PCC Group Quarterly Report 2/2024

- **PCC Group achieves earnings and sales growth in the second quarter of 2024 despite challenging market environment**
- **EBITDA up 54.6% to €23.6 million compared to previous quarter**
- **Group sales increase by 3.6% year on year to €243.9 million**
- **Commissioning of second oxyalkylates production line in Malaysia**
- **Changes on both Executive Board and Supervisory Board of PCC SE**
- **Redemption of maturing bond**

Overall Business Development

In a challenging market environment, the PCC Group increased its earnings in the second quarter of 2024. Sales rose by 0.9% compared to the previous quarter and EBITDA (earnings before interest, taxes, depreciation and amortization) by 54.6%. Group sales amounted to €243.9 million and were therefore 3.6% higher than in the same quarter of the previous year (€235.3 million). The year-on-year development is mainly due to a slight increase in sales volumes. Compared to the previous quarter, however, average sales prices were flat to slightly lower, depending on the business area concerned. Gross profit for the second quarter of 2024 amounted to €88.9 million. This represents an increase of over 55.1% compared to the same quarter of the previous year (€57.3 million) and around 17.7% versus the previous quarter. The same applies to gross margin, which rose from 31.2% in the first quarter to 36.5% in the second quarter. This results in a cumulative gross profit ratio of 33.9% for the Group in the first half of 2024, compared to 30.9% in the same period of the previous year. At €23.6 million, EBITDA in the second quarter was 54.6% higher than in the previous quarter. Compared to the same quarter of the previous year, this actually represents an increase of 122.4%. EBITDA for the first half of the year amounted to €38.9 million, well below the €64.4 million in the previous year. In addition to the almost identical gross profit compared to the first half of the previous year, this reflects in particular the sharp rise in costs for personnel and external service providers. The PCC Group returned to profitability in EBIT terms (earnings before interest and taxes) in the second quarter of 2024. After a loss of €–5.3 million in the first quarter, the PCC Group was able this time to generate a positive result of €2.6 million. Although this still represents a loss of €–2.7 million for the first half of the year, it nevertheless constitutes an overall improvement in earnings. Similar to EBITDA, EBIT also showed a continuous improvement from month to month in the second quarter of 2024. At the pre-tax level (EBT), the PCC Group still posted a loss in the low double-digit million euro range in the prior-year quarter. This was reduced by around two thirds to €–6.0 million in the second quarter of 2024. The loss of €–18.3 million in the first half of the year was therefore in line with expectations. The second quarter of 2024 was thus significantly better than the first quarter at all earnings levels. Developments in the Surfactants & Derivatives segment were particularly positive, with applications in the consumer goods sector outperforming both the previous year and our expectations; the Intermodal Transport business unit increased its container handling volumes by more than 14.8% year on year in the first six months, thus also contributing to sales and earnings growth.

The business performance of the PCC Group in the second quarter of 2024 was significantly impacted by the persistently weak economy, particularly in Germany, but also in the European Union as a whole, which are our main sales markets. Added to this was the persistently aggressive export policy of non-European countries, first and foremost China and – in the case of silicon metal – Brazil, as described in previous quarterly reports. In addition, ongoing geopolitical upheavals such as the Russia-Ukraine war and the conflict in the Middle East continued to have a negative impact on both the European economy and the global economy in the second quarter of 2024.

