PCC SE 2017 Separate Financial Statements per IFRS

→ Like the consolidated financial statements of the PCC Group, which have been duly audited and certified with an unqualified opinion, the following financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs). PCC SE is the holding company of the PCC Group.

Auditor’s report

To PCC SE, Duisburg

We have audited the separate financial statements – comprising the statement of comprehensive income, the statement of financial position as at 31 December 2017, the statement of cash flows and the statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017, and the notes to the financial statements including summary of significant accounting policies – of PCC SE, Duisburg. The maintenance of the books and records and the preparation of the separate financial statements according to IFRS, as adopted by the European Union are the responsibility of the Company’s executive directors. Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the separate financial statements in accordance with section 317 HGB [German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, liabilities, financial position and financial performance in the separate financial statements in accordance with IFRS, as adopted by the European Union, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the separate financial statements are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the separate financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, on the basis of the knowledge obtained in our audit, the separate financial statements of PCC SE give a true and fair view of the net assets, financial position and results of operation of the Company for the financial year from 1 January 2017 to 31 December 2017 in compliance with IFRS as adopted by the European Union.

Düsseldorf, 30 September 2019

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Achim Krichel	Marianne Reck
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Statement of comprehensive income

Figures in €k	(Notes)	2017	2016
Result from investments and affiliated companies	(4)	33,541	19,479
Other operating income	(5)	10,605	4,589
Other operating expenses	(6)	11,738	12,565
Depreciation and amortization	(7)	906	1,060
Interest result, net	(8)	–11,507	–12,454
Other financial income (+), expenses (–)	(9)	–3,313	–1,629
Earnings before taxes (EBT)		**16,682**	**–3,640**
Taxes on income	(10)	769	–161
Taxes on income		**15,913**	**–3,480**
Remeasurement of financial assets		241,038	–37,123
Deferred taxes recognized in OCI		–72,311	11,137
Total income and expenses recognized in equity		**168,727**	**–25,986**
Total comprehensive income		**184,640**	**–29,466**

Balance sheet

Figures in €k	(Notes)	Dec. 31, 2017	Dec. 31, 2016
Assets			
Non-current assets		**1,034,620**	758,666
Intangible assets	(11)	356	406
Property, plant and equipment	(11)	10,404	11,076
Investment property	(11)	–	2,493
Non-current financial assets	(12)	1,023,860	744,691
Current assets		**69,676**	70,561
Other receivables and other assets	(13)	14,957	12,604
Current financial assets	(12)	20,097	18,370
Cash and cash equivalents	(23)	34,622	39,587
Assets held for sale	(11)	**2,291**	–
Total assets		**1,106,587**	829,227
Equity and liabilities			
Equity	(14)	**553,345**	370,555
Non-current provisions and liabilities		**479,761**	362,083
Deferred tax liabilities	(19)	220,847	148,106
Non-current financial liabilities	(17)	258,914	213,978
Current provisions and liabilities		**72,716**	96,589
Other provisions	(15)	617	419
Trade accounts payable	(16)	697	1,079
Current financial liabilities	(17)	62,870	88,440
Other liabilities	(18)	8,532	6,650
Liabilities associated with assets held for sale	(11)	**765**	–
Total equity and liabilities		**1,106,587**	829,227

Statement of cash flows (condensed)

Figures in € k	2017	2016
Net result for the year	15,913	–3,480
Depreciation and amortization	906	1,060
Write-downs of financial investments	706	296
Changes in provisions	198	24
Dividend result	–34,842	–19,348
Dividends received	34,842	19,348
Interest result	11,507	12,454
Interest received	547	995
Increase (+), decrease (–) in value adjustments for receivables and other assets	–28	88
Gains (–), losses (+) from disposal of non-current assets	596	–427
Other non-cash changes	6,008	3,739
Changes in working capital	–423	–8,966
Cash flow from operating activities	**35,930**	**5,783**
Net change from the sale (+)/acquisition (–) of intangible assets	–8	–217
Net change from the sale (+)/acquisition (–) of property, plant and equipment including investment property	26	–4,343
Net change from the sale (+)/acquisition (–) of financial assets	–41,160	7,558
Cash flow from investing activities	**–41,142**	**2,997**
Dividends paid to shareholder and owner	–1,850	–1,250
Net change from receipts from banks (+)/payments to banks (–) in respect of financial leases	–837	3,109
Net change from receipts (+)/payments (–) in respect of bonds	27,751	–758
Net change from receipts (+)/payments (–) in respect of financial liabilities to affiliated companies	–6,704	10,014
Interest paid	–18,113	–19,127
Cash flow from financing activities	**247**	**–8,012**
Changes in cash and cash equivalents due to cash transactions	–4,964	769
Cash and cash equivalents at the beginning of the period	39,587	38,818
Cash and cash equivalents at the end of the period	**34,622**	**39,587**

Statement of changes in equity

Figures in €k	Subscribed capital	Capital reserve	Revenue reserves/ Other reserves	Other equity items/OCI	Equity
Jan. 1, 2016	5,000	56	421,599	−25,383	**401,271**
Dividends paid to shareholder and owner	–	–	−1,250	–	**−1,250**
Net result for the year	–	–	−3,480	–	**−3,480**
Other income and expenses recognized in equity	–	–	–	−25,986	**−25,986**
– Remeasurement of financial assets	–	–	–	−37,123	**−37,123**
– Deferred taxes recognized in OCI	–	–	–	11,137	**11,137**
Dec. 31, 2016	5,000	56	416,869	−51,370	**370,555**

Figures in €k	Subscribed capital	Capital reserve	Revenue reserves / Other reserves	Other equity items/OCI	**Equity**
Jan. 1, 2017	5,000	56	416,869	−51,370	**370,555**
Dividends paid to shareholder and owner	–	–	−1,850	–	**−1,850**
Net result for the year	–	–	15,913	–	**15,913**
Other income and expenses recognized in equity	–	–	–	168,727	**168,727**
– Remeasurement of financial assets	–	–	–	241,038	**241,038**
– Deferred taxes recognized in OCI	–	–	–	−72,311	**−72,311**
Dec. 31, 2017	5,000	56	430,932	117,357	**553,345**

Notes to the Separate Financial Statements

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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, Moerser Str. 149, 47198 Duisburg, Germany. It is recorded in the Commercial Register of Duisburg District Court under reference HRB 19088.

At the core of the business activities undertaken by PCC SE is a commitment to the long-term engagement in and development of its portfolio business investments. One of the primary objectives in this regard is to create and continuously increase enterprise value. As a growth-led investor predominantly aligned to the long term, PCC SE supports its affiliated companies in their development and in the expansion of their various specific strengths. Aside from the active management of the investment portfolio, the main tasks of PCC SE include the strategic management and control of its affiliates at home and abroad. A further major responsibility lies in cross-group financing activities together with market observation and advisory services, with the purpose of further developing the PCC Group through competence-related diversification. In pursuit of the latter, PCC SE focuses on positioning itself in less competitive submarkets and market niches. Its investments are aligned primarily to the higher-growth regions of Eastern and Southeast Europe, and also more recently in Asia.

The separate-entity financial statements of PCC SE as of December 31, 2017 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).

Assets, liabilities and all other balance sheet items are recognized and measured in accordance with those IFRSs applicable and mandatory as of December 31, 2017.

The closing date for preparation of the separate-entity financial statements was December 31, 2017. PCC SE's fiscal year corresponds to the calendar year.

The currency employed in the preparation of the separate-entity financial statements of PCC SE is the euro. Unless otherwise indicated, all amounts are given in thousand euros (€ k). Rounding differences may occur in the accounting calculations.

Individual items of the balance sheet and the statement of income have, in part, been aggregated in order to improve clarity of presentation. These items are explained in the notes. The statement of income is structured according to the nature-of-expense method.

Aside from its separate-entity financial statements, PCC SE also prepares consolidated financial statements for the largest scope of consolidation. This is published in the electronic Federal Gazette.

(2) Changes in accounting policy; standards and interpretations for which application is not yet mandatory

Mandatory standards and interpretations applied for the first time

Application of the following standards and interpretations, or changes thereto, became mandatory as of December 31, 2017.

Standard / Interpretation	Mandatory first-time application according to IASB as of	Mandatory first-time application in the EU as of
Amendments to IAS 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	January 1, 2017
Amendments to IFRS 12 "Disclosure of Interests in Other Entities": Annual Improvement Project Cycle 2014–2016	January 1, 2017	January 1, 2017
Amendments to IAS 7 "Statement of Cash Flows": Disclosure Initiative	January 1, 2017	January 1, 2017

The amendments to IAS 7 aim to give users of financial statements a better overview of cash and non-cash movements in changes in financial liabilities. For this purpose, a reconciliation statement from the opening balance to the closing balance is to be attached to the notes to the cash flow statement effective fiscal 2017.

