit participation certificates as of December 31, 2017 were exclusively issued by PCC SE with the capital amounting to € 11.0 million (previous year: € 11.1 million). Premiums received ("agio") amounting to € 80 k (previous year: € 80 k) in excess of the nominal value of the participatory rights arising from the issuance of the profit participation certificates were released to income. The total contains – in the amount of the repayment obligation – capital increases arising from the issuance of a subordinate profit participation certificate of PCC SE. The profit participation certificate issuance took place in October 2007 with a volume of up to € 20.0 million in certificate denominations of € 1,000 subject to a minimum investment of € 5,000. It offers a basic coupon of 8.75 % p.a. on the profit participation certificate value plus an additional share of profits amounting to between 0.5 % and 2.0 % p.a., depending on the net result for the year. Where losses have been incurred during the term of the profit participation certificate program, participation in such losses occurs as of the date of redemption. The term of the profit participation certificate is indeterminate. PCC SE exercised its right of redemption and terminated all profit participation certificates with due notice to December 31, 2017. The notice of termination was published in the German "Handelsblatt" business newspaper. The profit participation certificate total is reported as of December 31, 2017 in the consolidated balance sheet as a current financial liability, with redemption occurring on January 1, 2018.

Bank liabilities increased year on year by € 13.2 million to € 245.3 million. This is the result of the predominantly debt-financed capital expenditure program of the PCC Group. The spread of the financial liabilities between the individual segments is indicated in the segment report in Note (17).

Figures in € k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Profit participation certificates	–	10,997	–	11,076
Bond liabilities	397,334	47,177	320,327	72,466
Bank liabilities	198,375	46,950	205,573	26,518
Finance lease liabilities	5,878	3,517	7,613	3,459
Financial liabilities to affiliated companies	–	–	–	23
Total financial liabilities	**601,587**	**108,641**	533,512	113,542

Secured credit lines within the PCC Group not utilized as of December 31, 2017 amounted to € 23.6 million (previous year: € 24.7 million).

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Mortgages, land charges and similar liens	229,135	225,487
Assignment of claims on assets	70,988	69,973
Assignment of claims on inventories	–	–
Chattel mortgages	3,724	1,591
Other assignments	7,518	2,141
Collateral securities granted	**311,365**	299,192

The bank loans and also the finance leases disclosed under financial liabilities were secured in 2017 in their entirety by mortgages, land charges or similar liens, by the assignment of claims, by chattel mortgages on property, plant and equipment, or by other assignments. Overall, collateral securities granted increased from € 299.2 million to € 311.4 million as of the end of fiscal 2017, thus following a trend similar to that of financial liabilities in general.

Bond liabilities result from the issuance of bonds by PCC SE and the foreign subsidiaries PCC Rokita SA and PCC Exol SA. The non-public bond of PCC BakkiSilicon hf is a financing instrument of the co-shareholder in the project to build the silicon metal plant. The bond of PCC Autochem Sp. z o.o. reported in the previous year was redeemed by the company as scheduled.

Bonds from the PCC Group are issued in euro, Polish złoty and US dollar. The public bonds in euro (EUR) carry coupons between 2.0 % and 7.25 % p.a., while those in złoty (PLN) carry coupons ranging from 5.0 % to 6.8 % p.a. The following chart provides a tabular analysis of the bonds involved.

The bonds issued in złoty (PLN) with a face value of PLN 350.8 million (previous year: PLN 223.1 million) had a euro value of € 77.1 million as of the balance sheet date (previous year: € 50.0 million).

Figures in € k	Issue currency	Coupon	Issue volume	Dec. 31, 2017	Dec. 31, 2016
Issued by PCC SE					
DE000A162AP6	EUR	5.000 %	25,000	**25,000**	25,000
DE000A2GSSY5	EUR	4.000 %	25,000	**24,902**	–
DE000A162AQ4	EUR	6.000 %	25,000	**24,860**	25,000
DE000A2AAY85	EUR	4.000 %	25,000	**23,187**	13,227
DE000A2AAY93	EUR	3.000 %	25,000	**22,081**	4,118
DE000A13R7S2	EUR	6.250 %	20,000	**20,000**	20,000
DE000A1YCSY4	EUR	7.000 %	20,000	**19,996**	19,996
DE000A2E4Z04	EUR	4.000 %	25,000	**19,927**	–
DE000A13SH30	EUR	6.750 %	20,000	**19,890**	19,890
DE000A14KJ35	EUR	6.000 %	40,000	**18,218**	19,218
DE000A14KJ43	EUR	6.500%	35,000	**16,181**	16,181
DE000A1TM979	EUR	7.000 %	20,000	**15,654**	15,654
DE000A13R5K3	EUR	6.500 %	20,000	**13,749**	13,949
DE000A2E4HH0	EUR	3.000 %	20,000	**12,023**	–
DE000A11QFD1	EUR	6.750 %	20,000	**8,909**	8,909
DE000A2AAVL7	EUR	3.500 %	15,000	**8,908**	8,908
DE000A2E4ZZ4	EUR	3.000 %	20,000	**7,481**	–
DE000A2GSDP5	EUR	2.000 %	10,000	**2,619**	–
DE000A1R1AN5	EUR	7.250 %	30,000	**–**	29,768
DE000A14KJR0	EUR	4.000 %	20,000	**–**	12,005
DE000A162AN1	EUR	3.500 %	15,000	**–**	14,011
DE000A13R7R4	EUR	4.000 %	10,000	**–**	10,000
Issued by PCC BakkiSilicon hf					
Private placement without ISIN	USD	8.500 %	62,000	**63,848**	66,952
Issued by PCC Exol SA					
PLPCCEX00044	PLN	5.500 %	25,000	**5,921**	5,588
PLPCCEX00051	PLN	5.500 %	25,000	**5,896**	–
PLPCCEX00036	PLN	5.500 %	20,000	**4,741**	4,474
Issued by PCC Rokita SA					
PLPCCRK00191	PLN	5.000 %	30,000	**7,071**	–
PLPCCRK00092	PLN	5.500 %	25,000	**5,943**	5,608
PLPCCRK00118	PLN	5.000 %	25,000	**5,921**	5,592
PLPCCRK00134	PLN	5.000 %	25,000	**5,909**	5,586
PLPCCRK00167	PLN	5.000 %	25,000	**5,903**	–
PLPCCRK00175	PLN	5.000 %	25,000	**5,899**	–
PLPCCRK00183	PLN	5.000 %	25,000	**5,897**	–
PLPCCRK00068	PLN	5.500 %	22,000	**5,240**	4,944
PLPCCRK00100	PLN	5.000 %	20,000	**4,749**	4,484
PLPCCRK00126	PLN	5.000 %	20,000	**4,732**	4,472
PLPCCRK00159	PLN	5.000 %	13,772	**3,256**	3,078
PLPCCRK00050	PLN	6.800 %	25,000	**–**	5,656
Issued by PCC Autochem Sp. z o.o.					
PLPCCTH00011	PLN	6.800 %	2,319	**–**	526
Total bond liabilities				**444,511**	392,793

