Annual Report 2019

PCC. Creating value together

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Group management report

In fiscal 2019, the PCC Group generated consolidated sales of € 767.5 million, marginally down on the previous year by 1.5 %. Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) came in at € 99.0 million, slightly above the prior-year figure after adjusting for an exceptional item. Earnings before taxes (EBT) declined to € 19.3 million.

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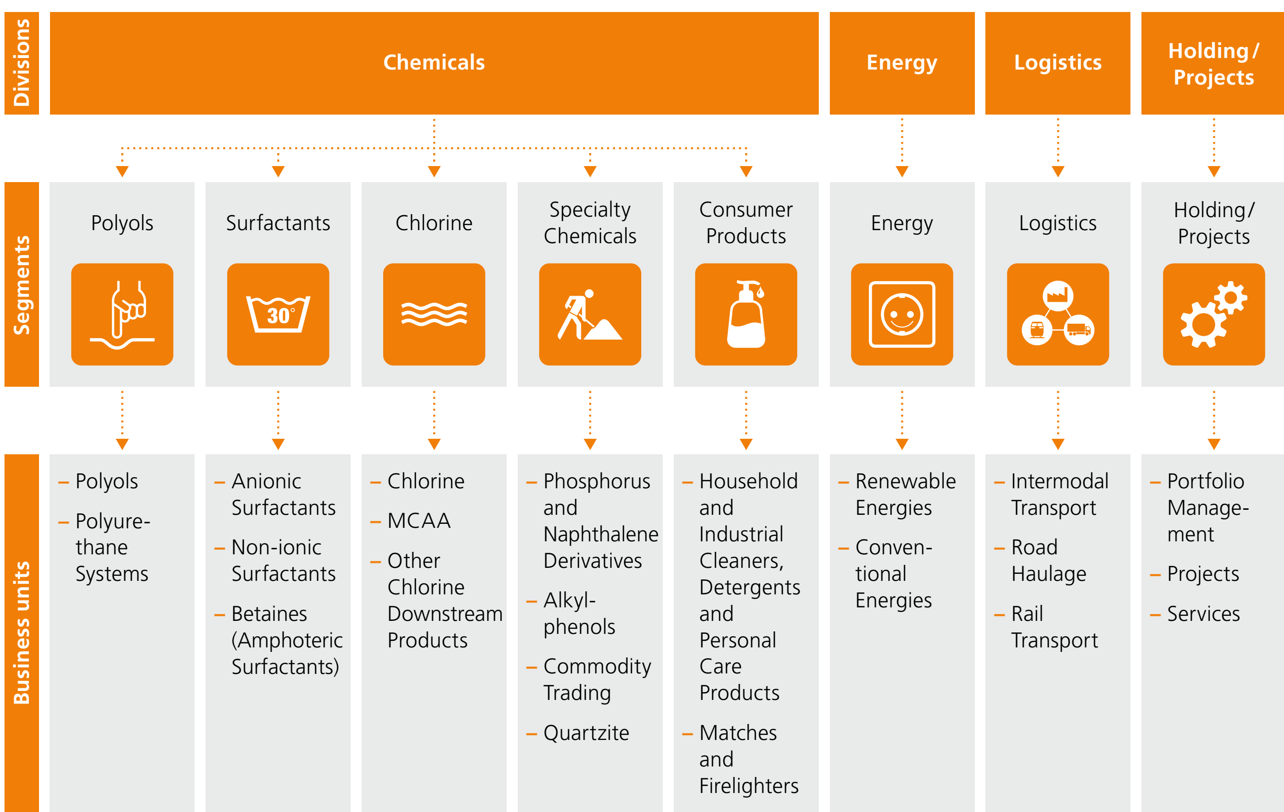
Organization of the PCC Group

The PCC Group has more than 3,500 employees working at 41 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 are assigned full operational responsibility. Allocated to these segments are a total of 19 business units that are managed by our international companies and entities. 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, information technology, environmental protection, site infrastructure management, research & development, engineering & technology and maintenance & repair. In addition, PCC BakkiSilicon hf. (silicon metal production in Iceland), OOO DME Aerosol (dimethyl ether production in Russia) and a number of smaller project companies are also managed within this segment.

The divisions, segments and business units of the PCC Group

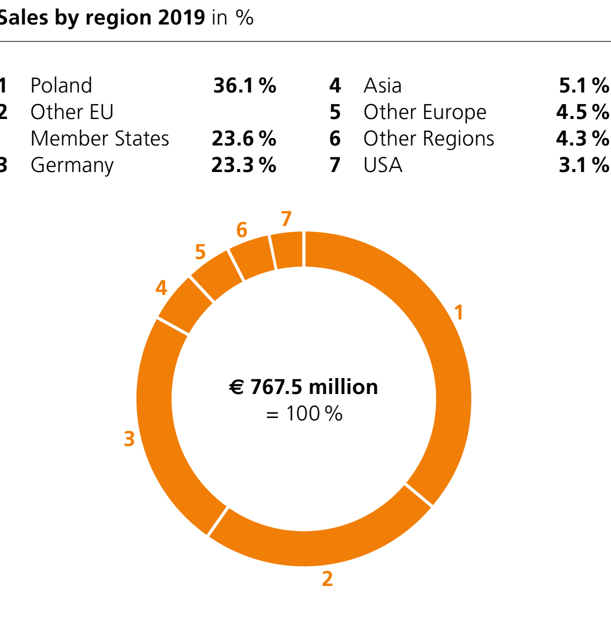


The group strategy of PCC is geared to sustainable corporate investment and business development, with the aim of generating and growing enterprise value. As a growth-led investor predominantly aligned to the long term, the holding company PCC SE supports its portfolio of affiliated businesses in their 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. On the other hand, non-core activities are developed only to a certain degree of market maturity and then offered for sale or otherwise divested. 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 2019, we generated 23.3 % (previous year: 22.6 %) of our sales with customers in Germany, with 36.1 % attributable to customers in Poland (previous year: 36.9 %). Including PCC SE, the consolidated financial statements of the PCC Group for 2019 cover a scope of 52 fully consolidated entities. There are also two joint ventures accounted for using the equity method.

Sales by region 2019 in %

1	Poland	**36.1 %**	**4**	Asia	**5.1 %**
2	Other EU Member States	**23.6 %**	**5**	Other Europe	**4.5 %**
3	Germany	**23.3 %**	**6**	Other Regions	**4.3 %**
			7	USA	**3.1 %**



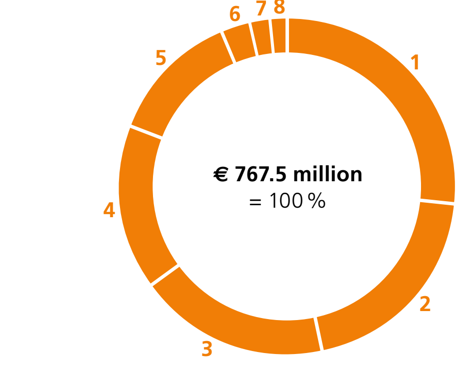
Core business activities

Consolidated sales in fiscal 2019 amounted to € 767.5 million and were thus only marginally (by € 11.7 million or 1.5 %) below the corresponding figure of € 779.2 million for the previous year. However, the figure achieved was well short of our revenue expectations. One of the main reasons for this was the lack of sales from the Silicon Metal business due to the considerable delay in the commencement of regular operations at PCC BakkiSilicon hf., Húsavík (Iceland). In addition, the average price level for chemical commodities in 2019 showed a downward trend compared to the previous year – due in part to the slowdown in economic growth. As a result, the Chemicals division's sales actually declined somewhat more strongly (by € 22.4 million or 3.3 %) than Group revenue as a whole. With € 646.3 million or 84.2 % of consolidated sales (previous year: 85.8 %), the Chemicals division nevertheless remained the Group's primary source of revenues. The Logistics division, on the other hand, achieved a further increase in sales revenues in 2019, namely by 9.5 % to € 97.1 million, driven primarily by a further significant improvement in the performance of PCC Intermodal S.A., Gdynia (Poland). This division's share of Group sales thus increased to 12.7 % (previous year: 11.4 %). At € 12.4 million, the sales of the Energy segment remained at the level of the previous year (€ 12.3 million). Revenues in the Holding/Projects segment grew by € 2.1 million to € 11.6 million.

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

Sales by segment 2019 in %

1	Specialty Chemicals	**26.8 %**	**5**	Logistics	**12.7 %**
2	Chlorine	**20.2 %**	**6**	Consumer Products	**2.8 %**
3	Polyols	**18.4 %**	**7**	Energy	**1.6 %**
4	Surfactants	**16.1 %**	**8**	Holding/Projects	**1.5 %**



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. Flexible PU foams are used, among other things, in the manufacture of high-comfort mattresses. Rigid PU foams are employed in the refrigeration industry for insulation purposes and in the construction industry as sealing foam. PU systems are used, for example, in thermal insulation and block constructions incorporating thermal insulation panels, PU adhesives for mining applications, 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 engaged in the production and sale of polyether polyols, and PCC PU Sp. z o.o., Brzeg Dolny, which focuses on the manufacture of polyester polyols. The two systems houses PCC Prodex Sp. z o.o., Brzeg Dolny, and PCC Prodex GmbH, Essen (Germany), are likewise managed under the Polyols segment, as is PCC Insulations GmbH, Duisburg (Germany), which was formed in the previous year. For the purpose of more efficient management, all affiliates active in the production and sale of insulation and other building materials were brought together under the umbrella of this new intermediate holding company in 2018. PCC Therm Sp. z o.o., Brzeg Dolny, and PCC Bulgaria EOOD, Sofia, as well as the corresponding business area of the Czech company PCC Morava-Chem s.r.o., Český Těšín, also count among these reassigned entities. As of 2019, the business activities of these affiliates were still in their developmental phase. The Polyols segment is completed by the Thai company IRPC Polyol Company Ltd., Bangkok, in which PCC Rokita SA holds a 50 % stake. This company is accounted for within the Group using the equity method. The number of employees in the Polyols segment at year-end was 265 (previous year: 247).

The Polyols segment generated sales of € 141.1 million in fiscal 2019, a decrease of 3.0 % versus the previous year (€ 145.4 million). Its share of total PCC Group sales remained virtually flat at 18.4 % (previous year: 18.7 %). However, the figure achieved was well short of our revenue expectations. The market for standard polyether polyols, in particular, remained under strong pressure in 2019. The main reason for this was the significant expansion of the global supply of these polyols as a result of a production plant in Sadara (Saudi Arabia) coming on stream in the previous year. In addition, the demand for polyols from the mattress and furniture industries as well as from the automotive sector showed a declining trend due to the somewhat negative growth prospects prevailing, with corresponding effects on selling prices and achievable margins.

In the Polyester Polyols business area and the Polyurethane Systems business unit, business development in 2019 likewise fell short of our expectations, although performance improved versus the previous year. Indeed, PCC Prodex Sp. z o.o. posted a significant improvement in results compared to the previous year, due not least to substantial growth in its business with roof spray foams for insulation purposes. This affiliate also benefited from the declining prices for isocyanates. The turnaround targeted for 2019 was therefore only just missed. At the German systems house PCC Prodex GmbH a further milling facility for polishing discs was commissioned in 2019 to sustainably increase the efficiency of the site. In addition, PCC Prodex GmbH has now acquired several new customers for the regular purchase of polishing discs under

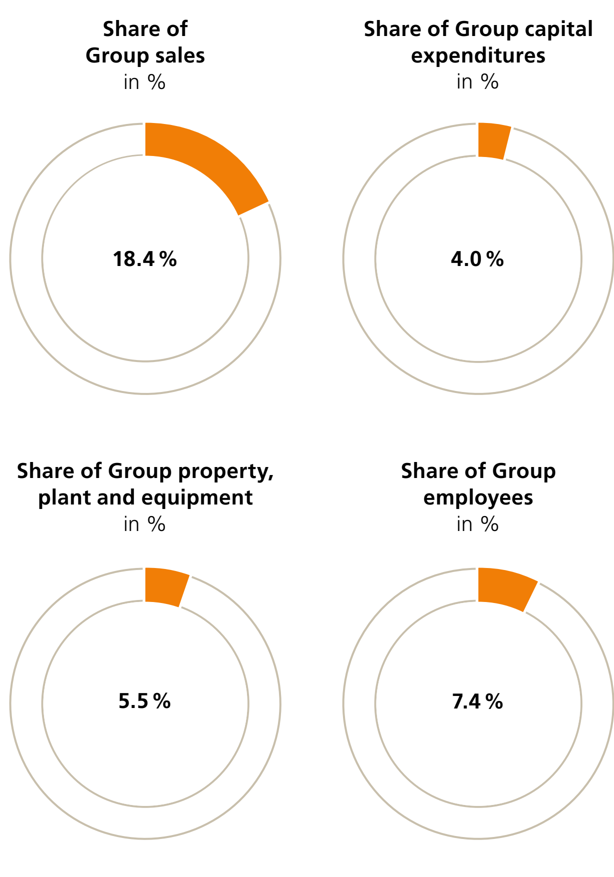
Polyols segment Figures in € m	**2019**	2018	Absolute change	Relative change
Net external sales, consolidated	**141.1**	145.4	−4.3	−3.0 %
Sales to other PCC segments	**31.2**	25.3	5.8	23.0 %
Total sales of the segment (total operating performance)	**172.2**	170.7	1.5	0.9 %
EBITDA	**8.2**	7.2	1.0	14.0 %
Property, plant and equipment	**51.4**	50.0	1.4	2.9 %
Capital expenditures on intangible assets and property, plant and equipment	**6.5**	8.5	−2.0	−23.9 %
Employees (at Dec. 31)	**265**	247	18	7.3 %

its own Plasthan® brand, which should lead to a steady increase in the utilization of its production capacities. The associated improvements in earnings should now lead to a turnaround also at this affiliate in 2020.

In the challenging market environment of the 2019 fiscal year, the Polyols segment was ultimately able to successfully sustain its business activity and once again made a positive contribution to consolidated earnings above that of the previous year. The earnings trend in the course of the year benefited from declining raw material purchase prices.

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. To this end, a pilot plant was commissioned by PCC Rokita in 2019 with a mini-reactor in which a wide range of product synthesis processes can be carried out. Geographic expansion is also to be further promoted, especially into the Asian market, which continues to exhibit dynamic growth. Here, PCC Rokita SA had already expanded its participation in a Thai polyols producer to 50 % in the previous year, thus achieving a further important milestone in the establishment of sites outside Poland.

Key facts and figures for the Polyols segment 2019



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 many actions they produce include foaming, wetting, emulsifying and cleaning. Surfactants are basic components of laundry and home care cleaners and detergents, other cleaning agents, and personal care products. They are also used, for example, in the textile and agrochemicals industries as well as in the production of lubricants, paints, coatings and plastics.

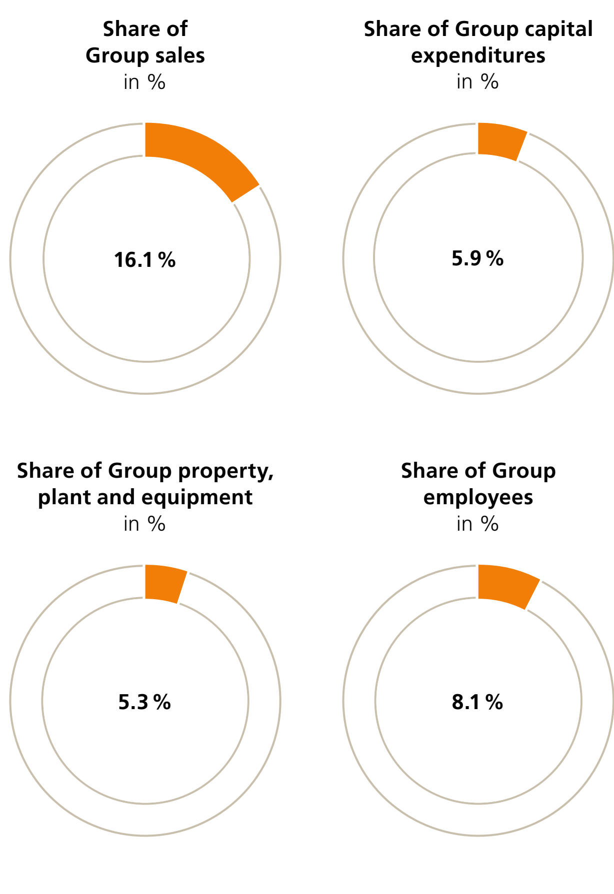
Surfactants segment Figures in € m	**2019**	**2018**	Absolute change	Relative change
Net external sales, consolidated	**123.2**	124.5	−1.2	−1.0 %
Sales to other PCC segments	**27.3**	26.7	0.6	2.1 %
Total sales of the segment (total operating performance)	**150.5**	151.2	−0.7	−0.4 %
EBITDA	**13.0**	10.2	2.8	27.0 %
Property, plant and equipment	**49.7**	42.4	7.4	17.4 %
Capital expenditures on intangible assets and property, plant and equipment	**9.6**	4.8	4.8	98.7 %
Employees (at Dec. 31)	**289**	289	–	–

The segment is divided into the business units Anionic Surfactants, Non-ionic Surfactants and Betaines (Amphoteric Surfactants). Its portfolio includes PCC Exol SA, Brzeg Dolny, its Turkish sales company in Istanbul and PCC Chemax, Inc. in Piedmont (South Carolina, USA). In 2019, this segment generated sales amounting to € 123.2 million, just short of the corresponding prior-year figure (€ 124.5 million). The share of total PCC Group sales remained constant at 16.1 %. The number of employees was 289 (previous year: 289).

The dominant affiliate in this segment continues to be PCC Exol SA, which once again improved its performance in 2019 compared to an already highly successful previous year. The increasing share of products with higher margins in the product portfolio was of particular significance in this respect. In addition, PCC Exol SA was able to benefit in 2019 from lower prices for its main raw materials ethylene oxide and fatty alcohols. Consequently, PCC Exol SA and, with it, the Surfactants segment as a whole once again closed fiscal 2019 with a successful set of figures outperforming those of the previous year. The other portfolio companies managed in this segment likewise made positive contributions to the results achieved.

As in the case of the Polyols segment, the PCC Group is pursuing a strategy of increasing internationalization in the Surfactants segment, particularly in the Asian market. Further strides were therefore taken in 2019 in relation to the project planned jointly with the PETRONAS Chemicals Group to establish a production facility for oxyalkylates in Malaysia. In this process, the holding company PCC SE became increasingly involved in project coordination and took over the project company PCC Oxyalkylates Malaysia Sdn. Bhd., Kuala Lumpur, from the Group company Elpis Sp. z o.o., Brzeg Dolny. Intensive negotiations were held with the PETRONAS Chemicals Group over the course of the year relating to the latter's acquisition of a stake in this project company. The share purchase agreement was signed by PCC SE and the PETRONAS Chemicals Group on December 18, 2019. The final completion of the transaction is currently still pending as certain closing conditions have not yet been fully met.

Key facts and figures for the Surfactants segment 2019



Chlorine

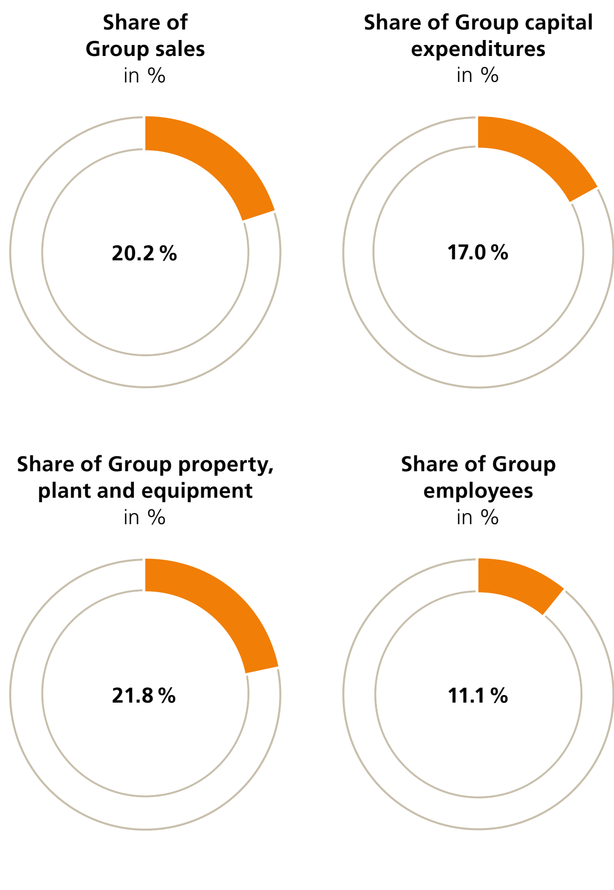
Chlorine is one of the most important and most-produced raw materials used in the chemicals industry. Within our Group, it is used, among other things, for the production of propylene oxide for polyols production, and as a feedstock for the manufacture of monochloroacetic acid (MCAA) and certain phosphorus derivatives. Chlorine is also employed as a disinfectant and, like various chlorine co-products and 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. In 2019, sales of this segment amounted to € 154.8 million, thus remaining virtually flat versus prior year (€ 155.5 million). The share of total PCC Group sales likewise remained almost constant at 20.2 % (previous year: 20.0 %). The segment employed 399 people in the past fiscal year (previous year: 384).

The 2019 earnings result of the Chlorine segment fell short of the figure generated in the successful previous year and also of our expectations for fiscal 2019. Developments in the individual business units varied considerably. Earnings in the Chlorine business unit came under pressure in 2019 due to sharply declining prices for the caustic soda solid and caustic soda lye by-products of chlorine production. One reason for this was the increasing supply of caustic soda solid, especially from China and India. The regional supply of caustic soda lye again also increased significantly compared to previous years as the local competitors of PCC Rokita SA have meanwhile completed the upgrade work on their production facilities and resumed regular chlorine production – aside from temporary interruptions that occurred in the fourth quarter of 2019. Higher sales volumes as a result of the expanded capacities and the ongoing optimization of production processes were able to partially – but not fully – offset the price decline. Despite this challenging market environment, the Chlorine business unit of PCC Rokita SA closed fiscal 2019 once more in clearly positive territory and was again the main earnings driver among all the business units of the PCC Group.

In the MCAA business unit, which has significantly extended the chlorine value chain of the PCC Group since 2016, sales volumes and revenues in 2019 again increased versus prior

Key facts and figures for the Chlorine segment 2019



Chlorine segment Figures in € m	**2019**	2018	Absolute change	Relative change
Net external sales, consolidated	**154.8**	155.5	−0.7	−0.4 %
Sales to other PCC segments	**76.2**	74.0	2.2	3.0 %
Total sales of the segment (total operating performance)	**231.0**	229.4	1.5	0.7 %
EBITDA	**55.7**	67.6	−11.9	−17.6 %
Property, plant and equipment	**203.9**	193.3	10.6	5.5 %
Capital expenditures on intangible assets and property, plant and equipment	**27.7**	32.8	−5.1	−15.4 %
Employees (at Dec. 31)	**399**	384	15	3.9 %

year. At the same time, the production process (including modifications to the catalyst) and its input factors were further optimized.

The resulting significant improvements in earnings enabled PCC MCAA Sp. z o.o. to achieve a clear net profit for the year. In the long term, this business should contribute to a sustainable increase in profitability in the Chlorine segment.

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 working properties 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, 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). The Germany-based start-ups PCC Specialties GmbH, Oberhausen, and PolyU GmbH, Essen, which were founded in the previous year, are also managed under this segment. The latter portfolio companies, which focus on the development of specialty chemicals for customer-specific applications, again remained at their developmental stage in 2019. Overall, the Specialty Chemicals segment generated sales of €205.6 million in the past fiscal year. This thus fell short of the previous year's figure of €222.1 million by 7.4%, mainly due to the lower commodity price levels prevailing. Nevertheless, the segment remained the Group's strongest revenue generator. The number of employees at the end of the fiscal year rose to 403 (previous year: 393).

Once again, PCC Trade & Services GmbH was the main sales driver in the Specialty Chemicals segment in 2019. However, despite a further increase in sales volumes, the revenues realized by this affiliate remained below the figure for the previous year and also short of our sales expectations for 2019. The main reason for this development was the declining price level for chemical commodities as well as for coke and anthracite due to the slowdown in economic growth. In parallel with the decline in sales, however, the cost of materials also decreased, with the result that PCC Trade & Services GmbH was still able to close fiscal 2019 successfully, outperforming our expectations. By contrast, PCC Morava-Chem s.r.o. ended fiscal 2019 with a significant loss. Due to the unforeseen insolvency of one of its main customers, this affiliate not only suffered considerable losses in sales in its trading business but also posted a loss in receivables equivalent to €1.0 million. PCC Morava-Chem s.r.o. will find it difficult to compensate for the loss of this major customer in the short term. The trading business of this affiliate is therefore likely to become less important in the future. At PCC Trade & Services GmbH, by contrast, the positive business trend continued beyond the turn of the year.

In a repeat of the previous year, the alkylphenol producer PCC Synteza S.A. and the Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA again closed fiscal 2019 successfully with earnings in positive territory and exceeding our expectations. In the aforementioned business unit, rising demand in particular for phosphorus-based flame retardants, and additives and admixtures for the construction industry, had a positive impact on sales and earnings. This business unit also invested in 2019 in a pilot plant for

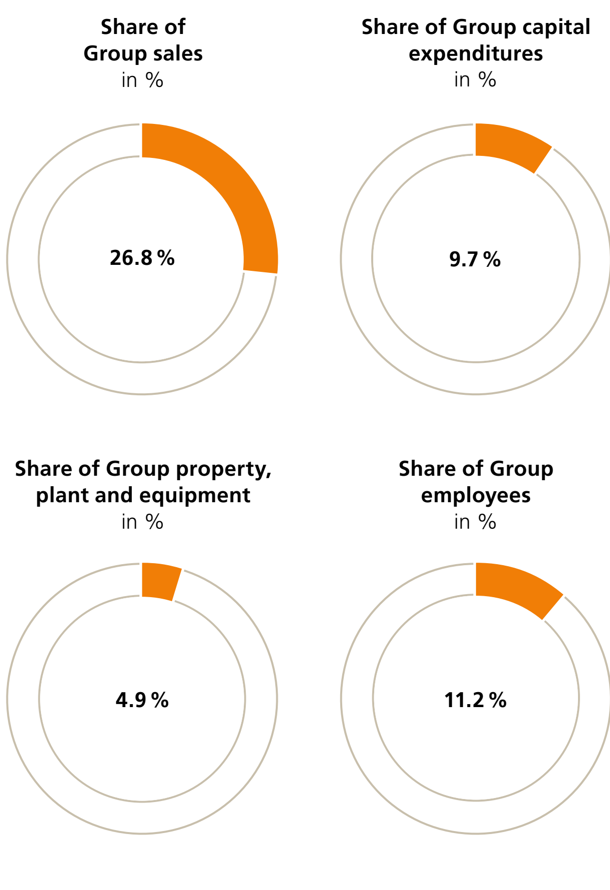
Specialty Chemicals segment Figures in €m	**2019**	**2018**	Absolute change	Relative change
Net external sales, consolidated	**205.6**	222.1	–16.5	–7.4%
Sales to other PCC segments	**24.0**	27.0	–3.0	–11.0%
Total sales of the segment (total operating performance)	**229.7**	249.1	–19.5	–7.8%
EBITDA	**10.5**	9.3	1.1	12.2%
Property, plant and equipment	**46.0**	36.3	9.7	26.8%
Capital expenditures on intangible assets and property, plant and equipment	**15.8**	9.2	6.6	71.7%
Employees (at Dec. 31)	**403**	393	10	2.5%

the manufacture of innovative specialty products in the field of phosphates and phosphites. The facility is scheduled for completion in the first half of 2020. This expansion of the product portfolio is intended to further strengthen the development of sales and earnings in this business unit. Additional growth is also expected to be generated by the further expansion of alternative production facilities at PCC Synteza S.A. in cooperation with PCC Rokita SA.

In 2019, PCC Silicium S.A. again increased both its sales and earnings compared to the previous year and ended the fiscal year on a positive note with figures coming in significantly better than expected. This is all the more gratifying given that quartzite deliveries to Iceland still fell far short of the budgeted level due to further delays in the silicon metal project of PCC BakkiSilicon hf. However, this was offset, at least in the first few months of the year, by sales of quartzite grades not suitable for silicon metal production to customers in the ferroalloy industry, with the levels achieved continuing to exceed our expectations. While these sales declined in the course of the year as a result of weakening economic activity, this coincided with a significant increase in demand for ballast for the construction of roads and railway lines due to the inception of a large number of new infrastructure projects in the region. Gratifyingly, this trend continued beyond the turn of the year and was further boosted by the mild weather. Since regular operations at PCC BakkiSilicon hf. commenced in the fourth quarter of 2019, quartzite deliveries to Iceland are also likely to show an upward trend. Combined with the other business activities of PCC Silicium S.A., this should form a stable basis for the future growth of this affiliate.

Also managed under the Specialty Chemicals segment is S.C. Euro-Urethane S.R.L., in which PCC SE holds 58.72 % of the shares. Co-owner of this affiliate is S.C. Oltchim S.A., Râmnicu Vâlcea (PCC SE participating interest: 32.34 %), which – as expected – filed for insolvency in 2019. The shares of S.C. Oltchim S.A. have been excluded from stock exchange trading. PCC SE has recognized a corresponding impairment loss. It remains to be seen what prospects there are for any realization of the liquid funds and other assets still available at S.C. Euro-Urethane S.R.L.