The amendments to IAS 12 clarify the accounting treatment of deferred tax assets on unrealized losses on available-for-sale financial assets.

The other accounting standards to be applied for the first time as listed in the table have not had any material impact on the separate-entity financial statements of PCC SE.

Standards and interpretations for which application is not yet mandatory

The IASB has published standards and interpretations and/or amendments thereto listed in the following which are not yet mandatory as of fiscal 2017. Some of these standards and interpretations have not yet come into force and/or have not yet been endorsed or adopted in the EU, and have therefore not been applied by PCC SE.

Standard/Interpretation	Mandatory first-time application according to IASB as of	Mandatory first-time application in the EU as of
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers": Clarifications	January 1, 2018	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018	January 1, 2018
Amendments to IFRS 2 "Share-Based Payment": Classification and Measurement of Share-Based Payment Transactions	January 1, 2018	January 1, 2018
Amendments to IFRS 4 "Insurance Contracts": Application of IFRS 9 "Financial Instruments" in conjunction with IFRS 4 "Insurance Contracts"	January 1, 2018	January 1, 2018
Amendments to IFRS 1 "First-time Adoption of IFRSs": Annual Improvement Project Cycle 2014–2016	January 1, 2018	January 1, 2018
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Annual Improvement Project Cycle 2014–2016	January 1, 2018	January 1, 2018
Amendments to IAS 40 "Investment Property": Transfers of Investment Property	January 1, 2018	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	January 1, 2018
IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation	January 1, 2019	January 1, 2019
IFRS 16 "Leases"	January 1, 2019	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021	Not yet known
Amendments to IFRS 3 "Business Combinations": Clarification of the Definition of a Business	January 1, 2020	Not yet known
Amendments to IAS 1 "Presentation of Financial Statements": Amendments to the Definition of "Material"	January 1, 2020	Not yet known
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Amendments to the Definition of "Material"	January 1, 2020	Not yet known
Amendments to IAS 19 "Employee Benefits": Plan Amendments, Curtailments and Settlements	January 1, 2019	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards, 2018	January 1, 2020	Not yet known
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures	January 1, 2019	January 1, 2019
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016	Not adopted by the EU
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019	January 1, 2019
Annual Improvement Project Cycle 2015–2017	January 1, 2019	January 1, 2019

PCC SE is currently determining the extent to which new, not yet mandatory standards and interpretations will influence the separate-entity financial statements. Unless otherwise indicated below, the current expectation is that the standards and interpretations listed above that are not yet mandatory will not have a material impact on the separate-entity financial statements.

IFRS 9 "Financial Instruments" requires application of a new method for the classification and measurement of financial instruments. This has not, in substance, had any material impact on PCC SE. Only the descriptions of the valuation categories have changed; the valuations themselves continue unchanged from the previous procedure.

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. 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, or 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 PCC SE is 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 are included in the valuation of lease liabilities. Payments for lease and any non-lease components (e.g. payments for maintenance or repair costs) are not separated. Contractually agreed extension, purchase and cancelation options require discretionary decisions. Lease payments arising from extension and purchase options are included in the valuation if their exercise is sufficiently certain, based on current knowledge. Lease payments are discounted as of January 1, 2019 and the present values thus determined have been recognized as lease liabilities in the amount of € 191 k. The marginal borrowing rate applicable is 5.03 %. The carrying amount of the rights of use corresponds to the carrying amount of the lease liabilities. In subsequent measurement, the rights of use are amortized on a straight-line basis and the lease liabilities are amortized using the effective interest method.

PCC SE has elected to exclude intangible assets from the scope of IFRS 16. In addition, short-term leases with a tenor 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.

(3) Explanatory notes to the accounting and valuation principles

Income recognition
PCC SE is the ultimate parent company of the PCC Group and, as a holding company, does not generate any sales revenue of its own.

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

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 are amortized on a straight-line basis over their estimated useful lives. These range from 3 to 44 years. The intangible assets of PCC SE mainly comprise IT licenses and the naming rights to the PCC stadium of VfB Homberg e. V.

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.

Property, plant and equipment
In accordance with IAS 16, property, plant and equipment are carried at historical cost and – except for land – depreciated using the straight-line method over their estimated useful economic lives. The initial cost recognized includes all expenses directly attributable to acquisition, construction or manufacture. The scheduled straight-line depreciation amounts are based on the following useful lives:

Useful life of property, plant, and equipment in years	2017	2016
Buildings and structures	9 – 17	9 – 17
Investment property	–	35
Other machinery, factory and office equipment	2 – 21	2 – 21

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 any 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 residual values, useful lives and depreciation methods are regularly reviewed and, where required, adapted at the end of each fiscal year.

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 manufacture. They remain capitalized until the asset is ready for its envisaged use, with the relevant 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 balance sheet once PCC SE 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 company commits to the purchase or sale of the asset.

Classification and measurement of financial instruments per IAS 39

In accordance with IAS 39, financial assets and liabilities are classified into the following measurement categories based on their nature and their intended use:

(a) Financial assets recognized at fair value through profit or loss

Financial assets recognized at fair value through profit or loss are those held for trading or which have been designated as belonging to this category on first-time recognition. A financial asset is assigned to this category if it has essentially been acquired with a view to short-term resale. Derivatives likewise belong to this category where they are not qualified as hedges. Financial assets measured at fair value through profit or loss are recognized at their fair value. Any gain or loss arising from such measurement is added to or deducted from income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted on an active market. Financial assets assigned to this category are recognized in the balance sheet under "Trade accounts receivable", "Other receivables and other assets" and "Cash and cash equivalents". Loans and receivables are subsequently stated at amortized cost using the effective interest method. If there are objective indications of impairment, they are subjected to individual value adjustments. The assessment of the value adjustment requirement is based on experience with respect to the solvency of the debtor, the age structure of the asset, days overdue, and debtor-specific risks.

(c) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which do not fall into any of the other categories described. They are measured at fair value. The fair values are essentially determined on the basis of market prices or quotations. Participating interests of which the fair value cannot be reliably determined are measured at cost and written down on impairment. In the case of such participating interests, the cost of acquisition represents the best estimate of the fair value. This includes shares in affiliated companies and joint ventures as well as securities held as financial assets. There are generally no plans to sell these participating interests to any significant degree.

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

Changes in the book values/carrying amounts of monetary financial instruments denominated in a foreign currency within the category of financial assets available for sale are recognized through profit or loss where such changes result from fluctuations in foreign exchange rates. Other changes in the book value/carrying amount of financial assets available for sale are recognized under other comprehensive income. Interest gains arising from application of the effective interest method in respect of securities in the category "Available for sale" are recognized through profit or loss. Dividends payable on equity instruments available for sale are taken to income once the company becomes legally entitled to payment. If financial assets classified as available for sale are sold or become impaired, the cumulative changes in fair value recognized in equity are recycled through profit and loss.

Financial liabilities are categorized either at fair value through profit or loss or as other financial liabilities. The rules governing initial recognition and measurement and the treatment of transaction costs are similar to those applicable to financial assets. With financial liabilities recognized at fair value through profit or loss, gains and losses arising from subsequent measurement in the following periods are taken to income.

Other financial liabilities are measured in subsequent periods at amortized cost in accordance with the effective interest method.

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.

Taxes on income

PCC SE 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 monetization. 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, with the tax rate prevailing as of the balance sheet date being applied.

Leases

Concluded lease contracts are treated in accordance with IAS 17 as either finance leases or operating leases. Where all material opportunities and risks are transferred to PCC SE as the lessee, the company is also assigned economic ownership. In the case of contracts that qualify as operating leases, the current lease installments are immediately expensed. Assets held as finance leases are either capitalized at the lower of the present value of the minimum lease payments or at the fair value of the leased item at the inception of the lease. In the event that transfer of ownership to the lessee at the end of the contractual period is not sufficiently ensured, these assets are either written down over the term of the lease or over their useful life, whichever period is shorter. A lease liability is also recognized in the corresponding amount. The periodic lease payments have to be divided into repayment and interest components. The repayment component reduces the liability, while the interest component is recognized as an interest expense.

Foreign currency translation

The currency employed in the preparation of the separate-entity financial statements of PCC SE is the euro.

Accounts receivable and payable in foreign currencies are measured at the exchange rate prevailing at the time of the transaction. Current foreign currency receivables or payables with a remaining term of one year or less are measured at the year-end rate of exchange.

Foreign currency credit balances are measured at the year-end rate of exchange.

