PCC Group Quarterly Report 4/2021

- **PCC Group closes 2021 as one of the best fiscal years in the company's 28-year history**
- **Consolidated sales increase to €277.7 million in the fourth quarter to reach almost €1 billion for the full year**
- **With EBITDA of €72.2 million in the fourth quarter, PCC achieves full-year EBITDA of just under €200 million**
- **Joint investment project with PETRONAS Chemicals Group in Malaysia progressing to schedule**
- **Redemption of maturing bonds**

Overall Business Development

The fourth quarter of 2021 saw the PCC Group once again clearly outperform its already exceptional previous results for the fiscal year in terms of both sales and earnings. At €277.7 million, the quarterly sales figure was the highest of 2021. As of year-end, cumulative consolidated sales therefore amounted to €979.7 million. Compared to the previous year (€716.8 million), this represents an increase of 36.7%. Consolidated sales for fiscal 2021 were thus well above our expectations. Earnings also significantly exceeded both the previous year's results (impacted by the pandemic) and the targets set for the 2021 financial year. Gross profit improved by €112.9 million from €248.4 million to €361.4 million in the fourth quarter of 2021 (previous year: €207.6 million). Earnings before interest/financial result, taxes, depreciation and amortization (EBITDA) for the fourth quarter came in at €72.2 million. Overall, EBITDA for full fiscal 2021 accumulated to €198.8 million, just short of the €200 million threshold. Compared to the corresponding figure for the previous year of €83.8 million, EBITDA improved by 137.1 %. At the operating level (EBIT), the PCC Group generated a profit of €53.1 million in the fourth quarter of 2021. EBIT for full fiscal 2021 amounted to €127.0 million (previous year: €11.3 million). Earnings before taxes (EBT) amounted to €44.8 million in the fourth quarter, accumulating to €94.4 million for fiscal 2021 as a whole. By contrast, the result recorded for the previous year was a net loss of €–38.4 million. Cash flow from operating activities as of the end of the fourth quarter also showed a significant year-on-year improvement, with the figure as of December 31, 2021 at €147.3 million (previous year: €114.0 million). Overall, 2021 was thus by far one of the best fiscal years in our 28-year company history.

Key financials PCC Group (per IFRS)	Q4/2021	2021	2020
Sales revenue (net external sales only)[1]	€277.7 m	€979.7 m	€716.8 m
EBITDA (earnings before interest/financial result, taxes, depreciation and amortization)[2]	€72.2 m	€198.8 m	€83.8 m
EBIT (operating profit)[3]	€53.1 m	€127.0 m	€11.3 m
EBT (earnings before taxes)[4]	€44.8 m	€94.4 m	€ –38.4 m
Employees (at December 31)	3,317	3,317	3,176

For footnotes 1, 2, 3 and 4, see page 2. Rounding differences possible. Quarterly and cumulative figures unaudited. Subject to change without notice.

Segment Performance

The Chemicals division remained the main revenue and earnings generator of the PCC Group in the fourth quarter and thus also in fiscal 2021 as a whole. Quarterly divisional sales amounted to €215.3 million, with the cumulative total as of year-end at €797.8 million. This well exceeded both the corresponding figure for the previous year of €578.2 million and our revenue expectations for the 2021 fiscal year. The earnings figures followed a similar pattern. With the exception of Consumer Products, all segments of the Chemicals division again contributed to this successful performance in the fourth quarter.

Polyols

The Polyols segment also closed the fourth quarter of 2021 with a very successful set of figures. With its polyether polyols, the Polyols business unit of PCC Rokita SA, Brzeg Dolny (Poland), once again made a major contribution in this regard. Although the price curve for these polyols flattened further in the fourth quarter, the Polyols business unit was still able to fully utilize its capacities and achieve historically good annual earnings in 2021 for the second year in succession. Sales of polyester polyols manufactured by PCC PU Sp. z o.o., Brzeg Dolny, which are used particularly in the construction industry, declined somewhat at the end of the fourth quarter due to seasonal factors. However, sales and earnings at this affiliate also showed a significant year-on-year improvement in the fourth quarter. Our expectations for the past fiscal year were likewise significantly exceeded. This also applies to the Polish systems house PCC Prodex Sp. z o.o., Brzeg Dolny, and to the Thai joint venture of PCC Rokita SA, IRPC Polyol Company Ltd., Bangkok, even though the sales and earnings performance of this investment also weakened somewhat in the fourth quarter. PCC Prodex GmbH, Essen (Germany), which operates in the fields of specialty foam blocks and polishing discs, recorded an unexpectedly sharp slump in demand for polishing discs at the beginning of the fourth quarter – a consequence of high inventory levels held by its customers in the vehicle reconditioning sector. Nevertheless, PCC Prodex GmbH was also able to significantly improve on its overall performance compared to the previous year. The turnaround there originally targeted for fiscal 2021 was not achieved, however. This is now the aim for 2022. All the other business units in the Polyols segment remained in the start-up phase during the fourth quarter of 2021 and thus continued to operate at a loss.