Key facts and figures for the Specialty Chemicals segment 2019



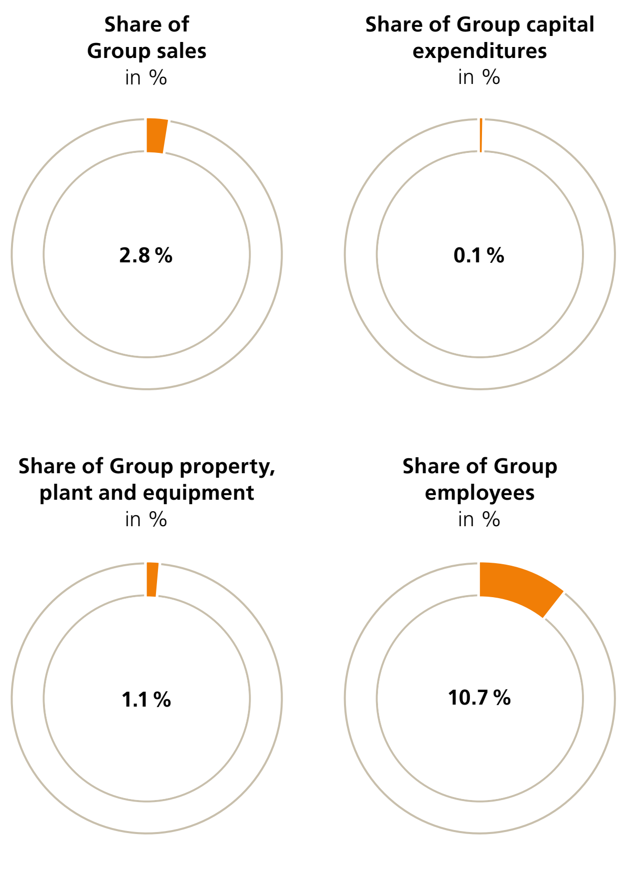
Consumer Products

In the Consumer Products segment, our focus is on the production of household cleaners, disinfectants and sanitizers, detergents and personal care products. The affiliates in this segment manufacture private-label products for well-known discounters and retail chains, although the focus is increasingly shifting toward PCC's own brands. We also produce detergents and cleaning agents for industrial applications for supply to cleaning companies, hotels and restaurants, the food industry, agricultural interests and similar. The segment's product portfolio further includes matches and firelighters.

The segment is managed by PCC Consumer Products S.A., Brzeg Dolny. At € 21.6 million, sales in this segment in the past fiscal year held steady versus the previous year (€ 21.3 million). The share of Group sales was 2.8 % (previous year: 2.7 %). As of the end of the past fiscal year, this segment employed 384 people (previous year: 431).

Again in 2019, 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, disinfectants and sanitizers, detergents and personal care products. In contrast to the other affiliates in this segment, PCC CP Kosmet was able to slightly increase its sales compared to the previous year and also exceeded our expectations for 2019. Among other things, a major discounter was acquired as a new customer in 2019, with further expansion in collaboration ensuing in the course of the year and beyond. At the same time, work has continued on further diversifying the customer portfolio, while savings have been achieved on the cost side, including through personnel reductions. Although the earnings of this affiliate again fell short of our expectations in 2019, they showed a significant improvement over the previous year. Assuming that this positive trend continues, it should be possible to achieve the turnaround to profitability in 2020, at least for PCC CP Kosmet. This upturn is currently also being supported by the spread of the coronavirus: The demand for antibacterial soaps and hand sanitizers has increased dramatically in recent times, with corresponding effects on achievable prices and margins. The other affiliates of the PCC Consumer Products subgroup in Belarus and Russia, and the matches factory PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice (Poland), failed to

Key facts and figures for the Consumer Products segment 2019



Consumer Products segment Figures in € m	**2019**	2018	Absolute change	Relative change
Net external sales, consolidated	**21.6**	21.3	0.3	1.6 %
Sales to other PCC segments	**1.4**	1.2	0.2	16.3 %
Total sales of the segment (total operating performance)	**23.0**	22.5	0.5	2.4 %
EBITDA	**−2.6**	−5.6	3.0	54.2 %
Property, plant and equipment	**9.9**	12.5	−2.5	−20.4 %
Capital expenditures on intangible assets and property, plant and equipment	**0.2**	0.4	−0.3	−59.0 %
Employees (at Dec. 31)	**384**	431	−47	−10.9 %

meet sales and earnings expectations in 2019, with all reporting losses as of the end of the year. In the case of the matches factory, the increasingly sharp decline in the market for standard matches in particular had a negative impact on business development, with alternative products such as firelighters so far unable to provide any respite. The company has therefore harnessed the current trend to reduce plastic consumption and will be expanding its portfolio to include the production of wooden cutlery. The investments required for this remain within a manageable range as some of the production steps can already be covered by existing machinery. This expansion of the product portfolio should lead to improved results at the matches factory in the coming years.

PCC SE continues to expect its consumer goods activities to recover in the long term. The ongoing expansion of business in the Eastern European markets and into Asia, together with greater focus on the development of own brands, are expected to lead to new growth in the Consumer Products segment in the coming years. This applies not only to PCC CP Kosmet but also to the matches factory in Czechowice-Dziedzice. In 2019, PCC SE provided both affiliates with liquid funds in the form of loans, and further capital measures (also in the form of loans) have already been earmarked for the matches factory for 2020. Among other things, these are intended to cover the losses incurred by this affiliate and the liquidity requirements in relation to the planned expansion of its product portfolio. PCC SE also initiated a capital increase in the case of PCC CP Kosmet by way of a long-term loan to the intermediate holding company PCC Consumer Products S.A. In return, PCC CP Kosmet was able to repay a portion of the loans previously granted to it by PCC SE. This strengthening of the equity base is intended to improve the standing of PCC CP Kosmet in the consumer goods market and further support the successfully initiated realignment of this affiliate's business activities. Taken together, all of the above measures should lead to a turnaround in the Consumer Products segment as a whole in the coming years.

Energy

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

In this segment, we manage within the Conventional Energies area 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, North Macedonia and Bulgaria, is also incorporated within the Energy segment. In the past fiscal year, the affiliates in this segment generated sales of € 12.4 million (previous year: € 12.3 million). The number of employees at year-end was 184 (previous year: 178).

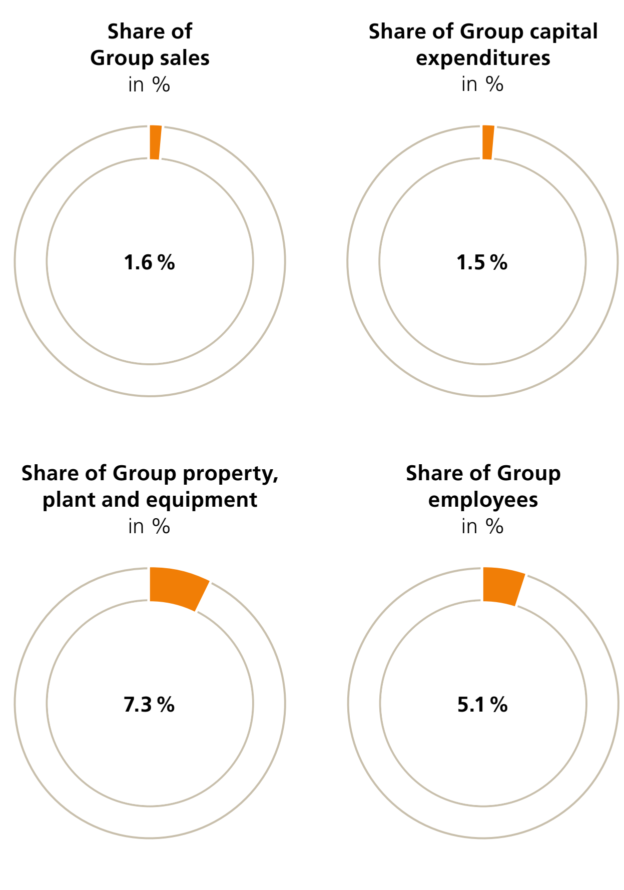
The main contributor to sales and earnings in this segment remained the Conventional Energies business unit with PCC Energetyka Blachownia Sp. z o.o., a utility company that operates in the energy and heat supply sector, and the Energy business unit of PCC Rokita SA. The activities of the latter include securing a reliable 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 2019 remained at five. One of these is in Bosnia and Herzegovina,

Energy segment Figures in € m	**2019**	**2018**	Absolute change	Relative change
Net external sales, consolidated	**12.4**	12.3	0.1	0.8 %
Sales to other PCC segments	**21.8**	20.4	1.4	6.8 %
Total sales of the segment (total operating performance)	**34.2**	32.7	1.5	4.6 %
EBITDA	**1.2**	4.3	−3.1	−72.0 %
Property, plant and equipment	**67.7**	70.3	−2.6	−3.7 %
Capital expenditures on intangible assets and property, plant and equipment	**2.5**	8.0	−5.6	−69.3 %
Employees (at Dec. 31)	**184**	178	6	3.4 %

with four in North Macedonia. The construction of another power plant in North Macedonia, which began in 2017, was delayed beyond 2019. Completion came in the first quarter of 2020 with trial operations commencing in March 2020. 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, has so far also proven difficult due to their small scale. The business performance of the power plants in operation in 2019 was down on the previous year due to unfavorable hydrology in the region. Nevertheless, the generation of relatively stable cash flows continued. In addition, there are also 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 progress. In a related development, at the end of 2019, DEG signaled its intention to withdraw from the joint venture. Negotiations in this regard are due to start in 2020. Looking forward, this should give PCC SE greater flexibility in the disposal of the respective assets.

Key facts and figures for the Energy segment 2019



Logistics

The Logistics segment (equivalent to the Logistics division) is divided into three business units: Intermodal Transport, Road Haulage and Rail Transport. PCC Intermodal S.A. 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 freight cars.

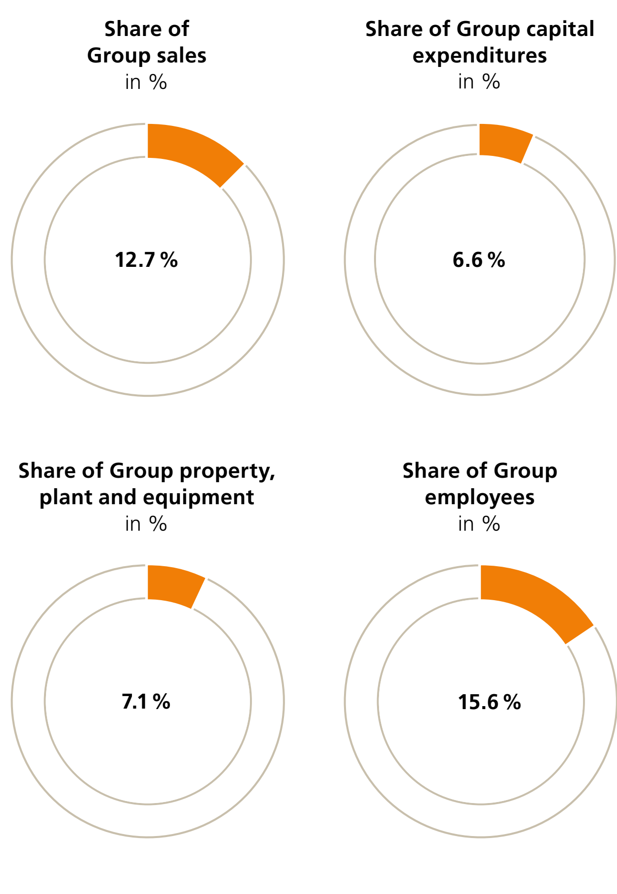
The Logistics segment includes the Polish company PCC Intermodal S.A., Gdynia, and its German subsidiary PCC Intermodal GmbH, Duisburg, as well as PCC Autochem Sp. z o.o., Brzeg Dolny, and, in Russia, ZAO PCC Rail, Moscow. The Logistics segment was able to generate revenues of €97.1 million in 2019, an increase of 9.5 % versus the previous year's €88.7 million. The number of employees as of the reporting date was 559 (previous year: 509).

The Logistics segment is dominated 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. The sales and earnings of this affiliate in 2019 were again far in excess of the figures for the previous year. The number of train services and thus also the volume of containers moved once again increased year on year, with the inner-Polish routes and services to the ports in the Netherlands showing particular improvements. Moreover, at the beginning of 2019, PCC Intermodal S.A. was able to impose significant price increases on its customers following the withdrawal of a competitor in the previous year. At the same time, the operating rate of the train services offered by PCC Intermodal S.A. remained at the high level of the previous year, with correspondingly positive effects on the revenues and earnings of this affiliate. On the cost side, the increasing use of company-owned assets has also paid dividends. In 2019, the company invested in further locomotives, tractors and container platforms. PCC Intermodal S.A. thus again succeeded in significantly improving its performance year on year and

exceeded our expectations in terms of both sales and earnings. This positive development in 2019 was supported by a capital injection from PCC SE. For 2020, PCC Intermodal S.A. plans to purchase additional locomotives and further develop its existing container terminals. The construction of more terminals is also planned for the long term. This is intended to create the basis for the solid future growth of PCC Intermodal S.A., which should in turn lead to a further increase in earnings at this affiliate in the coming years.

The road tanker haulage company PCC Autochem Sp. z o.o. also significantly improved on its performance compared to the previous year, closing fiscal 2019 with a positive result within the parameters of our expectations. The Russian rail freight car operator ZAO PCC Rail reported stable sales and margin development in 2019 as a result of the robust economic situation in Russia that initially prevailed. ZAO PCC Rail was also able to benefit from positive currency translation effects in the past fiscal year, thus achieving a significantly better overall earnings result than that of the previous year. These exchange rate effects mainly resulted from valuation as of the reporting date of the euro loans granted by PCC SE to ZAO PCC Rail for investments in its freight car fleet. Thanks to further positive cash flows, ZAO PCC Rail was again able to repay a portion of these loans in 2019. Further monthly redemption payments are firmly scheduled for 2020. However, these will in all probability be lower than in 2019 as rail freight car tariffs in Russia are currently showing a downward trend due to the economic slowdown that is also being felt in that country. In addition, some of the almost 600 freight cars owned by ZAO PCC Rail had to be withdrawn from service in 2019 as their operating license in Russia was not renewed for reasons of age. A license allowing operation in the Ukraine was obtained for 21 of these freight cars. These were transferred to PCC SE's Ukrainian subsidiary in Lviv. At present, the ZAO PCC Rail fleet still comprises 545 freight cars, 496 of which are leased to a subsidiary of Russian Rail, with the remainder still in the service of a long-term customer. Given the prevailing freight car hire situation, business development at ZAO PCC Rail should remain positive in 2019, at least at the operational level. In any event, the railways are set to remain the main source of transport in Russia for the foreseeable future.

Key facts and figures for the Logistics segment 2019



Logistics segment Figures in € m	**2019**	2018	Absolute change	Relative change
Net external sales, consolidated	**97.1**	88.7	8.5	9.5 %
Sales to other PCC segments	**15.7**	13.6	2.0	15.0 %
Total sales of the segment (total operating performance)	**112.8**	102.3	10.5	10.3 %
EBITDA	**21.8**	11.0	10.8	98.1 %
Property, plant and equipment	**66.4**	71.8	−5.4	−7.6 %
Capital expenditures on intangible assets and property, plant and equipment	**10.8**	3.9	6.9	> 100 %
Employees (at Dec. 31)	**559**	509	50	9.8 %

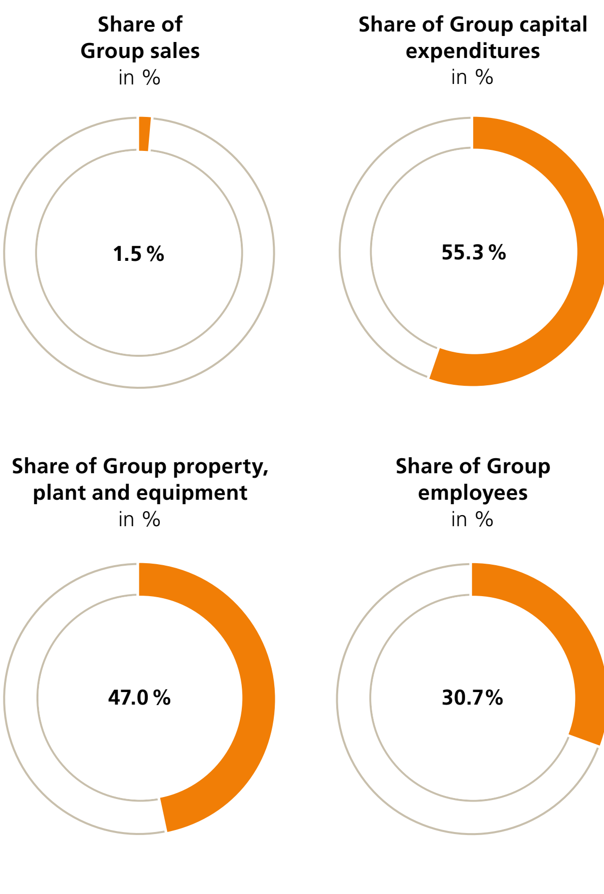
Holding / Projects

The Holding / Projects segment (equivalent to the Holding / Projects division) provides centralized and cross-segment services for the Group companies, including in the areas of finance, marketing and public relations, law, information technology, research and development, and repair and maintenance. In addition, projects of the PCC Group are managed in their developmental phase within this segment, as in the case of the silicon metal production plant in Iceland and the dimethyl ether facility in Russia.

In addition to the Group holding company PCC SE, the Holding/Projects segment includes the following portfolio entities: PCC IT S.A., PCC Apakor Sp. z o.o., LabMatic Sp. z o.o. and Ekologistyka Sp. z o.o., all of which are 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 within this segment are distripark.com Sp. z o.o., Brzeg Dolny (a joint subsidiary of PCC Rokita SA and PCC SE), and distripark GmbH, Oberhausen. Products of the PCC Group and products of third-party suppliers are marketed directly to smaller customers (B2B) via the internet platform of these two portfolio companies. Both companies were still in the process of getting established in 2019 and were financially supported by further loans from their parent companies in the year under review. This situation is set to continue in 2020. The Polish affiliate also received a capital injection from its co-owners.

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 is accounted for as an associate using the equity method. This project is partly financed by a Russian bank. The commissioning of the 20,000 metric ton production plant for high-purity, aerosol-grade dimethyl ether (DME), which we built together with a long-standing Russian partner in the Tula region, began in December 2018. The final proving test was successfully completed in May 2019. The DME product has since successfully completed qualification procedures at a number of potential customers. However, sales volumes and revenues in 2019 fell short of our expectations due to the current oversupply on the Russian market. With the support of

Key facts and figures for the Holding / Projects segment 2019



Holding / Projects segment (incl. consolidation) Figures in € m	**2019**	2018	Absolute change	Relative change
Net external sales, consolidated	**11.6**	9.5	2.1	22.4 %
Sales to other PCC segments	**54.2**	44.6	9.5	21.4 %
Total sales of the segment (total operating performance)	**65.8**	54.1	11.7	21.6 %
EBITDA	**–8.8**	1.3	– 10.1	> 100 %
Property, plant and equipment	**438.3**	371.6	66.8	18.0 %
Capital expenditures on intangible assets and property, plant and equipment	**90.4**	100.9	– 10.5	– 10.4 %
Employees (at Dec. 31)	**1,100**	1,045	55	5.3 %

PCC Trade & Services GmbH, the product is therefore also to be more effectively marketed in Poland and the countries of Southeast Europe in the future. The first contracts have already been concluded. OOO DME Aerosol was supported during its start-up phase in 2019 by liquid funds in the form of loans from PCC SE and the Russian co-owner. This situation will also continue through 2020.

In the case of the state-of-the-art silicon metal plant of PCC BakkiSilicon hf., which has a total capacity of 32,000 metric tons, the signing of the Final Acceptance Certificate (FAC) and the associated transition to regular operations was delayed until the fourth quarter of 2019 due to various technical problems, with the result that all qualifying costs incurred up to the end of October were capitalized. Furthermore, sales revenues were also not recognized until the commencement of regular operations. Due to the dramatic fall in the price of silicon metal, these revenues were also significantly lower than expected. This price decrease was mainly due to an oversupply of Chinese product. Some European manufacturers were therefore forced to cut back their silicon metal production at least temporarily in 2019. Since November 2019, however, prices have been showing an upward tendency. Gratifyingly, this positive trend continued beyond the turn of the year and was actually boosted by the outbreak of coronavirus in China at the beginning of 2020. Despite this, PCC BakkiSilicon hf. posted significant losses in the last two months of 2019, a situation that will initially continue into 2020. This is particularly expected in view of the fact that, in May 2020, the roof construction of the plant's filter house is to be rehabilitated by the plant constructor during a two- to three-week shutdown. However, the company will also be able to use this period for regular maintenance and repair work. In addition, PCC BakkiSilicon hf. will be putting maximum effort into introducing process optimization measures and improving the facility's input factors. Moreover, a sustained reduction in personnel expenses and the cost of external labor is being sought with the aim of achieving a continuous and sustained improvement in the earnings situation of PCC BakkiSilicon hf.

In recent years, PCC SE has also invested in the construction of apartments for the employees of PCC BakkiSilicon hf. through PCC Seaview Residences ehf., Húsavík. This company is likewise consolidated in the Holding/Projects segment. The company Elpis Sp. z o.o., which was jointly founded by PCC Rokita SA and PCC Exol SA for the development of planned activities in Malaysia, and its Malaysian project company PCC Oxyalkylates Malaysia Sdn. Bhd., Kuala Lumpur, also belong to this segment. The shares in the latter company were acquired by PCC SE in 2019.

Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) of the Holding/Projects segment amounted to €−8.8 million in the past fiscal year and were thus substantially below the corresponding figure of €+1.3 million for the previous year before adjustment for an exceptional item as follows: The 2018 result included a positive one-off effect in the amount of €9.7 million resulting from penalty payments received by PCC BakkiSilicon hf. for the delay in the hand-over of its silicon metal plant. After adjustment, both fiscal years were thus at the same level. The number of employees at the segment as of year-end was 1,100 (previous year: 1,045).

Business development and financial performance

Development of selected Group indicators

Key financials of the PCC Group per IFRS		**2019**	2018	Absolute change	Relative change
Sales	**€m**	**767.5**	779.2	−11.7	−1.5%
Polyols segment	€m	141.1	145.4	−4.3	−3.0%
Surfactants segment	€m	123.2	124.5	−1.2	−1.0%
Chlorine segment	€m	154.8	155.5	−0.7	−0.4%
Specialty Chemicals segment	€m	205.6	222.1	−16.5	−7.4%
Consumer Products segment	€m	21.6	21.3	0.3	1.6%
Energy segment	€m	12.4	12.3	0.1	0.8%
Logistics segment	€m	97.1	88.7	8.5	9.5%
Holding/Projects segment	€m	11.6	9.5	2.1	22.4%
Gross profit	€m	252.6	232.8	19.7	8.5%
EBITDA [1]	€m	99.0	105.3	−6.4	−6.0%
EBIT [2]	€m	43.3	68.9	−25.7	−37.2%
EBT [3]	€m	19.3	41.5	−22.2	−53.5%
Net result	€m	7.0	37.5	−30.5	−81.3%
Gross cash flow [4]	€m	73.5	111.8	−38.3	−34.3%
ROCE [5]	%	4.2	7.6	−3.4 [9]	−45.0%
Net debt [6]	€m	896.2	756.7	139.5	18.4%
Net debt/EBITDA		9.1	7.2	−1.9	−26.2%
Group equity	**€m**	**147.6**	150.4	−2.8	−1.9%
Equity ratio [7]	%	11.0	12.8	−1.8 [9]	−13.9%
Return on equity [8]	%	4.7	25.9	−21.2 [9]	−81.8%
Capital expenditures	**€m**	**163.5**	168.6	−5.1	−3.0%
Employees (Dec. 31)		**3,583**	3,476	107	3.1%
Germany		170	155	15	9.7%
International		3,413	3,321	92	2.8%

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 2019 with earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) of € 99.0 million, down € 6.4 million or 6.0 % on the prior-year figure of € 105.3 million. This takes into account the one-off effect of contractual default penalties in the amount of € 9.7 million, which had been realized due to delays in the hand-over of the silicon metal plant in the previous year. Adjusted for this exceptional item, EBITDA in the past fiscal year was slightly above the prior-year level. Consolidated sales in 2019 amounted to € 767.5 million, which represents a decrease of € 11.7 million or 1.5 % compared to the previous year's figure of € 779.2 million. Although sales volumes remained high, the slowdown in economic growth since summer 2019 with declining prices for chemical commodities proved to be a major influence in this regard.

The segments of the Chemicals division accounted for the largest share of the sales decline with a decrease of € 22.4 million. The Logistics segment achieved an increase in sales of € 8.5 million. The Holding/Projects segment posted a rise in revenues of € 2.1 million year on year. Sales in 2019 were unaffected by changes in the scope of consolidation.

For most of the PCC Group 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 statement of income. On the basis of unchanged exchange rates versus the previous year, PCC Group sales would have been € 771.2 million, an increase of € 3.7 million or 0.5 %. The primary causes of the impact registered lay in the devaluation of the Polish złoty coupled with the appreciation of the US dollar.

In 2019, the PCC Group saw gross profit increase by € 19.7 million or 8.5 % to € 252.6 million (previous year: € 232.8 million). The gross margin also grew – by 3.0 percentage points to 32.9 % (previous year: 29.9 %). The main driver of this development was once again the continued general robustness of economic activity in the first half of fiscal 2019. During the second half of the year, however, global economic prospects subsided. International crises, trade conflicts and unclear political developments generally clouded the outlook. In addition, new competitors in the petrochemicals industry further exacerbated the impact on prices and margins. On the other hand, the Group strategy of PCC to continue to focus increasingly on higher-value products and specialty chemicals in selected business areas contributed to an improvement in margins. Another factor was the ongoing positive development of the intermodal transport business.

Compared to the previous year, personnel expenses increased by 12.0 % from € 84.5 million to € 94.6 million. The end of the commissioning phase of the silicon metal plant in Iceland and the associated full recognition of all expenses, the continued development of new activities for industrial applications in the Specialty Chemicals segment and the continuing high wage pressure in Poland were all contributory factors in this respect. The number of employees in the Group also rose by 3.1 % from 3,476 to 3,583 as of the reporting date. A significant portion of this increase was attributable to the Holding/Projects segment, in particular the further increase in personnel for the silicon metal plant in Iceland which was higher than initially planned due to the delayed commissioning. The number of employees in the Intermodal Transport business unit also increased as a result of expansion. By contrast, the Consumer Products segment's payroll decreased further as a result of the restructuring measures initiated in 2018. In regional terms, 96 new vacancies were created in Poland and 15 in Germany; the USA experienced a loss of 5 jobs.

At € 14.3 million, other operating income was € 5.3 million below the corresponding prior-year figure of € 19.6 million. This decrease is mainly due to the default penalties of € 9.7 million received by PCC BakkiSilicon hf. in the previous year resulting from the delayed hand-over of the silicon metal plant in Iceland.

Research and development work aimed at creating new products and at further improving existing customer solutions is constantly ongoing in the segments of the Chemicals division. Cross-company project teams are also formed for this purpose. In the past fiscal year, the PCC Group recognized expenditures of € 14.8 million for research and development (R&D), once again increasing its annual commitment in this domain (previous year: € 4.5 million).

Capital expenditures totaled € 163.5 million in 2019, € 5.1 million or 3.0 % below the prior-year level of € 168.6 million. By far the largest portion of this amount was attributable to the Holding/Projects segment, and in particular to the silicon metal production plant in Iceland. Also worthy of mention are ongoing replacement and expansion investments as well as projects such as the installation of further membrane electrolyzers in the Chlorine segment. In addition, the year under review saw € 4.7 million invested in the at-equity associate OOO DME Aerosol to allow completion of the construction work on its dimethyl ether plant in Russia (previous year: € 10.2 million). The requisite proving test of the facility was completed in the second quarter of 2019, allowing the commencement of regular operations.

The investments completed in 2019 should contribute to further sales growth in the coming years as well as to an increase in the earnings and margins of the PCC Group. At the same time, all completed investments represent an increase in depreciation, amortization and interest expense in

the consolidated statement of income. In the case of uncompleted investments, however, expenses incurred will continue to be capitalized. In the balance sheet, these effects are reflected as of the 2019 reporting date in the increase in both non-current assets and non-current financial liabilities. Depreciation and amortization increased by 53.1 % from € 36.4 million to € 55.7 million in the past fiscal year. This figure also includes the effect arising from the adoption of IFRS 16 in the amount of € 10.7 million.

Interest and similar expenses resulted from both liabilities from bonds and liabilities to banks. In the year under review, these expenses increased by 6.8 % from € 25.4 million to € 27.1 million. Both PCC SE and other Group companies were able to finance – or refinance – their debt capital at better interest rates than in the previous year. The weighted interest rate of all interest-bearing liabilities decreased from 5.0 % to 4.8 %. However, financial liabilities increased further in the wake of the capital expenditures made and the adoption of IFRS 16. 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 2019, these produced a net effect of € + 0.5 million (previous year: € – 3.8 million).

Compared to the previous year, earnings before taxes (EBT) decreased by € 22.2 million from € 41.5 million to € 19.3 million. As with EBITDA, the exceptional item in the previous year arising from the receipt of default penalties amounting to € 9.7 million is also reflected in this comparison. In addition, the aforementioned increases in depreciation and interest expenses are likewise apparent here.

