PCC Group Quarterly Report 3/2024

- **PCC Group increases sales in the third quarter of 2024 by 8.0 % year on year to € 237.7 million**
- **Quarterly results burdened by weak economy, scheduled facility shutdowns and foreign exchange losses**
- **EBITDA of € 6.8 million significantly below level of prior-year quarter**
- **Positive performance in the Surfactants & Derivatives and Logistics segments**
- **Progress in planned chlor-alkali plant project in the USA**
- **Redemption of maturing bond**

Overall Business Development

The third quarter of 2024 saw the PCC Group increase its sales revenues by 8.0 % compared to the same quarter of the previous year. Higher fixed costs, increased interest expenses and negative exchange rate effects led to a decline in earnings, although there were positive developments in certain segments. Group sales rose to €237.7 million compared to €220.1 million in Q3 2023. In the nine-month fiscal period, cumulative sales amounted to €722.6 million, down 5.9 % on the same period of the previous year. The year-on-year increase in quarterly sales is mainly due to slightly higher volumes. Compared to Q2 this year, average selling prices declined slightly depending on the business area, with lower raw material prices serving to only partially offset the negative impact.

Gross profit amounted to €74.4 million in the third quarter of 2024. Compared to the same quarter of the previous year (€73.5 million), this represents an increase of about 1.2 %; compared to the previous quarter the rise is around 6.0 %. Gross margin amounted to 31.3 % in the third quarter, thus coming in below the 33.4 % reported in the prior-year quarter. On a cumulative basis, the gross margin for the Group for the first nine months of the current fiscal year was therefore slightly lower at 30.5 % compared to the 31.6 % reported for the same period of the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the third quarter came in at €6.8 million, 53.9 % below the figure for the same prior-year quarter. Compared to the previous quarter this year, the figure represents a marked decrease of 71.8 %. In the first nine months, cumulative EBITDA amounted to €46.3 million, 41.5 % below the figure for the same period of the previous year. This reflects in particular the sharp rise in costs for personnel and external service providers.

The PCC Group recorded an operating loss (EBIT, earnings before interest and taxes) of €–14.3 million in the third quarter of 2024. After a positive operating result of €3.3 million in the second quarter, the positive upward trend has thus been temporarily interrupted, with this negative development resulting in a cumulative loss of €–16.3 million for the first nine months. As a consequence, the loss at the EBT (earnings before taxes) level increased, exacerbated by non-cash exchange rate losses of around €–13 million in the third quarter. Over the first nine months, EBT amounted to a cumulative figure of €–56.8 million.

PCC Group performance thus remained below expectations, with the third quarter of 2024 resulting in worse figures overall than the second quarter at all earnings levels. On a positive note, the Surfactants & Derivatives segment performed better than in the same quarter of the previous year, exceeding our expectations, with the improvement being driven by the consumer goods sector. The Intermodal Transport business unit in the Logistics segment also performed well, again increasing container handling volumes in the third quarter. As a result, the segment's operating profit for the first nine months rose by almost 198 % compared to the same period of the previous year. Business development across the PCC Group in the third quarter of 2024 was significantly affected by ongoing economic weakness, particularly in Germany, but also across the entire European Union, i.e. in our main sales markets. Added to this was the aggressive export practices of non-European countries, first and foremost China and – in the case of silicon metal – Brazil, as described in previous quarterly reports. Furthermore, prevailing geopolitical uncertainties such as the Russia-Ukraine war and the Middle East conflict continued to weigh on the European economy and global trading conditions in the third quarter of 2024.

Business performance by individual segment

Polyols & Derivatives

The Polyols & Derivatives segment reported stable business development in the third quarter. Quarterly sales fell by 1.4 % year on year, with nine-month revenues down 4.2 %. On the earnings side, however, we exceeded our budget for the first nine months 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. Competition in the market for these products is persistently intense, although demand remained robust in the third quarter. The Lubricants business area, also a business unit of PCC Rokita SA, is now managed under this segment, and we expect stronger growth for it as a result of customized management and control of the product portfolio. Its inclusion does not give rise to any requirement for adjustment of comparative figures. 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 registered in the current fiscal year continued through the third quarter. The portfolio companies and business areas operating in the fields of insulation and other building materials and pooled under the Duisburg-based German intermediate holding company PCC Insulations GmbH reduced their losses slightly in the third quarter, although – as expected – remaining in loss-making territory across the first nine months. PCC Prodex GmbH, the Essen-based German manufacturer of special foam blocks and polishing pads, was able to return to profit for the entire nine-month period thanks to a strong third quarter. Among other things, this is attributable to the certification of PCC Prodex GmbH according to ISO 9001:2015 and the new supply contracts associated with this award. PolyU GmbH, Oberhausen (also Germany), which develops and distributes specialty chemicals based on polyols, significantly increased sales volumes and revenues compared to the prior-year period and likewise returned to profit for the nine-month period. Although a one-time effect arising from funding measures must also be taken into account here, the current order situation indicates that the positive trend will continue at PolyU GmbH as well. PCC Synteza S.A., Kędzierzyn-Koźle (Poland), which in addition to contract manufacturing within the Group continues to pursue its core business of producing alkylphenols, generated an operating profit in the third quarter, although it remained slightly in deficit for the first nine months.

