Quarterly Report I/2014

Business Development

Following a relatively weak start in January and February 2014, improved business development has been observed since March – at least in the majority of PCC SE's business units. Consolidated sales in the first quarter amounted to €153 million. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) reached €+7.9 million by 31 March 2014. Still, on the Earnings before Taxes (EBT) level, a loss of €–1.8 million was posted. All the above-mentioned figures remained both below the results reached in the same period of last year and below our expectations. On a positive note, however, the favourable trend observed in March, which saw the highest sales and earnings figures of the first quarter, continued into the next quarter.

The PCC Group's business development was unaffected by the crisis between Russia and the Ukraine in the first quarter of 2014. In some cases (including the commodity trading business), commodity imports from Russia were even higher than in the previous quarters. Lower exports, primarily of polyols, and the continuing unsatisfactory performance of Moscow-based wagon operator ZAO PCC Rail were due to the relatively weak economy in Russia and the weakness of the Russian Rouble, and cannot be seen in the context of the crisis between Ukraine and Russia.

At €137 million, the Chemicals Division of the PCC Group – made up of the polyols, surfactants, chlorine, consumer goods, and speciality chemicals segments – steadily contributed the largest share of consolidated earnings in the first quarter of 2014, and also affirmed its position as the main source of earnings. In relation to the individual business units within this division, the following picture emerges:

€ million	Sales	EBITDA
	Q1/2014	Q1/2014
Polyols	34.5	+2.0
Surfactants	23.9	+1.8
Chlorine	17.2	+2.2
Speciality Chemicals	50.6	+0.8
Consumer Goods	11.0	+0.2

Note: The indicators are unaudited.

In the polyols segment, business development was largely as planned. Although expectations materialised and PCC Rokita SA, Brzeg Dolny (Poland) lost one of the largest clients for its speciality polyol Rokopol iPol® – due to a change in that client's strategy – this effect was largely compensated by other products and/or clients. Generally, supply on the polyols market currently exceeds demand, which has put prices and margins under pressure particularly in the standard polyols segment. For this reason, PCC will continue to work consistently during 2014 on the development of specialist polyols, and also on the extension of its value chain in the polyols segment through an expansion of its polyurethane systems house activities.

In the surfactants segment, margins were also under pressure in the first quarter of 2014, which was mainly due to the relatively high purchase prices for fatty alcohols from Asia. The latter could not be passed on to the clients through the sales prices of PCC Exol SA, Brzeg Dolny, because mainly the large European competitors of PCC Exol SA kept their sales prices stable. In the chlorine segment, a sharp price decline was observed for the co-product lye / caustic soda, with a corresponding negative impact on margins achieved in this business. The main reason for this development was the improved business sentiment in the construction industry, which led PVC producers to ramp up their capacities. The resulting higher supply of caustic soda / lye had a negative impact on the pricing of these products. Still, both the surfactants and the chlorine business units closed the quarter with a profit.

In the speciality chemicals segment, differing tendencies were observed: While the commodity trading business of the portfolio companies Petro Carbo Chem GmbH, Duisburg, and PCC Morava-Chem s.r.o., Český Těšín (Czech Republic) closed the first quarter of 2014 with an overall profit on the back of the improved economy, both the phosphorus and naphthalene derivatives business of PCC Rokita SA and the alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle (Poland) continued to incur losses. That said, the phosphorus and naphthalene derivatives business performed better than expected due to higher sales figures. The results of PCC Synteza S.A., however, were below plan. One reason for this is the generally declining demand for alkylphenols. The second reason is competitors from China and Taiwan who are increasingly surging into the European market. For this reason, work on the diversification of PCC Synteza S.A.'s product portfolio will be even more strongly intensified in 2014 in cooperation with both PCC Rokita SA and PCC Exol SA. Sales and earnings of the "PCC Consumer Products" group showed a rising tendency in the course of the quarter following a weak start into the year.