Surfactants

For the Surfactants segment, the fourth quarter developed into the best period of an already successful fiscal 2021. The largest affiliate in this segment, PCC Exol SA, Brzeg Dolny, benefited in particular from increasing demand for specialty products for industrial applications. In the other application areas, too, the increasing share of specialty products with higher margins in the product portfolio of this subsidiary was reflected in an increase in earnings. Despite higher purchase prices for, among others, the main raw materials ethylene oxide and fatty alcohols, PCC Exol SA ended the fourth quarter and also fiscal 2021 successfully overall, with results significantly up on the already good performance of the previous year. Our expectations for 2021 were likewise exceeded. This also applies to the Surfactants segment as a whole. The US affiliate of PCC Exol SA, PCC Chemax, Inc., Piedmont (SC), and the Turkish sales company PCC Exol Kimya, Istanbul, likewise made positive contributions to the results achieved. In the fourth quarter, an important foundation was also laid for future growth in the surfactants and polyols segments: By concluding a joint offtake agreement with their most important ethylene oxide provider, our subsidiaries PCC Exol SA and PCC Rokita SA were able to secure the long-term supply of this essential raw material.

Chlorine

The fourth quarter also saw the Chlorine segment surpass its already strong performance from previous periods. Demand for chlorine remained high, both within the PCC Group and from external customers. Consequently, selling prices for chlorine also held at a high level. In the case of the chlorine co-product caustic soda, the rate of price increase further accelerated in the fourth quarter of 2021 due to a lack of volumes from China, with the prices of caustic soda lye and the other chlorine derivatives (including monochlorobenzene) likewise showing a strong upward trend due to sustained high demand. As a result of these developments, the Chlorine business unit of PCC Rokita SA was able to conclude the fourth quarter of 2021 with a very successful set of figures. Despite rising energy prices, PCC MCAA Sp. z o.o., Brzeg Dolny, again posted a markedly positive business performance in the fourth quarter. In the course of 2021, this affiliate achieved record volume sales of close to 50,000 metric tons of MCAA, with revenues hitting their highest point since its plant began operations in 2016. PCC MCAA Sp. z o.o. also benefited from the significant increase in sales of MCAA flakes due to a lack of exports from China. PCC MCAA Sp. z o.o. likewise closed the fourth quarter of 2021 with a successful earnings figure, significantly up on the previous year and above our expectations. This also applies to the Chlorine segment as a whole.

Specialty Chemicals

The sales and earnings of the Specialty Chemicals segment in the fourth quarter of 2021 were again significantly above both prior-year levels and our expectations. At the Phosphorus and Naphthalene Derivatives business unit of PCC Rokita SA, one of the factors having a positive effect on business performance was the increasing utilization of the additional capacity completed in the previous year. Moreover, selling prices for certain phosphorus-based flame retardants remained at a high level in the fourth quarter due to a lack of import volumes from China. Sales and earnings also continued to develop positively at alkylphenol manufacturer PCC Synteza S.A., Kędzierzyn-Koźle (Poland). The fourth quarter likewise saw PCC Synteza S.A. step up its collaboration with its German sister company PolyU GmbH, Oberhausen. The specialty chemicals developed by PolyU GmbH are to be

Key financials by segment	(per IFRS)	Polyols			Surfactants			Chlorine			Specialty Chemicals		
		Q4/2021	2021	2020	Q4/2021	2021	2020	Q4/2021	2021	2020	Q4/2021	2021	2020
Sales [1]	€ m	58.0	235.4	144.5	44.5	154.6	123.1	50.4	167.1	131.2	56.1	217.4	153.2
EBITDA [2]	€ m	16.0	77.5	23.9	7.1	20.4	15.7	25.9	54.7	38.9	6.8	23.5	9.3
EBIT [3]	€ m	14.5	72.9	19.3	6.2	17.4	13.0	21.9	37.3	19.6	5.1	17.0	3.8
EBT [4]	€ m	14.1	71.7	15.5	6.2	16.3	11.1	21.2	34.6	11.7	4.7	15.5	1.5
Employees	(at Dec. 31)	258	258	237	316	316	296	400	400	396	387	387	395

