Quarterly Report II/2014

Business Development

In the second quarter of 2014, the favourable trend which had been observed since March continued with a steady upward tendency in the majority of PCC SE's business segments. Consolidated sales reached €172 million, exceeding the corresponding figure for the previous quarter by €19 million. Half-year consolidated sales added up to €325 million, on par with the corresponding period of last year. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) improved by €14.7 million, to €22.6 million as at 30 June 2014 (€19.5 million in the corresponding period of the previous year). Earnings before Taxes (EBT) improved by €5 million quarter-on-quarter, reaching €+3.2 million (previous year: €–1.3 million). Both figures slightly exceeded the current forecast for fiscal 2014. Apart from the favourable operational business development in the majority of the individual portfolio companies, this positive outcome can be attributed to the IPO of PCC Rokita SA, Brzeg Dolny (Poland) in June 2014 (see also page 2 of this quarterly report).

The conflict between Russia and Ukraine continued to be of minor relevance for business performance within the PCC Group in the second quarter of 2014. Especially in the commodity trading business, we were able to increase import volumes from Russia in the second quarter, just as in the preceding months. Decreasing sales to these countries, and the continued losses incurred by our wagon operator ZAO PCC Rail, Moscow, are due to the weak economy on these markets and are not connected to the Russia-Ukraine crisis.

Reaching €154 million in the second quarter of 2014, or €291 million for the half-year period ending on 30 June 2014, respectively, the Chemicals division of the PCC Group continued to contribute the largest share of consolidated sales, and also a substantial portion of consolidated earnings. In relation to the individual segments within this division, the following picture emerges:

Chemicals division		Sales		EBITDA	
		Q2/2014	H1/2014	Q2/2014	H1/2014
Polyols	€m	36.3	70.8	2.5	4.5
Surfactants	€m	25.6	49.5	1.5	3.3
Chlorine	€m	17.2	34.4	2.0	4.2
Speciality Chemicals	€m	64.2	114.7	0.8	1.6
Consumer Products	€m	10.3	21.3	0.4	0.6
Total	€m	**153.6**	**290.7**	**7.2**	**14.2**

Note: Rounding differences may occur. The indicators are unaudited.

The business of the polyols segment continued to perform largely as planned in the second quarter of 2014. The expansion of the polyurethane systems house activities also progressed: The subsidiary PCC Prodex GmbH, newly founded by PCC Prodex Sp. z o.o., Warsaw, and headquartered in Essen, launched active business operations on the German market in May 2014. Currently this company sells polyurethane systems made at the Polish production sites. Manufacturing in Essen is scheduled to be launched in the second half of 2014.

In the surfactants segment, PCC Exol SA, Brzeg Dolny, was able to increase both sales volumes and sales prices as compared with the previous quarter, which paved the way for an improvement in operating profits. Still, the performance of this subsidiary - and of the whole surfactants segment - was below our expectations at the end of the first half of this year. Among the reasons for this are the costs for the sustainable raw materials project of PCC Exol SA mentioned in our previous quarterly report, which had a negative impact on this subsidiary's earnings in the second quarter. Apart from that, in recent months the performance of US-based PCC Chemax, Inc., Piedmont (SC), remained below plan. Although prices for the lye / caustic soda co-product remained low, the chlorine business segment performed well in the second quarter and was able to close both the quarter and the first half of this year with an overall profit, and above our expectations.

The portfolio companies belonging to the speciality chemicals segment again exhibited a widely different performance in the second quarter of 2014: While the commodity trading business of the portfolio companies PCC Trade & Services GmbH (previously Petro Carbo Chem GmbH), Duisburg, and PCC Morava Chem s.r.o., Český Těšín (Czech Republic) continued to perform well on the back of the strong economy, both the phosphorus and naphthalene derivatives business (PCC Rokita SA) and the alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle, Poland, again posted losses. In particular, the latter subsidiary suffered from relatively high cost prices for its commodity stock as compared with current market prices, while the market for alkylphenols remained weak. In the meantime, the company was able to at least negotiate improved procurement conditions for the coming months. When it comes to phosphorus and naphthalene derivatives, product sales at comparatively low margins prevailed in the second quarter of 2014. The planned increase in sales of higher value products did not reach the desired extent yet due to drawn-out approval procedures at potential clients, but work on their intensification will continue in the future. Overall sales and earnings of the quartzite mine owned by PCC Silicium S.A., Zagórze, Poland, remained below our expectations, which was partly due to a streak of bad weather in May 2014. Still, this subsidiary was able to end both the second quarter and the first half of 2014 with a slight operating profit. The performance of the PCC Consumer Products group improved compared with the first quarter of 2014, but also remained below forecast. Changes in the product

mix of PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny, as well as decreasing sales of standard matches can be identified as the main reasons for this.