Surfactants & Derivatives

Sales in the Surfactants & Derivatives segment in the third quarter of 2024 were 10.9 % higher than in Q3 2023. In the first nine months of 2024, this segment was able to grow its revenues by 5.1 % compared to the previous year. PCC Exol SA, Brzeg Dolny, the largest affiliate in this segment, succeeded in further increasing its sales volumes compared to both the same period of the previous year and Q2 2024. 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 development of EBITDA compared to the previous quarter. For the first nine months, this means that the segment as a whole generated EBITDA of €17.2 million (same period of the previous year: €20.0 million). US-based PCC Chemax, Inc., Piedmont (SC), ended the third quarter with a slight operating loss, although remaining well within the profit zone for the first nine months. In the Consumer Products business managed under the Surfactants & Derivatives segment, the first nine months were characterized by an increasingly aggressive price war in the private label segment. Nevertheless, all companies operating in this area performed exceptionally well, increasing sales volumes, revenues and earnings year on year. EBITDA generated by this consumer goods business increased by 24.0 % in the first nine months compared to the same period of 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 were also seen to have paid off, with efficiency improvements simultaneously ensuing.

Chlorine & Derivatives

Third-quarter performance in the Chlorine & Derivatives segment was affected by scheduled maintenance work. Over the nine-month period, the segment was able to report a positive cumulative operating result (EBIT) despite lower volumes and declining prices. Sales and operating profit for the quarter remained below the levels of Q3 2023. Since then, average price levels have fallen continuously, due in particular to weak trading conditions, although in the third quarter they still stood above the long-term average. As a consequence of these price falls, the Chlorine business unit of PCC Rokita SA closed the third quarter with an earnings result below that of the same quarter of the previous year, albeit still in positive territory. The Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA also ended both the third quarter and the first nine months with positive results that exceeded our expectations. This can be regarded as attributable to the positive decision of the EU Commission in the anti-dumping proceedings brought against cheap Chinese imports, which PCC Rokita SA had initiated together with other major European manufacturers

Key financials by segment (IFRS)		Polyols & Derivatives			Surfactants & Derivatives			Chlorine & Derivatives			Silicon & Derivatives		
		Q3/2024	9M/2024[5]	9M/2023	Q3/2024	9M/2024	9M/2023	Q3/2024	9M/2024	9M/2023	Q3/2024	9M/2024	9M/2023
Sales[1]	€ million	44.5	140.4	146.5	55.7	165.5	157.5	50.7	157.3	219.0	22.9	66.9	57.3
EBITDA[2]	€ million	1.9	11.3	6.4	5.6	17.2	20.0	7.1	29.4	76.4	−11.5	−28.4	−30.6
EBIT[3]	€ million	0.4	6.9	1.9	4.3	13.6	16.8	1.9	13.7	61.4	−16.1	−41.7	−43.6
EBT[4]	€ million	0.1	5.8	−0.1	2.7	9.1	12.4	0.6	9.9	55.1	−32.7	−56.5	−48.3
Employees	(at Sept. 30)	354	354	352	509	509	503	430	430	442	225	225	210

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 of phosphorus-based flame retardants. Sales revenues at monochloroacetic acid manufacturer PCC MCAA Sp. z o.o., Brzeg Dolny, improved in the third quarter of 2024 versus both the previous quarter and the prior-year quarter. However, maintenance expenses weighed down on the earnings situation. The force majeure-related shutdown in the first quarter of 2024 also continues to impact this affiliate's earnings.