Business performance by individual segment

Polyols & Derivatives

The Polyols & Derivatives segment continued its positive business performance from the first quarter of 2024. The segment's sales increased by 6.4% compared to the previous quarter and by 4.4% versus the same period of the previous year. This development is mainly due to a slight recovery in sales volumes, while prices moved sideways. In terms of earnings, our expectations for the first half of 2024 were exceeded at all levels. The dominant entity in this segment is the Polyols business unit of PCC Rokita SA, Brzeg Dolny (Poland), with its polyether and polyester polyols. Demand for these products remained robust in the second quarter, while a temporary, force majeure-related plant shutdown at a European competitor in the first quarter led to a shortage in the supply of polyether polyols. At the Polish systems house PCC Prodex Sp. z o.o., Brzeg Dolny, which produces, among other things, spray foams for roof insulation, the extremely encouraging business performance of the previous quarter continued through the second quarter. As expected, the portfolio companies and business areas pooled under the Duisburg-based intermediate holding company PCC Insulations GmbH (Germany), which operates in the field of insulation and other building materials, ended both the second quarter of 2024 and the first half of the year with a loss. PCC Prodex GmbH, a manufacturer of specialty foam blocks and polishing pads based in Essen (Germany), generated a slight surplus in a strong second quarter of 2024. For the first half of the year, this actually represents double-digit percentage growth compared to the previous year. This encouraging development has been supported by, among other things, the certification of PCC Prodex GmbH in accordance with ISO 9001-2015 and the new supply contracts that this has engendered. PolyU GmbH, Oberhausen (Germany), which develops and distributes specialty chemicals based on polyols, was able to significantly increase sales and revenue compared to the previous year, although it remained slightly in deficit in the first half of 2024. The losses, however, were much lower than expected and the current order situation also indicates a continuation of this positive trend at the company. The volume-driven increase in sales amounted to around 67.6% compared to the first half of the previous year. PCC Synteza S.A., Kędzierzyn-Koźle (Poland), which continues to operate its core business – the manufacture of alkylphenols – in addition to contract manufacturing within the Group, also remained in the red in the second quarter of 2024 due to continuing weak demand for these products.

Surfactants & Derivatives

Overall, our sales and earnings performance in the Surfactants & Derivatives segment in the second quarter of 2024 improved on the same quarter of the previous year. Gratifyingly, the largest affiliate in this segment, PCC Exol SA, Brzeg Dolny, succeeded in further increasing its sales volumes compared to the prior-year quarter. However, average selling prices for surfactants remained under severe pressure. This was due not only to ongoing competition from China and India, but also to the continuing aggressive pricing policy of a European supplier following the commissioning of new production capacities. In this challenging market environment, PCC Exol SA was nevertheless able to successfully maintain its position with a stable business performance compared to the previous quarter and also close the first half of the year with a clearly positive overall result. The US company PCC Chemax, Inc., Piedmont (SC), also ended the second quarter of 2024 with a profit, albeit slightly below our expectations. In the Consumer Products business, which is also part of the Surfactants & Derivatives segment, the first half of 2024 was characterized by an increasingly aggressive price war for private label products. Nevertheless, all PCC Group companies operating in this area performed exceptionally well, increasing sales volumes, revenues and earnings compared to the previous year. At the largest affiliate in this business area, PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny, the investments made in the previous year in capacity expansions, coupled with increasing efficiency, were also seen to have paid off.

Chlorine & Derivatives

In achieving further volume growth in the second quarter, the Chlorine & Derivatives segment closed the first half of 2024 on a positive note. However, sales and earnings remained well below the exceptionally good prior-year quarter, which continued to be characterized by, among other things, very high average selling prices for chlorine and chlorine derivatives. Since then, the price curve has moved steadily downward, particularly due to the weak economic parameters prevailing, although the average price level in the second quarter of 2024 was still above the long-term average. As a result, the Chlorine business unit of PCC Rokita SA closed the second quarter in clearly positive territory and in line with our expectations. The Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA also ended both the second quarter and the first half of 2024 in positive territory and in significantly better shape than expected. This is to be seen as a consequence of the positive decision by the EU Commission in the anti-dumping proceedings against cheap Chinese imports, which have led to the introduction of tariffs. These proceedings were initiated by PCC Rokita SA together with other major European manufacturers of phosphorus-based flame retardants. As a result of this process, European customers once again increased their purchases of flame retardants from local producers in the first half of the year. At monochloroacetic acid (MCAA) manufacturer PCC MCAA Sp. z o.o., Brzeg Dolny, business performance in the second quarter of 2024 was again more encouraging than at the beginning of the year. Following a force majeure-related temporary shutdown of the production plant in the first quarter, this business unit was able to ramp up and stabilize its