Total comprehensive income of the PCC Group decreased from € 27.4 million to € 9.3 million.

Net assets

Total assets increased compared to the previous year by € 164.0 million or 13.9 % to € 1,342.4 million. In particular, this development reflects a further increase in non-current assets. Intangible assets rose by € 4.0 million to € 45.2 million. A significantly more appreciable increase was recorded in property, plant and equipment: The total here rose by 10.1 % from € 85.3 million to € 933.4 million as a result of the aforementioned investment program embarked upon by the PCC Group. By far the largest item covered by these capital expenditures related to the construction of the silicon metal plant in Iceland, the commissioning phase of which was concluded in the fourth quarter of 2019 with assumption of regular operations. Additional items included replacement and expansion investments made at the PCC Rokita SA site in Brzeg Dolny (Polyols and Chlorine segments) and also at PCC Intermodal S.A. Due to the transition to IFRS 16, right-of-use assets covered by leases were recognized in the balance sheet for the first time in 2019. The balance sheet valuation of these contracts as of the reporting date was € 66.1 million.

Assets pertaining to associates accounted for using the equity method decreased year on year by € 1.2 million, leaving a book value of zero as of the reporting date. Both the joint venture shares in the Thai entity IRPC Polyol Company Ltd., Bangkok, and the shares in the Russian joint venture OOO DME Aerosol are recognized at a carried equity value of zero due to the usual accumulated losses for project companies that occur at this stage.

The shares of the Romanian company S.C. Oltchim S.A. were excluded from stock exchange trading in the second quarter of 2019. The fair value of the block of shares in this company held by PCC SE was subsequently valued at zero. The company opened insolvency proceedings after a three-year restructuring phase and the sale of various operational business activities.

Current assets as of the balance sheet date amounted to € 265.9 million (previous year: € 259.6 million). Inventories increased by € 7.5 million from € 73.2 million to € 80.7 million, countervailed by a decline in cash and cash equivalents of € 2.6 million from € 63.1 million to € 60.5 million. Trade accounts receivable, on the other hand, remained virtually flat at € 80.7 million (previous year: € 81.6 million). Other receivables and other assets rose by € 40.5 million to € 42.9 million.

As of December 31, 2019, there were no assets held for sale (previous year: € 2.8 million). The planned disposal of an investment property was successfully completed in the second quarter of 2019.

Financial position

Total equity of the PCC Group decreased by € 2.8 million to € 147.6 million. Revenue reserves/other reserves showed a decline of € 2.3 million to € 120.0 million. Minority interests decreased by € 2.8 million to € 40.7 million. Other comprehensive income improved by € 2.3 million from € – 20.4 million to € – 18.1 million. This was mainly due to the € 3.1 million change in currency translation differences from € – 21.0 million to € – 18.0 million and the fair value measurement of financial assets, both being recognized directly in equity. The latter had an impact of € – 0.6 million on equity as of the reporting date. On the other hand, the remeasurement of defined-benefit pension obligations resulted in no material change compared to the previous year. The equity ratio decreased from 12.8 % to 11.0 % due to the balance sheet extension.

Long-term investments are financed with long-term borrowings. Non-current provisions and liabilities increased by € 137.4 million to € 883.3 million in 2019, with deferred tax liabilities rising to € 10.3 million (previous year: € 7.6 million). Non-current financial liabilities rose by € 127.2 million to € 818.0 million, due primarily to the increase in bank liabilities for financing investments. There was also an increase in bond liabilities. The adoption of the IFRS 16 accounting standard caused lease liabilities to rise to € 32.0 million. At € 43.0 million, other liabilities remained at the level of the previous year (€ 42.4 million).

Of the bond liabilities in existence, PCC SE redeemed in full and on maturity a total of four during 2019: ISIN DE000A13R5K3 in the amount of € 13.7 million on January 1, ISIN DE000A11QFD1 in the amount of € 8.9 million on April 1, ISIN DE000A2AAY93 in the amount of € 22.1 million on July 1 and ISIN DE000A13R7S2 in the amount of € 20.0 million on October 1. This resulted in a total repayment volume of € 64.7 million for 2019 (previous year: € 47.2 million). The nominal issue volume placed by the end of the year totaled € 124.2 million. These funds were used for further investments in existing portfolio companies and ongoing projects, and also, in part, for the refinancing of liabilities maturing in 2019. Aside from PCC SE, the bonds of which are denominated in euros, 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 € 84.0 million (previous year: € 85.4 million) as of year-end 2019. The bond issued in US dollars by the equity partner in the Icelandic project company increased in value from € 72.6 million to € 77.2 million year on year due to the change in the US dollar versus euro exchange rate and the capitalization of interest.

Current provisions and liabilities increased by € 30.2 million to € 311.5 million. At € 83.7 million, trade accounts payable remained flat versus prior year (€ 84.6 million). Financial liabilities increased by € 9.4 million to € 137.7 million year on year. Bond liabilities increased from € 75.7 million to € 94.6 million, while liabilities to banks fell by about the same amount from € 49.3 million to € 29.6 million. Mainly due to the first-time application of IFRS 16, lease liabilities increased by € 10.2 million year on year to € 13.5 million. Other liabilities grew by € 19.5 million to around € 73.5 million.

Provisions for pensions and similar obligations and other provisions rose by € 3.1 million to € 20.8 million (previous year: € 17.7 million).

Figures in € k	**Dec. 31, 2019**	Dec. 31, 2018
Cash and cash equivalents	**60,490**	63,119
Financial liabilities	**956,660**	819,821
Net financial liabilities	**896,171**	**756,703**

The net debt of the PCC Group increased from € 756.7 million to € 896.2 million in fiscal 2019. 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 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 7.2 to 9.1 in the fiscal year under review. Despite the reduced investment volume for 2020, we currently predict that, with only slight increases in EBITDA envisaged, we will only be able to achieve our goal of improving this leverage metric to below 5.0 in the long term.

Overall, the company management regards developments in our net assets, financial position and results of operations in fiscal 2019 as satisfactory, due in particular to the fact that our earning power has remained stable. Although expectations indicated in the prior-year reports were not fulfilled in all areas, there were still some business units that ended fiscal 2019 better than anticipated. Setting aside the delay of our silicon metal project in Iceland, a number of further important milestones for the long-term improvement of our earnings position and growing our enterprise value were also reached in 2019.

Opportunities for and risks to future development

The global spread of coronavirus has led to considerable economic uncertainty, and the loss of demand and production resulting from this pandemic will have a considerable impact on the global economy as a whole. What specific effects this will exert on the business performance of the PCC Group cannot yet be adequately assessed. For further details, please refer to the section "Outlook for 2020".

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 affiliates from this conflict remains negligible. The situation could change, however, 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.

In the trade conflict between China and the USA, there are – once again – currently signs of a rapprochement between the two sides, the sustainability of which is, however, yet to be proven. The possibility of a further deterioration in trade relations and the associated adverse effects this would have on global economic growth cannot currently be ruled out. Negative impact, particularly on economic growth in Europe and thus on the main sales market of PCC SE's affiliates, could also result from Brexit – the UK's exit from the European Union at the end of 2020, the specific conditions of which have yet to be finally negotiated. It still remains to be seen what consequences this will have for the future development of the PCC Group.

Other indirect factors that could affect the performance of our affiliates and thus their dividend payments to PCC SE include price-change and default risks. In particular, default risks could increase in the future as a result of an ongoing crisis emanating from the coronavirus pandemic. These risks are to be eliminated as far as possible through the conclusion of commercial credit insurance policies by our Group 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 affiliates 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 would be significantly reduced once the euro has been introduced into Poland as its official currency. This is, however, unlikely to happen in the near future.

Further risks may arise from changes in the legal or regulatory framework. For example, applicable tax law, including its administrative application, is subject to constant change. Future changes in the law and differing interpretations of the law by the tax authorities or courts cannot be ruled out. This could possibly result in higher tax burdens for PCC SE and its affiliated companies at home and abroad.

Negative effects may also result from subsequent changes in the assessment of state aid measures and any associated repayment claims. For example, the European Commission is currently examining whether the financial aid granted directly by the Polish government to PCC MCAA Sp. z o.o. in the years 2012 and 2013, equating to around € 16 million, is compatible with the EU regulations on state regional aid. The proceedings are directed against the Polish government and are being conducted in an open-ended manner. A negative decision by the EU Commission could, however, lead to the financial aid mentioned being clawed back from PCC MCAA Sp. z o.o., together with loss of the tax benefits additionally granted within this support framework. The occurrence of similar scenarios in the future can also not be ruled out.

Our affiliates in the Chemicals division are, moreover, 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's REACH regulation (European legislation on the registration, evaluation, authorization and restriction of chemicals). REACH-like regulations are also currently being planned or are already being introduced by other countries. This applies to Russia, Turkey, the USA and some Asian countries, among others. It remains to be seen what consequences this will have for the future development of the PCC Group.

Particularly for the affiliates operating in the Chemicals division, there are also risks in the supply of strategically important raw materials. These can often only be obtained from just a few suppliers. For this reason, PCC SE is increasingly

examining the possibility of backward integration, at least for the essential raw material ethylene oxide.

Some affiliates of PCC SE also find themselves confronted with growing obsolescence in respect of their assets. This applies, for example, to the production plant of PCC Synteza S.A. and the freight cars of ZAO PCC Rail. With further intensive use of these assets, the risk of accidents and production stoppages as well as expenses for maintenance and repairs increase.

In our financial planning, we anticipate continuing, regular liquidity inflows arising in the future from the issuance of corporate bonds. The possibility of obstacles within the SME bonds market could, at least temporarily, lead to potential liquidity bottlenecks. Hence, work is continuing to replace some of the liquidity loans granted to subsidiaries by bank loans. Moreover, any new large-scale projects will only be implemented where appropriate project financing can be obtained for them. In addition to corporate bonds, the development of alternative sources of financing at the institutional level is also to be considered over the longer term. However, the latter will require the satisfaction of certain prerequisites, including a significant reduction in our debt ratio, and we will continue to focus on this objective as we move forward.

Last but not least, PCC SE and its affiliated companies are also exposed to personnel risks. The possible departure of key personnel, including from management or from the field of research and development, and the potential associated loss of long-standing contacts, industry experience or know-how, for example, could have at least temporary negative effects on the continuation of business activities. Moreover, the considerable influence of the sole shareholder of PCC SE could, under certain circumstances, entail a higher risk of erroneous business decisions being taken than might be the case with a more widely diversified ownership structure. At the same time, however, the structure at PCC also offers the opportunity to respond more quickly and flexibly to new opportunities, thus enabling further sustainable growth of the PCC Group.

The increasing focus of our affiliated companies on higher-grade products and the planned diversification with respect to sales markets will, in the view of 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. In the long term, PCC SE should then benefit from the resulting increases in earnings in the form of improving dividends. Additional earnings potential could result from the sale of peripheral activities or marketable projects, portfolio entities and investments.

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

The consolidated financial statements of PCC SE as of December 31, 2019 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) 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 315a (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. Both automated and manual controls are integrated throughout the draft-

ing and preparation 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 or subgroup and related information for consolidation.

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 and any necessary adjustments being documented in Forecast I or Forecast II as appropriate. 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 for 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 teams but also by members of the associated departments of the individual affiliates or business units and also the senior management of PCC SE, together with the management or business unit director of the entities involved. 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 or business units are discussed and countermeasures considered. The implementation of the latter is the responsibility of the local management in each case.

Aided by a treasury information platform available throughout the organization, PCC SE also 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 bond 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 "Sustainability report / Non-financial report" is a voluntary section that contains information pursuant to Sections 289b to 289e HGB (German Commercial Code) and Sections 315b and 315c HGB. In compliance with Section 317 (2) sentence 4 HGB, it is not subject of the audit.

The pursuit of sustainability is a core component of our long-term strategy. Through economic, social and environmental sustainability, we secure the future of our group of companies while at the same time contributing to the continued integrity of our environment. For the Group holding company PCC SE, sustainability in the economic sense of the term consists primarily in maintaining responsible, risk-conscious corporate governance coupled with a predominantly long-term view in the management of the investment portfolio. Our goal is to continuously and sustainably increase the value of this portfolio.

The economic component of sustainability goes hand in hand with sustainability in the ecological and social senses, encompassing the protection of the environment and natural resources as well as responsible action in our respective social spheres. We attach particular importance to credible and transparent communication with all PCC stakeholders.

Our growth should not restrict the opportunities available to future generations; it should instead contribute to opening up new possibilities for them. Economic success and responsibility in the creation also of ecological and social benefits are mutually dependent. This holistic understanding of sustainable development is the basis of our Group-wide value-led growth strategy.

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

Headquartered in Duisburg, Germany, PCC SE is a value-led investment holding company. It has a diversified portfolio of Group companies primarily active in the production of chemical commodities, specialty chemicals and silicon metal. It also has major interests in the field of container logistics. As a growth-oriented investor, PCC SE supports its portfolio of affiliated businesses in their entrepreneurial development and in the expansion of their various specific strengths.

PCC was founded in 1993 by Waldemar Preussner, who, as its sole shareholder, is today Chairman of the Administrative Board of PCC SE. With more than 3,500 employees in 18 countries, the PCC Group generated consolidated sales of around €767.5 million in 2019. The majority of these revenues, around 84.2 %, was generated by the five segments of PCC's Chemicals division – Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products – operating primarily at sites in Central and Eastern Europe, especially in Poland. In the same period, PCC's earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) came in at €99.0 million. Group capital expenditures in 2019 totaled €163.5 million, primarily aligned as in previous years to our new silicon metal plant in Iceland and the further expansion of our chemical production activities.

The group strategy of PCC is geared to sustainable corporate investment and business development, with the aim of creating and continuously increasing enterprise value. 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. On the other hand, non-core activities are developed only to a certain degree of market maturity and then offered for sale or otherwise divested. Overall, this approach is intended to create the basis for further sustainable growth going forward.

The largest site of the PCC Group is located in Poland, some 40 kilometers north-west of Wrocław in the small Polish town of Brzeg Dolny, the headquarters of our two largest chemical companies PCC Rokita SA and PCC Exol SA. There they produce chemicals such as polyols, chlorine, chlorine by-products and derivatives, surfactants and resin additives for the automotive, furniture, detergent and plastics industries. The Chemicals division as a whole is the main source of sales and earnings for our Group. In addition, 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. In the Holding/Projects segment, we commissioned two new facilities in 2018, our silicon metal plant in Iceland and our dimethyl ether (DME) plant in Russia.

Corporate social responsibility at PCC

Our sense of corporate social responsibility (CSR) or corporate citizenship 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 associated with our Group. We have anchored the specific commitment of the PCC Group to CSR in special guidelines for those areas in which the interests of the respective stakeholders intersect with our own. 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.

As an international conglomerate operating in many different markets, PCC maintains in some cases very close relationships with a wide variety of interest groups: Aside from our employees from various cultures, these include our customers, suppliers and other business partners, the residents neighboring our 41 locations in 18 countries, the private subscribers to our bonds, institutional investors and banks, not to mention government and public institutions such as regulatory authorities or universities.

We are in regular dialog with our stakeholders. Examples of this are our information evenings for investors and interested parties, which we hold annually in several German cities, and our Investors' Day, always held in early summer, for which PCC SE invites our direct investors to our Group headquarters in Duisburg-Homberg. Our two Group companies PCC Rokita SA and PCC Exol SA, both listed on the Warsaw Stock Exchange (GPW), also jointly organize an annual Investors' Day as well as various information events, some in collaboration with Wrocław University of Science and Technology.

However, the principle of open and transparent communication with all stakeholders is only one aspect of our commitment to corporate social responsibility. In practice, CSR at PCC naturally also means 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. We make socially accepted standards our own, thereby underpinning them further. As a conscientious corporate citizen, we are also committed to adhering to standards that go beyond those generally accepted, for example, in the resolute support of environmental protection initiatives.

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 stakeholder groups at our different sites.

PCC's sustainability policy:

- PCC SE and all companies of the PCC Group are committed to an ethical and sustainable approach to all business activities.
- All actions are based on the principles of the worldwide Responsible Care® initiative. This represents the efforts of the chemicals 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, ecologically sound, and fair business practices.
- The Group's social responsibility is an integral part of our 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.

Sustainability in the PCC Group companies

Sustainability in the Chemicals division

The Group companies of our Chemicals segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products exemplify the sustainability commitment of the individual PCC production units. They continue to increase the efficiency of their production facilities and they introduce increasingly advanced and environmentally friendly technologies. We are conserving the planet's limited raw material resources by ensuring their increasingly efficient use – for example, in Ghana, West Africa, we are developing a sustainable supply chain for palm kernel oil as an input material for our surfactant production. Rather than being harvested on large plantations, the kernels needed for our palm kernel oil production are collected from small farmers in the region. And we are protecting our climate by further improving the efficacy of 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 lye produced, compared to the conventional amalgam process. Our produc-

tion 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.

Our chemical companies also pursue sustainability in what they produce. Their chemical innovations render products that many people use in everyday life more durable, safer and more environmentally acceptable. The innovative chemical substances of our affiliates in the Chemicals division ensure, for example, that hydraulic oils need to be changed less frequently and that buildings can be insulated more effectively; they enable the production of even more skin-friendly cosmetics as well as comfortable foams that are also both virtually emission-free and extremely flame-retardant. Our ambition is that our chemistry should not only be creative and innovative but also sustainable.

The recent history of our two largest chemical companies, PCC Rokita SA and PCC Exol SA, exemplifies how sustainability is successfully implemented within the Group companies of PCC. They are among the most modern in their sectors in Poland and beyond, and as such attach ever-increasing importance to CSR. PCC Rokita SA, one of Poland's biggest chemical manufacturers, is the main sales and earnings generator of the PCC Group. Through substantial investments in the modernization and expansion of production capacities, we have not only formed with PCC Rokita SA a flourishing chemical subgroup over the last decade and a half, we have also created what is now also an important economic factor for the region, for example as a major and multi-award-winning employer. PCC Rokita SA also supplies large parts of the nearby town of Brzeg Dolny with environmentally friendly district heat through its modern cogeneration plant.

In 2019, as in previous years, PCC Rokita SA was included in the RESPECT sustainability index of companies listed on the Warsaw Stock Exchange. In 2017, PCC Rokita SA was recognized with the "Klony" award by the Polish Bank Ochrony Środowiska (Bank for Environmental Protection) in the "Significant Environmental Impact" category, in particular for the complete switchover of its chlorine production operation to the environmentally friendly membrane process. In recent years, PCC Rokita SA has also received several awards in recognition of its economic importance for the region. In 2018, for example, the Polish weekly newspaper Wprost named PCC Rokita SA an "Eagle of the Polish Economy". In 2019, PCC Rokita SA was – once again – honored with a "Forbes Diamond" award. The Forbes magazine in Poland confers this award annually on the companies that have increased their enterprise value most in the preceding three years. In 2019, PCC Rokita SA was also among the ten winners of the "List of 500" ranking, in which the daily newspaper Rzeczpospolita (The Republic) honors the fastest growing companies in Poland. And the daily newspaper Gazeta Wyborcza chose PCC Rokita SA among the companies that have had the greatest impact on the economic rise of Lower Silesia over the past three decades.

The other companies of PCC are also extending their commitment to sustainability, above all PCC Exol SA, the surfactants manufacturer of our Group. PCC Exol SA has, moreover, assumed a pioneering role in CSR reporting and sustainable surfactant production, both within our organization and beyond. 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. PCC Exol SA has received several awards for this initiative. In 2018, for example, the Group company was one of the winners of the "CSR Silver Leaf" accolade presented by the weekly magazine Polityka, and was honored by the business newspaper Puls Biznesu as a "Super-Ethical Company". PCC Exol SA has also received several awards in recognition of its sustained economic success. In 2018, the monthly journal Polish Market, for example, once again conferred upon it the title "Grand Pearl of the Polish Economy", primarily for its leading position among the country's particularly fast-growing companies. And, like PCC Rokita SA, PCC Exol SA again received a "Forbes Diamond" award in 2019 in recognition of the sustained increase in its enterprise value.

An important product group of PCC Exol SA is raw materials for the cosmetics industry, and one of the key criteria for the qualification of suppliers to this sector is the Good Manufacturing Practice (GMP) system certified by the European industry association EFfCI. PCC Exol SA is the first company in Poland to implement and register this system. And the Group company also participates in reporting on environmental impacts as part of the Carbon Disclosure Project (CDP).

Sustainability in the Energy division

Within the Energy division, positive results were achieved in both the Conventional Energies and Renewable Energies business units. In the Conventional Energies area, dust emissions from our combined heat and power plant at the Brzeg Dolny chemicals site have been significantly reduced in recent years. This power plant also supplies the majority of households in the town with environmentally friendly heat. The Renewable Energies business unit focuses on the construction and operation of small hydropower plants, which are recognized for their particular environmental compatibility due to their relatively low impact on nature.

Sustainability in the Logistics division

The mainstay of our Logistics segment is our intermodal container transshipment business. PCC Intermodal S.A. runs combined transport operations throughout Europe on the basis of five wholly owned container handling terminals in Poland and Germany, which have been greatly expanded and

modernized in recent years. In this way, it efficiently combines environmentally friendly rail and flexible road transport.

Sustainability in the Holding / Projects division
The facilities and business activities managed within the Holding / Projects division include the new production plant for silicon metal in Iceland, which commenced regular operations at the end of October 2019: 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 geothermal energy – and the installation of state-of-the-art filter systems means the facility operates virtually free of dust emissions. This plant makes a major contribution to reducing the greenhouse gas emissions of the PCC Group. The use of Iceland's geothermal resources cuts such emissions by around two-thirds on average as compared to other silicon metal production facilities around the world.

Initiatives and certifications
The goal of firmly anchoring sustainability in all companies of the PCC Group is also served by the involvement of PCC entities in a large number of certification procedures, in the signing of public agreements and in 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. PCC Rokita SA and PCC MCAA Sp. z o.o. each attained Silver status.

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 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 introduced in the following section.

Non-financial report

In compliance with Germany's CSR Directive Implementation Act (CSR-RUG) adopted on April 19, 2017, the PCC Group has published annually since fiscal 2017 a voluntary non-financial report pursuant to Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB). PCC SE presents its non-financial report as an integral part of the annual Group management report. 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 changes in 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 pertaining to the five aspects specified, namely environmental issues, employee issues, respect for human rights, social issues and the fight against bribery and corruption.

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 in relation to corporate social responsibility.

In the following we provide a report on the guidelines, risks, measures and goals as well as the key non-financial indicators for each of the five sustainability aspects mentioned. Our approach here is to present the PCC Group as a whole; hence we refrain from mentioning individual affiliates.

1. Environmental issues

Environmental issues in connection with our business activities affect in particular the interests of the residents neighboring our sites and other local communities. Here we are committed to complying with all applicable regulations, rules and standards with regard to environmental protection and, in addition, to pursuing all investments on the basis of advanced, environmentally compatible, yet 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 gases.

PCC policy in relation to environmental issues
The great importance we attach to environmental protection in the PCC Group has a decisive influence on the choice of manufacturing processes and products as well as informing our commitment to sustainability and safety. This is also recorded 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, manufacturing processes and products. Our aim here is to ensure that these are all 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 sphere of action. 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 minerals 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 shall be disposed of in accordance with statutory regulations. If third parties are involved for this purpose, it shall 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 combat these impacts by analyzing all areas and activities that could have an adverse effect on the environment and the efficient use of resources. In doing so, we carefully take into account the information provided by all interest groups, in particular local residents. This immediate dialog with stakeholders at the local level is among the tasks and duties assigned to the respective Group companies.

Moreover, to conserve the environment and resources, we in the PCC Group pursue all our investment projects on the basis of advanced, environmentally compatible technologies that are both energy-saving and economically efficient. This relates above all to our manufacturing operations and particularly to our Chemicals division. 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 greatly cut CO_2 emissions. Compared to the conventional amalgam process, we save 750 kilograms of CO_2 per metric ton of caustic soda lye 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, which commenced regular operations at the end of October 2019: The plant's power requirement is entirely covered by renewable energy sources, primarily in the form of geothermal energy. This has meant a drastic reduction in the CO_2 emissions arising from such a production process. On average, the CO_2 emissions of the five most important producer countries China, Brazil, the USA, France and Norway are almost three times higher than those of the PCC plant; compared to the average emissions of these countries, the PCC operation in Iceland saves 9.65 metric tons of CO_2 per metric ton of silicon metal. This was the conclusion of a PCC-commissioned study carried out by the Faculty of Energy Systems and Energy Economics at the Ruhr University Bochum led by Prof. Dr.-Ing. H.-J. Wagner. And the dust generated during silicon metal production in our plant is almost completely removed from the ambient air by high-performance filter systems.

The largest business within our Logistics segment is intermodal container transport, an operation that efficiently combines environmentally friendly rail and flexible road haulage. Compared to pure road transport, our combined intermodal capability in 2019 enabled emission savings of 296,714 metric tons of the greenhouse gas CO_2 (previous year: 282,245 metric tons of CO_2), with a total productive output of 2,389.0 million ton-kilometers (previous year: 2,272.5 million ton-kilometers). These calculations are based on data from the European Environment Agency of November 5, 2015 for the reference year 2014.

In the Energy segment, we have in recent years reduced dust emissions from 50 to 20 milligrams per cubic meter by installing modern electrostatic precipitators at our combined heat and power plant located at the Brzeg Dolny chemical site. As a result, the plant is operating even more significantly below the current limit value of 100 mg/m^3 applicable in Poland than was previously the case. 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 North Macedonia and one in Bosnia and Herzegovina, have so far been connected to the grid. A fifth power plant in North Macedonia commenced trial operations in March 2020. Our power plants already in production enable CO_2 emission savings of around 22,500 metric tons per year on average (multi-year mean value) – calculated in comparison to the CO_2 emissions of the regional electricity supply. The first four hydropower plants in North Macedonia were officially registered by the UNFCCC back in 2013 as climate protection projects as defined in the Kyoto Protocol.

Numerous certifications, the signing of public agreements and membership of initiatives document PCC's commitment to environmental issues.

Certifications and initiatives in relation to environmental issues

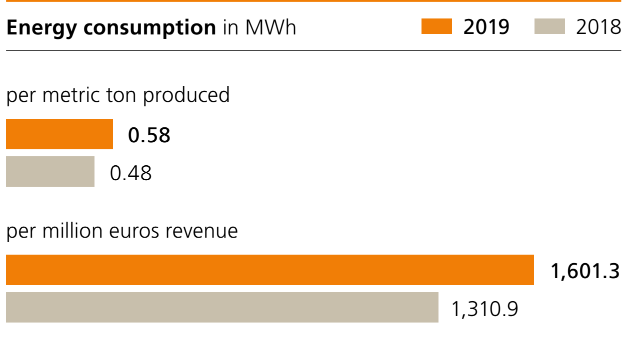
Certification / Initiative		Company
Certification of environmental management systems to ISO 14001:2015		– PCC Rokita SA – PCC Exol SA – LabAnalityka Sp. z o.o. – PCC MCAA Sp. z o.o. – PCC PU Sp. z o.o. – PCC Autochem Sp. z o.o.
Certification of quality management systems to ISO 9001:2015		– PCC Rokita SA – PCC Exol SA – PCC Consumer Products Kosmet Sp. z o.o. (PCC CP Kosmet) – LabAnalityka Sp. z o.o. – LabMatic Sp. z o.o. – PCC MCAA Sp. z o.o. – PCC PU Sp. z o.o. – PCC Autochem Sp. z o.o.
Certification of energy management systems to ISO 50001:2011		– PCC Rokita SA – PCC Exol SA – PCC CP Kosmet
Certification in Good Manufacturing Practice (EFfCI)		– PCC Exol SA
Certification in Good Manufacturing Practices – Cosmetics – to ISO 22716		– PCC CP Kosmet
BRC production standards certificate issued by the British Retail Consortium		– PCC CP Kosmet
Membership of the global chemistry industry initiative Responsible Care®		– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC CP Kosmet
Participation in the Global Compact of the United Nations		– PCC Exol SA
Certified member of the Roundtable on Sustainable Palm Oil		– PCC Exol SA – PCC CP Kosmet – PCC Organic Oils Ghana Ltd.
Participation in the Carbon Disclosure Project aligned to combating climate change		– PCC Exol SA

Certification / Initiative		Company
"Gold Status" rating of the sustainability platform for CSR reporting, EcoVadis (2018)		– PCC Synteza S.A. – PCC CP Kosmet
"Silver Status" rating of the sustainability platform for CSR reporting, EcoVadis (2018)		– PCC MCAA Sp. z o.o.
"Gold Status" rating of the sustainability platform for CSR reporting, EcoVadis (2017)		– PCC Exol SA
"Silver Status" rating of the sustainability platform for CSR reporting, EcoVadis (2019)		– PCC Rokita SA
Membership of the European Chemical Industry Council, CEFIC, covering the safe usage of surfactants		– PCC Exol SA
Membership of the European Committee of Organic Surfactants and their Intermediates		– PCC Exol SA
Product certifications through Ecocert according to the cosmetics standard COSMOS: Ecocert Cosmetics		– PCC Exol SA
Product certifications through Ecocert according to the cosmetics standard COSMOS: Ecocert Cosmos		– PCC Exol SA
Inclusion in the "Green Chemistry Cluster" (Poland) for the promotion of sustainable innovation		– PCC Rokita SA
Member of the initiative "Charter for Sustainable Cleaning" of the A.I.S.E.		– PCC CP Kosmet

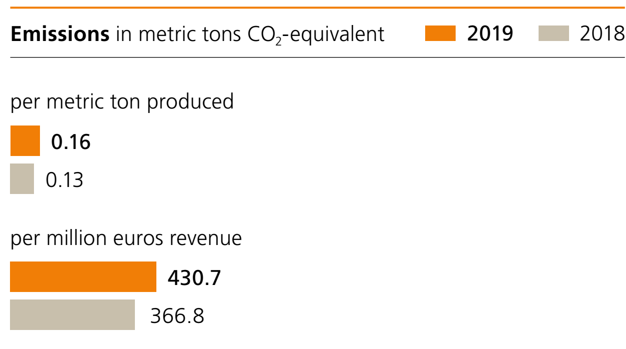
Performance indicators

The PCC Group determines the performance indicators relevant to its business activities on an annual basis. In addition to emissions of greenhouse gases (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.