(32) Other liabilities

Figures in € k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Deferred income	41,335	2,050	40,008	1,735
Income tax and similar taxes payable	–	2,186	–	813
Advance payments received	–	236	–	327
Social security contributions payable	–	2,752	–	1,866
Interest payment obligations	–	6,304	–	5,753
VAT, customs, excise and other duties payable	–	3,418	–	2,674
Accounts payable to employees	–	2,738	–	2,282
Accounts payable to affiliated companies	–	1,249	–	1,213
Liabilities arising from investments	1,276	17,898	121	9,166
Accounts payable to enterprises in which participations are held	–	–	–	–
Sundry other liabilities	186	18,843	82	11,022
Total other liabilities	**42,796**	**57,673**	40,210	36,851

Other liabilities rose by € 23.4 million from € 77.1 million to € 100.5 million. In particular, there was an increase in liabilities arising from investments. These are liabilities for goods and services provided by third parties resulting from investment projects as of the balance sheet date. Deferred income increased from € 41.7 million in the previous year to € 43.4 million. This is primarily attributable to subsidies granted for the current investment project of PCC BakkiSilicon hf. In the 2017 reporting year, a total of € 1.8 million was released through profit or loss from deferred income from subsidies (previous year: € 1.3 million).

Current sundry other liabilities increased by € 7.8 million year on year, from € 11.0 million to € 18.8 million, and are mainly attributable to the increase in liabilities to factoring companies. Liabilities from interest payment obligations mainly include interest on bonds due at the beginning of the following quarter.

(33) Deferred taxes

Deferred taxes are recognized on temporary differences between the carrying amounts of assets, liabilities and accruals in the balance sheet and their tax base. For German subsidiaries, the tax rate applied here is a uniform 30 %. For foreign subsidiaries, the relevant national tax rates are applied. In view of the tax reform passed in the USA in the 2017 reporting year, the tax rate for calculating deferred taxes at the US subsidiary was reduced from 34.0 % to 23.6 %. This led to deferred tax income of € 0.1 million.

in %	2017	2016
Belarus	18.0	18.0
Bosnia and Herzegovina	10.0	10.0
Bulgaria	10.0	10.0
Czech Republic	19.0	19.0
Germany	30.0	30.0
Iceland	20.0	20.0
Poland	19.0	19.0
Republic of Macedonia	10.0	10.0
Romania	16.0	16.0
Russia	20.0	20.0
Turkey	20.0	20.0
USA	23.6	34.0

The distribution of deferred taxes among the various balance sheet items is shown in the following table. Within the PCC Group, deferred tax assets and liabilities are offset and disclosed as netted balances where they relate to the same tax jurisdiction and where there is an enforceable right to the offsetting of tax liabilities and tax receivables. For fiscal 2017, this gave rise to deferred tax assets of €4.0 million (previous year: €4.4 million) and deferred tax liabilities of €9.4 million (previous year: €10.6 million).

	Deferred tax assets		Deferred tax liabilities	
Figures in €k	2017	2016	2017	2016
Intangible assets	12	12	218	288
Property, plant and equipment	1,100	540	11,873	10,950
Financial assets	183	143	–	–
Inventories	319	227	1	–
Receivables	202	385	62	74
Securities	–	–	203	–
Other assets	6	1	7	31
Pension provisions	116	93	–	–
Accruals	–	–	137	111
Other provisions	1,022	888	1	–
Liabilities	447	267	71	48
Other liabilities	533	1,141	56	8
Unused tax losses	1,836	2,105	3	–
Sundry deferred taxes	4,090	3,219	86	84
Amounts netted	−5,847	−4,595	−3,268	−974
Total deferred taxes	**4,020**	4,425	**9,449**	10,619

The table above shows the un-netted deferred taxes. Deferred taxes arising from consolidation adjustments amounted to around €4.2 k in 2017 (previous year: €1.0 k), and relate primarily to eliminated intercompany profits. Sundry deferred taxes include future tax benefits arising from activities in a special economic zone.

The deferred tax assets on unused tax losses carried forward decreased in the year under review by a total of €0.3 million. They were essentially applied in respect of profits generated.

(34) Additional disclosures relating to financial instruments

As an internationally active corporation, the PCC Group is exposed to financial risks in the course of its ordinary business operations. A major objective of the corporate policy is to generally restrict market, default and liquidity risks, both in order to secure enterprise value over the long term and also maintain the Group's earning power and thus extensively cushion the impact of fluctuations in cash flow and earnings.

The Group holding company and the individual subsidiaries cooperate in the management of interest rate and currency risks, and also default risks. Each individual operating unit is responsible for managing its own commodity price risks, while liquidity control is the responsibility of the holding company.

Market risks

Currency risks: Changes in exchange rates can lead to losses in the value of financial instruments and also to disadvantageous changes in future income streams from planned transactions. Currency risks in respect of financial instruments result from the translation of financial receivables, loans, securities, cash sums and financial liabilities into the functional currency of the various companies as of the reporting date. Specifically, currency risks arise both on the purchasing side through the procurement of commodities and raw materials, and on the selling side as a result of the sale of end products. A potential change in the Polish złoty of 10 % would affect the equity and annual net earnings of the Group to the tune of €1.1 million (previous year: €1.0 million). A change in the exchange rate of the US dollar of likewise 10 % would have an impact on these items of € 2.1 million (previous year: € 1.6 million).

Interest rate risks: These risks arise as a result of potential changes in the market interest rate, causing fluctuations in the fair value of financial instruments bearing a fixed interest rate, and fluctuations in interest payments in the case of financial instruments bearing floating interest rates. A potential change in interest rates of 100 basis points would affect the equity and annual net earnings of the Group to the tune of € 4.0 million (previous year: € 3.8 million).

Commodity price risks: These risks result from market price changes in relation to commodity purchases and sales, and also the purchase of electricity and gas. The general risk situation of the PCC Group is greatly affected by the availability and also the price-dependency of relevant raw materials, input products and intermediate products. Within this context, the dependency of important commodity prices on foreign exchange rates, market movements and, in particular, the oil price, is especially relevant. Price volatilities are hedged, for example, through the agreement of price escalator clauses with suppliers and customers. Moreover, commodity price risks are restricted by internationally aligned sourcing activities. Backward integration along the value chain or along the various production stages encountered in the segments of the Chemicals division provides for an additional, high degree of independence in the procurement of raw materials and commodities, thus reducing risk to an acceptable level. The commodity trading business in the Specialty Chemicals segment is exposed to major price fluctuations that can occur from time to time.

Default or credit risks

Default or credit risks arise when contractual partners are unable to meet their contractual obligations. Credit limits are granted based on the continuous monitoring of the creditworthiness of major debtors. Because of the international activity and the diversified customer structure of the PCC Group, there are no major regional or segment-specific clusters of default risks. In selecting short-term capital investments, various safeguarding criteria are taken into account (e.g. ratings, capital guarantee or protection afforded by deposit protection funds). Given the selection criteria applied and our regime of constantly monitoring our capital investments, the PCC Group does not envisage any unidentified default risk occurring in this domain. The financial asset amounts shown in the balance sheet essentially represent the maximum default risk.