Use of assumptions and estimates

Preparation of the separate-entity financial statements as of December 31, 2017 in compliance with IFRS 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 also taxes on income. In addition, calculation of the fair value of investments for which no market prices are publicly available is based on assumptions and estimates. These are continuously reviewed and may deviate from the actual values and figures that eventually 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 statement of income

(4) Result from participating interests and affiliated companies

The net result of income and expenses relating to participating interests and affiliated companies improved versus the previous year by € 14,061 k to € 33,541 k. Included in this figure is dividend income amounting to € 34,842 k (previous year: € 19,348 k) and impairment write-downs on individual financial assets in the investment portfolio of € 706 k (previous year: € 296 k). Income from profit distributions from the individual entities are as follows:

Figures in € k	2017	2016
PCC Rokita SA	29,698	17,427
PCC Exol SA	4,589	1,377
PCC Energetyka Blachownia Sp. z o.o.	555	391
PCC IT S.A.	–	153
Income from profit distributions	**34,842**	**19,348**

The impairment write-downs on financial investments break down as follows: Due to the lack of earnings prospects, both the shares in PCC Energia EOOD, Sofia (Bulgaria), and the loans to this company totaling € 671 k were written down.

Further write-downs on financial assets in the year under review include interest receivables from PCC Izvorsko EOOD, Sofia, in the amount of € 32 k and from PCC Power Sp. z o.o., Brzeg Dolny (Poland), in the amount of € 3 k, each of which were capitalized and written down in the same amount due to a lack of earnings prospects.

(5) Other operating income

Figures in € k	2017	2016
Income from write-ups of financial assets	5,808	17
Income from costs recharged	4,238	3,937
Rent and similar income	356	292
Income from the reversal of individual value adjustments on accounts receivable	28	31
Income from the reversal of other provisions	16	35
Insurance reimbursements	1	4
Sundry other operating income	158	273
Other operating income	**10,605**	**4,589**

Other operating income increased by € 6,017 k from € 4,589 k in the previous year to € 10,605 k in the fiscal year under review. This increase in income resulted predominantly from write-ups of financial assets. Due to positive earnings outlooks, the impairment losses from previous years on loans to ZAO PCC Rail, Moscow (Russia), amounting to € 4,955 k and to PCC Organic Oils Ghana Ltd., Accra (Ghana), amounting to € 842 k were reversed.

Sundry other operating income comprises various individual items that are not in themselves material.

(6) Other operating expenses

Figures in € k	2017	2016
Personnel expenses	5,276	5,172
Legal, consultancy and auditing expenses	2,609	2,869
Travel and hospitality expenses	1,076	1,359
Marketing, selling and distribution expenses	1,391	1,581
General business expenses	334	330
Data processing and telecommunication expenses	256	280
Rent and similar expenses	154	154
Maintenance and repair expenses	148	78
License expenses and similar holding company charges	36	26
Individual value adjustments	–	119
Sundry other operating expenses	458	596
Other operating expenses	**11,738**	12,565

Other operating expenses decreased by € 828 k or 6.6 % from € 12,565 k in fiscal 2016 to € 11,738 k in the year under review.

As in the previous year, personnel expenses were the biggest single item under other operating expenses. The increase of € 104 k to € 5,276 k is mainly attributable to higher bonus payments to the Managing Directors resulting from the improvement in consolidated net income generated in 2016.

Legal, consultancy and auditing expenses, travel and hospitality expenses as well as marketing, selling and distribution expenses all declined. The decrease of € 191 k in marketing, selling and distribution expenses is mainly attributable to the elimination of television advertising costs. In addition, there were no allocations to individual valuation adjustments in fiscal 2017. In the previous year, these amounted to € 119 k. All the other expense items hovered around the same level as in the previous year.

(7) Depreciation and amortization

Figures in € k	2017	2016
Amortization of intangible assets	57	62
Depreciation of property, plant, and equipment	849	997
Depreciation and amortization	**906**	1,060

Amortization of intangible assets and depreciation of property, plant and equipment decreased from € 1,060 k in the previous year to € 906 k in the year under review, largely due to write-downs in respect of the “old” company airplane, which was sold in the course of 2017.

No impairment losses were recognized on intangible assets or property, plant and equipment in fiscal 2017.

(8) Interest result

The net result from interest income and interest expenses improved versus the previous year by € 947 k or 7.6 % from € – 12,454 k to € – 11,507 k in the year under review. The breakdown of the individual items reads as follows:

Figures in € k	2017	2016
Interest and similar income	**6,139**	**6,160**
Interest income on loans to affiliated companies	5,685	5,713
Other interest income	454	447
Interest and similar expenses	**17,647**	**18,614**
Interest payable on bonds	17,327	18,469
Interest payable on bank liabilities	76	76
Interest expense component of finance lease payments	64	32
Interest expense on loans received from affiliated companies	180	38
Interest result	**– 11,507**	**– 12,454**

As in the previous year, the largest single item was interest payable on bonds, which decreased year on year by around € 1,141 k to € 17,327 k. Despite increased financial liabilities, PCC SE was able to benefit from the continued low interest rate environment for new bond issuances in the market, with the result that the average interest rate on the bonds declined. Under Note (17) Financial Liabilities can be found a detailed breakdown of bond liabilities and their tenors.

(9) Other financial income, expenses

Figures in € k	2017	2016
Foreign exchange rate gains	1,790	2,346
Foreign exchange rate losses	4,853	3,811
Sundry other financial expenses	249	165
Other financial result	**– 3,313**	**– 1,629**

Gains and losses arising from foreign exchange/currency translation differences are recognized under financial result. While foreign exchange rate gains decreased, foreign exchange rate expenses increased year on year. At € 249 k, other financial expenses were € 85 k higher than in the previous year. The net effect on earnings was € – 3,313 k, a decline of € 1,684 k versus the prior-year figure of € – 1,629 k.

(10) Taxes on income / Tax expense

Figures in € k	2017	2016
Foreign income taxes	339	10
Current income tax expense	**339**	**10**
Expenses (+) / income (–) from deferred taxes	430	– 171
Taxes on income	**769**	**– 161**
Other taxes and excise duties	– 24	49
Tax expense (+) / income (–)	**745**	**– 111**

Taxes on income include the income taxes paid or owed and also deferred taxes recognized through profit or loss. This item exclusively comprises foreign taxes on income. Due to the negative taxable income of PCC SE, no corporate income tax, no solidarity surcharge and no trade taxes were due in the year under review or in the previous year. Other taxes include property taxes, wealth taxes and other comparable tax classes. These are allocated to other operating expenses. PCC SE is subject to the German corporate income tax rate of 15 % plus solidarity surcharge. PCC SE has tax loss carry-forwards for which no deferred taxes have been recognized. These can be carried forward indefinitely and amount to € 106.3 million (previous year: € 96.3 million).

The difference between the income tax rate of 30 % applicable in Germany for 2017, unchanged versus the prior year, and the effective tax rate is indicated in the following reconciliation statement:

Figures in € k	2017	2016
Earnings before taxes (EBT)	**16,682**	– 3,640
Anticipated tax expense	5,005	–
Permanently non-taxable income	– 33,549	– 18,412
Permanently non-deductible expenses	17,497	– 3,189
Withholding taxes	339	10
Income (–) / expenses (+) from deferred taxes	430	– 171
Other effects	– 5,635	25,241
Effective income tax	**769**	**– 161**

Notes to the individual items of the balance sheet

(11) Non-current assets

For reasons of materiality, intangible assets, property, plant and equipment and investment property are explained in aggregate in this section.

Intangible assets include licenses and similar rights, mainly for IT software and for the naming rights to the PCC stadium of VfB Homberg e. V. The total net carrying amounts here decreased from € 406 k in the previous year to € 356 k as of the 2017 balance sheet date. The change is mainly due to scheduled amortization.

The net carrying amount of property, plant and equipment decreased from € 11,076 k in the previous year to € 10,404 k in the year under review. As with intangible assets, the decline is primarily due to scheduled depreciation.

Figures in €k	Historical cost						Depreciation and amortization								Net carrying amount on Dec. 31, 2017
	Jan. 1, 2017	Additions	Disposals	Reclassifications	Reclassified as held for sale	Dec. 31, 2017	Jan. 1, 2017	Additions	Disposals	Impairment write-downs	Reversal of write-downs	Reclassifications	Reclassified as held for sale	Dec. 31, 2017	
Intangible assets															
Industrial property rights and similar rights	807	8	–	–	–	815	401	57	–	–	–	–	–	458	356
Total	**807**	**8**	**–**	**–**	**–**	**815**	**401**	**57**	**–**	**–**	**–**	**–**	**–**	**458**	**356**
Property, plant and equipment															
Land and buildings	3,474	–	–	–	–	3,474	1,206	202	–	–	–	–	–	1,408	2,066
Other machinery, factory and office equipment	9,491	127	60	21	–	9,579	705	567	31	–	–	–	–	1,241	8,338
Payments on account and assets under construction	21	–	–	–21	–	–	–	–	–	–	–	–	–	–	–
Total	**12,986**	**127**	**60**	**–**	**–**	**13,053**	**1,910**	**770**	**31**	**–**	**–**	**–**	**–**	**2,649**	**10,404**
Investment property															
Investment property	2,849	–	322	–	–2,527	–	355	79	198	–	–	–	–236	–	–
Total	**2,849**	**–**	**322**	**–**	**–2,527**	**–**	**355**	**79**	**198**	**–**	**–**	**–**	**–236**	**–**	**–**