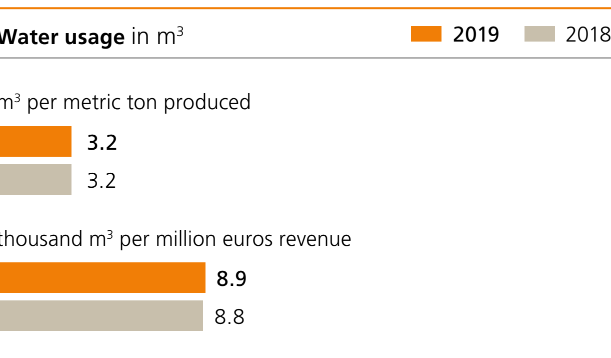
In 2019, the specific energy consumption of our affiliates in the segments of the Chemicals division increased versus the prior year by 19.6 % and amounted to 0.58 MWh per metric ton produced (previous year: 0.48 MWh). With the increase in sales volumes, total energy consumption rose to 1,229,024 MWh (previous year: 1,021,476 MWh). Of this, 300,190 MWh or 24.4 % (previous year: 163,302 MWh or 16.0 %) was generated from renewable energy sources. This proportion rose primarily due to the operation of our silicon metal plant in Iceland, which is supplied exclusively with green electricity, mainly from geothermal sources. Specific energy consumption in relation to sales revenue amounted to 1,601.3 MWh per million euros (previous year: 1,310.9 MWh).



Absolute greenhouse gas emissions rose by 15.7 % in 2019 versus the previous year, to 330,571 metric tons of CO_2-equivalent (previous year: 285,798 metric tons). Most of the greenhouse gas emissions were again attributable to carbon dioxide (CO_2). Specifically, i.e. per metric ton produced, greenhouse gas emissions increased year on year by 15.0 % to 0.16 metric tons of CO_2 (previous year: 0.13 metric tons CO_2). In relation to sales revenue, greenhouse gas emissions amounted to 430.7 metric tons of CO_2 per million euros (previous year: 366.8 metric tons CO_2).



Water usage and wastewater generation are mainly due to the manufacturing process of our affiliates in the Chemicals division. Absolute water usage in 2019 was 6,868,000 m³ (previous year: 6,838,000 m³). Related to the volumes produced in the business areas indicated, specific water usage amounted to 3.2 m³ per metric ton produced, virtually equivalent to the figure for the previous year (–0.2 %). In relation to sales revenue, water usage amounted to 8,900 m³ per million euros (previous year: 8,800 m³).



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, while specific emissions of greenhouse gases are to be further reduced. Taking into account greenhouse gas emissions from the use of external electricity, which are included in Scope 2, our new silicon metal production plant in Iceland is a major contributor to reducing greenhouse gas emissions. Despite the increase in absolute emissions, it will be possible to further reduce specific emissions, as CO_2 emissions from the Icelandic plant are well below the global average of comparable facilities. In addition to the high level of plant efficiency, this is due in particular to the exclusive use of electricity from renewable energy sources such as geothermal energy 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 our employees scope to work under their own initiative on a results-led basis, together with opportunity to take on responsibility. They are thus given decision-making powers, with employee initiative and creativity also being specifically encouraged within the scope of 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 professional training. In our human resources management, we attach great importance to diversity, i.e. the promotion of cultural and professional individuality. Discrimination of all kinds is not tolerated within the organization. And the regulations requiring the equal treatment of men and women 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
- Rejection of forced labor
- Rejection of child labor
- Rejection of discrimination in employment and occupation

This means that all employees have the right to fair, polite and respectful treatment. PCC does not tolerate any kind of discrimination or harassment of employees. Specifically, discrimination or harassment on the grounds of descent, race, religion, origin, gender, disability, age, marital status, sexual orientation, political opinions or membership of trade unions or political parties is prohibited at PCC.

Together with protection of the environment, the safety of our employees is of the highest priority. PCC is therefore committed to ensuring safe working conditions at all times. In the event of an accident or malfunction, PCC takes the necessary measures to avert and repair the damage as quickly and effectively as possible and to inform the authorities.

The provisions on equality between men and women are non-negotiable and binding. The equality imperative encompasses in particular areas such as task allocation, remuneration, training 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 employees 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 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 occupational 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 process, 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 continuous professional development of employees. Last year alone, time spent on such measures equated to 68,619 hours (previous year: 70,692 hours). Occupational health and safety is invariably given high priority on the training agenda. Unfortunately there was an increase in work-related accidents with incapacity of more than one day to 72 in 2019 (previous year: 42). The number of sick days due to occupational accidents increased Group-wide to 2,480 (previous year: 1,371). As a result, the number of sick days due to accidents at work per employee rose to an average of 0.69 (previous year: 0.39).

We reward the commitment of 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 more than seven years serves as an indicator of employee satisfaction. The average age of 40 years is evidence that we make use of the expertise of older employees while also providing entry opportunities for young people and that

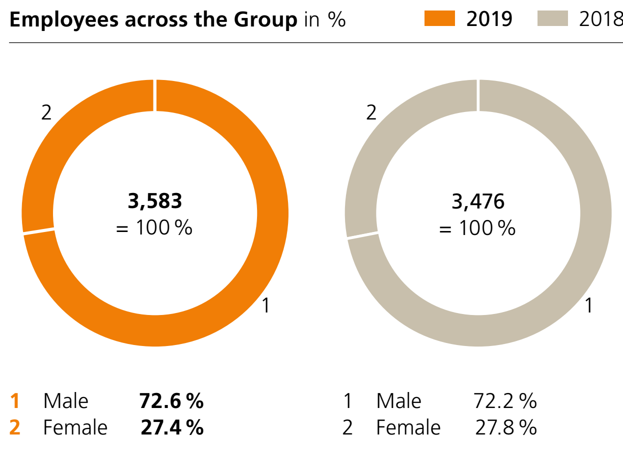
we embrace diversity, promoting good team performance through a mix of complementary skills and experience. The companies of the PCC Group support their employees through flexible working time models. The scope on offer ranges from working time accounts, part-time contracts and early retirement arrangements, to home office agreements. We encourage open communication between employees and, to the extent possible, with our stakeholders. PCC's commitment to employee issues is evidenced by numerous certifications, the signing of public agreements and membership of initiatives:

Certifications and initiatives in relation to employee issues

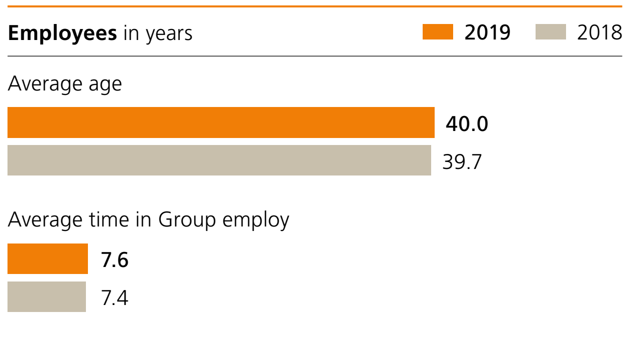
Certification / Initiative		Company
Certification of occupational health and safety management system to ISO 45001		– PCC Rokita SA – PCC Exol SA – PCC CP Kosmet – PCC MCAA Sp. z o.o. – PCC PU Sp. z o.o.
Certification in Good Manufacturing Practices – Cosmetics – to ISO 22716		– PCC CP Kosmet
Certification in Good Manufacturing Practice (EFfCI)		– PCC Exol SA
BRC production standards certificate issued by the British Retail Consortium		– PCC CP Kosmet
Membership of the global chemistry industry initiative Responsible Care®		– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC CP Kosmet
Participation in the Global Compact of the United Nations		– PCC Exol SA
Membership of the European Chemical Industry Council, CEFIC, covering the safe usage of surfactants		– PCC Exol SA
Membership of the European Committee of Organic Surfactants and their Intermediates		– PCC Exol SA
Certified member of the Roundtable on Sustainable Palm Oil		– PCC Exol SA – PCC CP Kosmet – PCC Organic Oils Ghana Ltd.
"Gold Status" rating of the sustainability platform for CSR reporting, EcoVadis (2018)		– PCC Synteza S.A. – PCC CP Kosmet
"Silver Status" rating of the sustainability platform for CSR reporting, EcoVadis (2018)		– PCC MCAA Sp. z o.o.
"Gold Status" rating of the sustainability platform for CSR reporting, EcoVadis (2017)		– PCC Exol SA
"Silver Status" rating of the sustainability platform for CSR reporting, EcoVadis (2019)		– PCC Rokita SA
Signatory of the "Diversity Charter" promoting employee diversity in companies and combating discrimination		– PCC Rokita SA – 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 there are people from 37 nations in our employ, the same number as in the previous year. Due to our extensive investments, particularly in new regions, the number of employees is also steadily rising. In the past year, it increased by 3.1 % to currently 3,583. This growth in employee numbers can be seen across almost all segments and business areas. The proportion of women in this total amounts to 27.4 % (previous year: 27.8 %).



The proportion of women in the first and second levels of management at our affiliates was 23.7 % in the year under review (previous year: 25.9 %).



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 ongoing development, for example through advancement 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

PCC respects the protection of international human rights in accordance with the UN Charter of Human Rights, recognizes them unreservedly and supports them within its sphere of influence. Violations of human rights are not tolerated and are duly sanctioned. This is underlined in particular by PCC Exol SA's membership of the United Nations Global Compact.

Measures

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

Initiatives to promote respect for human rights

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

Performance indicators

As in the previous year, no violations of human rights were reported in 2019, either in the companies of the PCC Group or in the holding company. 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 into 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 new 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 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, parties, associations or other political organizations are strictly prohibited.

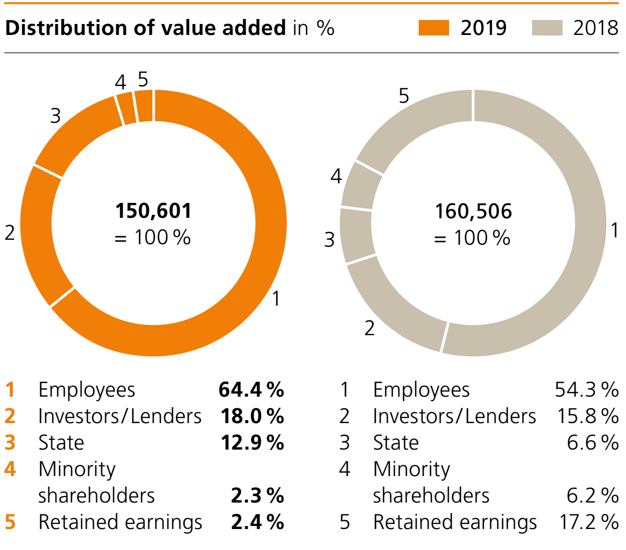
Performance indicators

The companies of the PCC Group have various 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. €97.0 million or 64.4 % of the value added in the 2019 reporting year went to our employees in the form of wages and salaries, employer contributions to social security, pension benefits and other benefits.

Distribution of value added Figures in €k	**2019**	2018
Value added	**150,601**	160,506
Distribution		
Employees	**97,027**	87,086
State	**19,462**	10,540
Investors/Lenders	**27,079**	25,366
Minority shareholders	**3,407**	9,959
Retained earnings	**3,626**	27,554

The state received 12.9 % 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 affiliates received €27.1 million or 18.0 % 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 in %



Achievements related to social issues

PCC SE and its subsidiaries are involved in social causes, for example as patrons of children's homes. At our Group headquarters in Duisburg, for example, we support the homeless charity "Gemeinsam gegen Kälte Duisburg e.V." 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 instance, 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. in Piedmont, South Carolina, has long been a partner of an aid organization for children with disabilities. As of year-end, the PCC Group currently supports 85 projects (previous year: 52).

Goals

PCC has set itself the goal of continuing to drive value creation within the Group for the benefit of all interest groups. We strive to 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 recorded in the PCC Code of Ethics, which is binding on all employees of the PCC Group.

Measures

Business relations with suppliers and partners are to be conducted exclusively according to objective 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 consideration 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. As in the previous year, the number of significant fines and penalties for non-compliance with laws and regulations was zero.

Anti-corruption initiatives

Initiatives		Company
Participation in the Global Compact of the United Nations	THE GLOBAL COMPACT WE SUPPORT	– PCC Exol SA
Membership of the global chemistry industry initiative Responsible Care®	Odpowiedzialność i Troska® Responsible Care	– PCC Rokita SA – PCC Exol SA – PCC Synteza S.A. – PCC CP Kosmet

Goals

PCC will continue to take uncompromising action against bribery and corruption on the basis of a zero-tolerance strategy. Our goal is to ensure that no cases of this nature occur within the Group.

Events after the balance sheet date

The bond carrying the WKN code A2E4ZZ4 issued by PCC SE with a placed volume of €7.5 million was redeemed in full as of February 1, 2020. It was issued on July 1, 2017 with a coupon of 3.0 % p.a.

The bond carrying the WKN code A14KJ35 issued by PCC SE with a placed volume of € 18.2 million was redeemed in full as of April 1, 2020. It was issued on May 1, 2015 with a coupon of 6.0 % p.a.

On December 18, 2019, PCC SE and PETRONAS Chemicals Group Berhad signed a share purchase agreement for the acquisition of 50 % of the voting rights in PCC Oxyalkylates Malaysia Sdn. Bhd. by PETRONAS Chemicals Group Berhad. The completion of the transaction is still subject to certain closing conditions which had not yet been fully met at the time of preparation of the consolidated financial statements for 2019. The merger control approvals of the competent authorities have already been obtained.

Effective April 30, 2020, the Icelandic Group company PCC BakkiSilicon hf. concluded an out-of-court settlement with the plant constructor of the silicon metal plant built in Húsavík, Iceland. Both parties had made claims against the other for compensation and payment of damages and costs allegedly incurred by them in connection with the completion and commissioning of the plant, mainly due to delays or additional work. PCC BakkiSilicon hf. will receive a one-off payment in the high single-digit million euro range from the settlement.

Outlook for 2020

The focus of the PCC Group in fiscal 2020 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 additionally enhanced through further capital expenditures. Looking ahead, green-field and brown-field projects will also be given due consideration as opportunities arise. This applies in particular with regard to the possible in-company production of strategically important raw materials. Moreover, the strategy of proactive investment portfolio management accompanied by ongoing portfolio optimization measures is likewise to be continued in the years to come. The long-term objective remains to continuously increase our enterprise value.

The current high level of uncertainty regarding the global spread of the coronavirus and the resulting macroeconomic consequences does not yet allow a sufficiently accurate estimate of the impact on our original forecast for business development in 2020. In the Chlorine, Surfactants and Consumer Products segments, the affiliated companies of PCC SE will in all probability actually be able to profit from the coronavirus pandemic due to the sharp rise in demand for disinfectants, sanitizers and cleaning agents. However, the Polyols segment is expected to experience a decline in demand, especially from the furniture, mattress and automotive industries. Furthermore, the collapse of the crude oil market is expected to lead to a significant decline in the prices of chemical commodities, initially on the raw material procurement side, but with a time lag also in the selling prices of our products. In the meantime, some of the restrictions introduced in the course of the spread of the coronavirus have been relaxed and the automotive industry, among others, is beginning to ramp up its production in Germany again. Nevertheless, there is a risk that these first positive steps will have to be reversed or the restrictions further tightened if the number of infections increases again. The actual business impact of the coronavirus pandemic can therefore not be estimated with sufficient precision at present.

With the positive business performance of the majority of the affiliates of PCC SE in fiscal 2019, dividend payments to PCC SE in 2020 should again be in the double-digit million euro range. However, it will not be possible to match the previous year's level, particularly as the expected dividend from PCC Rokita SA will be significantly lower due to weaker earnings. That said, PCC Rokita SA will again make by far the largest contribution to the dividend income of PCC SE. Gains from the disposal of portfolio companies or other exceptional items have not been taken into account in this forecast.

The current budget for 2020 to 2022, prepared for the operating businesses of the Group companies and affiliates in the fourth quarter of 2019 and thus before the outbreak of the coronavirus pandemic, provides for an increase in sales revenue in 2020 of around 10 % to 15 %. At Group level, the assumption is that total earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA) will be below the level of 2019. The Chlorine segment, in particular, will be impacted by a further decline in earnings as a result of falling prices for the chlorine by-products caustic soda solid and caustic soda lye. Nevertheless, this segment is again likely to make the largest contribution to Group EBITDA in 2020. In contrast, earnings growth is expected in the Polyols segment and again in the Intermodal Transport business. The Surfactants segment is likely to see earnings remain flat versus 2019. In the Specialty Chemicals segment, on the other hand, a slight decline in earnings compared to the previous year is anticipated. This will mainly result from lower margins in the Commodity Trading business managed under the Specialty Chemicals segment (due to the expected lower average commodity price levels). In addition, the start-ups in this segment are again likely to show a deficit in 2019. Our budget forecast for the Consumer Products segment is that it too is unlikely to quite reach the turnaround point in 2020. However, due in particular to the expected improvement in the economic situation at PCC Consumer Products Kosmet Sp. z o.o., the losses should again be significantly lower than in the previous year. Deficits are also expected for the silicon metal production plant in Iceland and the DME plant in Russia. Overall, Group EBITDA is therefore likely to remain below the 2019 level, but still be well into positive territory. Consolidated earnings before taxes (EBT), on the other hand, will probably fall significantly short of the corresponding prior-year figure with a decline into deficit in 2020, mainly as a result of the further increase in the burden of depreciation, amortization and interest arising from the recently completed investment projects. Possible negative effects of the current coronavirus crisis are not included in this analysis, since – as already mentioned – its impact cannot yet be assessed with sufficient certainty.

Subject to positive or at least stable economic development in the coming years, the total earnings curve should rise again in 2021, with contributions coming from, in particular, the Polyols, Surfactants and Specialty Chemicals segments together with the Intermodal Transport business unit. Seen from today's perspective, this positive trend should continue in fiscal 2022. By then, we should have seen a steady improvement in the economic situation of the new silicon metal production plant. And the Consumer Goods segment

is expected to turn around in 2021, at least at the operating level, as a result of the restructuring measures now initiated. Increasing earnings should also be forthcoming in the Intermodal Transport business unit, due in part to further growth in terminal handling volumes and the increased use of our own locomotives. Positive effects on the earnings development of PCC SE are anticipated in the following years in the form of increasing dividend payments. For the years 2020 and 2021, however, PCC SE anticipates provisionally declining earnings from dividends. As a result of these developments, the indebtedness of both PCC SE and the PCC Group will initially continue to increase, at least over the medium term. However, the long-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 2020 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 2019. Sales volumes are expected to increase further, due among other things to process optimization in the Chlorine segment. In addition, PCC BakkiSilicon hf. will begin contributing to the sales volumes (and revenues) of the PCC Group. Despite the expected overall lower average commodity price levels compared to those of fiscal 2019, further sales growth is thus expected in the majority of the segments. On the earnings side, we expect the Polyols segment in the Chemicals division to post an increase versus the prior year. The Surfactants segment is likely to see earnings remain positive, holding firm at the 2019 level. Earnings in the Chlorine segment are expected to decrease again due to the declining price level for the chlorine by-products caustic soda solid and caustic soda lye. The Specialty Chemicals segment is also expected to close fiscal 2020 slightly below the previous year due to lower margins – at least in absolute terms – in the commodity trading business. Added to this, the anticipated start-up losses of the silicon metal plant will burden consolidated earnings. The start-ups incorporated in 2017, which are still in the process of getting established as they focus on the development of specialty products for customer-specific applications, will continue to operate at a loss. And, as already mentioned, losses are still expected for the Consumer Products segment in 2020, although to a much lesser extent than in previous years.

Revenues in the Logistics segment are expected to increase by around 5 % in fiscal 2020, with the intermodal transport business contributing the lion's share. Due to the capacity expansions implemented there and the existing order situation, business development in this area should be above the level of the previous year. Our tanker haulage operation should at least be able to repeat the positive figures posted in 2019. However, the revenues and earnings of the freight car operator ZAO PCC Rail are likely to be lower than in the previous year due to the reduction of its fleet and the looming reduction of rail freight tariffs in Russia. The performance of the Russian ruble will also play an important role in determining ZAO PCC Rail's results.

The Energy segment 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 2020 and beyond. Activities that are not regarded as part of our core business will be gradually divested over the long term, with sustainable growth and a continuous improvement in our enterprise value remaining the key criteria guiding our corporate decision-making.

Duisburg, May 13, 2020

PCC SE

Ulrike Warnecke
Managing Director

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

02 Consolidated financial statements

Total assets increased compared to the previous year by € 164.0 million or 13.9 % to € 1,342.4 million. Property, plant and equipment rose by € 85.3 million to € 933.4 million, in particular as a result of our extensive investment program. The largest single capital expenditure item was construction of the silicon metal plant in Iceland, which started regular operations in the fourth quarter of 2019.

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Consolidated balance sheet

Assets in €k	(Note)	**Dec. 31, 2019**	Dec. 31, 2018
Non-current assets		**1,076,514**	915,963
Intangible assets	(19)	45,203	41,219
Property, plant and equipment	(20)	933,418	848,145
Right-of-use assets	(35)	66,082	–
Investment property	(21)	1,212	874
Investments accounted for using the equity method	(12)	0	1,207
Non-current financial investments	(22)	5,017	2,141
Other non-current financial assets	(23)	18,713	17,120
Deferred tax assets	(33)	6,097	3,997
Other receivables and other assets	(26)	772	1,259
Current assets		**265,879**	259,620
Inventories	(24)	80,734	73,195
Trade accounts receivable	(25)	80,687	81,621
Other receivables and other assets	(26)	42,876	40,452
Income tax receivables		1,093	1,233
Cash and cash equivalents	(37)	60,490	63,119
Assets held for sale		**–**	2,795
Assets held for sale	(20)	–	2,795
Total assets		**1,342,393**	1,178,377

Consolidated balance sheet

CONTINUED

Equity and liabilities in €k	(Note)	**Dec. 31, 2019**	Dec. 31, 2018
Equity	(27)	**147,633**	150,447
Subscribed capital		5,000	5,000
Capital reserve		56	56
Revenue reserves/Other reserves		119,977	122,294
Other equity items/OCI		–18,090	–20,392
Minority interests	(28)	40,690	43,490
Non-current provisions and liabilities		**883,268**	745,854
Provisions for pensions and similar obligations	(29)	896	676
Other provisions	(30)	4,777	4,367
Current tax liabilities		6,224	–
Deferred tax liabilities	(33)	10,327	7,571
Financial liabilities	(31)	817,997	690,807
Other liabilities	(32)	43,047	42,433
Current provisions and liabilities		**311,493**	281,327
Provisions for pensions and similar obligations	(29)	99	82
Other provisions	(30)	14,983	12,566
Current tax liabilities		1,560	1,868
Trade accounts payable		83,695	84,597
Financial liabilities	(31)	137,669	128,256
Other liabilities	(32)	73,487	53,958
Liabilities associated with assets held for sale		**–**	748
Liabilities associated with assets held for sale	(20)	–	748
Total equity and liabilities		**1,342,393**	1,178,377

Consolidated statement of income

Figures in € k	(Note)	2019	2018
Sales revenue	(6)	**767,520**	779,230
Change in inventory of finished products and work in progress		892	5,067
Other internal costs capitalized	(7)	14,040	8,463
Purchased goods and services	(8)	529,894	559,911
Personnel expenses	(9)	94,580	84,475
Other operating income	(10)	14,283	19,622
Other operating expenses	(11)	72,006	60,905
Result from investments accounted for using the equity method	(12)	–1,285	–1,761
Earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA)	(39)	**98,970**	105,330
Depreciation and amortization	(13)	55,711	36,400
Operating profit (EBIT)	(39)	**43,259**	68,930
Interest and similar income	(14)	2,787	1,877
Interest and similar expenses	(14)	27,079	25,366
Currency translation result	(15)	466	–3,833
Other financial income		29	–
Other financial expenses		168	97
Earnings before taxes (EBT)	(17)	**19,295**	41,512
Taxes on income	(16)	12,261	3,998
Net result for the year		**7,033**	37,513
Net result attributable to Group		3,626	27,554
Net result attributable to minority interests		3,407	9,959

Consolidated statement of comprehensive income

Figures in €k	2019	2018
Net result for the year	**7,033**	37,513
Income and expenses recognized in equity for future recycling through profit or loss	**2,451**	–10,089
Exchange differences on translation of foreign operations	3,086	–5,873
Fair value measurement of financial assets	–900	–6,013
Fair value measurement of cash flow hedges	2	–6
Deferred taxes on items for future recycling through profit or loss	263	1,803
Income and expenses recognized in equity not for future recycling through profit or loss	**–168**	–63
Remeasurement of defined benefit pension plans	–191	–61
Other changes not for future recycling through profit or loss	–10	–13
Deferred taxes on items not for future recycling through profit or loss	33	11
Total income and expenses recognized in equity	**2,283**	–10,153
Total comprehensive income	**9,317**	27,361
Share of comprehensive income attributable to Group	5,928	17,404
Share of comprehensive income attributable to minority interests	3,388	9,956

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, 2018	5,000	56	98,931	–10,242	**93,745**	45,377	**139,121**
Dividends paid to shareholders	–	–	–1,850	–	**–1,850**	–6,896	**–8,746**
Changes in consolidation scope and other consolidation effects	–	–	–2,342	–	**–2,342**	–4,947	**–7,289**
Comprehensive income	–	–	27,554	–10,150	17,404	9,956	**27,361**
Net result for the year	–	–	27,554	–	27,554	9,959	37,513
Other income and expenses recognized in consolidated equity	–	–	–	–10,150	**–10,150**	–3	**–10,153**
– Currency translation differences	–	–	–	–5,873	**–5,873**	–	**–5,873**
– Remeasurement of defined benefit pension plans	–	–	–	–57	**–57**	–4	**–61**
– Fair value measurement of financial assets	–	–	–	–6,013	**–6,013**	–	**–6,013**
– Fair value measurement of cash flow hedges	–	–	–	–6	**–6**	–	**–6**
– Other changes not for future recycling through profit or loss	–	–	–	–13	**–13**	–	**–13**
– Deferred taxes recognized in OCI	–	–	–	1,813	**1,813**	1	**1,814**
Dec. 31, 2018	5,000	56	122,294	–20,392	**106,957**	43,490	**150,447**

Consolidated statement of changes in equity

CONTINUED

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, 2019	5,000	56	122,294	−20,392	**106,957**	43,490	**150,447**
Dividends paid to shareholders	–	–	−4,000	–	**−4,000**	−6,663	**−10,663**
Changes in consolidation scope and other consolidation effects	–	–	−1,943	–	**−1,943**	475	**−1,468**
Comprehensive income	–	–	3,626	2,302	**5,928**	3,388	**9,317**
Net result for the year	–	–	3,626	–	**3,626**	3,407	**7,033**
Other income and expenses recognized in consolidated equity	–	–	–	2,302	**2,302**	−18	**2,283**
– Currency translation differences	–	–	–	3,086	**3,086**	–	**3,086**
– Remeasurement of defined benefit pension plans	–	–	–	−173	**−173**	−18	**−191**
– Fair value measurement of financial assets	–	–	–	−900	**−900**	–	**−900**
– Fair value measurement of cash flow hedges	–	–	–	2	**2**	–	**2**
– Other changes not for future recycling through profit or loss	–	–	–	−10	**−10**	–	**−10**
– Deferred taxes recognized in OCI	–	–	–	296	**296**	–	**296**
Dec. 31, 2019	5,000	56	119,977	−18,090	**106,943**	40,690	**147,633**

Consolidated statement of cash flows

Figures in €k	(Note)	2019	2018
Net result for the year		**7,033**	**37,513**
Depreciation and amortization		55,711	36,400
Write-downs of financial investments		97	4
Income (–), expense (+) from income tax		12,261	3,998
Income (–), expense (+) from interest		24,292	23,489
Change in provisions for pensions and other provisions		3,062	3,939
Interest received		774	231
Income taxes paid		–6,642	–4,973
Increase (+), decrease (–) in value adjustments for receivables and other assets		21	172
Gains (–), losses (+) from disposal of non-current assets		–500	–290
Write-ups of intangible assets and property, plant and equipment		–330	–31
Result from investments accounted for using the equity method		1,285	1,761
Other non-cash gains (–), expenses (+)		–23,544	9,614
Gross cash flow		**73,520**	**111,828**
Increase (–), decrease (+) in inventories		–7,539	–11,752
Increase (–), decrease (+) in trade accounts receivable		914	–1,341
Increase (–), decrease (+) in accounts receivable from affiliated companies		–46	–65
Increase (–), decrease (+) in other assets		–1,012	784
Increase (+), decrease (–) in trade accounts payable		–981	3,334
Increase (+), decrease (–) in accounts payable to affiliated companies		316	75
Increase (+), decrease (–) in other liabilities		27,831	–6,414
Cash flow from operating activities		**93,003**	**96,450**
Proceeds from disposal of intangible assets		–	18
Proceeds from disposal of property, plant and equipment		1,174	2,280
Proceeds from disposal of right-of-use assets		112	–
Proceeds from disposal of non-current financial investments		5	363
Proceeds from disposal of other non-current financial assets		–	60
Capital expenditures on intangible assets		–2,711	–8,773
Capital expenditures on property, plant and equipment		–128,908	–140,721
Capital expenditures on right-of-use assets		–154	–
Capital expenditures on investments accounted for using the equity method		–	–1,474
Capital expenditures on non-current financial investments		–246	–
Capital expenditures on other non-current financial assets		–3,594	–4,002
Cash flow from investing activities		**–134,322**	**–152,249**

Consolidated statement of cash flows

CONTINUED

Figures in €k	(Note)	2019	2018
Dividends paid to shareholder and owner		−4,000	−1,850
Dividends paid to minority interests		−6,663	−6,896
Payments for redemption of profit participation certificates		–	−10,997
Proceeds from issuance of bonds		139,515	97,047
Payments for redemption of bonds		−75,788	−47,177
Proceeds from banks		109,876	133,712
Payments to banks		−83,317	−77,862
Payments in respect of lease liabilities		−10,758	−3,884
Payments for the partial acquisition of shares in a subsidiary without gain of control		−873	−10,447
Interest paid		−29,713	−29,812
Cash flow from financing activities		**38,278**	**41,834**
Changes in cash and cash equivalents due to cash transactions		−3,041	−13,966
Changes in cash and cash equivalents due to foreign exchange rates		412	−987
Cash and cash equivalents at the beginning of the period		63,119	78,072
Cash and cash equivalents at the end of the period	(37)	**60,490**	**63,119**

Notes to the consolidated financial statements

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. PCC SE 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, 2019 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) 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 IFRSs applicable and mandatory as of December 31, 2019.