Silicon & Derivatives

The Silicon & Derivatives segment continued to make a loss in the third quarter of 2024. Following the restart of the second furnace of PCC BakkiSilicon hf., Húsavík (Iceland), in January, production stabilized at full capacity, although furnace operations had to be temporarily restricted due to a brief power reduction imposed by the local electricity supplier in May. In the third quarter, quality issues with certain raw materials affected furnace operating efficiency. Despite this, quarterly sales increased slightly by 0.4 % compared to the previous quarter. However, the challenges mentioned had a negative impact on gross profit and thus also on the company's earnings. In addition, there were around €15 million in non-cash exchange rate losses, which significantly depressed earnings in the third quarter and thus also for the first nine months. Both EBITDA and EBIT for the first nine months were at the level of the same period of the previous year. While selling prices for silicon metal declined slightly in the third quarter, PCC BakkiSilicon hf. was able to successfully add high-purity grades to its production portfolio. This will enable the company to command price premiums compared to standard grades. Although demand for high-purity grades is lower, these products are subject to less intense price competition. In the long term, the marketing of these higher-quality products should have a positive effect on the economic situation of PCC BakkiSilicon hf. The company had already completed its life cycle assessment (LCA) in the second quarter. With a certified carbon footprint of currently around 3.1 tCO_2e per metric ton of silicon metal, the product from Iceland occupies a benchmark position in the industry. In October, PCC BakkiSilicon hf. also received a Silver award from the sustainability rating agency EcoVadis. PCC Silicium S.A., Zagórze (Poland), which is also managed within the Silicon & Derivatives segment, posted a positive operating profit in both the third quarter and the first nine months, with each figure significantly above the level for the respective prior-year periods. This positive development was due not just to increased quartzite deliveries to Iceland but also to higher sales to the ferroalloy industry.

Trading & Services

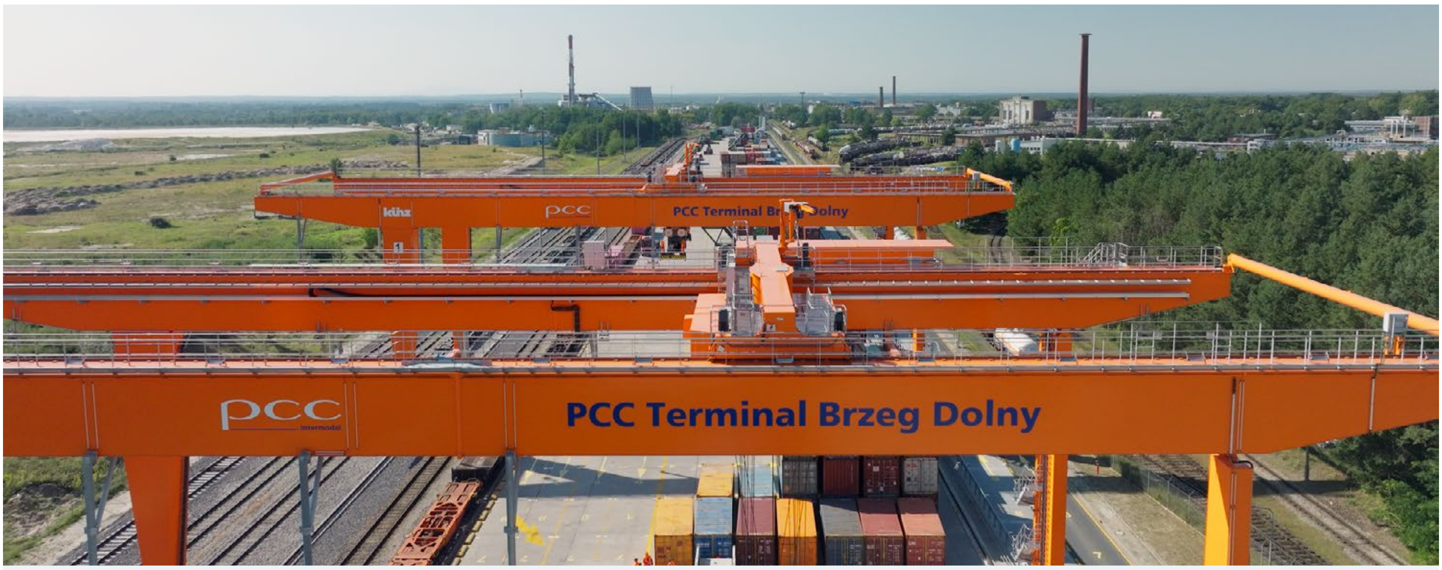
While the Trading & Services segment experienced a seasonally weaker third quarter, cumulative EBITDA and EBIT over the first nine months remained well above the levels of the previous year. Sales in this segment were down 3.7 % on the prior-year quarter due to price factors. However, with raw material purchase prices also lower, gross profit for the first nine months increased by 19.3 % 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 of the largest trading company in the PCC Group, PCC Trade & Services GmbH, Duisburg. The business performance of our Polish energy utility PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle, also continued to be particularly encouraging in the third quarter: Due to increasing sales to customers newly established in the local industrial park, this company achieved significantly better results than in the previous year and than planned. Other trading companies in the segment that distribute PCC products in other markets ended the third quarter of 2024 with mixed results: The trading business of the Czech company PCC Morava-Chem s.r.o., Český Těšín, posted a slight loss in both the third quarter and the first nine months. By contrast, the trading company in Türkiye ended both the third quarter and the first nine months with an operating profit. A new addition to this segment is a trading company for the Italian market, PCC Italy S.R.L., Milan. This company was still being established in the third quarter. 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