The Logistics division of the PCC Group generated external sales of some €11 million in the first quarter of 2014, which was in line with our expectations. The favourable trend in

the Intermodal Transport segment continued, which allowed PCC Intermodal S.A., Gdynia (Poland) to close the first quarter of 2014 with a profit and above plan. At PCC Autochem Sp. z o.o., the road tanker company based in Brzeg Dolny, business development was equally favourable. Contrastingly, losses persisted at the Russian wagon operator ZAO PCC Rail, which – as initially mentioned – was due to the continuing difficult market conditions in Russia. This nearly offset the positive results of the two first-mentioned business units of the Logistics Division. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) of the Logistics Division reached €+0.1 million at the end of the first quarter.

The Energy Division of the PCC Group, which among others includes the power plant (or the corresponding business unit, respectively) of PCC Rokita SA, generated external sales of some €3 million in the first quarter of 2014. Another company belonging to the conventional energies business unit of this division is the Polish energy and heat provider PCC Energetyka Blachownia Sp. z o.o. based in Kędzierzyn-Koźle. The latter benefited from the prosperous business development of the Blachownia industrial park and rising sales in this context. A special economic zone envisaged in close vicinity to this industrial park is likely to offer even more growth potential for this portfolio company. In the renewable energies segment, construction works progressed in Macedonia on the small hydropower plants of PCC DEG Renewables GmbH, Duisburg, and two of the currently built plants will be ready to be connected to the grid in the second quarter of 2014. The overall operating result (EBITDA) of the Energy Division amounted to €+1,8 million in the first quarter of 2014.

The PCC SE holding company, Duisburg, posted a substantial profit as at 31 March 2014 due to the dividend payment received from PCC Rokita SA.

Key financials of the PCC Group Q1 / 2014	as at 31/03/2014[1]
Consolidated sales:	**€153 million**
Sales of the Chemicals division:	€137 million
Sales of the Energy division:	€3 million
Sales of the Logistics division:	€11 million
Sales of the Holding division:	€2 million
EBITDA[2] (Operating result):	**€+7,9 million**
EBT (Earnings before Tax):	**€–1,8 million**

Rounding differences may occur

1 unaudited

2 EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation

PCC Exol secures supplies of sustainable raw materials

In February 2014, the surfactants producer PCC Exol SA concluded a long-term lease agreement with a company in the Philippines. The agreement provides for the use of that company's chemical production equipment for the manufacture of fatty alcohols on the basis of coconut oil. Fatty alcohols are an essential raw material for the manufacture of surfactants. Through this agreement, PCC Exol SA secures access to strategically important raw materials and will additionally be able to address new client groups due to the compliance with sustainability criteria.

PCC Prodex receives approval for roof spraying foam in Germany

The PU spray foam roof insulation system EKOPRODUR S0540 produced by PCC Prodex Sp. z o.o., Warsaw, was approved for roof refurbishment purposes by Germany's Institute of Building Technology (DIBt) in Berlin in March 2014.

Using the technology developed by PCC Prodex Sp. z o.o., the rigid foam is sprayed on in liquid form to cover the roof space and serve as heat insulation. The reaction mixture starts to foam up within a few seconds, resulting in a seamless and jointless layer. Therefore rigid polyurethane foam has an excellent insulation value, unrivalled so far by most other insulation materials.

With the aim of further expanding our polyurethane systems business, PCC Prodex GmbH (being a wholly-owned subsidiary of PCC Prodex Sp. z o.o.) was founded in the first quarter of 2014. The company moved into premises owned by PCC SE in Essen. From this location, it will market the PU systems in the German-speaking and Benelux countries. The company also plans to start its own manufacturing process in Essen. PCC Prodex Sp. z o.o. thus continues to implement its strategy aiming for a gradual internationalisation.

Redemption of due bonds

On 1 April 2014, two due bonds were redeemed, the first one being the bond issued in September 2008 at an interest rate of 7.25% p.a., with a sold volume of some €7.2 million (ISIN: DE000A0WL5E5), and the second one being the bond issued in October 2012 carrying 5.00% p.a. interest, with a sold volume of €9.9 million (ISIN: DE000A1PGS40).

Consolidated Financial Statement 2013 successfully audited

The consolidated financial statement of PCC SE for 2013 has been successfully audited. The audited consolidated key financials, balance sheet, and profit and loss statement are available on the Internet at www.pcc-financialdata.eu. The publication of the annual report is envisaged for June.

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