The closing date for preparation of the consolidated financial statements was December 31, 2019, coinciding with 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 may occur.

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, 2019.

The Managing Directors of PCC SE finalized these financial statements in their meeting of May 13, 2020, whereupon they were presented to the Administrative Board for review 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, 2019.

Standard / Interpretation	Mandatory first-time adoption per IASB as of	Mandatory first-time adoption in the EU as of
IFRS 16 "Leases"	January 1, 2019	January 1, 2019
Amendments to IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation	January 1, 2019	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019	January 1, 2019
Amendments to IAS 19 "Employee Benefits": Plan Amendment, Curtailment or Settlement	January 1, 2019	January 1, 2019
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures	January 1, 2019	January 1, 2019
Annual Improvements Project Cycle 2015–2017	January 1, 2019	January 1, 2019

Unless otherwise stated in the following, the accounting standards to be applied for the first time as listed in the table have not had any material impact on the consolidated financial statements of PCC SE.

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 17, in which leases were classified as either operating or financial, was discarded in favor of a uniform lease accounting concept in keeping with the concept of control. Adoption into European law took place in October 2017. First-time application of IFRS 16 "Leases" becomes mandatory as of fiscal years starting on or after January 1, 2019. For the lessee, the standard provides for a single accounting model, whereby all assets and liabilities arising from a lease agreement must be disclosed in the balance sheet where the term exceeds 12 months, and where the asset concerned is not classed as minor (option). For accounting purposes, the lessor continues to distinguish between finance and rental lease agreements (finance or operating leases).

The transition to IFRS 16 in the PCC Group was based on the modified retrospective method without restating the previous year's figures, which continue to be presented in accordance with the previous provisions of IAS 17. All contractually agreed lease payments to the lessor were included in the valuation of lease liabilities. Payments for lease and any non-lease components (e.g. payments for maintenance or repair costs) have not been separated. Contractually agreed extension, purchase and cancelation options required discretionary decisions. Lease payments arising from extension and purchase options have been included in the valuation where their exercise has been sufficiently certain, based on current knowledge. Lease payments have been discounted at the PCC Group's marginal borrowing rate of 5.03 % as of January 1, 2019, and the present values thus determined have been recognized as lease liabilities in the amount of € 33.3 million. The carrying amount of the right-of-use assets corresponds to the carrying amount of the lease liabilities as of the transition date. In addition, right-of-use assets from finance leases in the amount of € 31.2 million, which were still reported under property, plant and equipment until December 31, 2018 in accordance with IAS 17, have been reclassified to the right-of-use assets now reported separately. In subsequent measurement, the right-of-use assets are depreciated on a straight-line basis and the lease liabilities are amortized using the effective interest method.

The PCC Group has elected to exclude intangible assets from the scope of IFRS 16. In addition, short-term leases with a life of less than one year and leases in which the underlying asset is of low value continue to be expensed on a straight-line basis in accordance with exemption regulations.

The effects of the introduction of IFRS 16 on the balance sheet are shown in the following table:

Figures in € k	Dec. 31, 2018	Effects of IFRS 16 Reclassification	 Remeasurement	January 1, 2019
Non-current assets	**915,963**	–	33,288	**949,250**
of which property, plant and equipment	848,145	−31,175	–	**816,969**
of which right-of-use assets	–	31,175	33,288	**64,463**
Non-current liabilities	**745,854**	**–**	**27,263**	**773,117**
of which financial liabilities	690,807	–	27,263	**718,070**
Current liabilities	**281,327**	**–**	**6,025**	**287,352**
of which financial liabilities	128,256	–	6,025	**134,281**

Based on the operating lease commitments as of December 31, 2018, the following table shows the reconciliation to the balance sheet opening value of the lease liabilities as of January 1, 2019

Figures in € k	
Operating lease commitments as of December 31, 2018	59,072
Application relief for short-term leases	1,963
Application relief for leases of low-value assets	0
Gross lease liabilities as of January 1, 2019	**57,109**
Discount	23,821
Lease liabilities as of January 1, 2019	**33,288**
Finance lease liabilities as of December 31, 2018	9,765
Lease liabilities arising from first-time application of IFRS 16 as of January 1, 2019	**43,053**

Standards and interpretations for which application is not yet mandatory

The IASB has published standards and interpretations and/or amendments thereto as listed in the following, application of which is not yet mandatory as of fiscal 2019. Some of these standards and interpretations have not yet come into force and/or have not yet been endorsed by the EU, and have therefore not been applied by the PCC Group.

Standard / Interpretation	Mandatory first-time adoption per IASB as of	Mandatory first-time adoption in the EU as of
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of "Material"	January 1, 2020	January 1, 2020
Amendments to IFRS 3 "Business Combinations": Definition of a Business	January 1, 2020	January 1, 2020
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures": Interest Rate Benchmark Reform	January 1, 2020	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	January 1, 2020
IFRS 17 "Insurance Contracts"	January 1, 2021	Not yet known
Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-current	January 1, 2022	Not yet known
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016	No EU endorsement

The PCC Group is currently determining the extent to which new, not yet mandatory standards and interpretations will influence the consolidated financial statements. The current expectation is that the standards and interpretations listed above as pending application will not have any material impact on the consolidated financial statements.

(3) Scope of consolidation

The consolidated financial statements of the PCC Group cover PCC SE and all material subsidiaries. Subsidiaries and associates regarded individually and in aggregate as being immaterial in terms of portraying a true and fair view of the net assets, financial position and results of operations of the Group have been omitted from the consolidation process and are recognized as financial investments in equity instruments.

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, 2018	7	41
– Additions	2	1
– Disposals/Mergers	–	–
Jan. 1, 2019	9	42
– Additions	1	–
– Disposals/Mergers	–	1
Consolidated subsidiaries as of Dec. 31, 2019	**10**	**41**

In fiscal 2019, the newly established company PCC Integrated Chemistries GmbH, Duisburg, was added to the scope of consolidation. The company is scrutinizing and developing a project to build a production plant for ethylene oxide, EO for short, and six processing plants at the Lülsdorf site near Cologne. Following completion of liquidation proceedings, Kosmet Sp. z o.o., Brzeg Dolny (Poland), was removed from the scope of consolidation.

(4) Consolidation methods

Prepared on the basis of uniform accounting policies, the consolidated financial statements of the PCC Group include the individual financial statements of PCC SE and of all material domestic and foreign subsidiaries over which PCC SE has 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.

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. If this distribution results in a positive difference between the acquisition costs and the acquired pro rata net assets, the amount of said difference is capitalized as goodwill. In the event that a negative difference is identified, 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).

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

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 subsequent periods, the equity valuation is updated in accordance with the proportionate annual result generated and the dividends received. Any difference arising on initial consolidation is taken into account in the equity valuation. At each balance sheet date, the Group investigates whether there are indications that an impairment loss needs to be recognized with respect to its participating interests in an associated company or a joint venture. In such a 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 result 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 losses, in accordance with IAS 16. 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	2019	2018
Buildings and structures	5–75	5–88
Plant and machinery	3–35	3–38
Investment property	10–37	35
Other facilities, factory and office equipment	1–30	1–30

For information on the useful lives of assets under leases, please refer to Note (35).

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 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 remaining values, useful lives and depreciation methods are regularly reviewed and, where required, adapted 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 of 35 years.

Intangible assets
Acquired intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses. 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 3 and 40 years. They 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 project is technically feasible, resulting in the generation of internal benefits, or allowing the sale of an asset, and 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
Inventories are those assets consumed in the course of manufacturing, in the provision of services (raw materials and supplies) or in the process of production (work in progress), or which are intended for sale in the ordinary course of business (finished goods and merchandise). Initial recognition is at acquisition or production cost. The subsequent measurement of inventories is based on the first-in, first-out (FIFO) principle, or on the basis of the lower of average weighted cost and net realizable value, the latter being defined as the sales proceeds that can be achieved in the normal course of business less any completion and distribution costs that may still be incurred.

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 production. They remain capitalized until the asset is ready for its envisaged use, with the relevant cost-of-debt interest rate being duly applied. All other borrowing costs are expensed in the period in which they are incurred.

Financial instruments
Financial assets and financial liabilities are recognized in the consolidated balance sheet once PCC SE or one of its subsidiaries becomes a party to a financial instrument. 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 instruments are recognized as of the transaction date, that is to say the date on which the Group commits to the purchase or sale of the asset.

Classification and measurement of financial instruments per IFRS 9
In accordance with IFRS 9, financial assets and liabilities are classified into the following measurement categories based on their nature and their intended use:

(a) Financial instruments measured at amortized cost (AC)
Financial assets are classified in the AC category if they are held within the framework of a business model geared to the collection of contractual cash flows (strict business model condition). In addition, the asset value must be structured in such a way that it only leads to fixed-term cash flows that represent interest and principal payments on the outstanding nominal amount (cash flow condition). Financial liabilities are generally classified as AC unless they are financial instruments, derivatives or liabilities held exclusively for trading and for which the fair value option has been exercised. In the PCC Group, "Trade accounts receivable" and loans and receivables reported under either "Other receivables and other assets" or "Other financial assets" are all allocated to the AC measurement category. "Cash and cash equivalents" likewise fall under this measurement category. All financial liabilities, with the exception of derivatives that are measured at fair value through profit or loss, are also measured at amortized cost. Additions to financial assets and liabilities are measured at fair value, which generally corresponds to the nominal value of the receivable or the loan amount granted. Non-interest-bearing or low-interest-bearing non-current loans and receivables are carried at their present value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to the fair value of those financial assets or financial liabilities. Financial instruments in the AC category are subsequently measured at amortized cost using the effective interest method. The changes in value are recognized in the income statement.

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets are classified in the FVOCI category if they are held in a business model both to collect contractually agreed cash flows and to transact sales (moderated business model condition). In addition, the asset must be structured in such a way that it only results in fixed-term cash flows that represent interest and principal payments in respect of a capital transfer (cash flow condition). Equity instruments never fulfill the cash flow condition, but can be voluntarily measured at FVOCI. In the PCC Group, participating interests in subsidiaries that are not fully consolidated for reasons of materiality are allocated to the FVOCI measurement category. This also includes investments in associates and joint ventures accounted for using the equity method. In principle, financial liabilities cannot be allocated to the FVOCI category. Initial recognition is at fair value, which in the majority of cases corresponds to the cost of acquisition. Transaction costs directly attributable to the acquisition or issue of financial assets are added to the fair value of those financial assets. Changes in fair value on subsequent measurement are recognized directly in equity and only recognized in profit or loss on disposal (recycling). Conversely, amounts recognized in respect of equity instruments on disposal of the financial instrument are reclassified within equity without affecting income (no recycling).

c) Financial instruments recognized at fair value through profit or loss (FVTPL)
All financial instruments that do not meet the entry requirements of the first two categories are generally assigned to the FVTPL category. This includes equity instruments not voluntarily assigned to the FVOCI category, plus derivatives and all other financial instruments held for trading. In addition, in certain cases the fair value option for the classification of financial instruments may be exercised voluntarily,

but irrevocably. Financial instruments in the FVTPL category are measured at fair value both initially and subsequently. The changes in value are recognized in the income statement. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities are immediately recognized through profit or loss.

Financial assets and liabilities are only offset and disclosed as a netted 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.

Impairment of financial assets
A provision for expected impairment is recognized in the balance sheet in respect of financial assets measured at amortized cost. For trade accounts receivable, expected default rates (Stage 2 of the impairment model) are calculated on the basis of historical defaults and future estimates. Specific default rates are determined for the individual Group companies in order to take into account business model characteristics as well as the respective customer structure and the economic environment of the geographic region. Additional differentiation is made by classifying the receivables portfolio on the days due basis. If there are objective indications that trade accounts receivable or other financial assets measured at amortized cost are to be regarded as impaired, they are individually tested for impairment (Stage 3 of the impairment model). This is the case, for example, if insolvency proceedings have been opened against the debtor of a receivable or if there are other substantial indications of impairment, such as a significant deterioration in creditworthiness. The allowances are recorded via a value adjustment account on the asset side. The gross value and the allowance (value adjustment) are only derecognized when the receivable becomes uncollectible.

For reasons of materiality, no expected impairments are determined for contract assets or other financial assets.

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 items. 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.

On conclusion of a transaction, the Group documents the hedge relationship between the hedging instrument and the hedged item, the risk management purpose 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 and loss. Amounts accrued under equity are recycled to profit or loss in the period in which the hedged item 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. 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 an initial term of up to three months, and also highly liquid financial assets available at short notice. These items are recognized at amortized cost.

Assets held for sale and associated liabilities
Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Scheduled depreciation/amortization is suspended. Assets held for sale and associated liabilities are shown separately in the balance sheet.

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 a legal or constructive obligation toward third parties that is likely to lead in the future to an outflow of funds, and where the amount involved can be reliably estimated. Non-current provisions are recognized at the present value of the future outflow of resources and accrue interest over the period until the expected claim is made.

Taxes on income
The PCC Group recognizes deferred taxes in accordance with IAS 12 for differences between the carrying amounts of assets and liabilities in the balance sheet and their tax base. 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 monetized. 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 monetization 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
For the principles and methods of accounting for leases in accordance with IFRS 16, please refer to Note (2).

Revenue recognition
The PCC Group generates its sales revenue pursuant to IFRS 15 mainly in the segments of the Chemicals division by selling its own chemical products and by trading in chemical commodities and products, and in the Logistics division by providing a comprehensive range of logistics and transport services. The Group also generates sales revenue in its Energy segment through electricity generation and electricity trading on the basis of both conventional and renewable energy resources.

In the recognition of revenue, the Group follows the five-step model of IFRS 15:
1. Identification of a contract with a customer
2. Identification of distinct performance obligations
3. Determination of the transaction price
4. Allocation of the transaction price to the distinct performance obligations
5. Revenue recognition on fulfillment of the distinct performance obligations

Revenue is recognized net of sales tax or value-added tax, cash discounts, bonuses and rebates, either at the time or over the period in which the customer gains control of the agreed goods and/or services and is able to derive benefit from them. The majority of the performance obligations of the PCC Group are fulfilled at one and the same time. The relatively subordinate form of revenue recognition over a period of time occurs primarily in the Energy segment in the sale of electricity and the provision of services. Essentially, the PCC Group's sales activities are not based on any material financing components. The average payment period is 11 days.

The Group recognizes contract liabilities for unfulfilled performance obligations for which consideration has already been received from the customer, and reports this amount in the balance sheet under other liabilities. If, on the other hand, the Group meets a performance obligation, the claim for consideration in the Group is recognized as a contract asset in other receivables and other assets, unless this claim is linked solely to the passage of time.

Interest income is recognized pro rata temporis using the effective interest method. Dividend income is recognized once the right to collect payment arises.

Government grants
Government grants per IAS 20 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, and that the grant will be received. The release of this deferred income is effected through profit and loss under other operating income over the full period of depreciation assigned to the asset created.

Exploration for and evaluation of mineral resources
Expenditures on viable exploration drilling operations and non-productive drilling operations are capitalized in accordance with IFRS 6. 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 depreciated 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 loss.

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 not 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, 2019**	Dec. 31, 2018	**2019**	2018
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)	**2.3524**	2.4734	**2.3418**	2.4054
Czech koruna (CZK)	**25.4080**	25.7240	**25.6700**	25.6470
Icelandic króna (ISK)	**135.8000**	133.2300	**137.2800**	127.7301
North Macedonian denar (MKD)	**61.4856**	61.4950	**61.5053**	61.5111
Malaysian ringgit (MYR)	**4.5953**	4.7317	**4.6374**	4.7634
Polish złoty (PLN)	**4.2568**	4.3014	**4.2976**	4.2615
Romanian leu (RON)	**4.7830**	4.6635	**4.7453**	4.6540
Russian ruble (RUB)	**69.9563**	79.7153	**72.4553**	74.0416
Thai baht (THB)	**33.4150**	37.0520	**34.7569**	38.1644
Turkish lira (TRY)	**6.6843**	6.0588	**6.3578**	5.7077
Ukrainian hryvnia (UAH)	**26.4220**	31.7141	**28.9406**	32.1289
US dollar (USD)	**1.1234**	1.1450	**1.1195**	1.1810

Use of assumptions and estimates
Preparation of the consolidated financial statements as of December 31, 2019 in compliance with IFRSs requires certain estimates and assumptions to be made by the management that influence the amounts attributed to recognized 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 provisions for pensions, and also taxes on income. 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.

Notes to the individual items of the consolidated statement of income

(6) Sales revenue

Sales revenue in fiscal 2019 amounted to € 767.5 million (previous year: € 779.2 million). This includes € 0.2 million (previous year: € 0.1 million) in revenue from contract liabilities at the beginning of the reporting period. Of these proceeds, € 670.4 million came from the sale of goods and € 97.1 million from the provision of services, the latter primarily in the form of transport services.

The predominant portion of revenues from the sale of goods relates to the manufacture and sale of chemical products, which sales are essentially realized at a specific point in time. In total, the point-in-time revenue recognition amounted to € 746.8 million, with time-period revenue recognition at € 20.7 million.

At December 31, 2019, there were only insignificant performance obligations from existing contracts that had not yet been fulfilled or had only been partially fulfilled as of the reporting date. Annual revenues of € 23 k are expected from this source in both 2020 and 2021.

Group sales in the reporting segments are spread across various geographic markets. For more information, please refer to the segment report under Note (17).

(7) Other internal costs capitalized

The total of internal costs capitalized essentially derives from manufacturing costs in respect of work or assets capitalized, with any material intercompany profits eliminated. The total for this item increased in the year under review from € 8.5 million to € 14.0 million.

(8) Purchased goods and services

Figures in € k	2019	2018
Cost of raw materials, supplies and merchandise	420,740	445,702
Cost of external services	88,845	95,324
Transport and warehouse costs	20,310	18,885
Total purchased goods and services	**529,894**	559,911

The cost of purchased goods and services decreased compared to the previous year by € 30.0 million or 5.4 % to € 529.9 million. This was due in particular to the fall in procurement prices for raw materials from summer 2019 onward. The primary effect was that the chemical production units were able to purchase their feedstock materials at lower prices, although the chemical commodities trading business also felt the impact of this development. The decrease in expenditures on purchased services resulted from developments at the Intermodal Transportation business unit, due especially to the increasing use of proprietary equipment.

(9) Personnel expenses

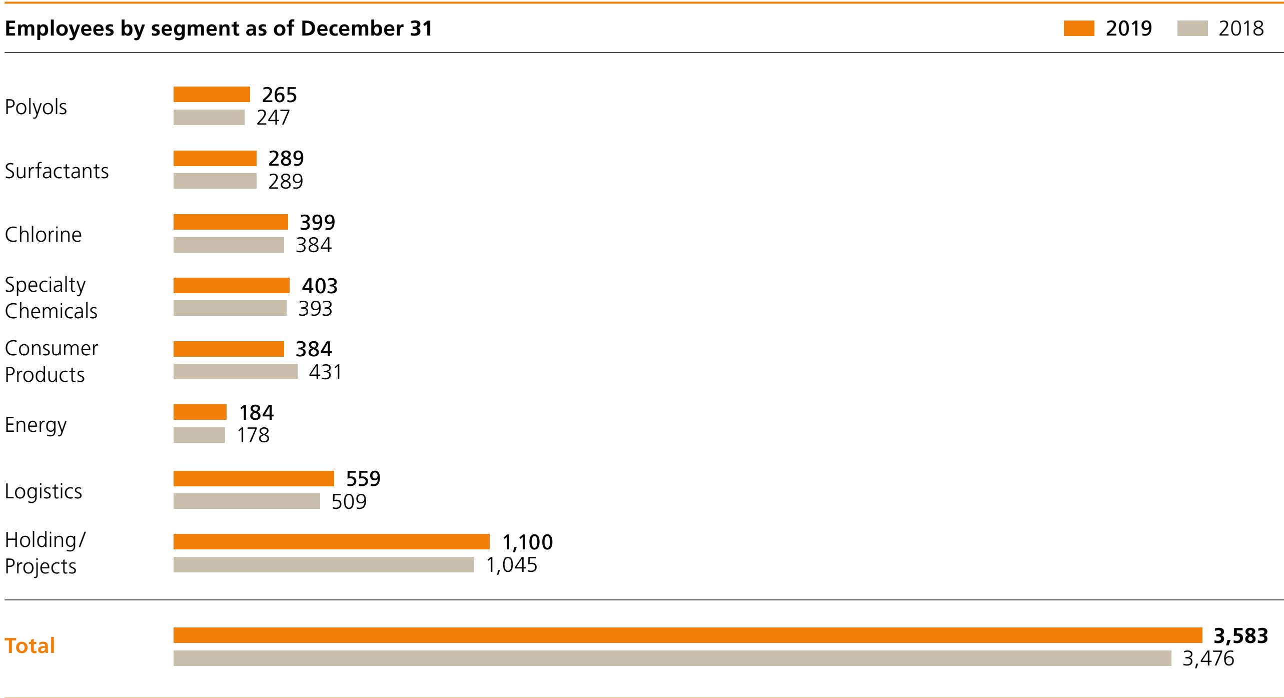
Figures in € k	2019	2018
Wages and salaries	78,627	70,521
Social security contributions	15,404	13,732
Pension costs	549	221
Total personnel expenses	**94,580**	84,475

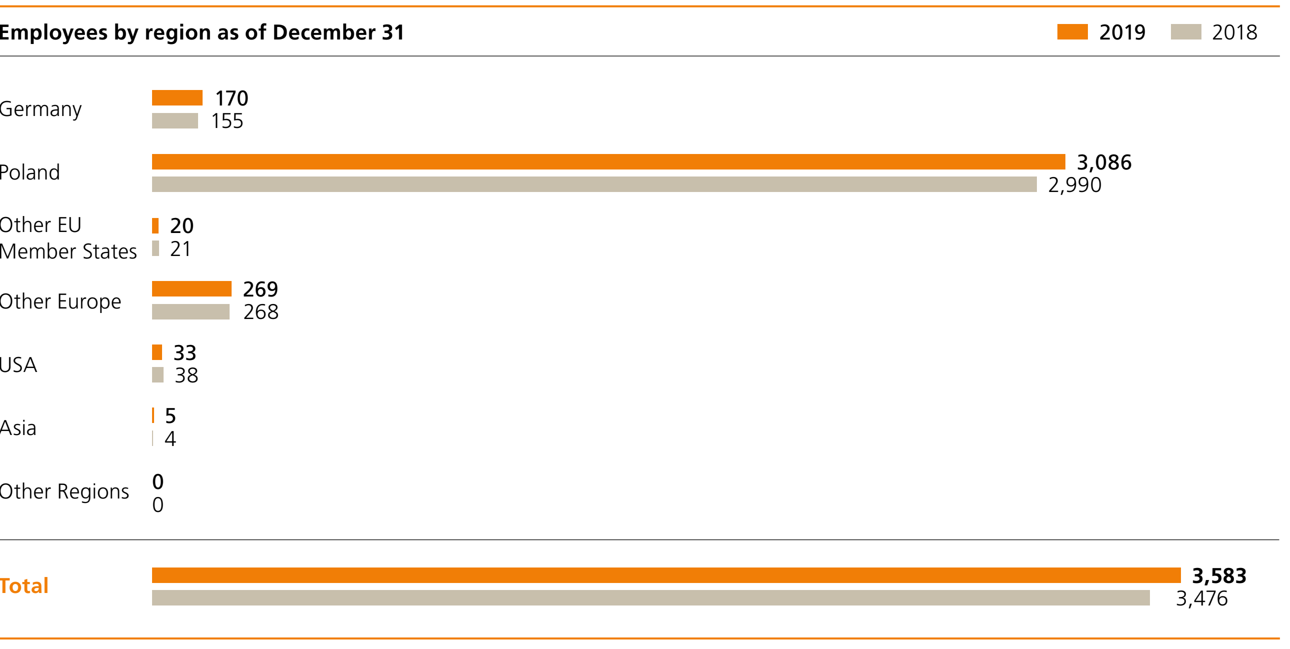
Personnel expenses rose by € 10.1 million or 12.0 % year on year, to € 94.6 million. This increase was primarily due to the growth in personnel numbers following capacity expansions across almost all segments. Continuing high wage pressures, particularly in Poland, also had a contributory effect. At 3,583 at the end of 2019, the number of employees was 107 or 3.1 % higher than the 3,476 we had at the end of the previous year.

	Dec. 31, 2019	Dec. 31, 2018
Salaried employees	1,719	1,647
Waged employees	1,864	1,829
Total employees at year-end	**3,583**	3,476

The companies of the PCC Group employed an average of 3,542 people in 2019 (previous year: 3,460), an increase of 82 or 2.4 % year on year.

The following graphics show the 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 silicon metal plant of PCC BakkiSilicon hf., Húsavík (Iceland), is also assigned to this segment.


Employees by segment as of December 31
2019
2018
Polyols
265
247
Surfactants
289
289
Chlorine
399
384
Specialty Chemicals
403
393
Consumer Products
384
431
Energy
184
178
Logistics
559
509
Holding/ Projects
1,100
1,045
Total
3,583
3,476


Employees by region as of December 31
2019
2018
Germany
170
155
Poland
3,086
2,990
Other EU Member States
20
21
Other Europe
269
268
USA
33
38
Asia
5
4
Other Regions
0
0
Total
3,583
3,476

(10) Other operating income

Figures in €k	2019	2018
Income from the sale of energy efficiency certificates	**2,717**	–
Income from derivatives	**1,058**	358
Income on disposal of property, plant and equipment	**849**	302
Insurance reimbursements	**729**	123
Income from costs recharged	**360**	270
Income from write-ups on non-current assets	**326**	31
Rental and similar income	**325**	570
Income from the reversal of individual value adjustments and ECL on accounts receivable	**193**	265
Income from the reversal of other provisions	**70**	144
Income on disposal of financial assets	**4**	20
Income from receipt of default penalty payments	**–**	9,695
Sundry other operating income	**7,653**	7,843
Total other operating income	**14,283**	19,622

Other operating income declined by €5.3 million from €19.6 million to €14.3 million in the year under review. This decrease is mainly due to the receipt in the previous year of contractual penalties in the amount of €9.7 million resulting from the late commissioning by the plant constructor of the two furnaces of the silicon metal plant in Iceland. The contract for the turnkey handover of the plant also provides for further contractual penalties which are currently being examined. Any amounts over and above the penalties received in 2018 for late commissioning have not yet been accounted for.

The largest single item in fiscal 2019 is income from the sale of energy efficiency certificates amounting to €2.7 million. These certificates were granted free of charge on application for a particularly energy-saving investment. All the certificates not required to cover our own energy volumes were sold.

As in the previous year, sundry other operating income comprises various individual items that are not in themselves material.

(11) Other operating expenses

Figures in € k	2019	2018
Maintenance and repair expenses	13,214	7,750
Legal, consultancy and auditing expenses	7,322	6,026
General business expenses	7,039	6,262
Other taxes	5,444	5,303
Insurance premiums	4,916	4,235
Rent and similar expenses	4,873	3,602
Travel and hospitality expenses	4,748	4,885
Non-wage personnel expenses	2,447	2,612
Marketing, selling and distribution expenses	2,088	2,002
Increase in individual value adjustments and ECL on accounts receivable	1,709	306
Losses on disposal of property, plant and equipment	325	32
Sundry other operating expenses	17,882	17,890
Total other operating expenses	**72,006**	**60,905**

Other operating expenses increased by € 11.1 million or 18.2 % from € 60.9 million to € 72.0 million in fiscal 2019.

As in the previous year, the biggest single item was maintenance and repair costs at € 13.2 million. The expenses were mainly attributable to the asset-intensive businesses of the Chemicals segments. 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). In the past fiscal year, other taxes amounted to € 5.4 million, € 0.1 million above the previous year's figure of € 5.3 million.

