

- PCC closes first half-year 2018 with sales of €387.5 million, up 14.6% on the prior-year period
- EBITDA improves by 50.2% to €51.9 million as of June 30, 2018
- PCC Rokita increases stake in Thai manufacturer to 50%
- Redemption of maturing bonds



The production plant for high-purity aerosol-grade dimethyl ether (DME) of our Russian joint venture DME Aerosol, Pervomaysky, as of August 2018. Commissioning is scheduled for fall 2018. Pictured right is the approx. 45 meter high distillation column.

Overall Business Development

The majority of the affiliates of PCC SE continued to show positive business development in the second quarter of 2018. Despite all the political uncertainties and international trade conflicts, the economic environment proved to be extremely robust. Although some commodity prices showed a downward trend, overall prices remained at a high level. In addition, some business units of the PCC Group saw sales volumes increase. Consequently, at €195.5 million, quarterly sales again matched the high level of the preceding quarter (Q1 sales just under €192 million), despite the Polish zloty weakening against the euro in the course of the second quarter. By the end of the first half of the year, therefore, consolidated revenues had accumulated to €387.5 million. Compared to the corresponding prior-year period (€338.1 million), this represents an increase of 14.6%. The second quarter also proved to be successful in terms of Group EBITDA – earnings before interest and other financial items, taxes, depreciation and amortization. The Q2 figure was €24.2 million, with the cumulative half-year total at €51.9 million. EBITDA in the first half of 2018 thus improved by 50.2% versus the prior-year period (€34.5 million). Earnings before taxes (EBT) amounted to €7.7 million in the second quarter, with the half-year figure totaling €19.6 million, more than five times the prior-year total (€3.7 million). These results for the first half of 2018 include a positive exceptional item of €9.3 million, but even after adjustment for this amount, both EBITDA and EBT significantly exceeded the already good results of the previous year. The above-mentioned one-off effect relates to penalty payments received by PCC BakkiSilicon hf, Húsavík (Iceland), as a result of the delayed commissioning of the

silicon metal plant there. As already mentioned in the previous quarterly report, this will at least partially offset the losses to be expected from the delay.

Segment Performance

The Chemicals division of the PCC Group with its five segments Polyols, Surfactants, Chlorine, Specialty Chemicals and Consumer Products remained the Group's main sales and earnings generator both in the second quarter of 2018 and in the first half of the year. Revenues of €169.1 million were realized across all said segments in the second quarter (previous year: €148.4 million). This resulted in divisional sales of €333.9 million as of the end of the first half-year. Compared to the corresponding prior-year period (€293.4 million), this represents an increase of 13.8%. Overall, half-year sales in 2018 were thus also higher than expected. On the earnings side, too, both the corresponding figures for the previous year and our overall expectations were exceeded. Once again, all segments – with the exception of Consumer Products – made a positive contribution to this achievement.

ing of a new production plant for polyether polyols in Saudi Arabia (Sadara), which increased the global supply of said polyols with correspondingly negative effects on sales prices and attainable margins. Despite this difficult market environment, the Polyols business unit of PCC Rokita SA, Brzeg Dolny (Poland), continued to steadfastly pursue its strategy of maximizing volume sales, particularly of specialty products for the ultra-flexible foam industry, accompanied by a process of continuous further development in relation to these products. In addition, however, the sales portfolio of standard products was expanded to maximize the operating rates of the associated production facilities. As a result, the Polyols business unit was able to both successfully anticipate the challenges of the market and close the second quarter of 2018 positively. Gratifyingly, the Polyols business unit posted another significant increase in sales in the second quarter compared to the preceding quarter. With the start of the construction season, the two system houses and the subsidiaries active in the thermal insulation panels business area under the intermediate holding company PCC Insulations GmbH, Duisburg (Germany), also significantly increased their overall sales in the second quarter. However, the development of these businesses was still not entirely satisfactory.