Figures in €k	Historical cost						Depreciation and amortization								Net carrying amount on Dec. 31, 2016
	Jan. 1, 2016	Additions	Disposals	Reclassifications	Reclassified as held for sale	Dec. 31, 2016	Jan. 1, 2016	Additions	Disposals	Impairment write-downs	Reversal of write-downs	Reclassifications	Reclassified as held for sale	Dec. 31, 2016	
Intangible assets															
Industrial property rights and similar rights	591	217	1	–	–	807	340	62	1	–	–	–	–	401	406
Total	**591**	**217**	**1**	**–**	**–**	**807**	**340**	**62**	**1**	**–**	**–**	**–**	**–**	**401**	**406**
Property, plant and equipment															
Land and buildings	3,470	2	–	2	–	3,474	1,003	203	–	–	–	–	–	1,206	2,268
Other machinery, factory and office equipment	6,148	15,473	13,285	1,156	–	9,491	2,134	716	2,146	–	–	–	–	705	8,787
Payments on account and assets under construction	1,156	23	–	–1,158	–	21	–	–	–	–	–	–	–	–	21
Total	**10,774**	**15,497**	**13,285**	**–**	**–**	**12,986**	**3,137**	**919**	**2,146**	**–**	**–**	**–**	**–**	**1,910**	**11,076**
Investment property															
Investment property	2,849	–	–	–	–	2,849	276	79	–	–	–	–	–	355	2,493
Total	**2,849**	**–**	**–**	**–**	**–**	**2,849**	**276**	**79**	**–**	**–**	**–**	**–**	**–**	**355**	**2,493**

There was a restriction on the right of disposal of the company aircraft leased under a finance lease with a carrying amount of €7,711 k (previous year: €8,106 k) as of the 2017 balance sheet date. In addition, two further investments owned by the company serve as collateral for debts. For further details, please refer to Note (17) Financial Liabilities.

In the fourth quarter of 2017, PCC SE made the decision to dispose of investment properties. Investment properties designated for disposal were therefore reclassified as held for sale in the reporting period in the amount of €2,291 k. The sale had not been completed by the balance sheet date of the year under review. Liabilities directly relating to these assets are stated with a value of €765 k as "Liabilities associated with assets held for sale".

(12) Financial assets

Non-current financial assets include shares in affiliated companies, the shares in the joint venture OOO DME Aerosol, Pervomaysky (Russia), the shares in S.C. Oltchim S.A., Râmnicu Vâlcea (Romania), which are classified as securities held as financial assets, and participating interests in other companies.

Also included in non-current financial assets are loans to individual companies included in the investment portfolio and to third parties. Loans to affiliated companies, participations and third parties with a term of one year or less are reported under current financial assets.

Figures in € k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Shares in affiliated companies	**926,985**	**–**	668,185	–
Shares in joint ventures	**37**	**–**	37	–
Participating interests	**216**	**–**	216	–
Securities held as financial assets	**6,886**	**–**	9,367	–
Total shares	**934,124**	**–**	**677,804**	**–**
Loans to affiliated companies	**87,140**	**5,835**	64,814	7,350
Loans to joint ventures	**2,282**	**–**	1,770	–
Loans to participations	**–**	**11,559**	–	10,566
Loans to third parties	**313**	**2,702**	302	454
Total loans	**89,735**	**20,097**	**66,887**	**18,370**
Financial assets	**1,023,860**	**20,097**	744,691	18,370

Investment portfolio
PCC SE is the holding company of the PCC Group. Its operational focus is on the sustainable management and growth-aligned optimization of its investment portfolio comprising majority and minority shareholdings. One of the primary objectives in this regard is to create and continuously increase enterprise value.

PCC Rokita SA, Brzeg Dolny (Poland), PCC Exol SA, Brzeg Dolny, and PCC Intermodal S.A., Gdynia (Poland), as subsidiaries, and S.C. Oltchim S.A. as a further participation of PCC SE, are listed on stock exchanges from which market prices are regularly available. These form the basis for determining their associated fair values. In the case of investments for which there are no publicly available market prices, the valuation basis is provided either by recent transactions or valuation models. The annual company valuations were carried out in the fourth quarter of the financial year using the discounted cash flow method (DCF) and are based on the budgets for the three subsequent years approved by the company's management. 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. The growth rate assumed was 1.0 %. The planning 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. Local tax rates of 19 % were applied to the Polish companies in the investment portfolio, with rates of 30 % being applied to the German companies in the investment portfolio. The tax rates remained unchanged year on year. The weighted average cost of capital (WACC) was determined on a regional basis. This was 7.08 % for Poland and 6.30 % for Germany. Changes in the valuation of companies in the investment portfolio are recognized per IFRS in equity under other comprehensive income.

In the case of investments that are newly established or have only recently commenced operations, the acquisition costs – usually in the form of capital measures implemented – are regarded as a realistic estimate of their fair values. In fiscal 2017, this mainly relates to PCC Prodex GmbH and the two newly established companies PCC Specialties GmbH and PolyU GmbH. In addition, PCC DEG Renewables GmbH, which only performs holding functions and has no business activities of its own, is measured at cost. The fair value of its investment portfolio at the valuation date was approximately € 27.2 million.

Figures in €k	Dec. 31, 2017	Dec. 31, 2016	Absolute change	Relative change
Stock-exchange listed subsidiaries [1]	**514,666**	338,457	176,209	52.1 %
PCC Rokita SA	**412,023**	256,868	155,155	60.4 %
PCC Exol SA	**61,666**	56,157	5,509	9.8 %
PCC Intermodal S.A.	**40,976**	25,432	15,545	61.1 %
Stock-exchange listed participations [1]	**6,886**	9,367	−2,480	−26.5 %
S.C. Oltchim S.A.	**6,886**	9,367	−2,480	−26.5 %
Non-listed investments [2]	**412,572**	329,980	82,592	25.0 %
PCC BakkiSilicon hf.	**127,580**	162,652	−35,073	−21.6 %
MCAA SE	**93,901**	60,435	33,466	55.4 %
PCC Trade & Services GmbH	**55,325**	27,460	27,865	101.5 %
PCC Consumer Products S.A.	**38,977**	23,096	15,881	68.8 %
PCC Synteza S.A.	**24,365**	15,209	9,157	60.2 %
ZAO PCC Rail	**23,953**	–	23,953	n.a.
PCC Silicium S.A.	**13,157**	8,334	4,823	57.9 %
PCC Energetyka Blachownia Sp. z o.o.	**7,455**	4,864	2,591	53.3 %
PCC MORAVA-CHEM s.r.o.	**5,815**	3,365	2,450	72.8 %
PCC IT S.A.	**3,003**	2,228	775	34.8 %
PCC Seaview Residences ehf.	**2,592**	4	2,588	n.a.
PCC Prodex GmbH	**1,956**	–	1,956	n.a.
distripark.com Sp. z o.o.	**279**	8,065	−7,786	−96.5 %
Other investments [3]	**14,214**	14,269	−55	−0.4 %
Fair value of investment portfolio	**934,124**	677,804	256,320	37.8 %

1 Relates exclusively to the shares specifically held by PCC SE on the reporting date, translated to euro as of that date.
2 From 2016, adjusted for the values of investments from the date of initial transition to IFRS which are no longer shareholdings directly held by PCC SE.
3 The other investments include the shares in the joint venture OOO DME Aerosol as well as sundry investments valued at acquisition cost.

The table above shows the fair values of the investment portfolio of PCC SE. In all, the investment portfolio of PCC SE comprising affiliated companies, joint ventures, securities held as financial assets and participating interests had a fair value of €934,124 k as of December 31, 2017 (previous year: €677,804 k). Of this figure, €514,666 k (55.1 %) is accounted for by shares held by PCC SE in the listed companies PCC Rokita SA, PCC Exol SA and PCC Intermodal S.A.

The following table shows the entire investment portfolio of PCC SE.