Such risks are regularly monitored and analyzed within the framework of a receivables and credit management regime and also by a Working Capital Management unit with responsibility at both the operational and Group levels. In all, receivables from customers are secured for an amount of € 51.8 million (previous year: € 42.6 million). Financial assets that are neither overdue nor impaired are categorized as collectable in line with the creditworthiness of the debtor.

Liquidity risks

Liquidity risks result from income stream fluctuations. Current liquidity is monitored and controlled by a treasury reporting system implemented across the Group based on an IT-supported solution ("Treasury Information Platform"). In medium- and long-term liquidity planning, liquidity risks are identified and managed at their inception on the basis of simulations of various scenarios.

The possibility of increasing obstacles within the SME bonds market could possibly, at least temporarily, lead to liquidity bottlenecks. This risk is to be countered over the long term through the acquisition of alternative financing sources at the institutional level. Work is also ongoing on using bank loans to partially replace the liquidity loans granted to the affiliated companies.

One subsidiary uses forward contracts to hedge transactions in foreign currencies. The nominal value of these contracts as of the balance sheet date was € 1.6 million (previous year: € 0.2 million). The fair value was recognized as a liability in the amount of € 2.5 k (previous year: asset of € 0.1 k).

Within the PCC Group, interest rate swaps and options are used in order to hedge interest rates and their long-term development. As of year-end, the nominal value of existing derivatives amounted to € 37.7 million (previous year: € 36.1 million), with a fair value of € 0.3 million recognized as an asset as of the reporting date (previous year: € 0.3 million).

Financial instruments by class and category

In the case of trade accounts receivable, receivables from affiliated companies and from enterprises in which participations are held, other financial assets, cash and cash equivalents, and trade accounts payable and other financial liabilities, the carrying amount approximates to the fair value, provided these instruments are short-term/current in nature. Assets that are not quoted on an active market and for which the fair value cannot therefore be reliably determined, are measured at cost.

Figures in €k	Carrying amounts Dec. 31, 2017	Categories				Fair Value
		FAHfT [1]	AfS [1]	LaR [1]	FLaC [1]	
Financial assets						
Non-current financial investments	**8,790**	330	8,461	–	–	7,216
Other non-current financial assets	**12,009**	–	–	12,009	–	12,009
Trade accounts receivable	**80,489**	–	–	80,489	–	80,489
Receivables from affiliated companies	**588**	–	–	588	–	588
Receivables from associated companies	**11,559**	–	–	11,559	–	11,559
Other financial assets	**3,814**	3	–	3,812	–	3,814
Cash and cash equivalents	**78,072**	–	–	–	–	78,072
Financial liabilities						
Bond liabilities	**444,511**	–	–	–	444,511	451,547
Profit participation certificates	**10,997**	–	–	–	10,997	10,997
Bank liabilities	**245,326**	–	–	–	245,326	260,044
Finance lease liabilities	**9,395**	–	–	–	–	10,884
Other financial liabilities	**1,490**	5	–	–	1,485	1,490
Trade accounts payable	**81,342**	–	–	–	81,342	81,342

Figures in €k	Carrying amounts Dec. 31, 2016	Categories				Fair Value
		FAHfT [1]	AfS [1]	LaR [1]	FLaC [1]	
Financial assets						
Non-current financial investments	**12,513**	329	12,184	–	–	9,696
Other non-current financial assets	**8,629**	–	–	8,629	–	8,629
Trade accounts receivable	**67,503**	–	–	67,503	–	67,503
Receivables from affiliated companies	**404**	–	–	404	–	404
Receivables from associated companies	**10,566**	–	–	10,566	–	10,566
Other financial assets	**701**	1	–	700	–	701
Cash and cash equivalents	**83,969**	–	–	83,969	–	83,969
Financial liabilities						
Bond liabilities	**392,793**	–	–	–	392,793	395,661
Profit participation certificates	**11,076**	–	–	–	11,076	11,076
Bank liabilities	**232,090**	–	–	–	232,090	233,897
Finance lease liabilities	**11,072**	–	–	–	–	11,072
Other financial liabilities	**1,541**	1	–	–	1,540	1,541
Trade accounts payable	**62,414**	–	–	–	62,414	62,414

1 FAHfT = Financial assets held for trading; AfS = Available for sale; LaR = Loans and receivables; FLaC = Financial liabilities measured at amortized cost; FLHfT = Financial liabilities held for trading

Individual liabilities arising from bonds issued by subsidiaries contain sales commission and are recognized in accordance with the effective interest method. The fair value indicated in this section corresponds to the market quotations.

Figures in €k	2017	2016
Loans and receivables (LaR)	1,974	–1,640
Available for sale (AfS)	– 797	–164
Financial instruments held for trading (FAHfT, FLHfT)	– 388	–200
Financial liabilities carried at amortized cost (FLaC)	– 45,089	–33,456

The net gains and net losses from financial instruments comprise valuation results, the carrying amounts of premiums and discounts, the recognition and reversal of expenses arising from impairments, currency translation results, and interest, dividends and all other effects on income arising from financial instruments. Under the heading "Financial instruments valued at fair value through profit or loss", only those results appear pertaining to such instruments that have not been designated as hedging instruments in a hedging arrangement to IAS 39. Net gains and net losses on financial assets available for sale contain results arising from depreciation and amortization, write-ups, interest, dividends and reclassifications of valuation effects from equity through profit or loss on the sale of securities or investments.

Financial assets and liabilities measured at fair value are indicated in the following table. These relate to shares that are valued on the basis of stock market prices (Level 1) and to derivatives. The fair value of derivative financial instruments is dependent on the development of the underlying market factors. The relevant fair values are determined and monitored at regular intervals. The fair value determined for all derivative financial instruments is the price that would be paid on the sale of the asset or on transfer of a liability in a standard arm's length transaction made on the valuation date between independent market participants.

Figures in €k	Level 1	Level 2	Level 3	Dec. 31, 2017
Financial assets				
Available for sale	6,886	–	–	6,886
Financial instruments held for trading	–	332	–	332
Financial liabilities				
Financial instruments held for trading	–	5	–	5

Figures in €k	Level 1	Level 2	Level 3	Dec. 31, 2016
Financial assets				
Available for sale	9,367	–	–	9,367
Financial instruments held for trading	–	330	–	330
Financial liabilities				
Financial instruments held for trading	–	1	–	1

Derivative financial instruments
The subsidiaries of the PCC Group use derivative financial instruments in order to hedge both interest rate and currency risks. The methods and assumptions underlying the valuation of the derivative financial instruments used can be summarized as follows: Currency transactions and swaps are measured individually by their forward rate or forward price as of the balance sheet date. The forward rates or prices are based as far as possible on market quotations, taking into account forward premiums and discounts where appropriate.

