Business Development

At EUR 228 million, PCC Group's consolidated turnover in the second quarter of 2007 was unchanged from the previous three months. Consolidated turnover for the first six months thus amounted to EUR 453 million.

Profits gained from our operations were substantially lower than in the previous period, which was in line with expectations. The reasons for this were the seasonal losses of some subsidiaries as well as lower margins in the Logistics Division, which in turn resulted from increased competition. As a result, consolidated earnings before tax (EBT) came in close to zero this quarter, which means that EBT for the first half of this year remained unchanged from the first quarter at approximately EUR 7 million.

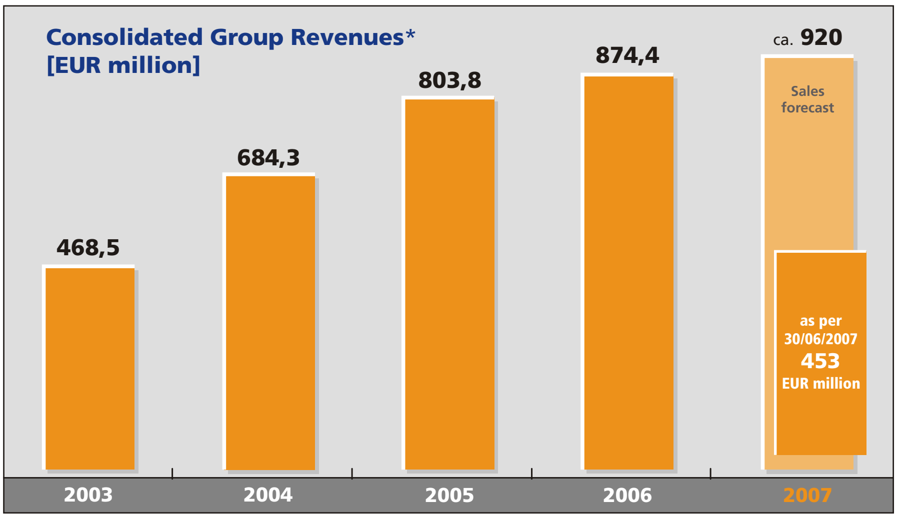
EBT for the first half thus remained 700,000 EUR below the result of the same period of 2006 when the results of the second half were substantially influenced by extraordinary items. We do not expect this scenario to repeat during the second half of 2007, which is why from today's point of view we expect earnings before tax to reach approximately EUR 10 million compared to EUR 7.4 million as per December 31, 2006.

Concerning earnings before interest, taxes, depreciation and amortization (EBITDA), we observed a substantial improvement in the first half of 2007 compared with the same period last year. At EUR 23 million, EBITDA exceeded the result of the first half of 2006 (EUR 17.8 million) by EUR 5.2 million. All three divisions - trade, chemical production and logistics - contributed positively to this result in an overall perspective.

The Chemical Production Division continued to be the most profitable of our businesses in the second quarter of this year. However, the division incurred losses in June due to production stops connected with the start of regular maintenance works on the one hand and a temporary and seasonal decline in the polyols business on the other. For July and August we expect profits to remain relatively low. However, once summer vacations - and at the same time all maintenance works - are finished, business is likely to pick up substantially, allowing for substantially better results.

Seasonal effects were also behind the drop of the Logistics Division's profits below the results of the first quarter. For example, as a result of the warm weather, coal transports to the power stations had to be reduced. Additionally, increasing competition for higher market shares in Poland has resulted in substantial pressure on transport prices, which has caused profit margins to shrink throughout this division. We expect this price war to continue into 2008 which will push the results of the Logistics Division substantially below the result of 2006. However, the result will still be positive.

We are pleased by the fact that the Trade Division concluded the first half of this year with a profit, as this



* PCC's consolidation group comprises:
PCC Rokita SA from 2003
PCC Rail S.A. (previously PCC Rail Szczakowa S.A.) from 2004






constitutes a major improvement compared to the same period of last year. However, some problems in the energy trading business remain to be solved, which is why the overall result was still below our expectations. Restructuring measures will continue during the second half of 2007, aiming to improve profitability on a long-term basis.

PCC creates joint venture with DEG

In June 2007, PCC SE participated in the first tender for the construction and operation of small hydro-power plants in Macedonia. The Macedonian government plans to put out 400 sites to tender in the coming years. In the first tender from June 2007, PCC SE submitted offers for 13 out of 60 sites and was picked as the best bidder for ten projects with an overall installed capacity of 15 MW.

These projects will be transferred to and developed by PCC DEG Renewables GmbH, a newly-created joint venture between DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH and PCC SE. The joint venture, in which the DEG development bank belonging to KfW Bankengruppe has a 40 per cent stake and PCC holds the rest of the shares, has been equipped with EUR 23 million in equity by its founders.

Subsidiary of PCC Rail preparing for IPO

PCC currently plans its first ever IPO by listing PCC Rail Containers at the Warsaw Stock Exchange (GPW). The debut of the company, which will remain majority-controlled by PCC Rail S.A., is scheduled for the end of this year or the beginning of 2008.

PCC Rail Containers Sp. z o.o. was founded as an operator of container block trains as late as in 2005. The company's business concentrates on the intermodal transport (using more than one means of transport) of containerized goods. It operates the container terminal on the territory of PCC Rokita SA in Brzeg Dolny, and plans for the construction of more terminals for intermodal transport in the near future. Having opened an office in Gdynia, the firm's service range for the companies of the Logistics Division was extended by maritime transport services, which enables them to offer complex logistics solutions to their clients. During 2006 the company inaugurated regular block train services between Brzeg Dolny and Świnoujście and vice versa, and in November 2006 also between Sławków and Gdynia and vice versa. This makes PCC Rail Containers one of the first companies in Poland to offer regular connections between its own terminals and the ports, thus providing an alternative to the road haulage of containers.

Polish competition authority approves purchase of shares in Szczecin port company

As mentioned in the quarterly report for Q1, 2007, PCC acquired 46.2 per cent of the shares of the general cargo stevedoring company Drobnica-Port Szczecin Sp. z o.o. based in the port of Szczecin. In the meantime, Poland's competition authority UOKiK has approved the transaction.

Polish competition authority greenlights project PCC-Arriva

Following the first journey of a privately operated passenger train in Poland last year and the organization of follow-up journeys on several routes, PCC Rail created a joint venture with Arriva International Ltd. which is a subsidiary of British-based Arriva Group, one of the leading public transport companies in Europe. The foundation of the joint venture was approved by Poland's competition authority in June, and the company has already won the first tender for regional rail services in the Kujawsko-Pomorskie voivodship (region). Once the regional administration signs the contract, Kujawsko-Pomorskie will be Poland's first region where passenger rail services are not provided by state-owned Polskie Koleje Państwowe S.A. (PKP), but by a private company.

PCC SE's annual report for 2006 available

PCC SE's annual report for the business year 2006 has been made available on the Internet as a PDF file. It can be downloaded from www.pcc.eu in a German, English and Polish version.

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