Name and head office of company	Currency	Exchange rate as of Dec. 31, 2017 1 euro =	PCC SE participating interest in % Direct	Indirect	2017	2016	Equity in local currency ('000)	Net result in local currency ('000)
Aqua Łososiowice Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	–	1,199.7	–55.3
AO NOVOBALT Terminal, Kaliningrad	RUB	69.3920	–	100.00	**100.00**	100.00	47,743.6	15,006.1
ChemiPark Technologiczny Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	5,246.5	326.1
distripark.com Sp. z o.o., Brzeg Dolny	PLN	4.1770	48.98	51.02	**100.00**	100.00	–43.2	–1,302.0
distripark GmbH (ehemals PCC Energy Trading GmbH), Essen	EUR	1.0000	100.00	–	**100.00**	100.00	–158.8	–151.4
Ekologistyka Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	18,207.9	9,757.6
Elpis Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	4,536.7	–127.5
GRID BH d.o.o., Sarajevo	BAM	1.9558	–	85.62	**85.62**	85.62	157.3	918.4
Kosmet Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	10.6	–9.5
LabMatic Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	2,878.2	987.2
MCAA SE, Brzeg Dolny	PLN	4.1770	100.00	–	**100.00**	100.00	82,894.7	–56.9
Novi Energii OOD, Sofia	BGN	1.9558	–	60.00	**60.00**	60.00	–1,504.0	–26.6
OOO PCC Consumer Products, Moscow	RUB	69.3920	–	100.00	**100.00**	100.00	–64,462.5	–5,870.6
OOO PCC Consumer Products Navigator, Grodno	BYN	2.3553	–	100.00	**100.00**	100.00	432.8	–773.5
PCC Apakor Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	99.59	**99.59**	99.59	11,144.5	3,776.4
PCC Autochem Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	6,723.4	545.8
PCC BakkiSilicon hf., Húsavík	USD	1.1993	86.50	–	**86.50**	86.50	31,044.1	–591.5
PCC Chemax, Inc., Piedmont, SC	USD	1.1993	–	100.00	**100.00**	100.00	8,139.5	–76.5
PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice	PLN	4.1770	–	99.74	**99.74**	99.74	11,085.6	–1,778.8
PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	34,180.9	–19,801.0
PCC Consumer Products S.A., Brzeg Dolny	PLN	4.1770	100.00	–	**100.00**	100.00	–281.7	–24,218.1
PCC DEG Renewables GmbH, Duisburg	EUR	1.0000	60.00	–	**60.00**	60.00	15,614.6	–2,912.8
PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle	PLN	4.1770	84.46	–	**84.46**	84.46	17,637.5	2,353.8
PCC Energia EOOD, Sofia	BGN	1.9558	100.00	–	**100.00**	100.00	–935.1	–203.2
PCC EXOL Kimya Sanayi ve Ticaret Limited Şirketi, Istanbul	TRY	4.5464	–	100.00	**100.00**	100.00	297.6	115.1
PCC Exol SA, Brzeg Dolny	PLN	4.1770	85.82	–	**85.82**	88.64	237,272.1	18,103.5
PCC HYDRO DOOEL Skopje, Skopje	MKD	61.4907	–	100.00	**100.00**	100.00	–252,207.8	–65,758.2
PCC Intermodal GmbH, Duisburg	EUR	1.0000	–	100.00	**100.00**	100.00	25.0	–38.6
PCC Intermodal S.A., Gdynia	PLN	4.1770	76.62	–	**76.62**	69.52	87,902.9	1,396.0
PCC IT S.A., Brzeg Dolny	PLN	4.1770	100.00	–	**100.00**	100.00	7,487.1	217.6
PCC Izvorsko EOOD, Sofia	BGN	1.9558	–	100.00	**100.00**	100.00	–1,362.9	–1,368.0
PCC MCAA Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	97.30	**97.30**	97.30	18,744.9	–35,587.9
PCC MORAVA-CHEM s.r.o., Český Těšín	CZK	25.5350	98.00	2.00	**100.00**	100.00	94,228.6	1,290.0
PCC NEW HYDRO DOOEL Skopje, Skopje	MKD	61.4907	–	100.00	**100.00**	100.00	–32,922.8	–10,102.3
PCC Packaging Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	6.4	–2,051.5
PCC Prodex GmbH, Essen	EUR	1.0000	100.00	–	**100.00**	100.00	–976.2	–608.9
PCC Prodex Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–1,040.6	–896.5
PCC PU Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	11,329.5	–6,429.2
PCC Rokita SA, Brzeg Dolny	PLN	4.1770	84.16	–	**84.16**	84.16	746,666.2	182,346.4
PCC Seaview Residences ehf., Húsavík	ISK	125.0500	100.00	–	**100.00**	100.00	287,938.5	–664.4
PCC Silicium S.A., Zagórze	PLN	4.1770	99.99	–	**99.99**	99.99	523.8	–2,252.8
PCC Specialties GmbH, Duisburg	EUR	1.0000	100.00	–	**100.00**	–	497.0	–3.0
PCC Synteza S.A., Kędzierzyn-Koźle	PLN	4.1770	100.00	–	**100.00**	100.00	17,551.1	4,563.8
PCC Therm Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–2,581.8	–1,736.8
PCC Trade & Services GmbH, Duisburg	EUR	1.0000	100.00	–	**100.00**	100.00	10,996.2	235.7
PolyU GmbH, Essen	EUR	1.0000	100.00	–	**100.00**	–	496.5	–3.5
S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea	RON	4.6585	58.72	–	**58.72**	58.72	5,291.4	–106.5
ZAO PCC Rail, Moscow	RUB	69.3920	100.00	–	**100.00**	100.00	–517,087.6	–74,355.9
OOO DME Aerosol, Pervomaysky	RUB	69.3920	50.00	–	**50.00**	50.00	–42,260.3	–39,178.7
IRPC Polyol Company Ltd., Bangkok	THB	39.1210	–	25.00	**25.00**	–	230,660.2	–77,596.0
Abwicklungsgesellschaft TEC artec valves GmbH & Co. KG, Oranienburg	EUR	1.0000	68.85	–	**68.85**	68.85	unknown	unknown
BiznesPark Rokita Sp. z o.o. i.L., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	1,248.8	–23.1
Chemia-Profex Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	49.7	–4.5
Chemia-Serwis Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	75.3	41.0
Chemi-Plan S.A., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	27.8	–11.4
CWB Partner Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	303.5	219.5
Fate Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–14.0	–11.4

Name and head office of company	Currency	Exchange rate as of Dec. 31, 2017 1 euro =	PCC SE participating interest in % Direct	Indirect	2017	2016	Equity in local currency ('000)	Net result in local currency ('000)
Gaia Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–8.3	–5.6
GEKON S.A. i.L., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	0.0	0.0
Hebe Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–14.0	–12.6
LabAnalityka Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–71.3	34.8
Locochem Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–311.0	–367.2
LogoPort Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	–	unknown	unknown
New Better Industry Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	–8.6	–8.4
Pack4Chem Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	126.1	–15.8
PCC ABC Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	100.00	**100.00**	100.00	3.1	–7.7
PCC Envolt Sp. z o.o., Brzeg Dolny	PLN	4.1770	100.00	–	**100.00**	100.00	115.6	–3.5
PCC Exol Philippines Inc. i.L., Batangas	PHP	59.7950	–	99.99	**99.99**	99.99	–994.9	–655.8
PCC Organic Oils Ghana Ltd., Accra	GHS	5.2964	100.00	–	**100.00**	100.00	–14,350.5	–5,825.1
PCC Oxyalkylates Malaysia Sdn. Bhd. i.G., Kuala Lumpur	MYR	4.8536	–	100.00	**100.00**	–	unknown	unknown
PCC Power Sp. z o.o., Brzeg Dolny	PLN	4.1770	100.00	–	**100.00**	100.00	–160.5	–23.5
PCC Slovakia s.r.o., Košice	EUR	1.0000	–	100.00	**100.00**	100.00	61.3	–2.6
Technochem Sp. z o.o., Brzeg Dolny	PLN	4.1770	–	85.80	**85.80**	85.80	–5.3	–3.5
TzOW Petro Carbo Chem, Lviv	UAH	33.4954	92.32	–	**92.32**	92.32	6,855.2	114.2
Valcea Chemicals S.R.L. i.L., Bucharest	RON	4.6585	–	100.00	**100.00**	–	23.4	–23.2
ZAO Exol, Nizhny Novgorod	RUB	69.3920	100.00	–	**100.00**	100.00	–3,130.0	–1,155.0
S.C. Oltchim S.A., Râmnicu Vâlcea	RON	4.6585	32.34	–	**32.34**	32.34	–273,283.0	47,732.0
IRPC-PCC Company Ltd, Bangkok	THB	39.1210	–	50.00	**50.00**	50.00	11,432.1	562.0
Brama Pomorza Sp. z o.o., Gdańsk	PLN	4.1770	7.41	–	**7.41**	7.41	–1,366.4	–622.5
TRANSGAZ S.A., Rybnik	PLN	4.1770	9.64	–	**9.64**	9.64	unknown	unknown

Loans

Non-current and current loans totaling € 109,832 k (previous year: € 85,256 k) as of December 31, 2017 are primarily comprised of loans to affiliated companies in the amount of € 92,975 k (previous year: € 72,164 k). The increase of € 20,811 k in loans to affiliated companies results mainly from loans granted to PCC MCAA Sp. z o.o, Brzeg Dolny (Poland), in the amount of € 10,370 k, to PCC Silicium S.A., Zagórze (Poland), in the amount of € 4,312 k and to the companies PCC Intermodal S.A. and PCC Organic Oils, Accra (Ghana), in the amount of € 1,402 k and € 1,400 k respectively. In addition, further short- and long-term loans were granted on a smaller scale.