Polyols

In the Polyols segment, business development in the second quarter of 2018 was again positive overall, although increasing pressure was beginning to have an effect. One reason for this was the declining demand for foam mattresses due to the drastic price increase for toluene diisocyanate (TDI), which – alongside polyols – is the most important feedstock used in the production of flexible foam. As a result, demand for the corresponding polyols likewise declined. This also happened to coincide with the commission-



Surfactants

The Surfactants segment likewise closed the second quarter of 2018 with a successful set of figures. In May and June 2018, PCC Exol SA, Brzeg Dolny, the largest subsidiary managed under this segment, generated the highest monthly sales of the current fiscal year to date, enabling its Q2 revenues to surpass the total sales realized in the preceding quarter. The corresponding prior-year figure was similarly

Key financials by segment ¹ (per IFRS)	Polyols			Surfactants			Chlorine			Specialty Chemicals		
	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017
Sales ² € m	39.2	76.7	70.9	33.2	64.1	62.7	34.5	71.4	45.9	56.7	110.7	102.8
EBITDA ³ € m	2.6	5.4	6.4	2.6	4.8	4.8	12.8	28.4	12.4	2.8	4.9	5.4
EBIT ⁴ € m	2.1	4.3	5.6	2.1	3.7	3.6	9.9	22.8	7.5	2.1	3.4	3.7
EBT ⁵ € m	2.1	4.2	5.0	1.8	2.9	2.2	7.0	18.3	6.9	2.0	2.9	2.7
Employees (at June 30)	263	263	219	292	292	272	375	375	375	369	369	360

Notes: Rounding differences possible. Quarterly and cumulative figures unaudited. Subject to change without notice. | 1 The segment Holding/Projects has not been separately listed. | 2 The sales indicated relate exclusively to net external sales; consolidation procedures have already been taken into account. | 3 EBITDA (earnings before interest/financial result, taxes, depreciation and amortization) | 4 EBIT (earnings before interest/financial result and taxes) = Operating profit = EBITDA – depreciation and amortization | 5 EBT (earnings before taxes) = Pre-tax profit = EBIT – interest/financial result

exceeded. PCC Exol SA likewise benefited in the second quarter from lower purchase prices for fatty alcohols. On the earnings side, too, the positive figures of the preceding quarter were therefore also topped. This likewise applies to the Surfactants segment as a whole.

Chlorine

The Chlorine segment continued its exceptionally good performance through the second quarter of 2018.

The Chlorine business unit of PCC Rokita SA remained the mainstay of this segment – despite a temporary interruption in production in May. This shutdown was scheduled for regular maintenance work on the production facilities and to enable two further electrolyzers to be installed, as a result of which the production capacity of this business unit has been further increased. The MCAA (monochloroacetic acid) business unit, which is also managed under the Chlorine segment, also experienced a maintenance-related standstill in May. Among other things, this was to allow the routine replacement of the catalyst used in this production plant. Nevertheless, PCC MCAA Sp. z o.o., Brzeg Dolny, was likewise able to increase its sales compared to the first quarter and also posted a significantly better EBITDA result. Overall, the Chlorine segment closed both the second quarter and the first half of 2018 with figures substantially above those of the previous year, exceeding expectations in the process.

Specialty Chemicals

Overall, the Specialty Chemicals segment also enjoyed continued success in the second quarter of 2018.

Sales across all business units significantly

exceeded both the prior-year figure and our expectations for the second quarter of 2018. The main reason for this was once again improved sales generated by the commodity trading business. This was partly due to the still relatively high average price levels prevailing for chemical commodities. Added to this, the largest trading company in the PCC Group, PCC Trade & Services GmbH, Duisburg, substantially increased its coke and anthracite sales volumes and transaction revenues compared to the preceding quarter. Among other things, a relatively major consignment of Russian anthracite was contracted for the first time on behalf of a Canadian customer. As a result, this affiliate also closed the second quarter of 2018 in clearly positive territory with better-than-expected results. The increasing number of coke and anthracite shipments likewise had a positive effect on the Russian port company AO Novobalt Terminal, Kaliningrad, enabling this portfolio company to achieve a turnaround in the second quarter. At the Czech company PCC Morava-Chem s.r.o., Český Těšín, on the other hand, the commodity trading business moved slightly into deficit in the second quarter, although remaining positive overall as of the end of the first six months of the year. The Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA and the alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle (Poland), which is also part of the Specialty Chemicals segment, each improved their performance compared to the preceding quarter. In particular, PCC Synteza S.A. was able in May to record its highest-ever nonylphenol sales level. In addition, this affiliate benefited in the second quarter from more favorable purchase prices for the raw materials it requires, so ending the second quarter with an exceptionally successful set of figures. Both the corresponding results of the previous year

