



Quarterly Report III/2008

Business Performance

The third quarter of 2008 continued to be heavily impacted by rapidly increasing energy and raw material costs. The latter led to high sales - an unusual phenomenon in the summer months - in the case particularly of the subsidiaries and affiliates of the PCC Group operating in the commodities trading sector. Overall, the Group was able to generate consolidated sales of €250 million in the third quarter of 2008, exceeding the revenue figures for the two preceding quarters of this year. As of September 30, 2008, the cumulative consolidated sales of the PCC Group amounted to €720 million, an increase of €10 million above the corresponding prior-year figure of €710 million.

Operating profit before interest, tax, depreciation and amortisation (EBITDA) improved in the third quarter by some €8.8 million, from €23.8 million to €32.6 million. Compared to the corresponding prior-year period this represents an increase of €3.6 million (EBITDA as of September 30, 2007: +€29 million). On the other hand, the remaining amount representing earnings before taxes (EBT) after deduction of significantly higher interest expense, depreciation and amortisation amounts, once again showed a slight decrease in the third quarter compared to the previous year, although still just in the positive range. We anticipate that this level will be retained until the end of the year.

The Chemicals division was able to profit in the third quarter of 2008 on the selling side from the jump in raw materials prices and, at €141 million, posted the highest quarterly revenue figure of the current financial year. Consolidated at the divisional level, this resulted in sales as of September 30, 2008, amounting to €401 million. At the same time, the price increases in the raw material and energy segments also had a cost-increasing and thus earnings-reducing effect, especially in the case of our production companies. Added to this were the usual inspection- and maintenance-related production downtimes in the summer months of July/August and also, in the case of PCC Rokita SA, seasonal losses arising from its participation in Rokita-Agro S.A.

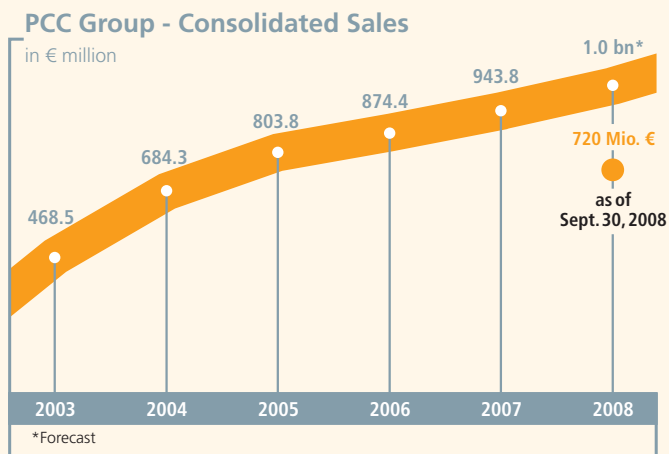
Nevertheless, PCC Rokita SA was able to complete the third quarter of 2008 with operating profit in the positive zone while keeping EBITDA per September 30, 2008 at the prior-year level. PCC Synteza S.A., by contrast, posted a decrease in earnings in the third quarter of 2008.

The business results of the third quarter of 2008 generated by the affiliates and subsidiaries of the PCC Group operating in the commodities trading sector were exceptionally encouraging. Due to the overheated situation on the commodities markets, these entities were able to realise relatively high margins both with respect to chemicals and also in the coke trading segment, enabling them to achieve significant earnings growth. At the start of the fourth quarter, the trend in the prices for raw materials/commodities and energy reversed and since then the picture has been one of rapidly decreasing indices. As a consequence, we expect the fourth quarter to bring declining sales, particularly in the commodities trading segment, accompanied by lower although still eminently positive margins. Our

production companies will profit from the declining prices on the cost side in the fourth quarter.

The Energy division reported consolidated sales at the divisional level of €46 million, maintaining the level of the previous quarters. Cumulative sales of this division as of September 30, 2008, amounted to around €150 million. In addition to the Polish utility company ZE-Blachownia Sp. z o.o., PCC Energy Trading GmbH, newly established at the beginning of the year, was also able - for the first time in the third quarter of 2008 - to generate a positive quarterly result. As anticipated, the other subsidiaries and affiliates incorporated in this division continued to operate in the loss zone for the reasons cited in the previous quarterly report. We do not expect this trend to reverse before 2009.

In the third quarter of 2008, the Logistics division was also able to generate its highest sales figure for the current year at around €74 million. The cumulative amount consolidated at the divisional level as of September 30, 2008, was some €206 million. This means that the Logistics division was the main revenue generator within the PCC Group both in the third quarter and also in the first nine months ending September 30, 2008. This successful development was substantially aided by the results of the PCC Rail Subgroup, which includes PCC Rail Rybnik S.A. (previously PTKiGK Rybnik S.A.). Due to increasing coal volumes being transported to the Polish power plants, a continuation of this positive trend is expected in the fourth quarter following.