Intermodal container logistics, the dominant business in the Logistics segment, continued its positive sales and earnings performance in the third quarter of 2024. Quarterly segment sales rose by 24.0 % year on year to €38.5 million, while revenues for the nine-month period increased by 21.1 %. Cumulative EBITDA rose by 41.2 % to €18.6 million in the first nine months. Nevertheless, the figures achieved fell slightly 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 third quarter. In the first nine months,

Key financials by segment (IFRS)		Trading & Services			Logistics			Holding & Projects			PCC Group totals			
		Q3/2024	9M/2024[5]	9M/2023	Q3/2024	9M/2024	9M/2023	Q3/2024	9M/2024	9M/2023	Q3/2024	9M/2024	9M/2023	9M/2022
Sales[1]	€ million	**25.3**	**77.6**	92.6	**38.5**	**114.6**	94.6	**0.1**	**1.1**	1.5	**237.7**	**722.6**	768.0	994.4
EBITDA[2]	€ million	**2.0**	**10.9**	0.6	**6.4**	**18.6**	13.2	**–3.7**	**–11.3**	–5.2	**6.8**	**46.3**	79.3	196.7
EBIT[3]	€ million	**–1.2**	**1.1**	–8.8	**1.7**	**4.7**	1.6	**–4.5**	**–13.2**	–6.2	**–14.3**	**–16.3**	21.8	142.0
EBT[4]	€ million	**–2.1**	**7.9**	–4.5	**1.0**	**1.8**	–2.6	**–7.8**	**4.9**	68.1	**–39.1**	**–56.8**	–9.0	143.6
Employees (at Sept. 30)		**1,049**	**1,049**	1,078	**643**	**643**	654	**109**	**109**	85	**3,319**	**3,319**	3,324	3,361

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



Shown here is the container terminal of PCC Intermodal S.A. at the PCC Group's primary chemicals site in Brzeg Dolny. A leading private logistics company in Poland, PCC Intermodal S.A. continued its positive sales and earnings development in the third quarter.

container handling volumes were around 18.7 % 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 duties serving 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. For the tanker haulage company PCC Autochem Sp. z o.o., Brzeg Dolny, both the third quarter and the first nine months of 2024 were positive, albeit with the Q3 results coming in below the level of the same quarter of the previous year.

Holding & Projects

Earnings development in the Holding & Projects segment was impacted in the third quarter by start-up costs attributable to current investment projects. This segment is particularly involved in the development of new businesses, products and manufacturing facilities. The associated costs are capitalized to the extent permitted by accounting rules, with some outgoings still recognized as expenses.

The allocation of equity method investments played a significant role in the development of earnings in the third quarter. A delay in the completion of the oxyalkylates plant in Malaysia meant that some of the costs could be capitalized for longer than planned. Overall, however, a loss allocation of almost €5.0 million has been stated as an expense and thus also recognized in the pre-tax earnings for the first nine months.

We continued to focus in the third quarter on expanding our core chemicals business in the US market. Together with PCC GulfChem Corporation, Wilmington (Delaware), newly established in 2024, PCC SE is examining the possible development, construction and operation of its own chlor-alkali plant in the USA. Among other things, the order for the process design package (PDP) was placed in the third quarter, with supply and purchase agreements also having been negotiated. In order to determine the final location, we are currently negotiating with representatives of various federal states regarding possible tax breaks and other concessions.

Redemption of maturing bond

On October 1, 2024, PCC SE repaid on maturity the 4.00 % bullet bond carrying the code ISIN DE000A2TSEM3 issued in July 2019. The redemption volume amounted to €30.0 million.

Duisburg, November 2024

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

Public Relations contact
Baumstr. 41, 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

FSC www.fsc.org MIX Paper from responsible sources FSC® C115208