and the earnings expectations for 2018 were well exceeded. PCC Silicium S.A., Zagórze (Poland), also continued to show an encouraging upward trend with a further increase in sales to customers in, for example, the ferroalloy industry of those quartzite grades not suitable for the silicon metal production activities of PCC BakkiSilicon hf in Iceland. With the construction season in full swing, sales of gravel and aggregates for road construction likewise rose sharply in the second quarter. As a result, PCC Silicium S.A. was able to return to profitability, at least at the EBITDA level. However, due to delays in deliveries to the Icelandic company PCC BakkiSilicon hf, sales and earnings of this affiliate at the end of the first half of the year remained below expectations.

Consumer Products

Sales of the PCC Consumer Products subsegment stabilized in the second quarter.

Overall, however, revenues remained below expectations. All affiliates managed in this segment continued to record losses. This applies in particular to the segment's largest company, PCC Consumer Products Kosmet Sp. z o.o. ("PCC CP Kosmet"), Brzeg Dolny. Measures to reduce costs (including personnel expenses) were initiated in the course of the second quarter. It is gratifying to note that, after lengthy negotiations with several customers, PCC CP Kosmet was able to contract initial sales for the Chinese market in this period. In addition, the closure of a private label producer in Germany has opened up new prospects for the German market. Initial discussions with potential customers have now taken place. However, the primary focus of PCC CP Kosmet will be on its newly designed own brands, the successful market launch of which will, according to PCC SE estimates, take at least three years. PCC CP Kosmet and thus also

Key financials by segment ¹ (per IFRS)	Consumer Products			Energy			Logistics			PCC Group total		
	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017	Q2/2018	6M/2018	6M/2017
Sales ² € m	5.5	10.9	11.0	2.8	6.6	6.3	20.7	41.5	34.4	195.5	387.5	338.1
EBITDA ³ € m	-1.3	-2.5	-1.6	0.5	2.2	4.8	1.9	4.3	3.4	24.2	51.9	34.5
EBIT ⁴ € m	-1.7	-3.2	-2.4	-0.2	0.7	2.9	0.9	2.2	1.1	15.9	35.6	18.8
EBT ⁵ € m	-2.0	-3.8	-3.1	-0.4	0.6	2.8	-0.3	-0.1	-0.5	7.7	19.6	3.7
Employees (at June 30)	513	513	475	183	183	188	475	475	431	3,440	3,440	3,115

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the Consumer Products segment as a whole should then be able to return to profitability.

Energy

The Energy division of the PCC Group generated net external sales of €2.8 million in the second quarter of 2018. Positive results were achieved in both the Conventional Energies and Renewable Energies business units. The main contributions to sales and earnings continued to come from the Conventional Energies business unit with PCC Rokita SA's combined heat and power plant (and the corresponding business unit) and the electricity and heat utility PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle (Poland). However, the results of this business unit remained below expectations, partly due to a slump in sales of coking gas from the latter affiliate and the loss of the associated margins. By contrast, the Renewable Energies business unit benefited from favorable hydrology, particularly in Macedonia, and closed the first half of the year better than expected overall.

