Quarterly Report III/2013

Business Development

In the third quarter of 2013, the business of the PCC Group was rather subdued, which was in line with our expectations. Consolidated sales amounted to some €152 million, remaining below their values in the previous two quarters. As of 30 September 2013, consolidated sales added up to €478 million, which corresponds to the presently valid forecast for the current fiscal year. However, compared with the first nine months of the previous year, sales decreased by €33 million. Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA) improved by €7.5 million in the third quarter of 2013 as compared with the previous quarter, reaching +€27.0 million, which is both in line with the current forecast, and with last year's results. Earnings before Taxes (EBIT) decreased by some €3.0 million compared with the second quarter, reaching -€4.2 million. This was due to a significant rise in amortisation expenses compared with the previous year - as a consequence of incurred capital expenditures - and higher debt service costs. This indicator was also in line with the current financial forecast, but was lower than in the previous year. Apart from the prolonged economic downswing, coupled with the vacation season in July and August, maintenance and service works traditionally carried out in the summer months in our manufacturing subsidiaries can be identified as the main reason for this development of our business. Additionally, the production stoppage at PCC Rokita SA, Brzeg Dolny, Poland, lasted nearly a week longer than last year due to the switch of the second part of the chlor-alkali electrolysis plant to the environmentally friendly membrane technology, which is also connected with a planned capacity increase.

The Chemicals division of the PCC Group generated external sales of €137 million in the third quarter of 2013. Cumulated sales as of 30 September 2013 thus reached €436 million. This figure corresponds to the level of the presently valid forecast for the current fiscal year; however, it missed last year's figure by €26.0 million. Sales of the previous two quarters were also missed by a substantial margin in the third quarter of 2013. Apart from the above-mentioned production stops in the manufacturing division, eroding commodity prices due to the weak economy can be identified as the reason for this development, causing decreasing sales at both trading companies belonging to the PCC Group: Petro Carbo Chem GmbH, Duisburg, and PCC Morava-Chem s.r.o., Český Těšín (Czech Republic). Nevertheless both companies, being part of the "Speciality Chemicals" segment, contributed positively to earnings in the third quarter of 2013, as they were able to achieve lower prices also on the purchasing side. However, the favourable result of the trading business was partly offset by the persisting losses of the phosphorus and naphthalene derivatives business (PCC Rokita SA) and of the alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle, Poland, that are also part of the speciality chemicals business. On a positive note, a cautious upswing is emerging for the latter two business segments in the fourth quarter of 2013.

The chlorine and polyols business units (both PCC Rokita SA) as well as the surfactants business (PCC Exol SA, Brzeg Dolny, and PCC Chemax, Inc., Piedmont, USA) closed the third quarter of 2013 with a profit. Still, the prolonged economic downturn did have its impact on both the surfactants and the polyols businesses. The current weakness of the automotive industry (with the exception of luxury brands) for example continued to exert pressure on margins in the polyols business. Although the automotive industry is not among the key clients of PCC Rokita SA, competitors serving this market increasingly push into the markets of PCC Rokita SA (including mattresses and furniture) due to decreasing sales to car manufacturers, with adverse implications for sales prices and margins. Contrastingly, the business dynamics of the chlorine business are rather countercyclical. The manufacture of chlorine generates caustic soda and lye as by-products - the same as in the manufacture of PVC. In times of a slackening economy and a corresponding decline in the demand for PVC, the availability of these commodities decreases, and the chlorine business of PCC Rokita SA benefits from rising sales prices. In the consumer products segment, however, business was also difficult in the third quarter of 2013 due to the weak economy.

In total, the Chemicals division of the PCC Group increased its operating result (EBITDA) in the third quarter of 2013 by €7.9 million, reaching +31.1 million as of 30 September 2013, which is by and large in line with the present forecast for this period. In relation to the individual business units within the Chemicals division, the following picture emerges:

€ million	Sales		EBITDA	
	13 Q3	as of 30/09/2013	13 Q3	as of 30/09/2013
Polyols	32.0	103.5	1.2	5.3
Surfactants	24.0	71.2	1.8	5.8
Chlorine	19.9	70.3	2.4	13.0
Speciality Chemicals	52.3	157.0	1.1	1.4
Consumer Products	9.5	31.5	0.3	1.0

Note: Differences between the total for all business units and the division figures are due to differences as to the classification of companies. The indicators are unaudited.

