Quarterly Report III/2012

Business Development

In the third quarter of 2012, the PCC Group recorded consolidated sales of €179 million, marking a slight increase against the previous quarter. Consolidated sales as per 30 September 2012 thus reached €511 million, being in line with the current forecast for this fiscal year. At the same time, sales increased by some €42 million compared to the same period of the previous year, which was mainly due to higher sales prices, changes in the product range, and exchange rate effects.

As expected, earnings in the third quarter were considerably lower than in the previous two quarters. The main reason for this was maintenance and service works on the production plants in Poland, which are regularly performed in the summer months of July and August. However, it must be acknowledged that this unfavourable development was also due to the lower than planned performance of the Logistics division, caused by the persisting ruinous price competition in the intermodal transport business. Regarding operating profit, earnings before Interest, Taxes and Amortization (EBITDA) increased by €7.1 million to +€29 million. However, earnings before tax (EBT) saw a decrease of €2.8 million to +€2.1 million in the third quarter of 2012. This means that both results remained below the figures reached in the corresponding period of last year. As per 30 September 2012, however, both figures came in at some €0.7 million above our current forecast for this fiscal year. The latter can be attributed to the surprisingly favourable business development in September, which, incidentally, also continued in October 2012.

The Chemicals division of the PCC Group continued to be the main source of revenues and earnings also in the third quarter of 2012. In this division, external sales in the third quarter amounted to €163 million, thus reaching €462 million as of 30 September 2012. By far the largest proportion of these sales can be attributed to PCC Rokita SA, Brzeg Dolny (Poland), followed by the Petro Carbo Chem GmbH trading company based in Duisburg, Germany. Despite the above-mentioned maintenance and service works in the summer months, the former portfolio company again generated the largest share of group earnings, mainly due to the favourable business development in the polyols and chlor-alkali segments. PCC Exol S.A. (the former surfactants business unit of PCC Rokita SA), Brzeg Dolny, also closed the third quarter of 2012 with a profit.

The latter also applies to the smaller production companies: PCC Synteza S.A., Kędzierzyn-Koźle (Poland), PCC Chemax, Inc., Piedmont (USA), and the "PCC Consumer Products" subgroup, Warsaw. Within this subgroup, Kosmet-Rokita Sp. z o.o., Brzeg Dolny, a producer of household cleaners, fabric softeners, and cosmetics, benefited from a diversification of its client portfolio, coupled with higher sales to smaller customers. A favourable business development was also recorded at PCC Prodex Sp. z o.o., Warsaw, the polyurethane systems house that is also part of the Chemicals division. This portfolio company won a tender in the mining industry, and was consequently able to substantially raise its sales and earnings in the third quarter of 2012. Both trading companies belonging to the Chemicals division – Petro Carbo Chem GmbH, Duisburg, and PCC Morava Chem s.r.o., Český Těšín (Czech Republic), closed the third quarter of 2012 with the expected profit.

In the Energy division, external sales amounted to €2.5 million in the third quarter of 2012, which took division sales as of 30 September 2012 to €8 million. This figure mainly reflects the sales of PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle, which also represents the main source of earnings within the Energy division. The other portfolio companies belonging to this division, namely the small hydro power plant operator GRID BH, Sarajevo (Bosnia-Herzegovina), and PCC DEG Renewables GmbH, Duisburg, are still in their start-up phase and continue to be of minor relevance to Group earnings.

The Logistics division generated external sales of €11 million in the third quarter of 2012. As per 30 September 2012, division sales added up to €35 million, which is roughly in line with the current forecast for this period. As expected, earnings in the third quarter were again in the red. The decisive reason for this was performance of PCC Intermodal S.A., Gdynia (Poland), which was lower than planned again as a result of the persisting strong price competition on the intermodal transport market. The losses of this portfolio company could not be offset by the profits generated by the other companies belonging to the Logistics division, namely

Key figures of the PCC Group, Q3/2012 and Q1-Q3/2012

	Q3/2012	Q1-Q3/2012
Total sales:	**€179 million**	**€511 million**
Chemicals division sales:	€163 million	€462 million
Energy division sales:	€2.5 million	€8 million
Logistics division sales:	€11 million	€35 million
Sales of Other Shareholdings division:	€2.5 million	€6 million
EBITDA:	**+€7.1 million**	**+€29 million**
EBT:	**-€2.8 million**	**+€2.1 million**

Rounding differences may occur

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PCC Autochem Sp. z o.o. the tank trucking company from Brzeg Dolny, and ZAO PCC Rail, the Russian wagon operator based in Moscow. In the meantime, PCC Intermodal S.A. decided to suspend – at least temporarily – some of its scheduled train services for cost reasons, aiming to generate a balanced result in the last quarter of 2012.