Logistics

Q2 sales in the Logistics division again exceeded the 20 million euro mark. Total revenues in the second quarter amounted to €20.7 million, bringing divisional sales to €41.5 million as of the end of the first half-year. Compared to the corresponding prior-year period (€34.4 million), this represents an increase of 20.8%. By far the largest share of this sales growth was again generated by PCC Intermodal S.A., Gdynia (Poland). However, the earnings performance of this affiliate was somewhat weaker than in the preceding quarter, partly due to rising personnel expenses and higher diesel prices. In addition, negative exchange rate effects resulted from the weakening of

the Polish złoty against the euro. Nevertheless, PCC Intermodal S.A. again improved its EBITDA in the second quarter and also ended the first half-year in positive territory overall. Effective June 13, 2018, PCC SE acquired the shares in PCC Intermodal S.A. held by minority shareholder Hupac Ltd. and thus currently holds 98.40% of the company's capital and 98.87% of its voting rights. The remaining shares are held by the Management Board of PCC Intermodal. The road tanker haulage company PCC Autochem Sp. z o.o., Brzeg Dolny, also had to contend with, among other things, rising diesel prices in the second quarter of 2018, causing earnings to come in below expectations. At the Russian affiliate ZAO PCC Rail, Moscow, sales and earnings continued to develop gratifyingly with a significant improvement on the previous year. The majority of the fleet of around 600 wagons and rail cars continued to be leased to Russian Railways on a long-term basis. The remaining wagons were still being used by a third-party customer on a long-term basis. As a consequence, ZAO PCC Rail further improved its financials in the second quarter, with cash flows becoming increasingly stable. In June, this affiliate was therefore able to make a further partial repayment of the investment loans made available to it by PCC SE for the purchase of its wagons.

Holding/Projects

The Holding/Projects division closed Q2 2018 with positive results, as anticipated. PCC SE also reported a clearly positive performance in its single-entity financial statements as at the end of the first half-year, due primarily to the dividends received in May and June, to which PCC Rokita SA made the largest contribution. At Group level, however, such dividend income is eliminated as part of the consolidation procedure.

In addition to PCC SE, a number of internal service companies as well as the two Internet start-ups distripark.com Sp. z o.o., Brzeg Dolny (Poland), and distripark GmbH, Essen (Germany), are managed within the Holding / Projects division. To date, all these entities have made no or only marginal contributions to Group sales and earnings. The same applies to the project company DME Aerosol, Pervomaysky (Russia), which also belongs to this division and whose production plant for dimethyl ether (DME) is scheduled to go into service in fall 2018. By contrast, the second major project company in this division, PCC BakkiSilicon hf, has now commenced its plant commissioning phase. The first furnace was ignited on April 30, with operations since remaining extensively stable. The second furnace is due to be ignited by September 2018.

PCC Rokita increases stake in Thai manufacturer to 50%

In accordance with a previously agreed arrangement, PCC Rokita SA acquired a further 25% of the shares in its joint venture partner IRPC Polyol Company Ltd. from the Thai petrochemicals group IRPC Public Co. Ltd. with effect from April 30, 2018. As a result, its shareholding has increased to a total of 50%. PCC Rokita SA had initially acquired a 25% stake in the polyols and polyurethanes producer back in 2016 and is thus continuing to pursue its strategy of expansion in Asia.

Redemption of maturing bonds

On July 1, 2018, the 3.50% bond ISIN DE000A2AAVL7 issued by PCC SE in 2016 was redeemed at maturity with a repayment of approximately €8.9 million. The 2.00% bond ISIN DE000A2GSPD5 issued a year ago was also redeemed on August 1 at a cost of €2.6 million.

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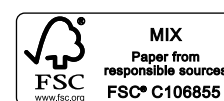
PCC SE
Moerser Str. 149
47198 Duisburg
Germany
www.pcc.eu

Public Relations contact

Moerser Str. 149, D-47198 Duisburg
Phone: +49 (0)2066 20 19 35
Fax: +49 (0)2066 20 19 72
Email: pr@pcc.eu
www.pcc-financialdata.eu

Direktinvest contact

Baumstr. 41, D-47198 Duisburg
Phone: +49 (0)2066 90 80 90
Fax: +49 (0)2066 90 80 99
Email: direktinvest@pcc.eu
www.pcc-direktinvest.eu



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