The Logistics division of the PCC Group once again generated external sales of €11 million in the third quarter of 2013, which was in line with our expectations. Division sales for the period ending on 30 September 2013 added up to €31 million, missing last year's figure by €4.3 million. Apart from declining freight rates amid the weak economy, the weakness of the Russian rouble can be identified as the main reason for this sales trend when it comes to the sales of Russia-based wagon operator ZAO PCC Rail, Moscow. However, it is worth mentioning that the latter subsidiary managed to expand its fleet, which now comprises 600 wagons. The division's operating result (EBITDA) improved by €0.8 million in the reported quarter, bringing the total up to +€1.2 million. This was essentially influenced by PCC Intermodal S.A. – the dominant company of the PCC Group's Logistics division based in Gdynia, Poland. The company has continuously reported moderate profits since it broke even in April 2013. PCC Autochem Sp. z o.o., the road tanker company from Brzeg Dolny, also closed the third quarter of 2013 with a profit.

Business operations of the Energy division of the PCC Group continue to be based on the conventional energy segment, represented by Poland-based energy and heat provider PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle. That company's sales of nearly €2 million in the third quarter of 2013, or €6.3 million for the period ending on 30 September 2013, are largely identical with the division's overall sales. PCC Energetyka Blachownia Sp. z o.o. also generated the largest share of the division's operating income (EBITDA) amounting to +€0.9 million as of 30 September 2013 (adjusted for consolidation effects). In the renewable energy segment, we made further progress in the third quarter of 2013. The first of four hydropower plants planned to be built in Macedonia by PCC DEG Renewables GmbH, Duisburg, has now been connected to the grid, while construction works continue at the other three sites. As a result, this business segment will increasingly influence the consolidated financial result in the coming years.

Key figures of the PCC Group[1]	Q3/2013	as at 30/09/2013
Consolidated sales:	**€152.7 million**	**€478.4 million**
Sales of the Chemicals division:	€137.4 million	€435.8 million
Sales of the Logistics division:	€11.1 million	€31.0 million
Sales of the Energy division:	€1.9 million	€6.3 million
Sales of Other Shareholdings division:	€2.3 million	€5.3 million
EBITDA[2] (Operating result):	**€7.5 million**	**€27.0 million**
EBT (Earnings before Taxes):	**-€2.9 million**	**-€4.2 million**

Rounding differences may occur

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

PCC Exol SA nominated Most Innovative Newcomer for the "European Small & Mid-Cap Awards"

PCC Exol SA based in Brzeg Dolny was nominated for the "European Small & Mid-Cap Awards" in the category "Most Innovative Newcomer". PCC's Polish subsidiary, whose shares started trading on the Warsaw Stock Exchange following a successful debut (IPO) last year, qualified for the final of the contest in the category of the most innovative newly listed company. PCC Exol SA is one of the most modern producers of surface-active substances - so-called surfactants - in Central and Eastern Europe. 31 companies from twelve countries registered for the contest organised jointly by the EU commission, the Federation of European Securities Exchanges (FESE), and "European Issuers", the European organisation of listed companies.

PCC Intermodal S.A. launches expansion of the Kutno and Brzeg Dolny terminals

At the beginning of the third quarter of 2013, PCC Intermodal S.A., Gdynia, started work on the expansion of its modern intermodal transport terminal in Kutno, Poland. Following the newly started expansion scheme – including an increase of the container storage area, the construction of two additional rail tracks, and the planned purchase of two rail-mounted gantry cranes – the effectiveness of these terminals will increase substantially, while the annual handling capacity will double from 100,000 TEU to 200,000 TEU. The second phase of the Kutno terminal is expected to become operational in the first quarter of 2015. The same schedule is valid for the intermodal transport terminal located on the premises of PCC Rokita SA in Brzeg Dolny, where expansion works started in the third quarter of 2013 as well.

Bond redemption on 1 July 2013

PCC SE's 6.5 % Bearer Bond issued on 1 March 2007, (WKN A0LRV9 - ISIN DE000A0LRV96), was redeemed at its face value of €9.165 million at maturity on 1 July 2013.

New issuances of PCC

On 1 December 2013, PCC SE will issue the following new bonds:

- 7.00 % Bearer Bond of 2013, maturing on 1 October 2018 (ISIN DE000A1YCSY4 - WKN A1YCSY)
- 4.75 % Bearer Bond of 2013, maturing on 1 October 2015 (ISIN DE000A1YCSX6 - WKN A1YCSX)

Interest on both corporate bonds will be paid quarterly as usual, and they can be purchased directly and free of charge from PCC SE. Listing on the Open Market of the Frankfurt Stock Exchange (FSE) is expected for the middle of December 2013.

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