Figures in €k	Dec. 31, 2017		Dec. 31, 2016	
	Nominal value	Fair Value	Nominal value	Fair Value
Forward exchange contracts	1,619	–2	191	–
Interest rate swaps	35,364	280	36,121	252
Other derivatives (interest rate- or currency-based)	2,370	29	2,245	78
Derivative financial instruments	**39,353**	**306**	38,556	329

Cash flow hedges
A Polish subsidiary has taken out a loan in euro in order to hedge against future revenues in a foreign currency. The valuation adjustments as of the respective reporting dates during the term of this loan are recognized in other comprehensive income. Cash flows from this cash flow hedge are due in 2021. The fair value amounts to €0.4 million (previous year: €0.4 million). In the period under review, a change in value of €0.0 million (previous year: €0.3 million) was recognized in other comprehensive income.

(35) Leases

Figures in € k	2017	2016
Historical cost		
Jan. 1	25,376	17,011
Changes in consolidation scope	100	–
Additions	1,517	8,898
Disposals	2,467	2
Reclassifications	–	–
Reclassified as held for sale	–	–
Currency translation differences	935	–531
Dec. 31	**25,460**	25,376
Amortization		
Jan. 1	4,295	3,789
Changes in consolidation scope	14	–
Additions	1,863	614
Disposals	1,241	1
Impairment write-downs	–	–
Reversal of write-downs	–	–
Reclassifications	–	–
Reclassified as held for sale	–	–
Currency translation differences	238	–107
Dec. 31	**5,170**	4,295
Net book value	**20,290**	21,080

Included in property, plant and equipment are assets which are regarded as economic goods owned on the basis of finance leases. Some finance lease agreements contain purchase options. In 2017, as in the previous year, there were no material future minimum lease payments arising from subleasing agreements to offset lease liabilities.

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2017
Minimum finance lease payments	3,749	6,105	36	**9,889**
Discount	232	261	1	**494**
Present value	3,517	5,843	35	**9,395**

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2016
Minimum finance lease payments	3,746	8,379	22	12,147
Discount	286	787	1	1,075
Present value	3,459	7,592	21	11,072

In addition to its finance lease commitments, the PCC Group is also a lessee under operating lease agreements and rental agreements. The associated commitment arising from minimum lease payments amounts to €22.0 million (previous year: €19.5 million). A corresponding maturity profile is provided in Note (36) below.

(36) Contingent liabilities and other financial commitments

Figures in €k	Dec. 31, 2017	Dec. 31, 2016
Contingent liabilities arising from warranty agreements	–	–
Contingent liabilities arising from sureties and debt guarantees	205	46
Other contingent liabilities	21,357	–
Total contingent liabilities	**21,562**	46

The contingent liabilities arising from sureties and debt guarantees are attributable to Polish subsidiaries. These are undertakings granted either to non-consolidated companies or to third parties. They relate to leases and obligations to government bodies. The change in other contingent liabilities results from the recognition of investment grants, some of which may still be subject to repayment if contractually agreed conditions are not met. The PCC Group's current estimates indicate that no claims will be made in respect of any of these items.

Obligations under operating leases, rental commitments and other financial commitments remained in existence as of December 31, 2017. The disclosure of obligations from operating leases has been more appropriately divided into obligations from operating leases and obligations from rental agreements. The prior-year data in the table has been adjusted accordingly. There has been a decrease in investment commitments year on year. There were no other major financial commitments in 2017 to entities not included in the consolidated financial statements.

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2017
Operating lease commitments	332	118	–	**450**
Rental commitments	6,059	4,567	10,968	**21,594**
Investment commitments for intangible assets	13	–	–	**13**
Investment commitments for property, plant and equipment	67,028	–	–	**67,028**
Other commitments (incl. pending transactions)	118	–	–	**118**
Total financial commitments	**73,550**	**4,685**	**10,968**	**89,203**

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2016
Operating lease commitments	219	160	–	**379**
Rental commitments	4,743	3,098	11,275	**19,116**
Investment commitments for intangible assets	1,553	–	–	**1,553**
Investment commitments for property, plant and equipment	71,823	–	–	**71,823**
Other commitments (incl. pending transactions)	180	–	–	**180**
Total financial commitments	**78,518**	**3,258**	**11,275**	**93,051**

(37) Statement of cash flows and capital structure management

Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents that took place in the year under review and is drawn up in accordance with IAS 7.

The cash flows are broken down according to the headings "Cash flow from operating activities", "Cash flow from investing activities" and "Cash flow from financing activities".

Interest received and taxes paid on income are recognized as cash flow from operating activities. Interest paid is disclosed under cash flow from financing activities.

Dividends paid are a component of the financing activities category. Dividends paid within the Group from income attributable to the previous year are eliminated. Dividend payments to the shareholder of PCC SE and dividend payments to co-shareholders at subsidiaries are separately disclosed in cash flow from financing activities.

The financial funds equate to the total of cash and cash equivalents (cash in hand, credit balances at banks, and checks) shown in the balance sheet. In the event of changes in the scope of consolidation arising from the purchase or sale of entities (loss of control), the purchase price paid or received, less the financial funds acquired or sold, is recognized under cash flow from investing activities. If the acquisition or disposal of shares in a subsidiary takes place without a change in status, such transactions are disclosed as financing activities.

The conclusion of a finance lease agreement essentially constitutes a non-cash transaction. Payments made for investments in property, plant and equipment are netted in the statement of cash flows against finance lease proceeds.

Cash and cash equivalents disclosed in the balance sheet include an amount for fiscal 2017 of € 23.9 million (previous year: € 30.4 million) in funds not freely available. These are almost entirely attributable to finance provided for the investment project in Iceland.

The following reconciliation statement shows changes in financial liabilities disclosed as cash inflows and outflows in the cash flow from financing activities. The cash changes amounted to € 65.8 million in the year under review compared to € 122.0 million in the previous year.