Significant loan repayments were made by PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny, in the amount of € 2,088 k and by ZOA PCC Rail, Moscow (Russia), in the amount of € 1,850 k.

(13) Other receivables and other assets

Figures in € k	2017	2016
Receivables from affiliated companies	7,666	6,128
Purchase price receivable from the sale of company shares	5,059	5,319
Amounts receivable from shareholder	436	800
Receivables from VAT and other levies	193	78
Prepaid expenses and deferred charges	177	171
Sundry other assets	1,426	109
Other receivables and other assets	**14,957**	12,604

As in the previous year, other receivables and other assets all had a remaining term of up to one year as of December 31, 2017. The largest single item is receivables from affiliated companies, which increased by € 1,539 k from € 6,128 k as of December 31, 2016 to € 7,666 k as of December 31, 2017.

The purchase price receivables of € 5,059 k (previous year: € 5,319 k) from the sale of shares in PCC Exol SA are owed by an international investment fund. These claims are secured against the sold shares in PCC Exol SA. Other assets and other receivables also contain claims amounting to € 436 k (previous year: € 800 k) against the shareholder and Chairman of the Administrative Board of PCC SE. This clearing account balance attracts interest at the rate of 6.0 % p.a.

The sundry other assets in both the previous year and the year under review consisted of various individual items that were not in themselves material. As in the previous year, no impairment losses were recognized on other assets or on receivables from affiliated companies.

(14) Equity

The subscribed capital of PCC SE remained unchanged year on year. It amounts to € 5,000 k and is fully paid up. It is divided into 5,000,000 individual share certificates with a par value of € 1 per share.

Revenue reserves/other reserves include the net income of PCC SE for the year of € 15,913 k (previous year: € –3,480 k). In fiscal 2017, the shareholder was paid out of these retained earnings of PCC SE a dividend in the amount of € 1,850 k (previous year: € 1,250 k). This corresponds to a dividend per share amounting to € 0.37 (previous year: € 0.25). Other equity items mainly comprise the fair value of financial assets and deferred taxes attributable to them.

(15) Other provisions

Other provisions increased by € 198 k year on year, from € 419 k as of December 31, 2016 to € 617 k as of December 31, 2017. The main driver was accruals for personnel expenses, which increased by € 170 k to € 514 k. Accruals for personnel expenses essentially relate to claims for bonus and holiday payments. As in the previous year, both accruals for personnel expenses and the provisions for year-end accounting and audit expenses are of a short-term nature and current in respect of the year under review. The following table shows the development in other provisions for fiscal 2017 and fiscal 2016.

Figures in € k	Jan. 1, 2017	Added	Utilized	Released	Dec. 31, 2017
Accruals for personnel expenses	344	257	87	–	514
Provisions for year-end accounting and audit expenses	74	112	74	10	103
Other provisions	**419**	369	161	10	**617**

Figures in € k	Jan. 1, 2016	Added	Utilized	Released	Dec. 31, 2016
Accruals for personnel expenses	292	138	85	1	344
Provisions for year-end accounting and audit expenses	103	–	20	9	74
Provisions for litigation costs	267	–	267	–	–
Other provisions	**662**	138	372	10	**419**

(16) Trade accounts payable

Trade accounts payable decreased by € 383 k from € 1.079 k as of December 31, 2016 to € 697 k as of December 31, 2017. They consist of trade payables to affiliated companies of € 123 k (previous year: € 137 k) and to third parties of € 573 k (previous year: € 942 k).

(17) Financial liabilities

The financial liabilities of PCC SE are comprised of non-current and current liabilities arising from bonds, amounts owed to banks, finance leases and amounts owed to affiliated companies. Current liabilities from the profit participation certificate issue and amounts owed to companies in which participations are held are also included under financial liabilities.

Figures in € k	Dec. 31, 2017		Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Bond liabilities	256,408	47,177	209,550	66,284
Liabilities to banks	198	936	1,899	132
Finance lease liabilities	1,808	721	2,528	705
Profit participation certificate	–	10,997	–	11,076
Liabilities to affiliated companies	500	2,920	–	10,124
Liabilities to companies in which a participating interest is held	–	119	–	119
Financial liabilities	**258,914**	**62,870**	213,978	88,440

Overall, financial liabilities increased from € 302,418 k as of December 31, 2016 to € 321,784 k as of December 31, 2017. This is mainly due to the increase in bond liabilities by € 27,751 k to € 303,585 k as of the balance sheet date.

Liabilities to banks decreased year on year by € 897 k to € 1,134 k. The decrease of € 765 k mainly results from the reclassification of loans to a separate item covering liabilities associated with assets held for sale.

The subordinated profit participation certificate issued in 2007 with a volume of € 20,000 k and a basic coupon of 8.75 % p.a. on the nominal amount and an additional profit participation of 0.5 % to 2.0 % p.a., depending on the consolidated net income for the year, was terminated by PCC SE on December 31, 2017. The book value of the participatory rights as of year-end 2017 amounts to € 10,997 k (previous year: € 11,076 k).

Of the liabilities to affiliated companies, € 2,043 k (previous year: € 9,671 k) relates to commercial bonds issued by PCC SE and subscribed by two subsidiaries.

The financial liabilities of PCC SE had the following maturity profile as of the balance sheet date.

Figures in € k	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	**Dec. 31, 2017**
Profit participation certificate	10,997	–	–	**10,997**
Bond liabilities	47,177	256,408	–	**303,585**
Liabilities to banks	936	198	–	**1,134**
Finance lease liabilities	721	1,808	–	**2,528**
Financial liabilities to affiliated companies	2,920	500	–	**3,420**
Liabilities to companies in which a participating interest is held	119	–	–	**119**
Financial liabilities	**62,870**	**258,914**	**–**	**321,784**

Figures in € k	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	Dec. 31, 2016
Profit participation certificate	11,076	–	–	11,076
Bond liabilities	66,284	168,369	41,181	275,834
Liabilities to banks	132	1,219	681	2,031
Finance lease liabilities	705	2,528	–	3,233
Financial liabilities to affiliated companies	10,124	–	–	10,124
Liabilities to companies in which a participating interest is held	119	–	–	119
Financial liabilities	**88,440**	**172,116**	**41,862**	**302,418**

The relevant factors when presenting the maturities of contractual cash flows from financial liabilities are interest payments and redemption of principal. The following table shows non-discounted future cash flows. 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	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	Dec. 31, 2017
Profit participation certificate	11,238	–	–	**11,238**
Bond liabilities	49,536	269,228	–	**318,764**
Liabilities to banks	986	432	625	**2,043**
Finance lease liabilities	769	1,856	–	**2,625**
Financial liabilities to affiliated companies	2,954	523	–	**3,476**
Liabilities to companies in which a participating interest is held	119	–	–	**119**
Cash outflows for financial liabilities	**65,601**	**272,039**	**625**	**338,265**

Figures in €k	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	Dec. 31, 2016
Profit participation certificate	12,045	–	–	**12,045**
Bond liabilities	78,020	206,503	42,569	**327,092**
Liabilities to banks	203	1,484	871	**2,559**
Finance lease liabilities	770	2,733	–	**3,503**
Financial liabilities to affiliated companies	10,255	–	–	**10,255**
Liabilities to companies in which a participating interest is held	119	–	–	**119**
Cash outflows for financial liabilities	**101,413**	**210,720**	**43,440**	**355,573**

The liabilities to banks reported under financial liabilities and those under finance leases, together with liabilities associated with assets held for sale, were secured in their entirety in 2017 by first-rank and subordinated land charges or similar liens and by the assignment of claims.

Figures in €k	Dec. 31, 2017	Dec. 31, 2016
Mortgages, land charges and similar liens	**1,899**	2,013
Assignment of claims on assets	**2,528**	3,175
Collateral securities granted	**4,427**	**5,188**

In total, the collateral granted decreased from €5,188 k to €4,427 k as of year-end 2017, and thus developed in similar vein to liabilities to banks and finance lease liabilities.

Bond liabilities result from the issuance of bonds by PCC SE. The bonds are issued exclusively in euros and carry coupons between 2.0 % and 7.25 % p.a. The following chart provides a tabular analysis of the bonds involved.