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/financial result, taxes, depreciation and amortization) | **3 EBIT** (earnings before interest/financial result and taxes) = Operating profit = EBITDA – depreciation and amortization | **4 EBT** (earnings before taxes) = Pre-tax profit = EBIT – interest/financial result produced by PCC Synteza S.A. from 2022. The investments required for this at the site in Kędzierzyn-Koźle are scheduled for completion by the end of the first quarter of 2022. This will result in further growth potential for both affiliates in the future. Commodity trading company PCC Trade & Services GmbH, Duisburg (Germany), also again performed well in the fourth quarter, closing both Q4 and fiscal 2021 as a whole significantly above the previous year and with results better than expected. The company benefited from the continuing high prices for basic chemical feedstocks, plus increased demand for coke and anthracite. The Russian port company of PCC Trade & Services GmbH, namely AO Novobalt Terminal, Kaliningrad, was able to turn its earnings around, thanks in part to higher throughput volumes in the fourth quarter of 2021. PCC Silicium S.A., Zagórze (Poland), posted a similar picture. As a result of the resumption of quartzite deliveries to Iceland to supply our silicon metal production there, this affiliate was able to significantly increase its sales and earnings, enabling it to close fiscal 2021 in positive territory, in contrast to the previous year when PCC Silicium S.A. posted a loss. Continuing high demand for quartzite from the ferroalloy industry and as aggregate for the construction of roads and railroad lines also contributed to this positive development. The closure of a neighboring quarry at the end of 2021 has further strengthened the regional market position of PCC Silicium S.A. in these business segments.

Consumer Products

The PCC Consumer Products subgroup posted losses both for the fourth quarter and for fiscal 2021 as a whole. While the largest affiliate in this segment, PCC Consumer Products Kosmet Sp. z o.o. ("PCC CP Kosmet"), Brzeg Dolny, was at least able to match the good sales figures of the previous year, revenues nevertheless fell significantly short of expectations for 2021. On the earnings side, the sharp rise in raw material purchase prices continued to exert a markedly negative impact on results in the fourth quarter. These price increases could only be passed on to customers with a time lag, and for the most part not until the first quarter of 2022. PCC CP Kosmet therefore remained in loss-making territory in the fourth quarter of 2021, ending the year with it results significantly below the prior-year level and also below our expectations. By contrast, PCC Consumer Products Navigator, Grodno (Belarus), posted a marginally positive earnings result; however, this affiliate remains of secondary importance for the development of the Consumer Products segment as a whole.

Energy

The net external sales of the Energy division of the PCC Group amounted to €3.5 million in the fourth quarter of 2021. Sales for full fiscal 2021 came in at €12.1 million, slightly above the previous year and also above our expectations. Unlike in previous quarters, the Energy division achieved positive earnings in the fourth quarter. The main reason for this was the allocation of free CO_2 certificates to the Energy business unit of PCC Rokita SA, which operates the conventional CHP plant at the Brzeg Dolny site. However, the resulting earnings were unable to compensate for the losses incurred in the previous three quarters due to higher prices for CO_2 certificates and higher electricity charges. By contrast, the electricity and district heat utility PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn- Koźle, which is also active in the Conventional Energies business unit, ended fiscal 2021 with a slight plus. This affiliate was able to benefit in particular from the increased demand for energy resulting from the economic upturn. The Energy division also includes PCC Renewables GmbH, Duisburg, which forms part of the Renewable Energies business unit and has investments in North Macedonia and Bosnia and Herzegovina. Like the Energy division as a whole, this business unit remained of minor overall importance for the Group's earnings in 2021.

Logistics

The Logistics division achieved sales of €33.7 million in the fourth quarter of 2021, exceeding the previous record figure registered in Q3 (€30.1 million). On the earnings side, too, the fourth quarter was again extremely successful. The main revenue and earnings generator of the division is PCC Intermodal S.A., Gdynia (Poland). The international container market remained unbalanced, with the backlog of containers – which has persisted for months – still not fully resolved. PCC Intermodal S.A. nevertheless continued to perform very well in this difficult market environment, increasing the number of containers moved by 16 % compared to the previous year. In the fourth quarter, and in December especially, there was a marked increase in transports on the domestic Polish routes. However, in terms of full fiscal 2021, the highest growth rates were on the international routes serving Rotterdam and Antwerp. PCC Intermodal S.A. therefore closed the fourth quarter and also fiscal 2021 successfully overall with results above those of the previous year. The ambitious earnings targets for the past fiscal year were also exceeded. The previously positive business performance of road tanker company PCC Autochem Sp. z o.o., Brzeg Dolny, was severely impacted in the