			Non-cash changes					
Figures in € k	Jan. 1, 2017	Cash-effective changes	Changes in consolidation scope	Reclassifications	Currency translation differences	Interest accrued	Other changes	Dec. 31, 2017
Profit participation certificates	11,076	–	–	–	–	–	–79	10,997
Bond liabilities	392,793	51,856	–	–	–5,313	5,002	173	444,511
Bank liabilities	232,090	15,997	–	–804	–5,693	3,587	148	245,326
Finance lease liabilities	11,072	–2,036	83	39	233	–	4	9,395
Financial liabilities to affiliated companies	23	–	–23	–	–	–	–	–
Financial liabilities	**647,054**	65,817	60	–765	–10,773	8,589	246	**710,229**

			Non-cash changes					
Figures in € k	Jan. 1, 2016	Cash-effective changes	Changes in consolidation scope	Reclassifications	Currency translation differences	Interest accrued	Other changes	Dec. 31, 2016
Profit participation certificates	11,076	–	–	–	–	–	–	11,076
Bond liabilities	363,135	20,493	–	–	911	8,170	84	392,793
Bank liabilities	134,973	99,894	–	–	–3,846	910	160	232,090
Finance lease liabilities	9,217	2,131	–	–	–275	–	–1	11,072
Financial liabilities to affiliated companies	487	–471	–	–	–19	26	–	23
Financial liabilities	**518,889**	122,047	–	–	–3,230	9,106	242	**647,054**

Capital structure management

The purpose of capital structure management is to remain financially flexible so that the business portfolio can be effectively further developed and strategic options can be seized. The object of the financial policy of the Group is to secure its liquidity and solvency, limit financial risks and optimize capital costs. The control metric adopted in this regard is the Net debt/EBITDA ratio. In reflecting the relationship between net financial liabilities including current and non-current pension provisions, current and non-current financial liabilities, cash and cash equivalents and also current marketable securities, as well as the EBITDA figure, this constitutes a dynamic indicator of indebtedness.

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
– Cash and cash equivalents	78,072	83,969
– Current securities	–	–
+ Provisions for pensions	700	583
+ Profit participation certificates	10,997	11,076
+ Bond liabilities	444,511	392,793
+ Bank liabilities	245,326	232,090
+ Finance lease liabilities	9,395	11,072
+ Financial liabilities to affiliated companies	–	23
Net financial liabilities	**632,856**	**563,668**

With a net debt of € 632.9 million (previous year: € 563.7 million) and a disclosed EBITDA figure of € 73.8 million (previous year: € 76.4 million), the Net debt/EBITDA ratio for the year under review is 8.6 (previous year: 7.4), representing a deterioration of 1.2 points.

Because of financing agreements, individual subsidiaries are subject to external minimum capital requirements reflected in standard financial covenants. These include requirements relating to minimum equity ratios and also maximum levels of indebtedness. The need to comply with these financial covenants is also taken into account in preparing the annual budget for the following year. According to the information provided by the consolidated companies for the preparation of the consolidated financial statements, one case of failure to comply with such a covenant occurred in 2017. As a result, the financing bank implemented the contractual provision to increase the interest rate and issued a written notice after the balance sheet date ruling out foreclosure. Therefore, € 6.4 million in non-current liabilities to banks has been reported as current in these consolidated financial statements.

Other disclosures

(38) Related party disclosures

Balances and business transactions between PCC SE and incorporated subsidiaries regarded as related parties are eliminated as part of the consolidation process and have not been included in these notes and disclosures. Details regarding the business transactions between the PCC Group and other related parties are indicated in the following.

Other receivables and other assets include a claim against the sole shareholder of PCC SE in the amount of € 0.4 million (previous year: € 0.8 million). This receivable is short-term in nature and, as in the previous year, carries an interest rate of 6.0 % p.a.

As of the balance sheet date, December 31, 2017, the PCC Group has claims against affiliated entities not included in the consolidated financial statements for reasons of immateriality amounting to a total of € 5.8 million (previous year: € 3.0 million). These relate to loans, trade accounts receivable and current loan receivables. The Group-internal financing arrangements carry interest rates ranging between 3.0 % p.a. and 10.0 % p.a.

For compensation to Management Board members, please refer to the notes under the section Corporate Bodies (40).

For compensation of the Administrative Board, again please refer to the notes under Corporate Bodies (40).

Essentially, sales made to related parties, or purchases from related parties, are transacted at prevailing market prices. Open positions as of the end of the fiscal year are not secured, are non-interest-bearing and will be settled in cash. There are no guarantees covering receivables from related parties or payables to related parties.

Claims against the affiliated company OOO DME Aerosol amounted to € 2.3 million as of the balance sheet date (previous year: € 1.8 million) and relate to loan receivables. As in the previous year, these receivables bear an interest rate of 10.0 % p.a. The loans were granted for the development and construction of a dimethyl ether plant on the production site of the joint venture partner. In all, the joint venture company has been granted a loan facility by PCC SE in the amount of € 3.5 million which can be drawn down as the project proceeds through various defined milestones.

Figures in € k	2017	2016
Sales with related parties		
Non-consolidated entities	1,703	1,712
Joint ventures	–	–
Associated companies	–	–
Receivables from related parties		
Non-consolidated entities	5,759	2,977
Joint ventures	2,282	1,770
Associated companies	11,559	10,566
Liabilities to related parties		
Non-consolidated entities	1,249	1,236
Joint ventures	–	–
Associated companies	–	–

(39) Alternative performance measures

The consolidated financial statements and the management report of the PCC Group are prepared in accordance with currently applicable accounting standards. In addition to the disclosures and key financial metrics required by these standards, the PCC Group uses and publishes alternative performance measures (APMs). These are not subject to the regulations of the accounting standards. The PCC Group determines and uses APMs in order to facilitate comparability of such performance measures over time and within the international business environment. These performance measures are used both in the assessment of external third parties and also internally for the management and control of business units.

Determination of these performance measures is by addition, subtraction, multiplication or division of individual or several items in the consolidated balance sheet and the consolidated statement of income. The APMs are applied unchanged versus the previous period.

The PCC Group determines the following alternative performance measures:
- → EBIT
- → EBITDA
- → Net debt
- → Return on capital employed (ROCE)
- → Capital employed
- → Gross profit
- → Gross margin

EBIT (Earnings before Interest and other financial items and Taxes) serves as a measure of operating profit without taking into account differing international taxation systems and differing financing structures. The PCC Group ascertains its figures as follows:

Figures in €k	2017	2016
Earnings before taxes (EBT)	13,611	24,609
+/– Interest and other financial items	–27,384	–23,611
= EBIT	**40,996**	48,219

EBITDA (Earnings before Interest and other financial items, Taxes, Depreciation and Amortization) provides an adjusted view of operating profit before financial items, free of differing depreciation and amortization methods and discretionary assessments. It is determined within the PCC Group as follows:

Figures in €k	2017	2016
EBIT	40,996	48,219
+/– Depreciation and amortization	32,832	28,202
= EBITDA	**73,827**	76,422

The EBIT margin and the EBITDA margin are relative metrics used by the PCC Group for internal management and control of its segments and for international comparison. The margins are calculated by determining the ratio of EBITDA or EBIT to sales revenues.

For usage and calculation of the net debt figure and also the relative metric in the form of the Net debt/EBITDA ratio, please refer to Note (37) and the explanations concerning capital structure management contained therein.

Return on capital employed (ROCE) reflects the ratio of EBIT to average capital employed. EBIT is profit or loss (operating result) before financial items (before financial result) and taxes. Capital employed is calculated from the carrying values of equity and debt capital used by the PCC Group.