At the remaining portfolio companies of the PCC Group – the IT service provider PCC Centrum Teleinformatyki S.A., Brzeg Dolny, the data centre operator 3Services Factory S.A. (3SF), Katowice (Poland), and the quartzite mine operator PCC Silicium S.A., Zagórze (Poland) – business development in the third quarter of 2012 was in line with the current forecast.

For the fourth quarter of 2012, we expect significantly better results than in the third quarter of 2012, based mainly on the actual business development in the Chemicals division which exceeds our expectations. However, we will in all likelihood fail to reach our original goal to generate earnings on the previous year's level, and expect earnings before tax to come in below the € 10 million line. This forecast does not take into consideration the potential outcome of the current privatization procedure of Romania's SC Oltchim S.A., Râmnicu Vâlcea, where PCC SE holds a substantial share package. The outcome of this procedure may have a substantially positive impact on the valuation of these shares, but also a negative one.

Technical design completed for silicon metal plant in Iceland

As reported in our quarterly report Q4/2011, PCC has plans to build a modern silicon metal production plant in Iceland. Production is expected to be launched in 2015 with an annual capacity of 33,000 tonnes. The capital expenditures of some € 150 million will be partly covered through project financing provided by KfW-IPEX based on a Hermes cover. Our application for this export credit guarantee by the German federal government has recently passed the concept review.

On site, PCC is already present through its Icelandic project entity PCC BakkiSilicon hf founded in the middle of 2012. The company is based in close vicinity to the potential production site in Húsavík in the north of Iceland. For the purposes of the extremely energy intensive production of silicon metal, PCC BakkiSilicon has already secured inexpensive energy supplies from Iceland's state-owned utility Landsvirkjun for a period of 15 years.

At the end of October 2012, the technical design was completed by SMS Siemag, a plant engineering company based in Dusseldorf. SMS was chosen as the general contractor for the construction of the turnkey plant.

Another important milestone to be achieved before the release of the funds is the signing of long-term silicon metal purchase contracts. However, negotiations on this with Europe's most important consumers are currently complicated somewhat by the temporary downswing of the economic outlook.

PCC launches first Project in Africa to secure supplies of renewable resources

PCC SE has begun to develop a raw material position in Ghana (West Africa). The long term goal is to secure renewable raw materials for the group's surfactants production at Poland's PCC Exol S.A. Surfactants – also called surface-active agents – are used in detergents and washing agents.

For the purpose of launching this project, PCC Organic Oils Ghana Ltd., Akim Oda (Ghana), was founded on 25 April 2012 as PCC's first subsidiary on the African continent. Initially, this company will deal with the local collecting, storage, and export of palm kernel nuts. Palm kernel oil obtained from palm kernel nuts constitutes one of the essential raw materials for the production of surfactants. Since June 2012, several thousand tonnes of palm kernel nuts have been exported to Germany for further processing.

PCC Organic Oils Ghana Ltd. has been certified according to ISCC (International Sustainability and Carbon Certification). Compliance with sustainability criteria, particularly in the areas of child labour prevention, the optimization of the social working environment, and protection of species was thus officially confirmed.

Bond redemption on 1 October 2012

PCC SE's 7.00 % Bearer Bond issued on 1 July 2007, ISIN DE000A0S8DY1, was redeemed at its face value of € 19.9 million at maturity on 1 October 2012.

New issuances of PCC

On 1 October 2012, PCC SE issued the following new bonds:

- 7.25% bearer bond 2012 (maturing 1 Dec 2016), (ISIN DE000A1PGS32)
- 5.00% bearer bond 2012 (maturing 1 Apr 2014), (ISIN DE000A1PGS40)

Interest on both corporate bonds will be paid quarterly as usual, and they can be purchased directly and free of charge from PCC SE. They are listed on the Open Market of the Frankfurt Stock Exchange (FSE).

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