Figures in € k	Issue currency	Coupon	Issue volume	Dec. 31, 2017	Dec. 31, 2016
Issued by PCC SE					
DE000A162AP6	EUR	5.000 %	25,000	**25,000**	25,000
DE000A2GSSY5	EUR	4.000 %	25,000	**24,902**	–
DE000A162AQ4	EUR	6.000 %	25,000	**24,860**	25,000
DE000A2AAY85	EUR	4.000 %	25,000	**23,187**	13,227
DE000A2AAY93	EUR	3.000 %	25,000	**22,081**	4,118
DE000A13R7S2	EUR	6.250 %	20,000	**20,000**	20,000
DE000A1YCSY4	EUR	7.000 %	20,000	**19,996**	19,996
DE000A2E4Z04	EUR	4.000 %	25,000	**19,927**	–
DE000A13SH30	EUR	6.750 %	20,000	**19,890**	19,890
DE000A14KJ35	EUR	6.000 %	40,000	**18,218**	19,218
DE000A14KJ43	EUR	6.500 %	35,000	**16,181**	16,181
DE000A1TM979	EUR	7.000 %	20,000	**15,654**	15,654
DE000A13R5K3	EUR	6.500 %	20,000	**13,749**	13,949
DE000A2E4HH0	EUR	3.000 %	20,000	**12,023**	–
DE000A11QFD1	EUR	6.750 %	20,000	**8,909**	8,909
DE000A2AAVL7	EUR	3.500 %	15,000	**8,908**	8,908
DE000A2E4ZZ4	EUR	3.000 %	20,000	**7,481**	–
DE000A2GSDP5	EUR	2.000 %	10,000	**2,619**	–
DE000A1R1AN5	EUR	7.250 %	30,000	**–**	29,768
DE000A14KJR0	EUR	4.000 %	20,000	**–**	12,005
DE000A162AN1	EUR	3.500 %	15,000	**–**	14,011
DE000A13R7R4	EUR	4.000 %	10,000	**–**	10,000
Bond liabilities				303,585	275,834

Of the bond liabilities in existence, PCC SE redeemed in full and on maturity a total of four during 2017: bond ISIN DE000A13R7R4 in the amount of € 10.0 million on January 1, bond ISIN DE000A14KJR0 in the amount of € 12.0 million on July 1, bond ISIN DE000A1R1AN5 in the amount of € 29.8 million on October 1 and bond ISIN DE000A162AN1 in the amount of € 14.0 million on December 1. This resulted in a total repayment volume of € 65.8 million for 2017. Within the same time period, five new bonds with interest rates of between 2.0 % and 4.0 % p.a. and different tenors and maturity dates were issued as of July 1, August 1 and October 1, 2017. The nominal issue volume placed by the end of the year totaled € 67.0 million. These funds were used for further investments in existing portfolio companies and ongoing projects, and also, in part, for the refinancing of the liabilities due in 2017.

(18) Other liabilities

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Interest liabilities	4,195	4,195
Bearer bonds issued	3,770	1,969
Liabilities from wage tax and similar levies	234	115
Liabilities from VAT and similar levies	91	–
Sundry other liabilities	242	371
Other liabilities	**8,532**	**6,650**

Other liabilities increased by € 1,882 k from € 6,650 k as of December 31, 2016 to € 8,532 k as of December 31, 2017, with bearer bonds issued rising in particular. Liabilities from interest payment obligations mainly include interest on bonds due at the beginning of the following quarter.

(19) 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. As in the previous year, PCC SE applied a tax rate of 30 % for this purpose.

At PCC SE, deferred tax assets and liabilities are offset and disclosed as netted balances where they involve the same tax authority and where there is an enforceable right to the offsetting of tax liabilities and tax receivables. Again, as in the previous year, there was an excess of deferred tax liabilities amounting to € 220.8 million for fiscal 2017 (previous year: € 148.1 million)

Deferred taxes of € 168.2 million relate to deferred taxes from the first-time transition to IFRS in 2013. The remaining amount results primarily from the annual fair value measurement of the investment portfolio of PCC SE.

(20) Additional disclosures relating to financial instruments

As the holding company of the PCC Group, a conglomeration of internationally active companies, both PCC SE and the entities in its investment portfolio are exposed to financial risks in the ordinary course of business. 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 maintain the Group's earning power and thus extensively cushion the impact of fluctuations in cash flow and earnings.

Interest and currency risks as well as default risks are managed in cooperation between PCC SE as the Group holding company and the individual subsidiaries. Liquidity management, on the other hand, is the sole responsibility of PCC SE.

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 at year-end of foreign-currency financial receivables, loans, cash sums and financial liabilities into the reporting currency of PCC SE. A potential change in the Polish złoty of 10 % would affect the equity and annual net earnings to the tune of € +1.7 million or € – 1.9 million (previous year: € +1.2 million or € – 1.2 million). A change in the exchange rate of the US dollar of likewise 10 % would have an impact on these items of € +1.9 million or € – 1.9 million (previous year: € +2.0 million or € – 2.0 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 floating interest rates. A potential change in interest rates of 100 basis points would affect the equity and annual net earnings of PCC SE to the tune of

€ – 3.3 million or € +3.3 million (previous year: € – 3.0 million or € +3.0 million).

Commodity price risks: These risks resulting from changes in the market prices of raw materials and commodities purchased and sold do not affect PCC SE itself, but only the operating companies in its investment portfolio.

Default or credit risks

Default or credit risks arise when contractual partners are unable to meet their contractual obligations. The main contractual partners are affiliated and other companies in the investment portfolio as recipients of long- or short-term loans granted. Given the liquidity criteria applied and a committed regime of constantly monitoring its capital investments, PCC SE 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.

Liquidity risks

Liquidity risks result from income stream fluctuations. Current liquidity is monitored and controlled by a treasury reporting system implemented within PCC SE and the main companies in its investment portfolio 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.

Financial instruments by class and category

In the case of cash and cash equivalents, trade accounts payable and liabilities to affiliated companies, the carrying amounts are regarded as realistic estimates of their fair values due to the short remaining terms to maturity. Assets that are not quoted on an active market and for which the fair value cannot therefore be reliably determined, are measured at cost.

The fair value indicated in this section corresponds to the market quotations.

Figures in €k	Carrying amounts, Dec. 31, 2017	Categories[1] AfS	LaR	FLaC	Fair value
Financial assets					
Shares in affiliated companies	926,985	926,985	–	–	926,985
Shares in joint ventures	37	37	–	–	37
Securities held as financial assets	6,886	6,886	–	–	6,886
Participating interests	216	216	–	–	216
Loans	109,832	–	109,832	–	109,832
Cash and cash equivalents	34,622	–	34,622	–	34,622
Financial liabilities					
Bond liabilities	303,585	–	–	303,585	303,585
Profit participation certificate	10,997	–	–	10,997	10,997
Liabilities to banks	1,134	–	–	1,134	1,134
Finance lease liabilities	2,528	–	–	2,528	2,528
Liabilities to affiliated companies	3,420	–	–	3,420	3,420
Liabilities to companies in which a participating interest is held	119	–	–	119	119
Trade accounts payable	697	–	–	697	697

Figures in €k	Carrying amounts, Dec. 31, 2016	Categories[1] AfS	LaR	FLaC	Fair value
Financial assets					
Shares in affiliated companies	668,185	668,185	–	–	668,185
Shares in joint ventures	37	37	–	–	37
Securities held as financial assets	9,367	9,367	–	–	9,367
Participating interests	216	216	–	–	216
Loans	85,256	–	85,256	–	85,256
Cash and cash equivalents	39,587	–	39,587	–	39,587
Financial liabilities					
Bond liabilities	275,834	–	–	275,834	275,834
Profit participation certificate	11,076	–	–	11,076	11,076
Liabilities to banks	2,031	–	–	2,031	2,031
Finance lease liabilities	3,233	–	–	3,233	3,233
Liabilities to affiliated companies	10,124	–	–	10,124	10,124
Liabilities to companies in which a participating interest is held	119	–	–	119	119
Trade accounts payable	1,079	–	–	1,079	1,079

1 AfS = financial assets available for sale; LaR = loans and receivables; FLaC = financial liabilities measured at amortized cost; FAaC = financial assets measured at amortized cost; FVtOCI = fair value through other comprehensive income; FVtPL = fair value through profit or loss

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 net losses on financial assets available for sale contain results arising from depreciation and amortization, write-ups, interest, dividends and reclassifications of valuation effects from equity through profit and loss on the sale of securities or investments.

Figures in € k	2017
Loans and receivables (LaR)	6,171
Financial assets available for sale (AfS)	31,742
Financial liabilities at amortized cost (FLaC)	– 14,833

Figures in € k	2016
Loans and receivables (LaR)	– 696
Financial assets available for sale (AfS)	19,321
Financial liabilities at amortized cost (FLaC)	– 17,315

Financial assets measured at fair value are indicated in the following table. These relate both to shares valued on the basis of stock market prices (Level 1) and shares in affiliated companies for which fair values are determined using valuation models (Level 3). For an explanation of the valuation model, please also refer to Note (12) Financial Assets.

Figures in € k	Level 1	Level 2	Level 3	Dec. 31, 2017
Financial assets available for sale	521,552	–	412,572	934,124

Figures in € k	Level 1	Level 2	Level 3	Dec. 31, 2016
Financial assets available for sale	347,824	–	329,980	677,804

Interest rate risks exist due to potential changes in the WACC discount rate and can lead to a change in the fair value of fixed-interest financial instruments. A potential 10 % change in the WACC would have an impact of € – 39,530 k or € +49,980 k on equity and the fair values of the shareholdings measured at Level 3. The five shareholdings with the highest fair value on the valuation date have been used for this analysis.