Figures in €k	Dec. 31, 2017	Dec. 31, 2016
+ Equity	139,135	135,049
+ Current financial liabilities	108,641	113,542
+ Non-current financial liabilities	601,587	533,512
+ Provisions for pensions and similar obligations	700	583
= Capital employed	**850,063**	**782,686**
= Average capital employed	816,375	718,554

Figures in €k	2017	2016
Sales	683,181	568,943
+ Change in inventory of finished products and work in progress	4,141	1,172
+ Other internal costs capitalized	4,780	8,802
– Purchased goods and services	489,285	397,664
= Gross profit	**202,817**	181,253

Gross margin refers to gross profit as a ratio of sales.

(40) Corporate bodies

The corporate bodies of PCC SE are as follows:

Managing Directors:

- Ulrike Warnecke, Finance and Human Resources, Organization and Public Relations, Trading and Consumer Products
- Dr. rer. oec. (BY) Alfred Pelzer, Chemicals Production, Logistics and Sales

The Managing Directors received remunerations totaling € 779 k in fiscal 2017 (previous year: € 617 k), recorded in full as short-term employee benefits.

Administrative Board:

- Dipl. Volkswirt Waldemar Preussner, Chairman of the Administrative Board
- Dr. rer. oec. (BY) Alfred Pelzer, Vice Chairman of the Administrative Board, Managing Director of PCC SE
- Reinhard Quint, Member of the Administrative Board, Member of the Corporate Development Council of Duisburger Hafen AG, Duisburg, Germany

The Administrative Board received emoluments amounting to € 145 k in fiscal 2017 (previous year: € 145 k), recorded in full as short-term employee benefits.

Annual General Meeting:

The Annual General Meeting of PCC SE took place on May 24, 2017. The consolidated financial statements and the Group management report for 2016 were both approved, as were the actions of the Managing Directors and the Administrative Board of PCC SE. Further, Warth & Klein Grant Thornton AG, Düsseldorf, was reappointed as auditor for fiscal 2017.

(41) Events after the balance sheet date

As previously announced, the profit participation certificate issued by PCC SE in 2007 with a placed volume of € 11.0 million was redeemed in full on term expiration effective January 1, 2018.

In February 2018, PCC SE concluded a shareholders' agreement with Hupac Ltd., Chiasso (Switzerland), and the management of PCC Intermodal S.A., which serves to pool the 94.47 % voting rights in PCC Intermodal S.A. held by these shareholders. On this basis, a squeeze-out of the remaining minority shareholders was initiated in accordance with Polish capital market law. The squeeze-out process was successfully concluded on March 7, 2018. PCC SE thus increased its share in the capital of PCC Intermodal S.A. to 84.47 % and its voting rights to 89.06 %. Based on the above-mentioned shareholders' agreement, the voting rights of these parties now amount to 100 % in the company.

In February 2018, PCC SE founded PCC Insulations GmbH, headquartered in Duisburg. Starting in 2018, all activities in the manufacture and sale of insulation and other building materials will be pooled, centrally controlled and further expanded under this intermediate holding company.

Effective March 8, 2018, Elpis Sp. z o.o. became the 100 % shareholder of PCC Oxyalkylates Ltd., Kuala Lumpur, Malaysia. This project company is considering a potential investment in a joint production site with PETRONAS Chemicals Group in Kertih, Terengganu Province, Malaysia.

On April 1, 2018, PCC SE repaid on maturity the 7.00 % bond ISIN DE000A1TM979 from 2013. The redemption amount was € 15.7 million.

Effective February 28, 2018, PCC Rokita SA entered into an agreement with IRPC Public Co. Ltd., Bangkok (Thailand), for the acquisition of a further 750,000 shares in the joint venture IRPC Polyol Company Ltd., Bangkok. The purchase was subject to conditions precedent, which were fulfilled in full and on both sides as of April 30. PCC Rokita SA thus acquired a further 25 % stake in this company for THB 52 million, thereby increasing its shareholding to 50 % of the capital and voting rights.

(42) Miscellaneous

The PCC Group and the individual German companies were audited by Warth & Klein Grant Thornton AG, Düsseldorf, and their respective financial statements were given an unqualified opinion. The fee for audit services in respect of these companies and the Group amounted to € 171.7 k (previous year: € 175.0 k). The fee for other services performed in the course of fiscal 2017 was € 4.6 k (previous year: € 6.2 k). Charges for tax consultancy services amounted to € 0.0 k (previous year: € 0.0 k).