The increase in individual value adjustments and ECL on receivables from € 0.3 million in the previous year to € 1.7 million in the year under review is mainly due to the insolvency of a customer in the Specialty Chemicals segment and the associated necessary write-down of receivables in the amount of € 1.0 million.

As in the previous year, sundry other operating expenses comprise various individual items that are not in themselves material.

Research and development expenses for the current reporting period came in at € 14.8 million (previous year: € 4.5 million).

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

Figures in € k	2019	2018
Equity value as of Jan. 1	**1,207**	1,466
Additions	–	1,474
Proportionate net profit/loss	–2,044	–2,408
Adjustments for negative value	759	647
Other changes	77	28
Equity value as of Dec. 31	**0**	1,207

Due to loss allocations exceeding the equity valuations of OOO DME Aerosol, Pervomaysky (Russia), and IRPC Polyol Company Ltd., Bangkok (Thailand), the equity method has been suspended for these two companies. The losses are to be carried in a subledger and will first be offset against future income before any positive share of earnings is recognized in the consolidated statement of income. As of December 31, 2019, the accumulated losses amounted to € 1.6 million (previous year: € 0.9 million). This means that, in the year under review, losses amounting to € 0.8 million have not been recognized.

The other changes relate to currency translation effects.

OOO DME Aerosol Figures in € k	2019	2018
Income statement		
Revenues	1,594	–
EBITDA	–146	–222
EBT	–536	–1,503
Net result	–347	–1,294
Balance sheet		
Non-current assets	26,902	19,372
Current assets	928	2,369
Non-current liabilities	27,058	19,936
Current liabilities	2,926	3,380

IRPC Polyol Company Ltd. Figures in € k	2019	2018
Income statement		
Revenues	18,674	21,118
EBITDA	–3,423	–2,466
EBT	–3,741	–2,673
Net result	–3,741	–3,523
Balance sheet		
Non-current assets	4,970	4,670
Current assets	11,594	10,996
Non-current liabilities	414	135
Current liabilities	17,162	12,933

(13) Depreciation and amortization

In the year under review, depreciation and amortization expenses rose by € 19.3 million or 53.1 % to € 55.7 million. This substantial increase is due in the first instance to the continuation of the extensive capital expenditure program of the PCC Group that has been put in train in recent years. Also, the figures for 2019 include for the first time write-downs on right-of-use assets.

Figures in € k	2019	2018
Amortization of intangible assets	3,408	1,965
Depreciation of property, plant and equipment and right-of-use assets	52,303	34,435
Total depreciation and amortization	**55,711**	36,400

Amortization of non-current intangible assets relates to industrial property rights and similar rights. There were no value adjustments to goodwill either in fiscal 2019 or the previous year. For further information in relation to goodwill, please refer to Note (19). In fiscal 2019, total impairment losses with respect to intangible assets, property, plant and equipment and right-of-use assets amounted to € 5.6 million (previous year: € 1.2 million). While the impairment losses in the previous year were mainly attributable to the Chlorine segment, those in the year under review relate primarily to property, plant and equipment in the Energy, Chlorine and Holding/Projects segments.

(14) Interest result

The result from interest income and interest expenses declined by 3.4 % from € –23.5 million in the previous year to € –24.3 million in fiscal 2019. The breakdown of the individual items reads as follows:

Figures in € k	2019	2018
Interest and similar income	**2,787**	1,877
Interest income from deposits	90	60
Interest income on bank balances	1,846	1,179
Interest income on intercompany loans	851	638
Interest and similar expenses	**27,079**	25,366
Interest payable on bonds	15,312	17,251
Interest payable on bank liabilities	9,216	6,944
Interest payable on factoring arrangements	171	151
Interest expense from discounting of non-current provisions	195	136
Interest expense from leases	1,860	290
Interest expense from derivative financial instruments	296	583
Interest expense on loans received from affiliates	29	10
Interest result	**–24,292**	–23,489

As in the previous year, the largest single item was interest payable on bonds which, at € 15.3 million, was € 1.9 million down on the prior-year figure of € 17.3 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.

The increase in interest expenses from leases of € 1.6 million to € 1.9 million is essentially the result of the remeasurement of leases that are now recognized in the balance sheet in accordance with IFRS 16. In the previous year, this item was made up exclusively of the interest expense component from finance leases in accordance with IAS 17.

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 € 16.8 million (previous year: € 17.1 million) were recognized on the assets side. The financing cost rate was 6.7 % (previous year: 5.9 %). The weighted interest rate across all interest-bearing liabilities in the reporting year was 4.8 %, a decrease of 0.2 percentage points versus the rate of 5.0 % for the previous year.

(15) Currency translation result

Figures in €k	2019	2018
Foreign exchange rate gains	12,077	31,722
Foreign exchange rate losses	11,610	35,555
Currency translation result	**466**	–3,833

Gains and losses arising from foreign exchange/currency translation differences are recognized under financial result. Both expenses and income from currency translation decreased year on year. On balance, this yielded a positive net effect on earnings of €0.5 million, €4.3 million above the prior-year figure of €–3.8 million.

(16) Taxes on income/Tax expense

Figures in €k	2019	2018
Current taxes on income, Germany	1,523	1,633
Current taxes on income, abroad	11,176	2,439
Current income tax expense	**12,699**	4,072
Deferred tax income (–)/expense (+)	–437	–74
Total taxes on income	**12,261**	3,998
Other taxes incl. VAT and other excise duties	5,444	5,303
Total tax expense	**17,705**	9,301

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 of €5.4 million (previous year: €5.3 million) include property taxes, wealth taxes and other comparable taxes. These are allocated to other operating expenses.

The increase in foreign income taxes results from an uncertain tax liability which could become effective in the event of non-compliance with investment requirements within a certain period. If these investment requirements are met in future periods, the liability will be derecognized.

The effective tax rate of the PCC Group has increased from 9.6 % in the previous year to 63.5 % in the year under review. The differences between the corporate income tax rate of 30 % applicable in Germany for 2019, which remained unchanged versus the prior year, and the effective tax rate are indicated in the following reconciliation statement:

Figures in € k	2019	2018
Earnings before taxes (EBT)	**19,295**	**41,512**
Anticipated income tax burden at parent company	5,788	12,453
Effects of changes on income tax rates	370	1
Foreign tax rate differentials	2,423	6,248
Results from investments accounted for using the equity method	1,285	1,761
Non-taxable income	–33,765	–17,081
Non-deductible expenses	21,086	15,145
Deduction of losses for which deferred taxes have been provided	–2,478	–919
Deduction of losses for which deferred taxes have not been provided	–1,069	–544
Non-period-related taxes	–42	–133
Result in special economic zones	–36,954	–59,150
Permanent differences	–23,899	–28,853
Other effects	79,517	75,070
Effective income tax	**12,261**	**3,998**

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 increased by € 30.3 million.

Tax loss carry-forwards from which no deferred tax assets have been created amount to € 136.8 million (previous year: € 125.8 million) and are primarily attributable to the Group holding company.

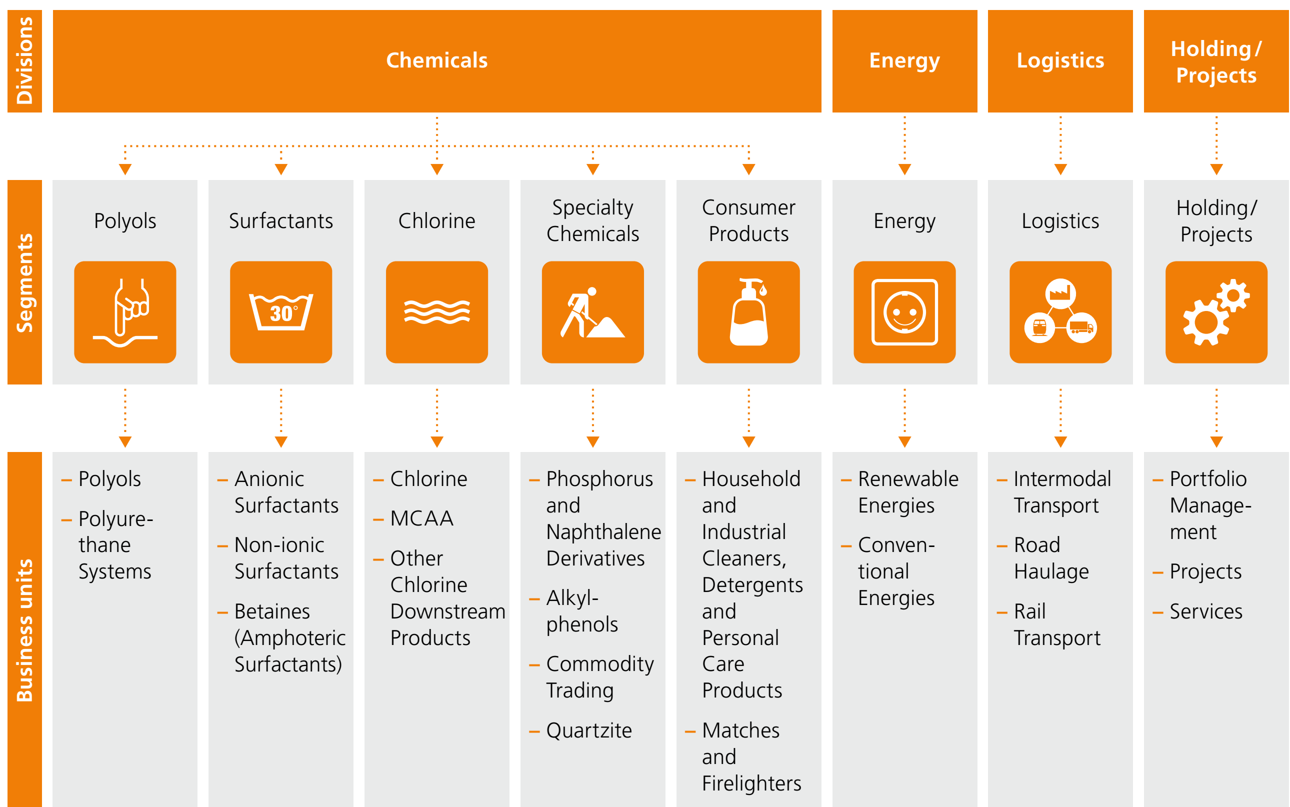
Figures in € k	Dec. 31, 2019	Dec. 31, 2018
Usable within:		
1 year	3	–
2 years	25	4
3 years	277	163
4 years	181	757
5 years and thereafter	34,543	2,321
Carried forward without restriction	4,529	5,998
Total usable tax losses carried forward	**39,557**	**9,244**

Segment report

(17) Business segment report

The PCC Group currently has some 3,500 employees working at 41 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, which – in addition to the holding company PCC SE – also includes other companies and entities, provides predominantly central Group services in the areas of finance, business development, information technology, environmental protection, site infrastructure management, research & development, engineering & technology and maintenance & repair.

The divisions, segments and business units of the PCC Group



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 scrutiny 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 pools, for example, it serves as a disinfectant protecting bathers from germs. Produced nowadays by an environmentally compatible process, chlorine and downstream chlorine products manufactured by PCC are also used in water treatment and in 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. So far, we have commissioned five of these environmentally compatible electricity generators: one in Bosnia and Herzegovina and four in North Macedonia where another started trial operations in March 2020.

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 proprietary terminals. Operating throughout Europe, the tanker fleet of PCC specializes in the road haulage of liquid chemicals. And in Russia, PCC maintains a fleet of broad-gauge railway freight cars.

The Holding/Projects segment provides corporate and interdivisional services to the Group companies in fields such as finance, information technology, research & development, and maintenance & repair. Also managed under this segment are PCC BakkiSilicon hf. (silicon metal plant in Iceland), OOO DME Aerosol (dimethyl ether plant in Russia) and several further project companies. Likewise operating under the holding company's umbrella are the online shops of the PCC Group which operate under the name "distripark".

The valuation principles for the Group's segment report are based on those used in preparation of the consolidated financial statements per IFRS. Group-internal transactions are essentially performed as with 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 decision-maker 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 allocating resources to the operating segments of the Group and assessing their financial performance relates to the types of products manufactured or services provided.

Sales in fiscal 2019 totaled € 767.5 million, 1.5 % lower than the figure of € 779.2 million generated in the previous year. This was largely due to price effects. At € 141.1 million, sales of the Polyols segment remained virtually flat year on year. With sales of € 123.2 million, the Surfactants segment was also able to sustain its performance at the level of the previ-

ous year, as was the Chlorine segment with a minor decline in revenues from € 155.5 million to € 154.8 million. Sales of the Specialty Chemicals segment decreased significantly year on year, by 7.4 % to € 205.6 million. The Consumer Products segment, which was still in the process of restructuring in the 2019 fiscal year, saw sales hold steady at € 21.6 million.

With an increase in revenues of 9.5 % from € 88.7 million to € 97.1 million, the Logistics segment once again posted strong growth attributable to a further increase in the operating rate of the container terminals expanded and modernized in previous years. The Energy segment posted flat sales of € 12.4 million (previous year: € 12.3 million).

With sales totaling € 646.3 million (previous year: € 668.7 million) from the five segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products, the Chemicals division accounted for a slightly reduced but still high 84.2 % (previous year: 85.8 %) of the Group's total operating output in fiscal 2019. The proportion of total Group sales generated by the Logistics segment increased slightly to 12.7 % (previous year: 11.4 %). The share accounted for by the Energy segment was unchanged year on year at 1.6 %. With sales of € 11.6 million (previous year: € 9.5 million), the proportion of total Group revenues attributable to the Holding/Projects segment amounted to 1.5 % (previous year: 1.2 %).

Figures in € k	2019	2018
EBITDA	**98,970**	**105,330**
Depreciation and amortization	55,711	36,400
Financial result	−23,964	−27,419
EBT	**19,295**	**41,512**

Business segment report Figures in € k	Polyols		Surfactants		Chlorine		Specialty Chemicals	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Sales per segment (total performance)	**172,246**	170,749	**150,515**	151,185	**230,969**	229,428	**229,650**	249,147
Sales with other PCC segments	**31,162**	25,345	**27,267**	26,716	**76,176**	73,956	**24,041**	27,012
Net external sales (consolidated)	**141,084**	**145,404**	**123,247**	**124,469**	**154,793**	**155,472**	**205,609**	**222,135**
Contribution to total revenue	**18.4 %**	18.7 %	**16.1 %**	16.0 %	**20.2 %**	20.0 %	**26.8 %**	28.5 %
EBITDA	**8,199**	7,193	**13,005**	10,243	**55,690**	67,561	**10,454**	9,321
EBITDA margin	**5.8 %**	4.9 %	**10.6 %**	8.2 %	**36.0 %**	43.5 %	**5.1 %**	4.2 %
EBIT	**4,273**	4,697	**9,919**	7,976	**40,182**	54,332	**4,398**	6,224
EBIT margin	**3.0 %**	3.2 %	**8.0 %**	6.4 %	**26.0 %**	34.9 %	**2.1 %**	2.8 %
Intangible assets	**3,645**	2,424	**1,637**	2,492	**16,811**	17,512	**2,198**	1,864
Property, plant and equipment	**51,413**	49,979	**49,738**	42,383	**203,874**	193,320	**46,012**	36,281
Financial liabilities	**48,450**	38,545	**42,929**	39,757	**139,207**	126,588	**41,387**	32,849
Capital expenditures on intangible assets and property, plant and equipment	**6,479**	8,517	**9,572**	4,818	**27,718**	32,771	**15,826**	9,220
Depreciation and amortization	**3,926**	2,496	**3,085**	2,267	**15,508**	13,229	**6,055**	3,096
Capital employed (average)	**63,507**	59,001	**69,956**	68,174	**239,780**	219,271	**78,595**	70,073
ROCE	**6.7 %**	8.0 %	**14.2 %**	11.7 %	**16.8 %**	24.8 %	**5.6 %**	8.9 %
Result from investments accounted for using the equity method	**–1,870**	–1,761	**–**	–	**–**	–	**–**	–
Employees at Dec. 31	**265**	247	**289**	289	**399**	384	**403**	393
Employees (annual average)	**259**	253	**288**	291	**389**	380	**400**	380

Sales by segment 2019 in %

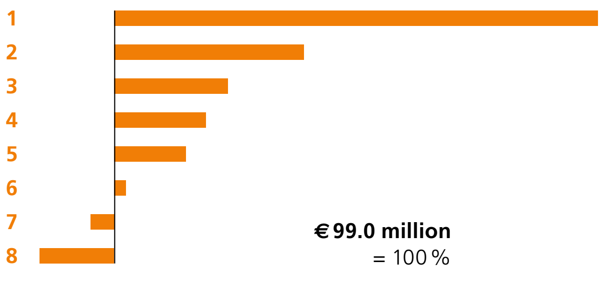
1	Specialty Chemicals	**26.8 %**	**5**	Logistics	**12.7 %**
2	Chlorine	**20.2 %**	**6**	Consumer Products	**2.8 %**
3	Polyols	**18.4 %**	**7**	Energy	**1.6 %**
4	Surfactants	**16.1 %**	**8**	Holding/Projects	**1.5 %**

1 2 3 4 5 6 7 8

€ 767.5 million
= 100 %

EBITDA by segment 2019 in %

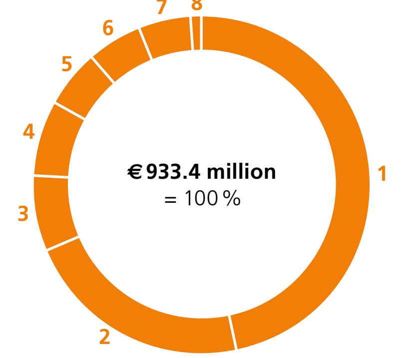
1	Chlorine	**56.3 %**	**5**	Polyols	**8.3 %**
2	Logistics	**22.0 %**	**6**	Energy	**1.2 %**
3	Surfactants	**13.1 %**	**7**	Consumer Products	**–2.6 %**
4	Specialty Chemicals	**10.6 %**	**8**	Holding/Projects	**–8.9 %**



Consumer Products		Energy		Logistics		Holding/Projects		Consolidated		PCC Group	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
22,995	22,454	34,185	32,696	112,822	102,317	65,817	54,147	–	–	1,019,198	1,012,123
1,396	1,200	21,779	20,391	15,681	13,639	54,177	44,635	–	–	251,678	232,893
21,599	21,254	12,406	12,305	97,141	88,679	11,640	9,512	–	–	767,520	779,230
2.8 %	2.7 %	1.6 %	1.6 %	12.7 %	11.4 %	1.5 %	1.2 %	–	–	100.0 %	100.0 %
–2,552	–5,568	1,191	4,252	21,770	10,990	–8,331	2,119	–454	–780	98,970	105,330
–11.8 %	–26.2 %	9.6 %	34.6 %	22.4 %	12.4 %	–71.6 %	22.3 %	–	–	12.9 %	13.5 %
–3,927	–6,938	–3,803	1,122	11,913	6,692	–18,760	–3,626	–936	–1,550	43,259	68,930
–18.2 %	–32.6 %	–30.7 %	9.1 %	12.3 %	7.5 %	–161.2 %	–38.1 %	–	–	5.6 %	8.8 %
20	10	12,036	7,691	414	334	1,473	1,741	6,970	7,151	45,203	41,219
9,912	12,458	67,729	70,341	66,402	71,826	442,651	376,333	–4,314	–4,777	933,418	848,145
25,783	17,712	59,630	51,931	57,149	42,651	790,227	652,002	–249,096	–182,971	955,666	819,063
174	424	2,471	8,038	10,838	3,901	111,862	110,754	–21,439	–9,871	163,500	168,570
1,375	1,369	4,995	3,129	9,857	4,298	10,428	5,745	482	770	55,711	36,400
11,483	12,399	108,978	100,459	75,346	62,023	1,397,741	1,279,632	–1,008,105	–960,866	1,037,281	910,166
–34.2%	–56.0 %	–3.5%	1.1 %	15.8 %	10.8 %	–1.3 %	–0.3 %	–	–	4.2 %	7.6 %
–	–	–	–	–	–	–174	–647	759	647	–1,285	–1,761
384	431	184	178	559	509	1,100	1,045	–	–	3,583	3,476
390	492	181	179	545	487	1,090	997	–	–	3,542	3,460

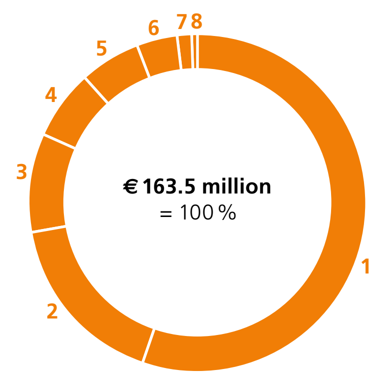
Property, plant and equipment by segment 2019 in %

1	Holding/Projects	47.0 %	5	Polyols	5.5 %
2	Chlorine	21.8 %	6	Surfactants	5.3 %
3	Energy	7.3 %	7	Specialty Chemicals	4.9 %
4	Logistics	7.1 %	8	Consumer Products	1.1 %



Capital expenditures by segment 2019 in %

1	Holding/Projects	55.3 %	5	Surfactants	5.9 %
2	Chlorine	17.0 %	6	Polyols	4.0 %
3	Specialty Chemicals	9.7 %	7	Energy	1.5 %
4	Logistics	6.6 %	8	Consumer Products	0.1 %



(18) Regional segment report

Figures in € k	Germany		Poland		Other EU Member States	
	2019	2018	**2019**	2018	**2019**	2018
Customer location						
Net external sales (consolidated)	**178,728**	176,042	**277,000**	287,503	**181,458**	191,074
Contribution to total revenue	**23.3 %**	22.6 %	**36.1 %**	36.9 %	**23.6 %**	24.5 %
Company location						
Net external sales (consolidated)	**139,173**	146,725	**586,397**	586,737	**12,556**	19,456
Contribution to total revenue	**18.1 %**	18.8 %	**76.4 %**	75.3 %	**1.6 %**	2.5 %
EBITDA	**−4,150**	−4,446	**105,675**	97,077	**−1,626**	−241
EBITDA margin	**−3.0 %**	−3.0 %	**18.0 %**	16.5 %	**−12.9 %**	−1.2 %
EBIT	**−7,551**	−5,782	**59,668**	65,203	**−1,654**	−266
EBIT margin	**−5.4 %**	−3.9 %	**10.2 %**	11.1 %	**−13.2 %**	−1.4 %
Intangible assets	**615**	544	**34,606**	30,415	**130**	128
Property, plant and equipment	**7,090**	12,055	**519,433**	504,155	**4,435**	4,195
Investment property	**–**	–	**1,212**	874	**–**	–
Financial liabilities	**429,982**	360,135	**402,634**	332,729	**5,175**	4,867
Capital expenditures on intangible assets and property, plant and equipment	**32,703**	17,835	**80,385**	71,854	**269**	279
Depreciation and amortization	**3,401**	1,337	**46,007**	31,874	**28**	25
Result from investments accounted for using the equity method	**–**	–	**–**	–	**–**	–
Employees at Dec. 31	**170**	155	**3,086**	2,990	**20**	21
Employees (annual average)	**165**	143	**3,048**	3,018	**21**	22

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 2019, the Group generated 23.3 % of its sales revenues with customers in Germany (previous year: 22.6 %), while 36.1 % was accounted for by customers in Poland (previous year: 36.9 %).

The PCC Group generated a total of 83.0 % of its sales with customers in the member states of the European Union (previous year: 84.0 %), the majority share being taken by Poland and Germany.

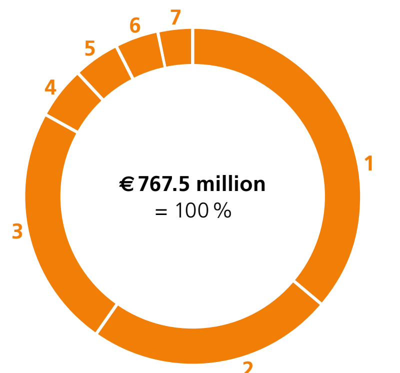
Poland accounted for net external Group sales by company location of € 586.4 million (previous year: € 586.7 million), corresponding to around 76.4 % of the Group total (previous year: 75.3 %). Based on customer location, the figure for Poland was € 277.0 million (previous year: € 287.5 million) or around 36.1 % (previous year: 36.9 %). The sales figure in Germany increased from € 176.0 million to € 178.7 million by customer location, while there was a decrease in revenues from € 146.7 million to € 139.2 million by location of company.

Capital expenditures totaled € 163.5 million (previous year: € 168.6 million). The largest share of this was accounted for by the regions Poland and Other Europe, primarily due to the completion of the silicon metal plant construction project in Iceland, and – in the Chlorine segment – as a result of the expansion of the membrane electrolysis plant. Capital expenditures in Poland amounted to € 80.4 million (previous year: € 71.9 million) and in the region Other Europe the figure was € 71.5 million (previous year: € 88.4 million).

Other Europe		USA		Asia		Other Regions		Consolidated		PCC Group	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
34,865	37,121	**23,503**	20,892	**39,214**	37,494	**32,751**	29,104	**–**	–	**767,520**	779,230
4.5 %	4.8 %	**3.1 %**	2.7 %	**5.1 %**	4.8 %	**4.3 %**	3.7 %	**–**	–	**100.0 %**	100.0 %
10,231	7,193	**19,162**	19,120	**–**	–	**–**	–	**–**	–	**767,520**	779,230
1.3 %	0.9 %	**2.5 %**	2.5 %	**–**	–	**–**	–	**–**	–	**100.0 %**	100.0 %
−773	14,158	**791**	520	**−493**	−959	**–**	–	**−454**	−780	**98,970**	105,330
−7.6 %	196.8 %	**4.1 %**	2.7 %	**–**	–	**–**	–	**–**	–	**12.9 %**	13.5 %
−6,199	12,005	**546**	280	**−615**	−960	**–**	–	**−936**	−1,550	**43,259**	68,930
−60.6 %	166.9 %	**2.8 %**	1.5 %	**–**	–	**–**	–	**–**	–	**5.6 %**	8.8 %
1,900	2,013	**982**	967	**–**	–	**–**	–	**6,970**	7,151	**45,203**	41,219
400,888	328,559	**3,248**	3,366	**2,639**	591	**–**	–	**−4,314**	−4,777	**933,418**	848,145
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,212**	874
365,665	303,146	**862**	1,087	**444**	71	**–**	–	**−249,096**	−182,971	**955,666**	819,063
71,487	88,371	**95**	101	**1**	1	**–**	–	**−21,439**	−9,871	**163,500**	168,570
5,426	2,153	**245**	240	**122**	1	**–**	–	**482**	770	**55,711**	36,400
−174	−647	**–**	–	**−1,870**	−1,761	**–**	–	**759**	647	**−1,285**	−1,761
269	268	**33**	38	**5**	4	**0**	0	**–**	–	**3,583**	3,476
268	235	**35**	39	**6**	3	**0**	0	**–**	–	**3,542**	3,460

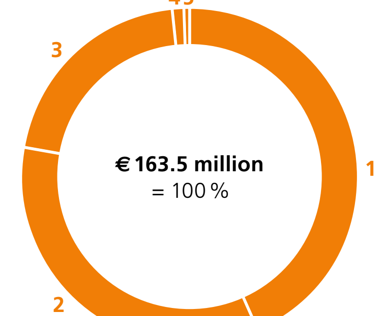
Sales by region 2019 in %

1	Poland	**36.1 %**
2	Other EU Member States	**23.6 %**
3	Germany	**23.3 %**
4	Asia	**5.1 %**
5	Other Europe	**4.5 %**
6	Other Regions	**4.3 %**
7	USA	**3.1 %**



Capital expenditures by region 2019 in %

1	Other Europe	**43.7 %**
2	Poland	**36.1 %**
3	Germany	**20.0 %**
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, 2019	30,734	8,811	9,059	5,333	**53,938**
Additions	7,457	–	468	2,082	**10,007**
Disposals	2,686	–	–	744	**3,431**
Reclassifications	788	–	420	–1,415	**–207**
Currency translation differences	258	34	95	56	**443**
Dec. 31, 2019	**36,552**	**8,845**	**10,043**	**5,311**	**60,750**
Amortization					
Jan. 1, 2019	10,625	811	937	346	**12,719**
Additions	4,277	–	433	93	**4,803**
Disposals	2,686	–	–	744	**3,431**
Impairment write-downs	–	–	–	1,410	**1,410**
Reversal of write-downs	–	–	3	173	**176**
Reclassifications	164	–	5	–81	**89**
Currency translation differences	86	16	14	17	**133**
Dec. 31, 2019	**12,466**	**827**	**1,387**	**868**	**15,547**
Net book value on Dec. 31, 2019	**24,086**	**8,019**	**8,656**	**4,443**	**45,203**

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 2019 from €41.2 million to €45.2 million. The change is mainly due to investments with the associated process licenses, plus a broad range of certificates.

Impairment losses of €1.4 million were recognized in the reporting year and mainly relate to development costs in the Specialty Chemicals and Polyols segments. At €0.1 million, total impairment losses in the previous year were negligible.