Key financials by segment (IFRS)		Polyols & Derivatives			Surfactants & Derivatives			Chlorine & Derivatives			Silicon & Derivatives		
		Q2/2024	6M/2024[5]	6M/2023	Q2/2024	6M/2024	6M/2023	Q2/2024	6M/2024	6M/2023	Q2/2024	6M/2024	6M/2023
Sales[1]	€ million	49.4	95.9	100.7	53.3	109.8	107.7	54.0	106.5	165.4	22.8	44.0	44.3
EBITDA[2]	€ million	5.0	9.4	4.5	5.6	11.6	14.0	12.0	22.3	65.6	−6.6	−16.9	−21.7
EBIT[3]	€ million	3.5	6.6	1.4	4.4	9.3	11.7	6.6	11.8	55.4	−11.0	−25.6	−30.4
EBT[4]	€ million	3.2	5.7	−0.8	2.9	6.4	8.3	5.5	9.3	48.3	−10.4	−23.9	−39.5
Employees	(at June 30)	359	359	346	488	488	518	441	441	460	233	233	213

Notes: Consolidation effects not separately shown. Rounding differences possible. Quarterly and cumulative figures unaudited. Subject to change without notice. | **1** The sales indicated relate exclusively to net external sales; consolidation procedures have already been taken into account. | **2 EBITDA** (earnings before interest, taxes, depreciation and amortization) | **3 EBIT** (earnings before interest and taxes) = Operating profit = EBITDA – depreciation and amortization | **4 EBT** (earnings before taxes) = Pre-tax profit = EBIT – interest | **5** "M" = months production operations again in the second quarter and at the same time increase its sales volumes, enabling it to record significant increases compared to the previous quarter. However, the events from the first quarter did, of course, continue to have an impact on the development of the key financials for the first half of 2024.

Silicon & Derivatives

The Silicon & Derivatives segment further reduced its losses in the second quarter of 2024. Following the restart of the second furnace of PCC BakkiSilicon hf., Húsavík (Iceland), in January 2024, production stabilized at full capacity, although furnace operation had to be temporarily limited due to a brief power shortage imposed by the local electricity supplier in May. Sales prices for silicon metal tended to move sideways in the second quarter and remained flat due to ongoing competition from China and especially also Brazil. Additional production of high-purity grades was successfully implemented. These enable PCC BakkiSilicon hf. to also achieve significant price premiums as compared to standard grades. Although demand for these higher-quality grades is lower, they are also exposed to less intense price competition. In the long term, the marketing of these higher-value products should have a positive effect on the economic situation of PCC BakkiSilicon hf. The company was also able to complete its product life cycle assessment (LCA). This shows a certified CO_2 footprint of currently around 3.1 metric tons per ton of silicon metal, meaning that the product from Iceland occupies a benchmark position. With two-furnace operations now established again, the cost position of PCC BakkiSilicon hf. continued to improve in the second quarter. PCC Silicium S.A., Zagórze (Poland), which is likewise managed within the Silicon & Derivatives segment, achieved a positive operating profit both in the second quarter and in the first half of the year, significantly exceeding the figure for the same period of the previous year. This positive development was due not just to increased quartzite deliveries to Iceland, but also to higher sales to the ferroalloy industry.

Trading & Services

The Trading & Services segment benefited from a further drop in purchase prices and turned the operating result back into profit in the second quarter of 2024. Sales were on a par with the same quarter of the previous year. Due to the lower purchase prices, gross profit increased by 27.2% in the first half of the year compared to the same period of the previous year. Expectations for the current fiscal year in this segment were therefore exceeded. The main driver here was the commodity trading business, particularly that of the largest trading company in the PCC Group, PCC Trade & Services GmbH, Duisburg. Other national companies that sell PCC products in foreign markets also closed the second quarter of 2024 with a positive operating result. The trading business of the Czech company PCC Morava-Chem s.r.o., Český Těšín, also generated a small profit in the first half of the year. By contrast, the online platform distripark.com posted slight operating losses both in the second quarter and in the first half of 2024 as a whole. The business performance of our Polish in-company power utility PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle, continued to be particularly pleasing in the second quarter: Due to increasing sales to newly established customers in the local industrial estate, this company achieved significantly better results than in the previous year, at the same time exceeding planning expectations. The Trading & Services segment also includes other service companies and business units that mainly provide intragroup services, for example in the areas of energy supply, information technology, environmental protection, site management, engineering and maintenance, and finance.