PCC Rokita shifts production focus to the manufacture of higher-value polyols

While continuing to produce standard or commodity polyols for the manufacture of PUR foams, PCC Rokita SA intends in the future to shift its production focus within this segment more and more toward



Quarterly Report III/2008

the manufacture of higher-quality and thus higher-margin polyols. A range of speciality polyols has been developed, including Rokopol MH2000 - a more high-tech polyether polyol for the manufacture of high-resilience (HR) foams, so-called cold foams - and Rokopol iPol, a co-polymer polyol dispersion that facilitates the production of HR foams with improved fire properties (flame retarding quality). Further new developments such as Rokopol M1170 and Rokopol V800 are used in the manufacture of super-soft to visco-elastic foams with exceptional body-shape adaptability. The envisaged customers are, in particular, furniture manufacturers in the upper quality segment, and mattress producers especially.

In May 2008, work began at the Brzeg Dolny factory site on the construction of a new manufacturing plant. The production building has now been completed and the process equipment installed. The piping and cable-laying work will also be completed shortly. The project is now scheduled to end as early as December 2008. The investment volume is estimated to be in the region of €3 million (PLN 10 million).

Successful commissioning of CHP plant EC3

The construction phase for the coal- and biomass-fired cogeneration plant EC3 being built on the site of PCC Rokita SA has now been completed and the steam generators are already in operation. The cleaning work (known as boiler blowdown) on the pressurised chambers of the two boilers was performed at a pressure of 60 bar, a temperature of 400°C and a steam output of 60 t/h. These operating parameters are now to be continuously increased. The plant has already been tied into the public grid. The power plant will reach full load in the course of November. The new CHP facility will feed 14 MW (electric) and 80 MW (thermal) into the grid, and reduce CO₂ emissions by about 40,000 metric tons per year. Because of the application of high-efficiency technology, PCC received EU funding for this power plant construction project, as already reported in quarterly report I/2007. The total cost will be around €32 million (PLN 108 million).

PCC increases shareholding in Polish utility company

PCC SE has purchased further shares and increased its majority holding in the Polish utility company ZE-Błachownia Sp. z o.o., Kędzierzyn-Koźle, by around 26% to a current level of 84.46%.

Progress in PCC climate protection projects in South-East Europe

In Bosnia, the Mujada mini hydroelectric power plant as the first climate protection project undertaken by PCC is expected to be tied into the grid before the end of this year. Following the first earthworks in October 2007, initially the shafts were constructed and the penstocks installed. Following erection of the power house, work was begun at the beginning of the year on building the inlet structure and

installing the grid interface equipment. The commissioning phase is scheduled for December 2008. The power plant will result in an annual reduction of 7,200 metric tons of CO₂.

At the beginning of August 2008, PCC DEG Renewables GmbH also acquired a majority holding in the Bulgarian utility company Novi Energii o.o.d. in Sofia, providing it with access as a power plant operator to the Bulgarian energy market. The first task of this project company involves the construction and operation of two small hydroelectric power plants, for which the entity has already received the corresponding concessions. These power plants, Eliseina and Rebarkovo are located on the river Iskar to the north-east of the capital Sofia. Previously, detailed subsoil investigations and surveys had been carried out at the power plant locations. Work on building these power-generation facilities will be able to begin in 2009 once the remaining permits have been issued. Connection to the public grid in Bulgaria is scheduled for 2011, i.e. two years later.

In all, the PCC subsidiary PCC DEG Renewables GmbH will be responsible for building 17 mini hydroelectric power plants in Bosnia and Herzegovina, Bulgaria and the Republic of Macedonia, all of which are expected to be completed by 2011/2012. These facilities will contribute to reducing CO₂ emissions by 98,000 metric tons p.a.

Issuance of new callable bond scheduled for December 1, 2008

PCC SE intends to issue a further corporate bond on December 1, 2008. This will have a new feature in that it will be redeemable on a quarterly basis with, in each case, notice of six weeks to the end of the quarter. The obligatory quarterly coupon payable on PCC securities in the case of this issuance is 6.50% p.a. Subscriptions to this new bond are subject to a minimum investment of €50,000, broken down into certificates of €1000 denominations. The bond matures on April 1, 2011. The bond conditions will be published by the end of November as a download file on www.pcc-directinvest.de

The subscription documents can also be requested without obligation by calling +49 (0) 2066/908090 or by sending an e-mail to directinvest@pcc.eu.

PCC involvement in Tanzania

PCC SE is committed to social involvement in Tanzania. The company's support of the aid organisation "AOHM Amani Orphans Home Mbigili", which began in 2007, has been extended from the provision of scholarship grants for students to the construction of a children's home in the Amani children's village in Mbigili, Tanzania. Following completion of the building, 12 orphans were able to move into the PCC-sponsored home together with their house mother in September this year. The children's village currently comprises four houses, which, by the end of the year, will provide essential home comforts for 48 orphans.