As of the reporting date, there were restricted rights of disposal on intangible assets in the amount of €1.9 million (previous year: €2.4 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: €0.3 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, 2018	23,222	8,732	9,007	1,890	**42,850**
Additions	8,218	–	64	3,638	**11,920**
Disposals	847	–	–	66	**913**
Reclassifications	613	–	249	–74	**787**
Currency translation differences	–472	80	–260	–54	**–707**
Dec. 31, 2018	**30,734**	**8,811**	**9,059**	**5,333**	**53,938**
Amortization					
Jan. 1, 2018	6,069	774	566	239	**7,648**
Additions	5,478	–	364	32	**5,874**
Disposals	847	–	–	48	**895**
Impairment write-downs	–	–	27	49	**76**
Reclassifications	–	–	–	82	**82**
Currency translation differences	–75	37	–20	–8	**–66**
Dec. 31, 2018	**10,625**	**811**	**937**	**346**	**12,719**
Net book value on Dec. 31, 2018	**20,109**	**8,000**	**8,122**	**4,987**	**41,219**

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.

The adjacent chart shows all the goodwill recognized within the Group as of December 31, 2019. 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 or 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.

Figures in €k	Dec. 31, 2019	Dec. 31, 2018
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.	**966**	948
PCC Exol SA	**515**	515
Goodwill	**8,019**	**8,000**

The annual impairment tests were carried out 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 budget 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. The tax rates remained unchanged year on year. As in the previous year, the weighted

average cost of capital (WACC) was determined on a regional basis. This was 6.98 % for Poland (previous year: 7.16 %) and 6.32 % for the USA (previous year: 6.23 %). Even with change in the 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	Other facilities, factory and office equipment	Advance payments and construction in progress	Total
Historical cost					
Jan. 1, 2019	176,240	389,874	170,995	364,894	**1,102,002**
Additions	105	6,153	950	141,058	**148,267**
Disposals	204	5,533	1,449	234	**7,420**
Reclassifications	181,144	157,444	58,699	−435,344	**−38,057**
Currency translation differences	1,785	5,566	1,720	6,317	**15,388**
Dec. 31, 2019	**359,070**	**553,504**	**230,915**	**76,691**	**1,220,180**
Depreciation					
Jan. 1, 2019	35,941	153,026	63,719	1,172	**253,858**
Additions	4,332	23,188	10,872	–	**38,393**
Disposals	170	5,288	1,031	294	**6,783**
Impairment write-downs	260	189	67	3,135	**3,650**
Reversal of write-downs	3	24	4	122	**154**
Reclassifications	−7,069	−17,054	18,107	−89	**−6,105**
Currency translation differences	483	2,627	756	38	**3,903**
Dec. 31, 2019	**33,773**	**156,664**	**92,486**	**3,839**	**286,762**
Net book value on Dec. 31, 2019	**325,297**	**396,841**	**138,429**	**72,852**	**933,418**

The net book value of property, plant and equipment increased from € 848.1 million to € 933.4 million in the year under review, attributable to 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 division represent the largest items of the past fiscal year.

Additions to property, plant and equipment in fiscal 2019 amounted to € 148.3 million (previous year: € 172.0 million). Of this figure, € 111.9 million (previous year: € 110.8 million) was invested in the Holding/Projects segment, under which – among others – the silicon metal plant in Iceland is managed, and € 27.7 million (previous year: € 32.8 million) in the Chlorine segment, under which the Chlorine business unit and the MCAA plant are managed. In the latter segment, fiscal 2019 saw further expansion in chlor-alkali electrolysis capacity.

Additions to depreciation of property, plant and equipment amounted to € 38.4 million in the year under review (previous year: € 43.3 million). The decline is primarily due to the completion of recent investment projects and the reclassification of right-of-use assets to a separate balance sheet item as part of the transition to IFRS 16.

In fiscal 2019, the Group as a whole recognized impairment losses of €3.7 million (previous year: €1.2 million) on property, plant and equipment. Of this figure, €1.2 million related to modernization measures carried out on facilities in the Energy segment.

Impairment losses in the amount of €0.6 million were attributable to buildings and building components managed in the Holding/Projects segment, with the same amount also incurred in respect of facilities in the Chlorine segment. Value write-ups in both the year under review and the previous year were negligible.

Figures in €k	Land and buildings	Plant and machinery	Other facilities, factory and office equipment	Advance payments and construction in progress	Total
Historical cost					
Jan. 1, 2018	170,584	347,219	150,648	278,618	**947,069**
Additions	402	11,475	5,193	154,960	**172,030**
Disposals	43	3,225	501	576	**4,346**
Reclassifications	9,783	45,455	19,630	−75,660	**−792**
Reclassified as held for sale	–	59	–	–	**59**
Currency translation differences	−4,486	−11,108	−3,975	7,552	**−12,017**
Dec. 31, 2018	**176,240**	**389,874**	**170,995**	**364,894**	**1,102,002**
Depreciation					
Jan. 1, 2018	31,780	129,764	55,494	1,597	**218,635**
Additions	5,104	27,998	10,225	–	**43,328**
Disposals	20	1,333	427	407	**2,186**
Impairment write-downs	–	1,138	–	105	**1,243**
Reversal of write-downs	−3	−16	−11	−1	**−31**
Reclassifications	3	1	−6	−82	**−83**
Reclassified as held for sale	–	29	–	–	29
Currency translation differences	−922	−4,554	−1,558	−41	**−7,076**
Dec. 31, 2018	**35,941**	**153,026**	**63,719**	**1,172**	**253,858**
Net book value on Dec. 31, 2018	**140,299**	**236,847**	**107,276**	**363,723**	**848,145**

As of the 2019 balance sheet date, there were restrictions on the right of disposal on individual items of property, plant and equipment in the amount of €545.2 million (previous year: €514.0 million). In addition, these serve as collateral security for liabilities. As of December 31, 2019, there were total investment commitments of €37.2 million (previous year: €34.7 million) relating to investments already contractually agreed but not yet completed. Furthermore, €0.5 million in insurance compensation attributable to property, plant and equipment was received in the past fiscal year (previous year: €0.1 million).

The sale of an investment property allocated to the Holding/Projects segment was completed in full in the reporting year. Due to a declared intention to sell in the short term, this investment property was reported in the previous year under “Assets held for sale” with a book value of €2.3 million. Liabilities directly relating to this asset were stated in the previous year as “Liabilities associated with assets held for sale” with a value of €0.8 million. The sale of the investment property in fiscal 2019 also resulted in the associated liabilities being settled in full.

(21) Investment property

Figures in € k	2019	2018
Historical cost		
Jan. 1	1,811	1,861
Additions	696	0
Reclassifications	–612	5
Currency translation differences	19	–54
Dec. 31	**1,915**	**1,811**
Depreciation		
Jan. 1	937	901
Additions	232	61
Reclassifications	–476	2
Currency translation differences	10	–27
Dec. 31	**703**	**937**
Net book value	**1,212**	**874**

As of December 31, 2019, the net book value of investment property amounted to € 1.2 million (previous year: € 0.9 million). The additions in fiscal 2019 relate to real estate classified as financial investments in the PCC Chemical Park in Brzeg Dolny. In total, income of € 0.3 million was generated with investment properties in the past fiscal year (previous year: € 0.5 million). This was offset by expenses of € 0.3 million (previous year: € 0.4 million). All such investment properties are located in the Brzeg Dolny Chemical Park (Poland) and are leased to third parties.

(22) Non-current financial investments

Classified under non-current financial investments are shares in affiliated companies which, for materiality reasons, are not consolidated, investments in other entities and also financial investment securities. Their value increased by € 2.9 million from € 2.1 million in the previous year to € 5.0 million. The adjustment to the fair value of the shares held in S.C. Oltchim S.A., Râmnicu Vâlcea (Romania), amounted to € –0.9 million in fiscal 2019 (previous year: € –6.0 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 associates and joint ventures, and other loans. On the balance sheet date, the total value under this heading amounted to € 18.7 million, € 1.6 million higher than the figure for the previous year of € 17.1 million. This includes, in particular, loans to the joint venture OOO DME Aerosol in the amount of € 8.9 million (previous year: € 5.8 million).

(24) Inventories

Figures in € k	Dec. 31, 2019	Dec. 31, 2018
Raw materials and supplies	31,472	28,496
Work in progress	16,120	15,088
Finished products	16,848	14,655
Merchandise	12,660	8,977
Goods in transit	1,844	3,136
Advance payments	1,789	2,842
Total inventories	**80,734**	73,195

Inventory values increased from € 73.2 million at the end of 2018 to € 80.7 million as of the reporting date. This is mainly due to the good capacity utilization of chemical plants and the corresponding demand for raw materials. Unlike in the previous year, the inventories of the silicon metal plant in Iceland are also reported under inventories as of the reporting date.

In fiscal 2019, write-ups of previously impaired inventories due to increased marketability were negligible (previous year: € 0.1 million). Impairment losses amounted to € 0.5 million (previous year: € 0.7 million).

(25) Trade accounts receivable

Figures in € k	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable	84,922	84,513
Expected credit losses (ECL) – Stage 1 and Stage 2	−279	−203
Losses already incurred – Stage 3	−3,955	−2,689
Total trade accounts receivable	**80,687**	81,621

Trade accounts receivable as of December 31, 2019 all had a remaining term of up to one year in their full amount. Their value decreased by € 0.9 million or 1.1 % year on year.

Expected future losses determined on the basis of the impairment model increased insignificantly by € 77 k in fiscal 2019. Additions to write-downs due to losses already incurred increased year on year from € 0.3 million to € 1.7 million. Overall, the Group has recognized value adjustments on trade accounts receivable in the amount of € 4.2 million, € 1.3 million more than in the previous year.

Figures in € k	2019	2018
Value adjustments per Jan. 1	**–2,892**	–3,826
Change in expected credit losses (Stage 1 and Stage 2)	–74	17
Change in losses already incurred (Stage 3)	–1,521	–60
Allowances used	274	918
Currency translation differences	–22	58
Value adjustments per Dec. 31	**–4,235**	–2,892

The maturity structure of all non-impaired trade accounts receivable is shown below. Approximately 89.0 % of the Group's receivables were neither impaired nor overdue as of December 31, 2019 (previous year: 88.6 %). Also shown are the default risks and the level of the expected credit losses (ECL) over the remaining term of each age group.

	Gross value of trade accounts receivable		Expected credit loss (ECL)	
Figures in € k	2019	2018	2019	2018
Not overdue	**71,745**	72,307	**30**	17
Overdue	**13,177**	12,206	**249**	185
up to 30 days	7,810	7,742	13	5
30 to 60 days	434	1,175	11	4
60 to 90 days	153	178	5	1
90 to 120 days	269	168	20	14
over 120 days	4,511	2,943	200	162
Expected credit loss (ECL)	**84,922**	84,513	**279**	203

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 € 14.4 million (previous year: € 12.2 million).

(26) Other receivables and other assets

Figures in €k	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Accounts receivable from affiliated companies	–	699	–	653
Accounts receivable from associates and joint ventures	–	168	–	–
Accounts receivable from enterprises in which participating interests are held	–	–	–	11,526
Security deposits paid	–	524	–	378
Reimbursement claims for VAT and other duties	–	13,987	–	9,577
Receivables from employees	–	21	–	19
Insurance claims	–	1	–	1
Positive fair values on derivative financial instruments	–	–	–	2
Prepaid expenses and deferred charges	676	3,697	1,207	4,151
Loans to affiliated companies	–	3,953	–	1,432
Contract assets	96	394	53	807
Sundry other assets	–	19,433	–	11,907
Other receivables and other assets	**772**	**42,876**	1,259	40,452

Accounts receivable from affiliated companies as of December 31, 2019 all have a remaining term of up to one year. 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 does not exercise control. The other items have remained largely unchanged year on year.

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 5,000,000 individual share certificates with a par value of €1 per share. The items included under revenue reserves/other reserves as of December 31, 2019 are as follows:

Figures in €k	Dec. 31, 2019	Dec. 31, 2018
Revenue reserves, retained earnings, valuation reserves and debit differentials set off against revenue reserves	94,716	73,117
IFRS transition reserve	21,635	21,635
Share of net result attributable to Group	3,626	27,554
First-time adoption of new IFRSs	–	–13
Total revenue reserves/other reserves	**119,977**	122,294

The movements in Group 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 € 17.4 million is disclosed in the revenue reserves as retained earnings. In fiscal 2019, the sole shareholder of PCC SE was paid out of retained earnings a dividend in the amount of € 4.0 million (previous year: € 1.85 million). This corresponds to a dividend per share amounting to € 0.80 (previous year: € 0.37). Recognized under other comprehensive income are differences arising from foreign currency translation. In the year under review, these increased Group equity by € 3.0 million to a total of € – 18.1 million (previous year: € – 21.0 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, 2019	– 21,037	– 257	575	411	– 85	**– 20,392**
Changes	3,086	– 173	– 900	2	– 10	**2,006**
Deferred taxes	–	33	263	–	–	**296**
Dec. 31, 2019	**– 17,951**	**– 397**	**– 62**	**414**	**– 94**	**– 18,090**

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, 2018	– 15,164	– 209	4,785	418	– 72	– 10,242
Changes	– 5,873	– 57	– 6,013	– 6	– 13	– 11,962
Deferred taxes	–	9	1,803	–	–	1,813
Dec. 31, 2018	**– 21,037**	**– 257**	**575**	**411**	**– 85**	**– 20,392**

(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, 2019 was €40.7 million, representing a decrease of €2.8 million compared to year-end 2018. 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 DEG Renewables GmbH		PCC Exol SA	
Figures in €k	**2019**	2018	**2019**	2018	**2019**	2018
Balance sheet data						
Minority interests	**28,226**	30,183	**9,616**	9,280	**3,158**	2,712
Minority interests in %	**15.83**	15.84	**40.00**	40.00	**14.20**	14.17
Dividends paid to minority interests	**6,117**	6,284	**–**	–	**513**	527
Non-current assets	**374,034**	329,088	**26,028**	24,339	**59,205**	51,259
Current assets	**94,032**	90,090	**815**	489	**33,047**	37,150
Non-current liabilities	**196,707**	122,637	**2,643**	1,500	**29,422**	36,660
Current liabilities	**92,644**	105,996	**160**	129	**41,036**	32,827
Statement of income data						
Net result attributable to minority interests	**3,860**	8,586	**337**	356	**856**	711
Sales revenue	**345,257**	348,098	**–**	–	**131,104**	131,803
Net result	**24,337**	54,182	**841**	890	**6,027**	5,018
Comprehensive income	**24,246**	54,158	**841**	890	**6,000**	5,013

(29) Provisions for pensions and similar obligations

The majority of employees in the Polish subsidiaries of the PCC Group are covered not only by the statutory pension scheme but also by one-off benefits under legally prescribed benefit plans. 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 commitments 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 lead to an increase in the plan liability.

Defined benefit commitments are internally financed.

Provisions for pensions and similar obligations as of the reporting date of the year under review amounted to € 1.0 million, representing an increase of € 0.2 million over the prior-year figure. Of this, € 0.9 million was classified as non-current provisions with a term of more than one year.

Figures in € k	2019	2018
Opening balance of pension obligations as of Jan. 1	**758**	**700**
Current service cost	75	64
Payments made	– 55	– 59
Interest expense	13	11
Actuarial gains/losses from changes in financial assumptions	135	–
Actuarial gains/losses from experience adjustments	61	62
Currency translation differences	8	– 20
Closing balance of pension obligations as of Dec. 31	**994**	**758**

A total of 3,039 employees of the PCC Group companies (previous year: 2,966) are covered by defined benefit plans, of which 72.7 % are male and 27.3 % are female. The average age at year-end 2019 was 41.4 years (previous year: 41.3 years).

A uniform discount rate of 1.2 % was applied in calculating pension obligations (previous year: 2.3 %). The range adopted for the salary trend was 2.0 % to 4.0 % (previous year: 2.0 % to 4.0 %). The Polish mortality table for 2017 published by the Central Office for Statistics, which serves as the basis for pension calculations, anticipates a life expectancy of 76.6 years (previous year: 76.2 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	2019	2018	2019	2018
Change in underlying discount rate	– 36	– 12	18	27
Change in salary trend	17	27	– 35	– 12
Change in turnover rate	– 38	– 14	15	25

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 2019 is € 7.1 million representing employer contributions to statutory pension schemes (previous year: € 6.1 million). In addition to the contributions to statutory pension schemes, 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	2019	2018
Expenses for defined benefit pension plans	537	201
Expenses for defined contribution pension plans	81	83
Total pension expenses recognized in result	**618**	**283**

(30) Other provisions

Figures in € k	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Accruals for personnel expenses	5	8,948	4	6,743
Provisions for year-end accounting and audit expenses	–	532	–	488
Provisions for obligations to customers	–	62	–	152
Provisions for litigation expenses	–	2	–	–
Sundry other provisions	4,772	5,438	4,363	5,183
Total other provisions	**4,777**	**14,983**	4,367	12,566

Compared to the previous year, other provisions rose by € 2.8 million to € 19.8 million. Accruals for personnel expenses increased by € 2.2 million, while provisions for obligations to customers decreased by € 0.1 million. These latter essentially comprise rebates and compensation claims. Accruals for personnel expenses relate primarily to claims for bonus and holiday payments.

In addition to recultivation obligations at Polish subsidiaries – amounting to € 3.8 million as of the reporting date (previous year: € 2.8 million) – other non-current and current provisions also include provisions for energy certificates arising from the requirements of the Polish energy mix system. A shortage of energy from renewable sources in the production process must be offset either by the purchase of so-called green certificates or by compensation payments.

The following table shows the development in other provisions for fiscal 2019. Other changes include foreign exchange effects and changes in the consolidation scope.

Figures in € k	Jan. 1, 2019	Additions	Utilized	Released	Interest effect	Other changes	Dec. 31, 2019
Accruals for personnel expenses	**6,747**	8,393	4,547	1,709	–	70	**8,953**
Provisions for year-end accounting and audit expenses	**488**	532	473	20	–	6	**533**
Provisions for obligations to customers	**152**	62	154	–	–	2	**62**
Sundry other provisions	**9,546**	5,143	4,470	290	183	98	**10,210**
Total other provisions	**16,933**	14,132	9,644	2,019	183	175	**19,760**

(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, lease liabilities and amounts owed to affiliated companies.

Figures in € k	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Bond liabilities	**475,993**	**94,624**	425,515	75,666
Bank liabilities	**309,679**	**29,563**	258,802	49,262
Lease liabilities	**32,009**	**13,482**	6,354	3,328
Negative fair value of derivatives	**316**	–	137	–
Total financial liabilities	**817,997**	**137,669**	690,807	128,256

Financial liabilities increased by € 136.6 million from € 819.1 million as of December 31, 2018 to € 955.7 million as of December 31, 2019. The largest absolute increase of € 69.4 million to € 570.6 million was recorded in respect of bond liabilities. Bank liabilities also increased year on year by € 31.2 million to € 339.2 million. This is the result of the predominantly debt-financed capital expenditure program of the PCC Group. The increase in lease liabilities by € 35.8 million to € 45.5 million as of the balance sheet date results from the first-time recognition in fiscal 2019 of earlier operating leases as balance sheet items per IFRS 16. In the previous year, this item was made up exclusively of liabilities from finance leases in accordance with IAS 17. The spread of the financial liabilities between the individual segments is indicated in the segment report in Note (17).

Liabilities to banks carry interest rates ranging between 0.4 % p.a. and 8.5 % p.a. Secured credit lines within the PCC Group not utilized as of year-end amounted to € 36.9 million (previous year: € 30.9 million).

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, 2019**
Bond liabilities	94,624	342,342	133,651	**570,617**
Bank liabilities	29,563	92,981	216,699	**339,242**
Lease liabilities	13,482	21,396	10,613	**45,491**
Negative fair value of derivatives	–	148	168	**316**
Total financial liabilities	**137,669**	**456,866**	**361,131**	**955,666**

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2018
Bond liabilities	75,666	322,615	102,900	**501,180**
Bank liabilities	49,262	64,283	194,519	**308,063**
Finance lease liabilities	3,328	6,273	81	**9,682**
Negative fair value of derivatives	–	36	101	**137**
Total financial liabilities	**128,256**	**393,206**	**297,601**	**819,063**

The relevant factors when presenting the maturities of contractual cash flows from financial liabilities are interest payments and redemption of principal, plus 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, 2019**
Bond liabilities	98,150	404,322	120,718	**623,190**
Bank liabilities	31,783	183,371	249,567	**464,720**
Lease liabilities	14,886	24,442	31,700	**71,028**
Negative fair value of derivatives	–	148	168	**316**
Cash outflows from financial liabilities	**144,818**	**612,283**	**402,153**	**1,159,254**

Figures in € k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2018
Bond liabilities	82,852	396,079	93,840	572,772
Bank liabilities	69,094	148,887	191,619	409,600
Finance lease liabilities	3,542	6,507	84	10,133
Negative fair value of derivatives	–	36	101	137
Cash outflows from financial liabilities	**155,488**	**551,510**	**285,645**	**992,642**

The bank loans and also the leases disclosed under financial liabilities were secured in 2019 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 € 376.9 million to € 449.0 million as of the end of fiscal 2019, thus following a trend similar to that of financial liabilities in general.

Figures in € k	**Dec. 31, 2019**	Dec. 31, 2018
Mortgages, land charges and similar liens	**62,054**	58,693
Assignment of claims on assets	**323,755**	296,916
Chattel mortgages	**2,686**	2,584
Other assignments	**60,495**	18,730
Collateral securities granted	**448,990**	**376,923**

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 Icelandic silicon metal plant.

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 6.75 % p.a., while those in złoty (PLN) carry coupons ranging from 5.0 % to 5.5 % p.a. The following chart provides a tabular analysis of the bonds involved.

The bonds issued in złoty with a total face value of PLN 360.8 million (previous year: PLN 400.8 million) had a euro value of € 84.0 million as of the balance sheet date (previous year: € 85.4 million).

Figures in €k	Issue date	Maturity date	Issue currency	Coupon	Issue volume	Dec. 31, 2019	Dec. 31, 2018
Issued by PCC SE							
DE000A2TSEM3	04/01/2019	10/01/2024	EUR	4.000 %	30,000	**29,946**	–
DE000A2YN1K5	10/22/2019	02/01/2025	EUR	4.000 %	30,000	**29,158**	–
DE000A2LQZH9	07/01/2018	10/01/2023	EUR	4.000 %	30,000	**28,783**	28,783
DE000A162AP6	10/01/2015	10/01/2020	EUR	5.000 %	25,000	**25,000**	25,000
DE000A2NBJL3	01/01/2019	07/01/2024	EUR	4.000 %	25,000	**24,990**	–
DE000A2GSSY5	10/01/2017	07/01/2022	EUR	4.000 %	25,000	**24,968**	24,968
DE000A162AQ4	10/01/2015	10/01/2022	EUR	6.000 %	25,000	**24,860**	24,860
DE000A2AAY85	10/17/2016	07/01/2021	EUR	4.000 %	25,000	**23,187**	23,187
DE000A2G8670	01/01/2018	04/01/2023	EUR	4.000 %	25,000	**21,790**	19,140
DE000A2NBFT4	10/01/2018	04/01/2024	EUR	4.000 %	25,000	**21,124**	20,293
DE000A2E4Z04	07/01/2017	04/01/2021	EUR	4.000 %	25,000	**19,927**	19,927
DE000A13SH30	12/01/2014	10/01/2021	EUR	6.750 %	20,000	**19,890**	19,890
DE000A2E4HH0	10/01/2017	07/01/2020	EUR	3.000 %	20,000	**19,210**	19,210
DE000A2TSTW0	03/01/2019	02/01/2023	EUR	3.000 %	25,000	**18,452**	–
DE000A14KJ35	05/01/2015	04/01/2020	EUR	6.000 %	40,000	**18,218**	18,218
DE000A14KJ43	05/01/2015	04/01/2022	EUR	6.500 %	35,000	**16,181**	16,181
DE000A2YPFY1	12/02/2019	07/01/2025	EUR	4.000 %	30,000	**14,519**	–
DE000A2G9HY2	04/01/2018	02/01/2022	EUR	3.000 %	10,000	**9,588**	9,588
DE000A2E4ZZ4	07/01/2017	02/01/2020	EUR	3.000 %	20,000	**7,481**	7,481
DE000A2NBFU2	10/01/2018	05/01/2020	EUR	2.000 %	5,000	**5,000**	1,690
DE000A2TR422	04/01/2019	12/01/2020	EUR	2.000 %	5,000	**4,480**	–
DE000A2YPFX3	12/02/2019	01/01/2024	EUR	3.000 %	20,000	**1,921**	–
DE000A2YPFD5	10/01/2019	11/30/2021	EUR	2.000 %	5,000	**700**	–
DE000A2AAY93	10/17/2016	07/01/2019	EUR	3.000 %	25,000	**–**	22,081
DE000A13R7S2	12/01/2014	10/01/2019	EUR	6.250 %	20,000	**–**	20,000
DE000A13R5K3	10/15/2014	01/01/2019	EUR	6.500 %	20,000	**–**	13,749
DE000A11QFD1	05/15/2014	04/01/2019	EUR	6.750 %	20,000	**–**	8,909
Issued by PCC BakkiSilicon hf.							
Private placement without ISIN	06/05/2015	09/30/2035	USD	8.500 %	62,000	**77,200**	72,639
Issued by PCC Exol SA							
PLPCCEX00044	09/15/2016	09/15/2020	PLN	5.500 %	25,000	**5,855**	5,772
PLPCCEX00051	11/15/2017	05/15/2022	PLN	5.500 %	25,000	**5,822**	5,743
PLPCCEX00036	06/24/2016	06/24/2020	PLN	5.500 %	20,000	**4,689**	4,621
Issued by PCC Rokita SA							
PLPCCRK00209	12/20/2017	12/20/2023	PLN	5.000 %	30,000	**6,971**	6,883
PLPCCRK00118	04/27/2016	04/27/2021	PLN	5.000 %	25,000	**5,847**	5,768
PLPCCRK00167	04/07/2017	06/07/2022	PLN	5.000 %	25,000	**5,826**	5,749
PLPCCRK00134	08/11/2016	08/11/2023	PLN	5.000 %	25,000	**5,822**	5,750
PLPCCRK00175	08/02/2017	02/02/2023	PLN	5.000 %	25,000	**5,819**	5,743
PLPCCRK00183	10/11/2017	10/11/2023	PLN	5.000 %	25,000	**5,814**	5,740
PLPCCRK00225	03/23/2018	03/23/2024	PLN	5.000 %	25,000	**5,806**	5,732
PLPCCRK00258	04/29/2019	04/29/2026	PLN	5.000 %	22,000	**5,095**	–
PLPCCRK00100	06/25/2015	06/25/2020	PLN	5.000 %	20,000	**4,690**	4,626
PLPCCRK00126	05/11/2016	05/11/2022	PLN	5.000 %	20,000	**4,667**	4,607
PLPCCRK00241	04/24/2018	04/24/2025	PLN	5.000 %	20,000	**4,641**	4,584
PLPCCRK00266	10/22/2019	10/22/2026	PLN	5.000 %	15,000	**3,471**	–
PLPCCRK00159	11/17/2016	11/17/2023	PLN	5.000 %	13,772	**3,207**	3,168
PLPCCRK00092	10/15/2014	10/15/2019	PLN	5.500 %	25,000	**–**	5,794
PLPCCRK00068	04/17/2014	04/17/2019	PLN	5.500 %	22,000	**–**	5,108
Bond liabilities						**570,617**	501,180

(32) Other liabilities

Figures in € k	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Deferred income	40,619	1,919	40,657	1,816
Income tax and similar taxes payable	–	2,134	–	2,647
Social security contributions payable	–	3,484	–	3,076
Interest payment obligations	–	10,776	–	6,615
VAT, customs, excise and other duties payable	–	930	–	3,112
Accounts payable to employees	–	3,074	–	3,101
Accounts payable to affiliated companies	–	1,640	–	1,324
Liabilities arising from investments	2,429	29,478	1,696	11,474
Contract liabilities	–	1,684	–	1,541
Sundry other liabilities	–	18,367	80	19,255
Total other liabilities	**43,047**	**73,487**	42,433	53,958

Other liabilities rose by € 20.1 million from € 96.4 million as of December 31, 2018 to € 116.5 million per December 31, 2019, with liabilities arising from investments increasing in particular. These are liabilities for goods or services provided by third parties recognized in respect of investment projects as of the balance sheet date. At € 42.5 million per December 31, 2019, deferred income was at about the same level as in the previous year. In the 2019 reporting year, a total of € 2.2 million was released through profit or loss from deferred income from subsidies (previous year: € 1.6 million).

Liabilities from interest payment obligations mainly include interest on bonds due at the beginning of the following quarter. There was an increase in this item due to the rise in financial liabilities.

(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 %, as was the case in the previous year. For foreign subsidiaries, the relevant national tax rates are applied. Without exception, these remained constant year on year.

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 2019, this gave rise to deferred tax assets of € 6.1 million (previous year: € 4.0 million) and deferred tax liabilities of € 10.3 million (previous year: € 7.6 million).

in %	2019	2018
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
Malaysia	24.0	24.0
North Macedonia	10.0	10.0
Poland	19.0	19.0
Romania	16.0	16.0
Russia	20.0	20.0
Turkey	22.0	22.0
USA	23.6	23.6

	Deferred tax assets		Deferred tax liabilities	
Figures in €k	**2019**	2018	**2019**	2018
Intangible assets	**27**	10	**461**	251
Property, plant and equipment	**2,446**	755	**17,494**	12,595
Right-of-use assets	**917**	–	**9,113**	–
Financial assets	**1,226**	225	**–**	–
Inventories	**959**	615	**6**	–
Receivables	**201**	311	**86**	65
Securities	**–**	–	**43**	–
Other assets	**8**	15	**146**	1
Accruals	**135**	139	**–**	129
Pension provisions	**284**	126	**–**	–
Other provisions	**2,128**	1,172	**15**	–
Liabilities	**8,208**	271	**70**	92
Other liabilities	**87**	472	**2**	–
Unused tax losses	**6,237**	1,721	**–**	4
Sundry deferred taxes	**1,132**	4,727	**75**	155
Amounts netted	**–17,900**	–6,559	**–17,185**	–5,722
Total deferred taxes	**6,097**	3,997	**10,327**	7,571

The table above shows the unnetted deferred taxes. Deferred taxes arising from consolidation adjustments amounted to around €4.1 k in 2019 (previous year: €4.2 k), and relate primarily to eliminated intercompany profits. Sundry deferred taxes include future tax benefits arising from activities in a special economic zone.

