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Business Development

Regardless of the current economic downturn, business development in the first quarter of 2013 shows some parallels with the positive result of the same period of the previous year when viewing sales and operating income. Cumulated consolidated sales of the PCC Group as per 31 March 2013 amounted to € 159 million, coming in close to the level of € 160 million reached in the first quarter of 2012. However, this result fell short of our forecast for the current fiscal year by nearly €23 million as per 31 March 2013, which was mainly due to a corresponding decrease of the Chemical division's sales. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) amounted to + € 11.9 million (previous year: + € 11.1 million), being in line with our expectations. Earnings before taxes (EBT) reached + € 1.4 million, missing the forecast by some €0.5 million, and the previous year's level by roughly € 1.0 million. This was mainly due to increased debt service costs at the group level.

Business development in the individual group divisions in the first quarter of 2013 can be described as follows:

The Chemicals division, being the main source of revenues and earnings of the PCC Group, generated external sales of € 147 million in the first quarter of 2013. This figure exceeded the result of the corresponding period of the previous year by some €2.4 million, but remained €20.8 million below plan. The main reasons for this were negative budget deviations at Petro Carbo Chem GmbH, the trading company based in Duisburg (Germany), amounting to almost € 16 million, and at PCC Exol SA, the production company based in Brzeg Dolny (Poland), where they reached €4.2 million. The cumulative operating result (EBITDA) as per 31 March 2013 amounted to + € 12.4 million, which was by and large in line with our expectations. The critical contribution again came from PCC Rokita SA, the production company based in Brzeg Dolny. Due to the persisting strong performance of the polyols and chlorine chemicals product segments, this subsidiary even managed to exceed its earnings forecast for the first quarter of 2013. The surfactants segment, including PCC Exol SA, Brzeg Dolny, and PCC Chemax, Inc., Piedmont (SC, USA) also closed the first quarter of 2013 with a profit, which however remained below plan. Among other things, the latter is due to the fact that the ethoxylation plant commissioned at the end of 2011 still cannot be fully utilised. At the subgroup PCC Consumer Products S.A., Warsaw, business development in the first quarter of 2013 continued to be favourable, while PCC Synteza S.A., Kędzierzyn-Koźle (Poland) was also not able to fully utilise its production plants due to an - at least temporary - decline of the demand for alkylphenols, which led it to closing the first quarter of 2013 significantly below plan and with a slight loss. In contrast, the two trading companies, Petro Carbo Chem GmbH, Duisburg, and PCC Morava Chem s.r.o., Český Těšín (Czech Republic), continued to add positive contributions to earnings in the first quarter of 2013. It must be pointed out, however, that Petro Carbo Chem GmbH remained below our expectations. Declining commodity prices and, in particular, the currently weak steel market that lead to a slump in this company's coke trading business, can be identified as the main reasons for the course of events. The latter also caused slight losses in the first quarter of 2013 at the port company Novobalt Terminal, Kaliningrad (Russia), which has been consolidated by PCC SE starting from 2013. Novobalt Terminal is a wholly-owned subsidiary of Petro Carbo Chem GmbH, and handles a large proportion of the coke tonnage traded by this company. Still, the long-term outlook for the port company can be regarded as quite positive: The Russian government passed an extensive investment programme for the Kaliningrad region, which - apart from the construction of a power plant - also includes massive infrastructure enhancements ahead of the Football World Championship 2018. Kaliningrad will be one of the venues for the tournament. Therefore regular imports of various construction materials are likely to be accomplished via this port company in the future. Some initial trial shipments were carried out successfully in March 2013.

The Logistics division of the PCC Group generated external sales of approximately €9 million in the first quarter of 2013, missing both the plan for this period by some € 1.8 million, and the figure for the corresponding period

Key figures of the PCC Group Q1/2013	as per 31/03/2013*
Consolidated sales:	**€159 m**
Sales of the Chemicals division:	€ 147 m
Sales of the Logistics division:	€9 m
Sales of the Energy division:	€2,5 m
Sales of Other Shareholdings division:	€0,9 m
EBITDA[1] (Operating result):	**+€11,9 m**
EBT[2] (Earnings before Taxes):	**+€1,4 m**