The Logistics division of the PCC Group generated external sales of some €13 million in the second quarter of 2014. Half-year sales thus came in at €25 million. PCC Intermodal S.A., Gdynia, Poland, continued to be the main source of revenues and earnings of this division. That company's container transportation business was successfully expanded, particularly on the routes within Poland as well as from and to Rotterdam. PCC Autochem Sp. z o.o., the road tanker company based in Brzeg Dolny, also showed a favourable business performance. The business performance of Russia-based wagon operator ZAO PCC Rail continued to be impaired in the second quarter by the difficult market conditions in Russia, which have now led to an oversupply of wagons on the intra-Russian market. Still, the operating result of this subsidiary improved in the second quarter, enabling the company to at least break even. This was mainly due to positive exchange rate effects as the Russian Rouble strengthened. The division's overall earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by €1.9 million in the course of the second quarter, to +€2.0 million.

The Energy division of the PCC Group doubled its external sales in the second quarter of 2014, growing them by €3 million to some €6 million. Again, the conventional business segment of this division - comprising both the power station (or the corresponding business unit, respectively) of PCC Rokita SA and the Polish energy and heat provider PCC Energetyka Blachownia Sp. z o.o. - made the largest contributions to this. However, due to the completion of another two small hydropower plants in Macedonia in the second quarter of 2014, the renewable energies business segment led by PCC DEG Renewables GmbH, Duisburg, continued to gain importance. Overall, the Energy division generated an operating income (EBITDA) of €+1.8 million in the second quarter, and €3.6 million for the half-year period ending on 30 June 2014. The PCC SE holding company, Duisburg, again posted a substantial profit in the second quarter of 2014 due to dividends received (e.g. from PCC Exol SA) and the IPO of PCC Rokita SA.

Key figures of the PCC Group		Q2/2014	H1/2014
Consolidated sales, total	€m	**171.7**	**325.0**
Sales of the Chemicals division	€m	153.6	290.7
Sales of the Energy division	€m	2.6	5.7
Sales of the Logistics division	€m	13.5	24.7
EBITDA[1] (operating result)	€m	**14.7**	**22.6**
EBT (Earnings before Taxes)	€m	**5.0**	**3.2**

Note: Rounding differences may occur. The indicators are unaudited.

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

PCC Rokita SA successfully listed on the Warsaw Stock Exchange

PCC SE successfully listed its subsidiary PCC Rokita SA, the largest chemical company in Lower Silesia, on the Warsaw Stock Exchange (WSE). Apart from the placement of a minority package of existing shares, a capital increase was completed at the same time. The capital increase amounted to PLN 52.4 million (€12.6 million) in total. The minority package was worth PLN 45.9 million (€11.0 million). Holding 85 per cent of the shares of PCC Rokita SA, PCC SE continues as the company's strategic shareholder. The total amount of 2,977,995 shares was sold in two tranches of 15 per cent for private investors and 85 per cent for institutional investors. The private investors' tranche was strongly oversubscribed, resulting in a 76 per cent scale back. The issue price was PLN 33 (€7.97).

Following the first listing on 25 June 2014, when the share closed at PLN 33.16 (€8.00), the price of the security has been hovering around the issue price level, which confirmed the level of the issue price in a rather volatile stock market environment. Additionally - through this third stock exchange listing of one of its Polish portfolio companies following the IPOs of PCC Intermodal S.A. in 2009 and PCC Exol SA in 2012 - PCC SE demonstrated once again that apart from bond issuances it is possible to conduct successful placements of shares, generating substantial revenue.

Among the main objectives of PCC Rokita SA's long-term business strategy is a strong expansion of the polyols and polyurethane systems business segments.

PCC connects another two small hydropower plants in Macedonia to the grid

In May and June 2014, PCC's Macedonian project entity PCC HYDRO DOOEL Skopje connected its small hydropower plants "Galičnik" and "Brajčino" to the public grid. On the Galičnik site, the steepness of the terrain as well as difficulties to access it with heavy machinery posed major challenges for the realisation of the construction works. Official electricity supplies are scheduled to commence in September 2014.

Adding the "Gradečka" site, which went on stream back in October 2013, three power plants with an overall capacity of 3,628 kW have now been connected to the grid, supplying emissions free power to some 3,100 households beginning from September. The fourth site, "Patiška", is now under construction, with works scheduled to be completed by the end of this year. Another site, "Kriva Reka", is in the planning stage; construction works are scheduled to start here in 2015. The concession agreements concluded with the Macedonian Government include a 20 year water use permit, with an option to extend for several more years. In 2013, the United Nations' climate protection authority UNFCCC officially registered the first four small hydropower plants in Macedonia as climate protection projects.

Quarterly Report II/2014 | Duisburg, 8 August 2014

PCC SE - Public Relations
Moerser Str. 149, D-47198 Duisburg
Phone: +49 (0)2066.201935
Fax: +49 (0)2066.201972
E-mail: pr@pcc.eu
www.pcc-financialdata.eu

PCC SE - Direktinvest
Hilgerstr. 20, D-45141 Essen
Phone: +49 (0)2066.908090
Fax: +49 (0)2066.908099
E-mail: direktinvest@pcc.eu
www.pcc-direktinvest.eu

pcc SE