Key financials by segment (per IFRS)		Consumer Products			Energy			Logistics			Holding/Projects		
		Q4/2021	2021	2020	Q4/2021	2021	2020	Q4/2021	2021	2020	Q4/2021	2021	2020
Sales [1]	€ m	**6.3**	23.1	27.0	**3.5**	12.1	11.4	**33.7**	117.2	96.0	**25.1**	52.6	30.5
EBITDA [2]	€ m	**−0.3**	−0.5	5.7	**2.2**	−0.1	−4.9	**7.0**	23.2	18.2	**7.2**	−0.1	−25.3
EBIT [3]	€ m	**−0.5**	−1.3	2.9	**1.3**	−4.1	−8.4	**2.3**	9.0	6.4	**1.9**	−21.5	−47.4
EBT [4]	€ m	**−0.9**	−2.9	−3.7	**1.0**	−5.0	−8.0	**2.1**	8.0	0.2	**−3.9**	−23.3	−36.5
Employees	(at Dec. 31)	**199**	199	214	**168**	168	170	**617**	617	576	**972**	972	892

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/financial result, taxes, depreciation and amortization) | **3 EBIT** (earnings before interest/financial result and taxes) = Operating profit = EBITDA – depreciation and amortization | **4 EBT** (earnings before taxes) = Pre-tax profit = EBIT – interest/financial result fourth quarter of 2021 by a major fire at its tanker cleaning facility. The resulting damage is covered by appropriate insurance (less the policy deductible). The necessary write-downs nevertheless caused the results of this affiliate to slip into the red in the fourth quarter. The sales and earnings performance of ZAO PCC Rail, Moscow (Russia), again improved significantly compared to previous quarters as a result of the recovery of the Russian economy and the associated further increase in freight car rental tariffs. This affiliate closed fiscal 2021 with a positive overall result and was consequently also able to resume its loan repayments to PCC SE in the fourth quarter.

Start of construction of the "Oxy.my" oxyalkylates project of PCG PCC Oxyalkylates Sdn. Bhd., our joint venture with PETRONAS Chemicals Group Berhad, in Malaysia: The groundbreaking ceremony took place on October 28, 2021, with commissioning planned for the third quarter of 2023.

Holding/Projects

The performance of the Holding/Projects division again improved significantly compared to the results of previous quarters. The fourth quarter actually brought a positive earnings balance at the operating level. This is largely due to the encouraging performance of PCC BakkiSilicon hf., Húsavík (Iceland). Silicon metal production at this affiliate was at a very high yet stable level in the fourth quarter. Moreover, due to reduced exports from China, prices per ton of silicon metal initially continued to rise in the fourth quarter of 2021, at times actually reaching a level more than five times higher than in the fourth quarter of 2020. PCC BakkiSilicon hf. benefited from this positive trend and even saw some volumes heading towards Asia in the fourth quarter. Although the price curve for silicon metal flattened in the final weeks of 2021, prices remained at a high level and continued there beyond the turn of the year. Gratifyingly, therefore, PCC BakkiSilicon hf. was able to post a positive operating result in the fourth quarter of 2021. Overall, this affiliate closed fiscal 2021 in the black, at least at the EBITDA level, with results therefore coming in well above both the previous year and our expectations. At the second major project company of the Holding/Projects segment, DME Aerosol, Pervomaysky (Russia), sales and earnings development in the fourth quarter continued to exceed our expectations. Consequently, this joint venture was also able to close fiscal 2021 significantly up on the previous year overall while also clearly exceeding its earnings targets.

Progress in our Malaysia project

October 2021 saw the groundbreaking ceremony and thus the start of construction of the production plant for oxyalkylates (special non-ionic surfactants and polyether polyols) planned together with our Malaysian joint venture partner, PETRONAS Chemicals Group Berhad (PCG), at the Kertih site. Also in the fourth quarter, the joint project company was renamed PCG PCC Oxyalkylates Sdn. Bhd. and a common corporate logo was introduced for this joint venture. The construction of the plant with a total capacity of 70,000 metric tons is proceeding to plan, with completion scheduled for the third quarter of 2023. The project is expected to further boost the geographic expansion of PCC SE in the still rapidly growing Asian market.

Release of the 2021 Annual Report

The figures stated in this quarterly report for full fiscal 2021 are still subject to final review by our auditors. The main audit procedure began in mid-February 2022 and is scheduled to be completed by May 6, 2022. Publication of our 2021 Annual Report on our website with the final, certified figures is planned immediately thereafter.

Redemption of maturing bonds

On December 1, 2021, PCC SE repaid on maturity the 2.00 % bond carrying the code ISIN DE000A2YPFD5 issued in October 2019. The redemption amount was €4.6 million. On February 1, 2022, PCC SE also redeemed the 3.00 % bullet bond carrying the code ISIN DE000A2G9HY2 issued in 2018, with a repayment amount of €9.6 million.

Duisburg, March 2022

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