Logistics

The intermodal business continued to drive the positive sales and earnings performance in this segment in the second quarter of 2024. With revenues of €38.6 million in the second quarter, the Logistics segment not only exceeded the previous quarter's sales, but also achieved a significant increase of around 26.6% compared to the same quarter of the previous year. This led to an EBITDA of around €12.2 million in the first half of the year, about 33.6% higher than in the same period of the previous year. However, results fell just short of our expectations for the current fiscal year. Demand for intermodal transportation continued to rise, resulting in a further overall increase in container throughput in the second quarter. In the first half of the year, container handling was around 14.8% higher overall than in the same period of the previous year and the operating rate on international routes also increased further. At the same time, competitive pressure from road haulage remained high. The German Group company PCC Intermodal GmbH, Duisburg, put its own locomotives into operation at the beginning of 2024 for transportation at the terminal in Frankfurt (Oder) and from there up to the border bridge leading into Poland. In the long term, this insourcing is to be further expanded so as to generate additional growth and efficiency gains. For the tanker haulage company

Key financials by segment (IFRS)		Trading & Services			Logistics			Holding & Projects			PCC Group totals			
		Q2/2024	6M/2024[5]	6M/2023	Q2/2024	6M/2024	6M/2023	Q2/2024	6M/2024	6M/2023	Q2/2024	6M/2024	6M/2023	6M/2022
Sales[1]	€ million	25.3	52.3	64.9	38.6	76.0	63.2	0.5	1.0	1.7	243.9	485.6	548.0	667.6
EBITDA[2]	€ million	6.0	8.9	−2.2	6.5	12.2	9.1	−5.0	−7.6	−2.1	23.6	38.9	64.4	141.6
EBIT[3]	€ million	2.8	2.2	−8.1	1.7	2.9	1.6	−5.7	−8.8	−2.7	2.6	−2.7	26.3	105.4
EBT[4]	€ million	11.4	9.9	−2.4	0.5	0.8	0.4	19.0	12.6	73.0	−6.0	−18.3	−1.6	104.5
Employees	(at June 30)	1,044	1,044	1,115	638	638	663	108	108	87	3,311	3,311	3,402	3,333

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The new oxyalkylates plant of our joint venture with PETRONAS Chemicals Group Berhad, PCG PCC Oxyalkylates Sdn. Bhd., in Malaysia is now manufacturing products based on both ethylene oxide and propylene oxide.

PCC Autochem Sp. z o.o., Brzeg Dolny, the results of the first half of 2024 were positive, although below expectations.

Holding & Projects

As expected, earnings before taxes in the Holding & Projects segment were clearly positive in the second quarter of 2024. Dividend distributions from various affiliates to the intermediate holding company PCC Chemicals GmbH, Duisburg, and also directly to PCC SE were the drivers in this regard. Due to consolidation procedures, this dividend income is of no relevance to Group earnings. PCC SE continued to receive monthly loan repayments from various Group companies and affiliates in the second quarter of 2024.

The particular focus in the Holding & Projects segment in the second quarter of 2024 was on the commissioning of the second production line of our oxyalkylates production plant, which we operate with our joint venture partner PETRONAS Chemicals Group Berhad in Kerteh, Malaysia. Products based on both ethylene oxide and propylene oxide are now produced at this site. A further focus in second quarter was on the expansion of our core business in the US market. With the newly established PCC GulfChem Corporation, Wilmington (Delaware), PCC SE is examining the possible development, construction and operation of its own chlor-alkali plant in the USA.

Changes on both Executive Board and Supervisory Board of PCC SE

PCC SE has continued the process of generational change in its Group governance with further personnel changes at Executive Board and Supervisory Board level. Citing private reasons, Ulrike Warnecke (62) stepped down from the Executive Board on June 30, 2024 and took up a seat on the Supervisory Board on July 1, 2024. As her successor, Chief Financial Officer (CFO) Riccardo Koppe (45) joined the Executive Board of PCC SE as of July 1, 2024. Mr. Koppe came to PCC SE in 2008 as a member of Group Controlling, proceeding to take over this accounting division in 2012. He has been CFO of PCC SE since 2020. He will retain this position while assuming from Ms. Warnecke lead responsibility on the Executive Board for Financial Affairs, Public Relations and Human Resources. Also effective July 1, Ms. Warnecke succeeded Reinhard Quint (81) on the Supervisory Board of PCC SE, with the latter stepping down as of June 30 for reasons of age.

Redemption of maturing bond

On July 1, 2024, PCC SE repaid on maturity the 4.00% bullet bond carrying the code ISIN DE000A2NBJL3 issued in January 2019. The redemption volume amounted to €25.0 million.

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