(43) Schedule of shareholdings in accordance with Section 313 (2) HGB

Name and head office of company	Segment	Currency	Exchange rate as of Dec. 31, 2017 1 euro =	PCC SE participating interest in % Direct	Indirect	2017	2016
Parent company							
PCC SE, Duisburg	Holding/Projects	EUR	1.0000	–	–	**–**	–
Fully consolidated subsidiaries							
AO NOVOBALT Terminal, Kaliningrad	Specialty Chemicals	RUB	69.3920	–	100.00	**100.00**	100.00
Aqua Łososiowice Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	–
ChemiPark Technologiczny Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16
distripark.com Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	48.98	42.94	**91.92**	91.92
distripark GmbH (formerly PCC Energy Trading GmbH), Essen	Holding/Projects	EUR	1.0000	100.00	–	**100.00**	100.00
Ekologistyka Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16
Elpis Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.99	**84.99**	86.40
GRID BH d.o.o., Sarajevo	Energy	BAM	1.9558	–	51.37	**51.37**	51.37
Kosmet Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.1770	–	100.00	**100.00**	100.00
LabMatic Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	83.94	**83.94**	83.94
MCAA SE, Brzeg Dolny	Chlorine	PLN	4.1770	100.00	–	**100.00**	100.00
Novi Energii OOD, Sofia	Energy	BGN	1.9558	–	36.00	**36.00**	36.00
OOO PCC Consumer Products, Moscow	Consumer Products	RUB	69.3920	–	100.00	**100.00**	100.00
OOO PCC Consumer Products Navigator, Grodno	Consumer Products	BYN	2.3553	–	100.00	**100.00**	100.00
PCC Apakor Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	83.81	**83.81**	83.81
PCC Autochem Sp. z o.o., Brzeg Dolny	Logistics	PLN	4.1770	–	84.16	**84.16**	84.16
PCC BakkiSilicon hf, Húsavík	Holding/Projects	USD	1.1993	86.50	–	**86.50**	86.50
PCC Chemax, Inc., Piedmont, SC	Surfactants	USD	1.1993	–	85.82	**85.82**	88.64
PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice	Consumer Products	PLN	4.1770	–	99.74	**99.74**	99.74
PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.1770	–	100.00	**100.00**	100.00
PCC Consumer Products S.A., Brzeg Dolny	Consumer Products	PLN	4.1770	100.00	–	**100.00**	100.00
PCC DEG Renewables GmbH, Duisburg	Energy	EUR	1.0000	60.00	–	**60.00**	60.00
PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle	Energy	PLN	4.1770	84.46	–	**84.46**	84.46
PCC Energia EOOD, Sofia	Polyols	BGN	1.9558	100.00	–	**100.00**	100.00
PCC EXOL Kimya Sanayi ve Ticaret Limited Şirketi, Istanbul	Surfactants	TRY	4.5464	–	85.82	**85.82**	88.64
PCC EXOL SA, Brzeg Dolny	Surfactants	PLN	4.1770	85.82	–	**85.82**	88.64
PCC HYDRO DOOEL Skopje, Skopje	Energy	MKD	61.4907	–	60.00	**60.00**	60.00
PCC Intermodal GmbH, Duisburg	Logistics	EUR	1.0000	–	76.62	**76.62**	69.52
PCC Intermodal S.A., Gdynia	Logistics	PLN	4.1770	76.62	–	**76.62**	69.52
PCC IT S.A., Brzeg Dolny	Holding/Projects	PLN	4.1770	100.00	–	**100.00**	100.00
PCC Izvorsko EOOD, Sofia	Energy	BGN	1.9558	–	60.00	**60.00**	60.00
PCC MCAA Sp. z o.o., Brzeg Dolny	Chlorine	PLN	4.1770	–	97.30	**97.30**	97.30
PCC MORAVA-CHEM s.r.o., Český Těšín	Specialty Chemicals	CZK	25.5350	98.00	2.00	**100.00**	100.00
PCC NEW HYDRO DOOEL Skopje, Skopje	Energy	MKD	61.4907	–	60.00	**60.00**	60.00
PCC Packaging Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.1770	–	84.16	**84.16**	84.16
PCC Prodex GmbH, Essen	Polyols	EUR	1.0000	100.00	–	**100.00**	84.16
PCC Prodex Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.1770	–	84.16	**84.16**	84.16
PCC PU Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.1770	–	84.16	**84.16**	84.16
PCC Rokita SA, Brzeg Dolny	Polyols, Chlorine, Specialty Chemicals, Energy, Holding	PLN	4.1770	84.16	–	**84.16**	84.16
PCC Seaview Residences ehf, Húsavík	Holding/Projects	ISK	125.0500	100.00	–	**100.00**	100.00
PCC Silicium S.A., Zagórze	Specialty Chemicals	PLN	4.1770	99.99	–	**99.99**	99.99
PCC Specialties GmbH, Duisburg	Specialty Chemicals	EUR	1.0000	100.00	–	**100.00**	–
PCC Synteza S.A., Kędzierzyn-Koźle	Specialty Chemicals	PLN	4.1770	100.00	–	**100.00**	100.00
PCC Therm Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.1770	–	84.16	**84.16**	84.16
PCC Trade & Services GmbH, Duisburg	Specialty Chemicals	EUR	1.0000	100.00	–	**100.00**	100.00
PolyU GmbH, Essen	Specialty Chemicals	EUR	1.0000	100.00	–	**100.00**	–
S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea	Specialty Chemicals	RON	4.6585	58.72	–	**58.72**	58.72
ZAO PCC Rail, Moscow	Logistics	RUB	69.3920	100.00	–	**100.00**	100.00

Name and head office of company	Segment	Currency	Exchange rate as of Dec. 31, 2017 1 euro =	PCC SE participating interest in % Direct	Indirect	2017	2016	Equity in local currency ('000)	Net result in local currency ('000)
Joint ventures consolidated using the equity method									
IRPC Polyol Company Ltd., Bangkok	Polyols	THB	39.1210	–	21.04	**21.04**	–	230,660.20	–77,596.00
OOO DME Aerosol, Pervomaysky	Holding/Projects	RUB	69.3920	50.00	–	**50.00**	50.00	–42,260.30	–39,178.70
Subsidiaries not consolidated due to immateriality									
Abwicklungsgesellschaft TEC artec valves GmbH & Co. KG, Oranienburg	Holding/Projects	EUR	1.0000	68.85	–	**68.85**	68.85	unknown	unknown
BiznesPark Rokita Sp. z o.o. i.L., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	1,248.8	–23.1
Chemia-Profex Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	49.7	–4.5
Chemia-Serwis Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	75.3	41.0
Chemi-Plan S.A., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	27.8	–11.4
CWB Partner Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	303.5	219.5
Fate Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	–14.0	–11.4
Gaia Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	–8.3	–5.6
GEKON S.A. i.L., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	0.0	0.0
Hebe Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	–14.0	–12.6
LabAnalityka Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	–71.3	34.8
Locochem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	–311.0	–367.2
LogoPort Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	–	unknown	unknown
New Better Industry Sp. z o.o., Brzeg Dolny	Chlorine	PLN	4.1770	–	84.16	**84.16**	84.16	–8.6	–8.4
Pack4Chem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	84.16	**84.16**	84.16	126.1	–15.8
PCC ABC Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.1770	–	84.16	**84.16**	84.16	3.1	–7.7
PCC Envolt Sp. z o.o., Brzeg Dolny	Energy	PLN	4.1770	100.00	–	**100.00**	100.00	115.6	–3.5
PCC Exol Philippines Inc. i.L., Batangas	Surfactants	PHP	59.7950	–	88.64	**88.64**	88.64	–994.9	–655.8
PCC Organic Oils Ghana Ltd., Accra	Surfactants	GHS	5.2964	100.00	–	**100.00**	100.00	–14,350.5	–5,825.1
PCC Oxyalkylates Malaysia Sdn. Bhd., Kuala Lumpur	Holding/Projects	MYR	4.8536	–	85.00	**85.00**	–	unknown	unknown
PCC Power Brzeg Dolny Sp. z o.o., Brzeg Dolny	Energy	PLN	4.1770	100.00	–	**100.00**	100.00	–160.5	–23.5
PCC Slovakia s.r.o., Košice	Specialty Chemicals	EUR	1.0000	–	100.00	**100.00**	100.00	61.3	–2.6
Technochem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.1770	–	72.21	**72.21**	72.21	–5.3	–3.5
TzOW Petro Carbo Chem, Lviv	Specialty Chemicals	UAH	33.4954	92.32	–	**92.32**	92.32	6,588.2	114.2
Valcea Chemicals S.R.L., Bucharest	Specialty Chemicals	RON	4.6585	–	84.16	**84.16**	–	23.4	–23.2
ZAO Exol, Nizhny Novgorod	Surfactants	RUB	69.3920	100.00	–	**100.00**	100.00	–3,130.0	–1,155.0
Associated companies not consolidated using the equity method due to immateriality									
S.C. Oltchim S.A., Râmnicu Vâlcea	Holding/Projects	RON	4.6585	18.32	14.02	**32.34**	32.34	–273,283.0	47,732.0
Joint ventures not consolidated using the equity method due to immateriality									
IRPC-PCC Company Ltd., Bangkok	Polyols	THB	39.1210	–	52.60	**52.60**	42.08	11,432.1	562.0
Participating interests in other companies									
Brama Pomorza Sp. z o.o., Gdańsk	Holding/Projects	PLN	4.1770	7.41	–	**7.41**	7.41	–1,366.4	–622.5
TRANSGAZ S.A., Rybnik	Holding/Projects	PLN	4.1770	9.64	–	**9.64**	9.64	unknown	unknown

Duisburg, April 30, 2018

PCC SE

Ulrike Warnecke
Managing Director

Dr. rer. oec. (BY) Alfred Pelzer
Managing Director

Glossary

Additives
Additives and admixtures are substances which, incorporated in formulations in very small quantities, optimize the properties and performance profile of products such as concrete, paints and plastics and/or facilitate their manufacture and processing.