* unaudited

Rounding differences may occur

1 **EBITDA** (Earnings before Interest, Taxes, Depreciation and Amortisation)

2 **EBT** (Earnings before Taxes)

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of last year by €2.6 million. The division's operating result before interest, taxes, depreciation and amortisation (EBITDA) reached + €0.2 million, failing to meet our expectations as well. The subsidiary dominating this division, PCC Intermodal S.A., Gdynia (Poland), was able to improve its earnings position due to savings, among other things, but still closed the first quarter of 2013 with a slight operating loss. For the second quarter, a slight upward trend is emerging on the back of new orders currently arriving. The losses of PCC Intermodal S.A. on an operating level were overcompensated by the positive results of PCC Autochem Sp. z o.o., the tank trucking company based in Brzeg Dolny, and ZAO PCC Rail, the wagon operator based in Moscow. However, the latter subsidiary also closed the first quarter of 2013 significantly below plan because of the weak economy in Russia. The trend for the second quarter can be regarded as positive in this case as well, as the Russian market is gradually regaining momentum.

The Energy division, whose focus remains the development of power plant projects in the renewable energies sector, and the other portfolio companies of the PCC Group, continued to be of rather minor relevance for consolidated sales and consolidated earnings in the first quarter of 2013.

In its stand-alone financial statement as per 31 March 2013, the holding company PCC SE, Duisburg, reports a significant profit due to the dividend payment received from PCC Rokita SA in March and the internal sale of PCC Chemax, Inc., to PCC Exol SA. However, these effects are irrelevant for consolidated earnings.

Iceland's Parliament paves the way for silicon metal project

On 28 March 2013, Iceland's Parliament passed, with an overwhelming majority, several laws for the industrial development of the Bakki industrial estate – our site in the North of Iceland. One of the laws specifically governs the silicon metal project of PCC BakkiSilicon hf, Húsavík (Iceland), a PCC Group company. In particular, it includes financial support for the initial investment within ground preparation on the construction site, and long-term tax benefits. The general elections on 27 April 2013 resulted in new majorities, ousting the incumbent left-green government and bringing to power a centre-right coalition. Irrespective of this, PCC expects unchanged support for the silicon metal project from the new government. Potential members of the new coalition government signalled this in statements for the Icelandic press immediately after the elections.

Additionally, the current approval procedures are proceeding according to plan. On 9 March 2013, the last public hearing regarding the environmental report and zoning plan for the industrial estate was held in Húsavík. More than 250 stakeholders attended. Currently the environmental assessment report is finalised in consultation with the environmental authorities. The environmental permit is expected for June 2013.

The structuring of the project financing facility with KfW-IPEX and EIB is also proceeding according to schedule, which leads us to expect an investment decision before the end of this year once all prerequisites have been met. Capital expenditures for the construction of this silicon metal production plant will reach some € 150 million given an annual capacity of 33,000 tonnes.

Preparatory works for the construction of an MCAA plant in Poland

In the first quarter of 2013, preparatory works for the construction of a production plant for high-purity monochloroacetic acid (MCAA) started on the premises of PCC Rokita SA in Brzeg Dolny, Lower Silesia. With a planned capacity of 42,000 tonnes per year, capital expenditure will reach some €70 million. Poland's Ministry of Economy has already pledged to subsidise the construction project with an amount of € 17 million. The plant is scheduled to go on stream in the middle of 2015. Originally this investment project was planned for 2010. However, its implementation was then postponed because of the crisis.

After the recent completion of the basic engineering documents, the contract for the drawing up of the detail engineering documents was awarded immediately. Aiming to ensure a swift start to the first ground preparation works, ground investigation works on the selected plot were carried out simultaneously to explore its characteristics. Following the setup of the construction site, preparatory construction such as excavation works is currently underway.

MCAA is primarily used in the food and beverages industries as well as for the manufacture of pharmaceuticals, personal care products, cosmetics, dyes, and pesticides. Apart from that, the new production plant will contribute significantly to an improvement of the chlorine value chain of PCC Rokita SA.

Bond redemption on 1 April 2013

PCC SE's 5.00 % Bearer Bond issued on 1 March 2011, ISIN DE000A1H3H36 / WKN A1H3H3, worth almost € 10.4 million, was redeemed at maturity on 1 April 2013.

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