Deferred tax assets on unused tax losses carried forward increased in the year under review by a total of €4.5 million to €6.2 million as of the reporting date. The rise was due to the start-up losses incurred by the Icelandic company.

(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 to 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, currency and 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 purchase 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: € 0.6 million). A change in the exchange rate of the US dollar of likewise 10 % would have an impact on these items of € 0.5 million (previous year: € 0.2 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 a floating interest rate. 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 € 2.9 million (previous year: € 1.7 million).

Commodity price risks: These risks result from market price changes in relation to commodity/raw material 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 and market movements is especially relevant, particularly in the case of petrochemical commodities. 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. 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 € 52.9 million (previous year: € 49.4 million). Financial assets that are neither overdue nor impaired are categorized as collectible 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 obstacles within the SME bonds market could, at least temporarily, lead to liquidity bottlenecks. This risk is to be countered over the long term through the development 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.

Subsidiaries use forward contracts to hedge transactions in foreign currencies. While there were no forward contracts as of December 31, 2019, the nominal value on the previous year’s reporting date was € –0.4 million. The fair value was recognized as an asset in the amount of € 2.0 k.

Within the PCC Group, interest rate swaps and options are used in order to hedge interest rates and their long-term development. At year-end, the nominal value of existing derivatives amounted to € 155.1 million (previous year: € 153.3 million), with a fair value of € – 0.3 million recognized as an asset as of the reporting date (previous year: liability of € 6.8 million).

Financial instruments by class and category
In the case of trade accounts receivable, receivables from affiliated companies or enterprises in which participations are held, other financial assets, cash and cash equivalents, trade accounts payable and other liabilities, the carrying amounts are regarded as realistic estimates of their fair values due to the shortness of their remaining terms. Assets that are not quoted on an active market and for which the fair value cannot be reliably determined, are measured at cost.

Figures in € k	Carrying amounts Dec. 31, 2019	Categories[1]				Fair value
		FAaC	FLaC	FVOCI	FVTPL	
Financial assets						
Non-current financial investments	**5,017**	–	–	5,016	1	19
Other non-current financial assets	**18,713**	18,713	–	–	–	18,713
Trade accounts receivable	**80,687**	80,687	–	–	–	80,687
Receivables from affiliated companies	**699**	699	–	–	–	699
Receivables from associates and joint ventures	**168**	168	–	–	–	168
Other financial assets	**16,493**	16,493	–	–	–	16,493
Cash and cash equivalents	**60,490**	60,490	–	–	–	60,490
Financial liabilities						
Bond liabilities	**570,617**	–	570,617	–	–	572,142
Bank liabilities	**339,242**	–	339,242	–	–	339,111
Lease liabilities	**45,491**	–	45,491	–	–	45,491
Other financial liabilities	**3,641**	–	3,324	–	316	3,641
Trade accounts payable	**83,695**	–	83,695	–	–	83,695

Figures in € k	Carrying amounts Dec. 31, 2018	Categories[1]				Fair value
		FAaC	FLaC	FVOCI	FVTPL	
Financial assets						
Non-current financial investments	**2,141**	–	–	2,131	10	904
Other non-current financial assets	**17,120**	17,120	–	–	–	17,120
Trade accounts receivable	**81,621**	81,621	–	–	–	81,621
Receivables from affiliated companies	**653**	653	–	–	–	653
Receivables from enterprises in which participations are held	**11,526**	11,526	–	–	–	11,526
Other financial assets	**2,619**	2,617	–	–	2	2,619
Cash and cash equivalents	**63,119**	63,119	–	–	–	63,119
Financial liabilities						
Bond liabilities	**501,180**	–	501,180	–	–	502,464
Bank liabilities	**308,063**	–	308,063	–	–	307,982
Finance lease liabilities	**9,682**	–	–	–	–	9,682
Other financial liabilities	**2,864**	–	2,864	–	–	2,864
Trade accounts payable	**84,597**	–	84,597	–	–	84,597

1 FAaC = Financial assets measured at amortized cost
FLaC = Financial liabilities measured at amortized cost
FVOCI = Fair value through OCI
FVTPL = Fair value through profit or loss

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

Figures in € k	2019	2018
Financial assets measured at amortized cost (FAaC)	1,088	1,596
Financial liabilities measured at amortized cost (FLaC)	–49,722	–55,062
Fair value through profit or loss (FVTPL)	–1,666	–1,586

The net gains and net losses from financial instruments comprise valuation results, the carrying amounts of premiums and discounts, the recognition and reversal of impairment losses, currency translation results, and interest, dividends and all other effects on income arising from financial instruments. Financial instruments measured at fair value through profit or loss exclusively comprise results from those that have not been designated as hedging instruments included in a hedging arrangement to IFRS 9. Net gains and losses from financial assets measured at amortized cost include net interest income of € 1.9 million. Net gains and losses from financial liabilities measured at amortized cost include net interest income of € 30.5 million.

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, 2019
Financial assets measured at fair value through profit or loss	–	1	–	1
Financial liabilities measured at fair value through profit or loss	–	316	–	316
Financial assets measured at fair value through other comprehensive income	–	–	5,016	5,016

Figures in € k	Level 1	Level 2	Level 3	Dec. 31, 2018
Financial assets measured at fair value through profit or loss	–	10	–	10
Financial assets measured at fair value through other comprehensive income	2,131	–	–	2,131

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, 2019		Dec. 31, 2018	
	Nominal value	Fair value	Nominal value	Fair value
Forward exchange contracts	–	–	−403	2
Foreign currency interest rate swaps	130,059	43	124,522	6,902
Interest rate swaps	22,758	−316	26,429	−133
Other derivatives (interest rate- or currency-based)	2,326	1	2,302	6
Derivative financial instruments	**155,143**	**−273**	152,850	6,777

Cash flow hedge

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 € 0.0 million (previous year: € 0.4 million). In the period under review, a change in value of € 0.0 million (previous year: € 0.0 million) was recognized in other comprehensive income.

(35) Leases

Since January 1, 2019, leases in which PCC acts as lessee have been accounted for in accordance with the right-of-use model set out in IFRS 16. First-time application was effected using the modified retrospective method. In addition to reclassified agreements previously classified as finance leases with a present value of €31.2 million, the right-of-use assets at the time of the transition also included previous operating leases recognized for the first time with a present value of €33.3 million. The following table shows the development of the right-of-use assets as of the reporting date:

Figures in €k	2019	2018
Historical cost		
Jan. 1	71,577	–
Additions	13,842	–
Disposals	153	–
Reclassifications	–2,187	–
Dec. 31	**83,079**	**–**
Depreciation		
Jan. 1	7,114	–
Additions	10,207	–
Disposals	40	–
Impairment write-downs	525	–
Reclassifications	–884	–
Currency translation differences	76	–
Dec. 31	**16,997**	**–**
Net book value at December 31	**66,082**	**–**

Within the PCC Group, lease agreements exist particularly in the areas of developed and undeveloped land and buildings, plant and machinery, factory and office equipment, and our vehicle fleet. To ensure flexibility, extension and termination options are sometimes agreed. When determining the term of the agreement, all circumstances and facts are taken into account which, to the best of our current knowledge, have an influence on the exercise of an extension option or the non-exercise of a termination option. When determining lease liabilities and corresponding right-of-use assets, all sufficiently assured cash outflows are taken into account. Classified by underlying asset type, the net carrying amounts of the right-of-use assets totaling €66.1 million break down as of year-end as follows:

Figures in €k	Dec. 31, 2019
Land and buildings	25,994
Plant and machinery	25,980
Other facilities, factory and office equipment	14,109
Right-of-use assets, net book value	**66,082**

The underlying lease terms for land and buildings range from one to 23 years. Plant and machinery are leased for between one and three years, and other facilities, factory and office equipment, and our vehicle fleet, for between one and 21 years. Classified by underlying asset type, the depreciation charges totaling € 10.7 million on right-of-use assets in fiscal 2019 break down as follows:

Figures in € k	2019
Land and buildings	1,841
Plant and machinery	5,749
Other facilities, factory and office equipment, incl. vehicle fleet	3,141
Right-of-use assets, depreciation	**10,731**

Right-of-use assets in the amount of € 66.1 million are offset by lease liabilities of € 45.5 million as of the balance sheet date. These are reported under financial liabilities. For further details, please refer to Note (31) Financial Liabilities. The maturity structure of payment obligations under leases is shown in the following table.

Figures in € k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2019
Minimum lease payments	15,062	24,445	31,549	**71,056**
Discount	1,573	3,039	20,945	**25,557**
Present value	13,489	21,406	10,604	**45,499**

Figures in € k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2018
Minimum lease payments	3,542	6,507	84	**10,133**
Discount	213	235	3	**451**
Present value	3,328	6,273	81	**9,682**

Compliant with the exemptions allowed, no leases have been recognized in the balance sheet where the underlying asset is of minor value or where the lease term is less than twelve months. Instead, the lease is expensed. The following amounts related to leases were recognized in the statement of income in the year under review:

Figures in € k	2019
Expenses for short-term leases with a term of less than twelve months	4,276
Expenses for leases of assets of minor value not included in the short-term leases referred to above	20
Interest expenses for lease liabilities	1,860

There were no significant expenses from variable lease payments nor was there any income from subleases. In total, the outflow of funds from lease agreements amounted to € 16.0 million in the past fiscal year.

In addition to the leases, the PCC Group has minor obligations under rental agreements. A corresponding maturity profile is provided in Note (36) below.

(36) Contingent liabilities and other financial commitments

Figures in € k	Dec. 31, 2019	Dec. 31, 2018
Contingent liabilities arising from sureties and debt guarantees	94	143
Other contingent liabilities	26,432	21,246
Total contingent liabilities	**26,526**	**21,388**

The contingent liabilities arising from sureties and debt guarantees are attributable to Polish subsidiaries. These are commitments 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 such contingent arrangements.

As of December 31, 2019, the PCC Group had other financial obligations arising from investment commitments, rental obligations and other commitments amounting to € 38.5 million. The decrease of € 52.1 million compared to the prior year mainly results from operating lease obligations reported here in the previous year, which are now recognized in the balance sheet following the introduction of IFRS 16; see also section (35) Leases. The obligations from rental agreements with a remaining term of up to one year include commitments in the amount of € 0.8 million attributable to short-term leases.

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	**Dec. 31, 2019**
Rental commitments	919	139	105	**1,163**
Investment commitments for property, plant and equipment	37,239	–	–	**37,239**
Other commitments (incl. pending transactions)	117	–	–	**117**
Total financial commitments	**38,275**	**139**	**105**	**38,519**

Figures in €k	Remaining term up to 1 yr	Remaining term 1 to 5 yrs	Remaining term more than 5 yrs	Dec. 31, 2018
Operating lease commitments	7,199	15,698	30,976	**53,874**
Rental commitments	1,351	614	28	**1,993**
Investment commitments for property, plant and equipment	34,700	–	–	**34,700**
Other commitments (incl. pending transactions)	118	–	–	**118**
Total financial commitments	**43,369**	**16,312**	**31,004**	**90,685**

(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 total of cash and cash equivalents (cash in hand, credit balances at banks, and checks) shown in the balance sheet are also referred to internally as financial funds. 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 control, such transactions are disclosed as financing activities.

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

Cash and cash equivalents disclosed in the balance sheet include an amount as of December 31, 2019 of € 12.3 million (previous year: € 13.9 million) in funds not freely available. These are almost entirely attributable to financial resources already designated for investment projects.

The following reconciliation statement shows changes in financial liabilities disclosed as cash inflows and outflows under cash flow from financing activities. The cash changes amounted to €92.7 million in the reporting year compared to €95.3 million in the previous year.

Figures in €k	Jan. 1, 2019	Cash-effective changes	Non-cash changes: Currency translation differences	Non-cash changes: Interest accrued	Non-cash changes: Other changes	Dec. 31, 2019
Bond liabilities	501,180	63,727	2,291	3,164	254	570,617
Bank liabilities	308,063	26,559	4,336	–	285	339,242
Lease liabilities	9,682	2,418	−223	–	33,614	45,491
Negative fair value of derivatives	137	–	1	–	177	316
Financial liabilities	**819,063**	**92,704**	**6,405**	**3,164**	**34,330**	**955,666**

Figures in €k	Jan. 1, 2018	Cash-effective changes	Non-cash changes: Currency translation differences	Non-cash changes: Interest accrued	Non-cash changes: Other changes	Dec. 31, 2018
Profit participation certificates	10,997	−10,997	–	–	–	–
Bond liabilities	444,511	49,870	799	5,763	238	501,180
Bank liabilities	245,326	55,849	1,998	4,899	−9	308,063
Finance lease liabilities	9,395	537	−117	–	−132	9,682
Negative fair value of derivatives	–	–	–	–	137	137
Financial liabilities	**710,229**	**95,259**	**2,680**	**10,662**	**233**	**819,063**

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 context is the net debt/EBITDA ratio. This metric reflects 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 securities, to earnings before interest and other financial items, taxes, depreciation and amortization (EBITDA), and thus constitutes a dynamic indicator of indebtedness.

Figures in € k	Dec. 31, 2019	Dec. 31, 2018
– Cash and cash equivalents	60,490	63,119
+ Provisions for pensions	994	758
+ Bond liabilities	570,617	501,180
+ Bank liabilities	339,242	308,063
+ Lease liabilities	45,491	9,682
+ Negative fair value of derivatives	316	137
Net financial liabilities	**896,171**	756,703

With a net debt of € 896.2 million (previous year: € 756.7 million) and a reported EBITDA figure of € 99.0 million (previous year: € 105.3 million), the net debt/EBITDA ratio for the year under review is 9.1 (previous year: 7.2), representing a deterioration of 1.9 points. Please refer to the Group management report for discussion of the target net debt/EBITDA ratio.

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 annual budgets for the following year. According to the information provided by the consolidated entities for the preparation of the consolidated financial statements, there were three cases of failure to comply with such covenants in fiscal 2019. None of these led to any change in the loan or credit conditions imposed by the lenders concerned, nor were any of the loans declared due on this basis. All cases relate to typical financial ratios for loan agreements which subsidiaries failed to achieve.

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 are not further explained in these notes and disclosures. Details regarding the business transactions between the PCC Group and other related parties are indicated in the following.

Sundry other liabilities include a liability payable to the sole shareholder of PCC SE amounting to €31.2 k. This is a short-term liability on which interest is payable at a rate of 6.0 % p.a. In the previous year, there was a receivable from the sole shareholder in the amount of €0.2 million, which was reported under other receivables and other assets and also bore interest at 6.0 % p.a.

As of the balance sheet date, December 31, 2019, the PCC Group has claims against affiliated entities not included in the consolidated financial statements for reasons of immateriality amounting to a total of €6.9 million (previous year: €7.2 million). These relate to loans, trade accounts receivable and current loan receivables. The Group-internal financing arrangements carry interest rates ranging between 4.0 % p.a. and 10.0 % p.a.

Members of the Management Board and the Administrative Board of PCC SE, and their families, are deemed related parties. For compensation to the Management Board members, please refer to the disclosures under Note (40) Corporate Bodies. For compensation of the Administrative Board, again please refer to the disclosures under Corporate Bodies, Note (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 relating to loan receivables exist against the joint venture OOO DME Aerosol amounting to €8.9 million as of the balance sheet date (previous year: €5.8 million). As in the previous year, the interest rate charged is 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. The parent company also granted financial resources for start-up financing and to cover debt service.

Figures in €k	2019	2018
Sales with related parties		
Non-consolidated entities	1,755	1,774
Joint ventures	310	193
Receivables from related parties		
Non-consolidated entities	6,894	7,168
Joint ventures	9,298	5,812
Enterprises in which participations are held	–	11,526
Other related parties	11,607	–
Liabilities to related parties		
Non-consolidated entities	1,640	1,324

(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 metrics over time and within the international business environment. These performance measures are used both in the assessment of external third parties and internally for the management and control of business entities.

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 have been 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	2019	2018
Earnings before taxes (EBT)	19,295	41,512
+/– Interest and other financial items	–23,964	–27,419
= EBIT	**43,259**	**68,930**

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 irrespective of variations in assessment. It is determined within the PCC Group as follows:

Figures in € k	2019	2018
EBIT	43,259	68,930
+/– Depreciation and amortization	55,711	36,400
= EBITDA	**98,970**	**105,330**

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.

Figures in € k	Dec. 31, 2019	Dec. 31, 2018
+ Equity	147,633	150,447
+ Current financial liabilities	137,669	128,256
+ Non-current financial liabilities	817,997	690,807
+ Provisions for pensions and similar obligations	994	758
= Capital employed	**1,104,293**	**970,269**
= Average capital employed	1,037,281	910,166

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.

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

Figures in € k	2019	2018
Sales	767,520	779,230
+ Change in inventory of finished products and work in progress	892	5,067
+ Other internal costs capitalized	14,040	8,463
– Purchased goods and services	529,894	559,911
= Gross profit	**252,557**	**232,850**

(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 € 878 k in fiscal 2019 (previous year: € 720 k), recognized 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 2019 (previous year: € 145 k), recognized in full as short-term employee benefits.

Annual General Meeting:

The Annual General Meeting of PCC SE took place on June 6, 2019. The consolidated financial statements and the Group management report for 2018 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, Germany, was reappointed as auditor for fiscal 2019.

(41) Events after the balance sheet date

The bond carrying the WKN code A2E4ZZ4 issued by PCC SE with a placed volume of € 7.5 million was redeemed in full as of February 1, 2020. It was issued on July 1, 2017 with a coupon of 3.0 %.

The bond carrying the WKN code A14KJ35 issued by PCC SE with a placed volume of € 18.2 million was redeemed in full as of April 1, 2020. It was issued on May 1, 2015 with a coupon of 6.0 %.

On April 1, 2020, PCC SE issued a bond carrying the WKN code A254TZ. This bond has a volume of up to € 25.0 million and matures on December 1, 2024. Its coupon is 4.0 % p.a.

On April 30, 2020, PCC SE issued a bond carrying the WKN code A254TD. This bond has a volume of up to € 10.0 million and matures on May 1, 2022. Its coupon is 3.0 % p.a.

The outbreak and spread of the novel coronavirus is having a severe global impact with concomitant economic and financial implications. At the time of preparation of this report, it was not yet possible to adequately assess the potential adverse effects on business resulting from the coronavirus pandemic. For further details, please refer to the management report.

(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 issued with an unqualified opinion. The fee for audit services in respect of these companies and the Group amounted to € 281.0 k (previous year: € 186.9 k). The fee for other services performed in the course of fiscal 2019 was € 4.5 k (previous year: € 4.4 k). No tax consultancy services were invoiced either in the year under review or in the previous year.

(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, 2019 1 euro =	PCC SE participating interest in % Direct	Indirect	2019	2018
Parent company							
PCC SE, Duisburg	Holding/Projects	EUR	1.0000	–	–	**–**	–
Fully consolidated subsidiaries							
AO Novobalt Terminal, Kaliningrad	Specialty Chemicals	RUB	69.9563	–	100.00	**100.00**	100.00
Aqua Łososiowice Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00
CATCH66 GmbH, Duisburg	Holding/Projects	EUR	1.0000	100.00	–	**100.00**	100.00
ChemiPark Technologiczny Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00
distripark.com Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	50.00	50.00	**100.00**	100.00
distripark GmbH, Oberhausen	Holding/Projects	EUR	1.0000	100.00	–	**100.00**	100.00
Ekologistyka Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00
Elpis Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00
GRID BH d.o.o., Sarajevo	Energy	BAM	1.9558	–	85.62	**85.62**	85.62
Kosmet Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.2568	–	–	**–**	100.00
LabMatic Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00
MCAA SE, Brzeg Dolny	Chlorine	PLN	4.2568	100.00	–	**100.00**	100.00
Novi Energii OOD, Sofia	Energy	BGN	1.9558	–	60.00	**60.00**	60.00
OOO PCC Consumer Products, Moscow	Consumer Products	RUB	69.9563	–	100.00	**100.00**	100.00
OOO PCC Consumer Products Navigator, Grodno	Consumer Products	BYN	2.3524	–	100.00	**100.00**	100.00
PCC Apakor Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	99.59	**99.59**	99.59
PCC Autochem Sp. z o.o., Brzeg Dolny	Logistics	PLN	4.2568	–	100.00	**100.00**	100.00
PCC BakkiSilicon hf., Húsavík	Holding/Projects	USD	1.1234	86.50	–	**86.50**	86.50
PCC Bulgaria EOOD, Sofia	Polyols	BGN	1.9558	100.00	–	**100.00**	100.00
PCC Chemax, Inc., Piedmont, SC	Surfactants	USD	1.1234	–	100.00	**100.00**	100.00
PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice	Consumer Products	PLN	4.2568	–	99.74	**99.74**	99.74
PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.2568	–	100.00	**100.00**	100.00
PCC Consumer Products S.A., Brzeg Dolny	Consumer Products	PLN	4.2568	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	4.2568	84.46	–	**84.46**	84.46
PCC Exol Kimya Sanayi ve Ticaret Limited Şirketi, Istanbul	Surfactants	TRY	6.6843	–	100.00	**100.00**	100.00
PCC Exol SA, Brzeg Dolny	Surfactants	PLN	4.2568	85.80	–	**85.80**	85.82
PCC HYDRO DOOEL Skopje, Skopje	Energy	MKD	61.4856	–	100.00	**100.00**	100.00
PCC Insulations GmbH, Duisburg	Polyols	EUR	1.0000	100.00	–	**100.00**	100.00
PCC Integrated Chemistries GmbH, Duisburg	Holding/Projects	EUR	1.0000	100.00	–	**100.00**	–
PCC Intermodal GmbH, Duisburg	Logistics	EUR	1.0000	–	100.00	**100.00**	100.00
PCC Intermodal S.A., Gdynia	Logistics	PLN	4.2568	98.80	–	**98.80**	98.40
PCC IT S.A., Brzeg Dolny	Holding/Projects	PLN	4.2568	100.00	–	**100.00**	100.00
PCC Izvorsko EOOD, Sofia	Energy	BGN	1.9558	–	100.00	**100.00**	100.00
PCC MCAA Sp. z o.o., Brzeg Dolny	Chlorine	PLN	4.2568	26.03	71.98	**98.00**	97.30
PCC Morava-Chem s.r.o., Český Těšín	Specialty Chemicals	CZK	25.4080	98.00	2.00	**100.00**	100.00
PCC NEW HYDRO DOOEL Skopje, Skopje	Energy	MKD	61.4856	–	100.00	**100.00**	100.00
PCC Oxyalkylates Malaysia Sdn. Bhd., Kuala Lumpur	Holding/Projects	MYR	4.5953	100.00	–	**100.00**	100.00
PCC Packaging Sp. z o.o., Brzeg Dolny	Consumer Products	PLN	4.2568	–	100.00	**100.00**	100.00
PCC Prodex GmbH, Essen	Polyols	EUR	1.0000	100.00	–	**100.00**	100.00
PCC Prodex Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.2568	–	100.00	**100.00**	100.00
PCC PU Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.2568	–	100.00	**100.00**	100.00
PCC Rokita SA, Brzeg Dolny	Polyols, Chlorine, Specialty Chemicals, Energy, Holding	PLN	4.2568	84.17	–	**84.17**	84.16
PCC Seaview Residences ehf., Húsavík	Holding/Projects	ISK	135.8000	100.00	–	**100.00**	100.00
PCC Silicium S.A., Zagórze	Specialty Chemicals	PLN	4.2568	99.99	–	**99.99**	99.99
PCC Specialties GmbH, Oberhausen	Specialty Chemicals	EUR	1.0000	100.00	–	**100.00**	100.00
PCC Synteza S.A., Kędzierzyn-Koźle	Specialty Chemicals	PLN	4.2568	100.00	–	**100.00**	100.00
PCC Therm Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.2568	–	100.00	**100.00**	100.00
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**	100.00
S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea	Specialty Chemicals	RON	4.7830	58.72	–	**58.72**	58.72
ZAO PCC Rail, Moscow	Logistics	RUB	69.9563	100.00	–	**100.00**	100.00

Continued

Name and head office of company	Segment	Currency	Exchange rate as of Dec. 31, 2019 1 euro =	PCC SE participating interest in %: Direct	Indirect	2019	2018	Equity in local currency ('000)	Net result in local currency ('000)
Joint ventures consolidated using the equity method									
OOO DME Aerosol, Pervomaysky	Holding/Projects	RUB	69.9563	50.00	–	**50.00**	50.00	−166,936.6	−18,822.4
IRPC Polyol Company Ltd., Bangkok	Polyols	THB	33.4150	–	50.00	**50.00**	50.00	−33,786.1	−130,011.4
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	4.2568	–	100.00	**100.00**	100.00	1,138.8	−59.6
Chemia-Profex Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	40.1	14.8
Chemia-Serwis Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	199.4	112.0
Chemi-Plan S.A., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	−5.0	−17.2
CWB Partner Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	636.2	332.7
Fate Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	−35.3	−11.5
Gaia Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	70.2	−10.5
GEKON S.A. i.L., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	unknown	unknown
Hebe Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	−82.2	−57.2
LabAnalityka Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	−175.1	−10.6
Locochem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	185.7	161.7
LogoPort Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	116.1	71.0
New Better Industry Sp. z o.o., Brzeg Dolny	Chlorine	PLN	4.2568	–	100.00	**100.00**	100.00	−26.7	−9.7
Pack4Chem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	100.00	**100.00**	100.00	−383.4	−353.6
PCC ABC Sp. z o.o., Brzeg Dolny	Polyols	PLN	4.2568	–	100.00	**100.00**	100.00	−14.7	−9.5
PCC Envolt Sp. z o.o., Brzeg Dolny	Energy	PLN	4.2568	100.00	–	**100.00**	100.00	105.1	−3.7
PCC Exol Philippines Inc. i.L., Batangas	Surfactants	PHP	56.9000	–	99.99	**99.99**	99.99	unknown	unknown
PCC Organic Oils Ghana Ltd., Accra	Surfactants	GHS	6.2114	100.00	–	**100.00**	100.00	−13,916.0	−8,842.2
PCC Power Sp. z o.o., Brzeg Dolny	Energy	PLN	4.2568	100.00	–	**100.00**	100.00	38.7	−25.0
PCC Slovakia s.r.o. i.L., Košice	Specialty Chemicals	EUR	1.0000	–	100.00	**100.00**	100.00	25.5	−33.0
Technochem Sp. z o.o., Brzeg Dolny	Holding/Projects	PLN	4.2568	–	85.80	**85.80**	85.80	−11.8	−3.2
TzOW Petro Carbo Chem, Lviv	Specialty Chemicals	UAH	26.4220	92.32	–	**92.32**	92.32	7,000.6	−411.3
Valcea Chemicals S.R.L. i.L., Bucharest	Specialty Chemicals	RON	4.7830	–	100.00	**100.00**	100.00	12.1	0
ZAO Exol, Nizhny Novgorod	Surfactants	RUB	69.9563	100.00	–	**100.00**	100.00	−2,786.4	1,158.9
Associated companies not consolidated using the equity method due to immateriality									
S.C. Oltchim S.A. i.L., Râmnicu Vâlcea	Holding/Projects	RON	4.7830	32.34	–	**32.34**	32.34	unknown	unknown
Participating interests in other companies									
Brama Pomorza Sp. z o.o., Gdańsk	Holding/Projects	PLN	4.2568	7.41	–	**7.41**	7.41	−585.4	−496.5
TRANSGAZ S.A., Rybnik	Holding/Projects	PLN	4.2568	9.64	–	**9.64**	9.64	unknown	unknown

Duisburg, May 13, 2020

PCC SE

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

Independent Auditor’s Report *

To PCC SE, Duisburg

Audit Opinions

We have audited the consolidated financial statements of PCC SE, Duisburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of PCC SE, Duisburg, for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the section “Sustainability report/Non-financial report“ included in the group management report on a voluntary basis.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the section “Sustainability report/Non-financial report“ included in the group management report on a voluntary basis.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the Group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

* Note: This document is a convenience translation of the German original. The original German language document is the authoritative version.

Other Information

The managing directors are responsible for the other information. The other information comprises:

- the non-audited parts of the group management report listed in the "Audit Opinions" section of our auditor's report which we obtained prior to the date of this auditor's report and

- the remaining parts of the annual report expected to be made available to us after this date, with the exception of the audited consolidated financial statements and audited parts of the group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited parts of the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we performed on the other information obtained before the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Managing Directors and the Administrative Board for the Consolidated Financial Statements and the Group Management Report

The managing directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the managing directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the managing directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the managing directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the managing directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The administrative board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the managing directors and the reasonableness of estimates made by the managing directors and related disclosures.

- Conclude on the appropriateness of the managing directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the managing directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the managing directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 20 May 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Achim Krichel	Marianne Reck
Wirtschaftsprüfer	Wirtschaftsprüfer
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This Annual Report is available in its original German version and as a convenience translation in English.

Both versions can be downloaded from www.pcc.eu.

PCC SE
Duisburg, May 2020

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.

PCC. Creating value together