Betaines
Amphoteric surfactants used in cosmetic products such as hair shampoos to optimize the skin compatibility of the anionic surfactants responsible for the cleaning effect of such products.

Chlor-alkali electrolysis
Electrochemical process in which the base chemicals chlorine, caustic soda (sodium hydroxide) and hydrogen are generated.

CHP
Combined Heat and Power – used in reference to power plants designed to supply both electrical and thermal energy in a process known as "cogeneration." More fuel-efficient due to utilization of otherwise wasted heat. Produces less CO_2 (greenhouse gas) per unit energy output, therefore regarded as more climate-friendly.

Climate-protection project
In keeping with the provisions of the Kyoto Protocol, a climate-protection project contributes to the reduction of greenhouse gases. Through adoption of a "clean development mechanism", participating developing countries are also to be assisted not only in reducing their emissions but also generally in their pursuit of a sustainable mode of development. The small hydropower plant projects being implemented by PCC in the Balkans constitute an example of this kind of assistance.

CSR
Abbreviation for Corporate Social Responsibility, referring to the self-regulatory, responsible attitude of businesses towards all stakeholders and the social and ecological environment.

DME
Abbreviation for dimethyl ether; DME is a colorless, non-toxic, slightly narcotic and highly flammable gas which, in its high-purity aerosol quality grade, is used primarily as a propellant in, for example, hair sprays. DME is also employed in the manufacture of structural ↑PU foams.

EBIT
Abbreviation for Earnings Before Interest and other financial items and Taxes; ↑EBITDA less depreciation and amortization.

EBITDA
Abbreviation for Earnings Before Interest and other financial items, Taxes, Depreciation and Amortization.

EBT
Abbreviation for Earnings Before Taxes; ↑EBIT less interest and other financial items.

Ethoxylation
Process for the manufacture of non-ionic ↑surfactants (ethoxylates; surface-active substances), which are major constituents of, in particular, detergents and cleaning products.

FSC®
Abbreviation for Forest Stewardship Council; an independent, non-profit, non-governmental organization which is represented in 80 countries. The mission of the FSC® is to promote the environmentally sound, socially responsible and economically viable management of forests.

Global Compact of the United Nations
The UN Global Compact is the world's largest initiative in the field of Corporate Social Responsibility (↑CSR). It is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.

Hydroxyl groups
Functional groups of alcohols and phenols.

Intermodal transport
Combined transport (CT) involving the conveyance of goods, primarily in containers, which are transferred one or more times between different modes of carriage such as train, truck and ship.

IPO
Abbreviation for Initial Public Offering, which relates to the first-time placement of a company's shares on an organized capital market.

Isocyanates
Highly reactive chemical esters of isocyanic acid. Compounds that contain two isocyanate groups are termed diisocyanates, and these react with polyols to create polyurethanes (↑PU foams).

MCAA
Abbreviation for monochloroacetic acid, an intermediate product used primarily in the manufacture of personal care products, but also for applications in the agriculture, food and pharmaceutical industries.

Membrane process
Modern process in chlor-alkali electrolysis used in the manufacture of chlorine. The membrane process is more energy-efficient than, for example, the amalgam process, and functions without the use of mercury.

MW (megawatt)
Unit of measurement for electric power:
1 megawatt = 10^3 kilowatts
1 gigawatt = 10^6 kilowatts
1 terawatt = 10^9 kilowatts

Phosphorus derivatives
Substances manufactured from phosphorus, such as flame retardants and plasticizers.

Polyols
Organic compounds that contain several ↑hydroxyl groups called polyalcohols (multivalent alcohols). Polyols are a basic feedstock used in the manufacture of both flexible and rigid polyurethane (PU) foams such as are used in the production of furniture and mattresses and in the automotive industry.

PU foams
PU is the abbreviation for polyurethane (also abbreviated PUR), of which ↑polyols are a major constituent.

REACH
European regulation governing the registration, evaluation, authorization and restriction of chemicals.

Renewable energy
Also known as regenerative energy; term given to energy from sustainable sources such as solar energy, biomass, hydroelectric power, wind power and geothermal energy.

Responsible Care®
Global initiative of the chemicals industry aimed at continuously improving sustainability in terms of environmental protection, health and safety.

ROCE
Return On Capital Employed; ↑EBIT ÷ [Average equity + Average interest-bearing borrowings incl. pension provisions].

SE
Latin abbreviation: Societas Europaea; English: European Company.

Segment
Introduced on January 1, 2013 as a basic management unit of PCC (conversion to segment structure as a refinement of the former divisional structure). The Group is divided into eight segments: ↑Polyols, ↑Surfactants, Chlorine, Specialty Chemicals, Consumer Products, Energy, Logistics, and Holding/Projects.

Sulphonation
Process for the manufacture of anionic ↑surfactants (sulphonates; surface-active substances) which, because of their dermatological compatibility, are widely used in cosmetics and laundry/home care detergents.

Surfactants
Surface-active substances; ingredients in cosmetics, detergents, cleaning and cleansing products (↑Ethoxylation, ↑Sulphonation).

TEU
Abbreviation for Twenty-foot Equivalent Unit – unit of measurement for ISO standard containers; 1 TEU corresponds to a 20 foot ISO container.

Value chain
The sequential set of primary and support activities in a production process that an enterprise performs to turn inputs, e.g. raw materials, into value-added outputs, e.g. finished products, for its external customers.

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Contact
Public Relations
Phone +49 (0)2066 2019-35
Fax +49 (0)2066 2019-72
pr@pcc.eu
www.pcc.eu

Conception and editing
Susanne Biskamp, PCC SE

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Agentur für Markenkommunikation GmbH,
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Forward-looking statements

This Annual Report contains forward-looking statements which are based on the current estimates and assumptions made by the management with respect to future developments. The accuracy of such statements is subject to risks and uncertainties that lie outside the control and forecasting capability of PCC SE. Examples include changes in the market environment and underlying economic conditions, the behavior of other market participants, the success with which new acquisitions can be integrated, the realization of anticipated synergy effects, and the actions of governmental agencies. Should such factors of uncertainty or imponderables come into play, or if the assumptions upon which these statements are based prove to be incorrect, the ensuing events could differ materially from those explicitly indicated, implied in or inferred from these statements. PCC SE neither plans nor undertakes to update any forward-looking statements in respect of developments or events occurring in the future.

Technical discrepancies

For technical reasons (e.g. arising from the conversion of electronic formats), differences may occur between the information provided in this Annual Report and that contained in the accounting documents submitted for publication in the Federal gazette (Bundesanzeiger). In such cases, the version appearing in the Federal gazette is authoritative.

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