The development of the shares in the investment portfolio, the fair values of which are determined using valuation models (Level 3), is shown in the following chart. The additions in relation to the affiliated companies comprise in particular injections of capital. The gains and losses recognized through OCI relate to the annual fair value adjustment process.

Figures in € k	Jan. 1, 2017	Additions	Disposals	Reclassified to Level 3	Gains/losses through OCI	Dec. 31, 2017
Affiliated companies	329,728	14,259	–	–	68,333	412,319
Joint ventures	37	–	–	–	–	37
Participating interests	216	–	–	–	–	216
	329,980	14,259	–	–	68,333	**412,572**

(21) Leases

Figures in € k	2017	2016
Historical cost		
January 1	8,304	–
Additions	–	8,304
Disposals	–	–
Reclassifications	–	–
December 31	**8,304**	8,304
Depreciation / Amortization		
January 1	198	–
Additions	395	198
Disposals	–	–
Reclassifications	–	–
December 31	**593**	198
Net carrying amount	**7,711**	8,106

Included in property, plant and equipment are assets which are regarded as economic goods owned on the basis of finance leases. In 2017, as in the previous year, there were no material future minimum lease payments arising from subleasing agreements to offset lease liabilities.

Figures in € k	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	Dec. 31, 2017
Minimum lease payments	769	1,858	–	**2,626**
Discount	48	50	–	**98**
Present value	721	1,808	–	**2,528**

Figures in € k	Rem. term up to 1 year	Rem. term 1 to 5 years	Rem. term more than 5 years	Dec. 31, 2016
Minimum lease payments	769	2,626	–	**3,395**
Discount	64	98	–	**162**
Present value	705	2,528	–	**3,233**

(22) Contingent liabilities

The contingent liabilities of € 138,283 k (previous year: € 143,490 k) as of the balance sheet date relate exclusively to affiliated companies and mainly pertain to letters of guarantee and letters of comfort. Due to the stable earnings situation and the positive development potential of the individual recipient entities, no utilization is expected.

(23) 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 international accounting standard 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 received are recognized as cash flow from operating activities. Dividends paid are a component of the financing activities category. Dividends paid to the sole shareholder of PCC SE are indicated as a separate item in cash flow from financing activities.

The financial funds equate to the total of cash and cash equivalents (cash in hand, credit balances at banks, and checks) shown in the balance sheet. In the event of changes in the investment portfolio arising from the purchase or sale of entities, 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 finance lease agreement essentially constitutes a non-cash transaction. Payments made for investments in property, plant and equipment are netted against finance lease proceeds.

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 € 20,210 k in the year under review compared to € 12,365 k in the previous year.

Figures in €k	Jan. 1, 2017	Cash-effective changes	Non-cash changes: Reclassifi-cations	Non-cash changes: Converted into equity	Non-cash changes: Other changes	Dec. 31, 2017
Profit participation certificate	11,076	–	–	–	–79	10,997
Bond liabilities	275,834	27,751	–	–	–	303,585
Liabilities to banks	2,031	–132	–765	–	–	1,134
Finance lease liabilities	3,233	–705	–	–	–	2,528
Financial liabilities to affiliated companies	10,124	–6,704	–	–	–	3,420
Financial liabilities to companies in which a participating interest is held	119	–	–	–	–	119
Financial liabilities	**302,418**	20,210	–765	–	–79	**321,784**

Figures in €k	Jan. 1, 2016	Cash-effective changes	Non-cash changes: Reclassifi-cations	Non-cash changes: Converted into equity	Non-cash changes: Other changes	Dec. 31, 2016
Profit participation certificate	11,076	–	–	–	–	11,076
Bond liabilities	276,592	–758	–	–	–	275,834
Liabilities to banks	2,169	–124	–	–	–14	2,031
Finance lease liabilities	–	3,233	–	–	–	3,233
Financial liabilities to affiliated companies	110	10,014	–	–	–	10,124
Financial liabilities to companies in which a participating interest is held	119	–	–	–	–	119
Financial liabilities	**290,067**	12,365	–	–	–14	**302,418**

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 is to secure its liquidity and solvency, limit financial risks and optimize capital costs. The primary metrics utilized are the equity ratio, the gearing ratio and net financial liabilities, which comprise current and non-current financial liabilities set against cash and cash equivalents.

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
– Cash and cash equivalents	34,622	39,587
+ Profit participation certificate	10,997	11,076
+ Bond liabilities	303,585	275,834
+ Liabilities to banks	1,134	2,031
+ Finance lease liabilities	2,528	3,233
+ Financial liabilities to affiliated companies	3,420	10,124
+ Financial liabilities to companies in which a participating interest is held	119	119
Net financial liabilities	**287,162**	262,831

Net financial liabilities increased by € 24,331 k to € 287,162 k in the year under review. This is mainly due to the increase in bond liabilities, which represent the main financing instrument of PCC SE. For further details, please refer to Note (17) Financial Liabilities.

The equity ratio, i.e. equity expressed as a share of total capital, rose to 50.0 % in the year under review (previous year: 44.7 %). The gearing ratio, which is the ratio of debt to equity, decreased year on year to 1.0 (previous year: 1.2).

Other disclosures

(24) Related party disclosures

Other receivables and other assets include a claim against the sole shareholder of PCC SE in the amount of € 436 k (previous year: € 800 k). This receivable is short-term in nature and, as in the previous year, carries an interest rate of 6.0 % p.a.

As of December 31, 2017, PCC SE had receivables from affiliated companies totaling € 100,641 k (previous year: € 78,291 k). These relate to non-current loans and current loan receivables, other receivables and other assets. The financing arrangements involving affiliated companies carry interest rates ranging between 3.0 % p.a. and 10.0 % p.a.

For compensation to Managing Directors, please refer to the disclosures under Note (26) Corporate Bodies.

For compensation of the Administrative Board, again please refer to the disclosures under Corporate Bodies, Note (26).

In principle, both the provision of services to related parties and the use of services from related parties are transacted at arm's length and at 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.

Loan receivables from the joint venture OOO DME Aerosol amounted to € 2,282 k at the reporting date (previous year: € 1,770 k). 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. In all, the joint venture company has been granted a loan facility by PCC SE in the amount of € 3.5 million which can be drawn down as the project proceeds through various defined milestones.

The following table provides an overview of all receivables from and liabilities to related parties.

Figures in € k	Dec. 31, 2017	Dec. 31, 2016
Receivables from related parties		
Affiliated companies	100,641	78,291
Joint ventures	2,282	1,770
Companies in which a participating interest is held	11,559	10,566
Liabilities to related parties		
Affiliated companies	3,544	10,261
Companies in which a participating interest is held	119	119

(25) Employees

In fiscal 2017, PCC SE had an average of 60 employees, 58 of whom were salaried employees, with two temporary employees. The average in the previous year was 58 employees, of whom 56 were salaried employees, with two temporary employees.

(26) 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 € 799 k in fiscal 2017 (previous year: € 617 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 2017 (previous year: € 145 k), recognized in full as short-term employee benefits.

(27) Events after the balance sheet date

The profit participation certificate issued in 2007 with a placed volume of € 11.0 million was redeemed in full on term expiration effective January 1, 2018, due notice of cancelation having been given by the issuer. The accrued premium was released from equity to income accordingly.

In February 2018, PCC SE concluded a shareholders' agreement with Hupac Ltd., Chiasso (Switzerland), and the management of PCC Intermodal S.A., which serves to pool the 94.47 % of the voting rights in PCC Intermodal S.A. held by these shareholders. On this basis, a squeeze-out of the remaining minority shareholders was initiated in accordance with Polish capital market law. The squeeze-out process was successfully concluded on March 7, 2018. PCC SE thus increased its share in the capital of PCC Intermodal S.A. to 84.46 % and its voting rights to 89.06 %. Based on the above-mentioned shareholders' agreement, the voting rights of these parties now amount to 100 % in the company.

In February 2018, PCC SE founded PCC Insulations GmbH, headquartered in Duisburg. Starting in 2018, all activities in the manufacture and sale of insulation and other building materials will be pooled, centrally controlled and further expanded under this intermediate holding company.

Effective March 8, 2018, Elpis Sp. z o.o. became a wholly owned subsidiary of PCC Oxyalkylates Ltd., Kuala Lumpur, Malaysia. This project company is considering a potential investment in a joint production site with PETRONAS Chemicals Group in Kertih, Terengganu Province, Malaysia.

On April 1, 2018, PCC SE repaid on maturity the 7.00 % bond ISIN DE000A1TM979 from 2013. The redemption amount was € 15.7 million.

Duisburg, August 29, 2019.

PCC SE

Ulrike Warnecke
Managing Director

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