



# Quarterly Report III/2014

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## Business Development

In the third quarter of 2014, the PCC Group generated consolidated sales of €174 million, flat on the previous quarter (€172 million). For the nine months ending on 30 September 2014, consolidated sales reached €499 million. Compared with the same period of the previous year, this is an increase of some €20 million. Profit performance was weaker than in the second quarter, which was expected due to the traditionally weak vacation months of July and August. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) improved by €8.4 million to €30.9 million as at 30 September 2014. Thus, the figure for the corresponding period of last year (€26.9 million) was exceeded by €4.0 million. When it comes to Earnings Before Taxes (EBT), a decrease to €1.0 million was observed in the third quarter. Still, as at 30 September 2014 this figure was up €0.5 million against our presently valid forecast for the current fiscal year, and up €5.2 million against the corresponding period of the previous year (- €4.2 million).

As previously, the Russia-Ukraine conflict did not have any significant impact on the business performance of the PCC Group in the third quarter. On the import side (e.g. in the commodity trading business), the favourable trend even continued. However, sales in these countries continue to be hampered by the persisting economic downturn on these markets. That said, their share in consolidated sales amounts only to some 2%.

In the third quarter of 2014, the Chemicals division continued to be the main source of revenues and earnings within the PCC Group. Across all product segments, this division generated sales of €156 million. For the nine months ending on 30 September 2014, external sales thus reached €447 million. In relation to the individual business units within this division, the following picture emerges:

Chemicals division		Sales		EBITDA <sup>1</sup>	
		Q3/2014	Q1-Q3/14	Q3/2014	Q1-Q3/14
Polyols	€m	40.4	111.2	3.2	7.7
Surfactants	€m	26.9	76.4	1.5	4.8
Chlorine	€m	17.1	51.5	1.8	6.0
Speciality Chemicals	€m	60.8	175.5	2.6	4.2
Consumer Products	€m	11.0	32.3	0.1	0.6
<b>Total</b>	<b>€m</b>	<b>156.2</b>	<b>446.9</b>	<b>9.2</b>	<b>23.4</b>

Note: Rounding differences may occur. Unaudited figures.

<sup>1</sup> EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation; operating income)

In the polyols segment, business performance was favourably influenced by production problems of a large competitor at the end of the third quarter, while the beginning of the quarter went according to plan. As a result, the segment closed the

reporting period above plan in an overall perspective. This favourable trend continued into the fourth quarter. The performance of our surfactants unit, however, still did not meet our expectations in the third quarter of 2014. Above-plan expenditures of PCC Exol SA, Brzeg Dolny, Poland, connected with that company's sustainable raw materials project as mentioned in our Quarterly Report I/2014, as well as restructuring measures at its US subsidiary PCC Chemax, Inc., Piedmont (SC, USA) are among the main reasons for this.

The chlorine business unit of PCC Rokita SA, Brzeg Dolny, benefited from slightly rising prices for the caustic soda / lye co-product in the third quarter. Apart from that, this segment's performance was favourably influenced by above-plan sales of monochlorobenzene. As a result, this business unit's earnings for the nine months ending on 30 September 2014 remained above our expectations. The construction of our production plant for high-purity monochloroacetic acid (MCAA), which will serve to extend the value chain in the chlorine segment in the future, progressed according to plan in the third quarter. Capital investment is still lower than budgeted. In all likelihood, the plant will become operational in mid-2015, facilitating a long-term improvement of the chlorine business unit's profitability.

At the portfolio companies belonging to the Speciality Chemicals segment, business performance continued to differ widely in the third quarter of 2014: In the commodity trading business of PCC Trade & Services GmbH, Duisburg, and PCC Morava Chem s.r.o., Český Těšín (Czech Republic), the clearly positive performance above our original plan for 2014 continued. Contrastingly, the phosphorus and naphthalene derivatives business (PCC Rokita SA) as well as alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle (Poland) kept incurring losses. That said, the latter portfolio company expects a slight performance improvement in its presently valid forecast for the current fiscal year on the back of some spot sales as well as improved conditions for the procurement of raw materials. Still, PCC Synteza S.A. will not be able to break even in 2014. This also applies to the phosphorus and naphthalene derivatives business, which is still dominated by sales of products carrying relatively low margins. When it comes to higher-value products, the required approval procedures regarding at least two clients are expected to be completed in the fourth quarter of 2014. Sales and earnings of the quartzite mine of PCC Silicium S.A., Zagórze (Poland) were in line with our presently valid forecast for the current fiscal year at the end of the third quarter, but fell significantly short of our original expectations for 2014 in an overall perspective. One of the main reasons for this were delays in a large regional road construction project.

The "PCC Consumer Products" group closed the third quarter of 2014 with a profit at least on an operating level. However,



the overall performance of this segment also remained significantly below our original budget for 2014, which was partly due to extensive reconstruction and modernisation works at PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny, and their strong impact on current manufacturing processes.

The Logistics division of the PCC Group generated external sales of some €13 million in the third quarter of 2014. For the nine months ending on 30 September, the division's sales thus reached €38 million. PCC Intermodal S.A., Gdynia (Poland) again added the largest share to this, and also remained the main source of this division's earnings. Rising capacity utilisation on this company's routes within Poland as well as to and from Rotterdam, coupled with an increase in terminal handling volumes, were the drivers of this sustained favourable trend in the third quarter. At PCC Autochem Sp. z o.o., the road tanker company based in Brzeg Dolny, business development also remained favourable. Contrastingly, Russian wagon fleet operator ZAO PCC Rail, Moscow, continued to incur losses due to the persisting weak economy in Russia, which was associated by a further weakening of the Russian currency. In spite of this the division's operating income before interest, taxes, depreciation and amortisation (EBITDA) improved by €0.3 million in the course of the third quarter, to + €2.3 million.

The Energy division of the PCC Group generated external sales of €2 million in the third quarter of 2014, taking nine-month sales as at 30 September 2014 to some €8 million. 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., Kędzierzyn-Koźle - continued to be the main source of revenues and earnings. Overall, the Energy division improved its operating income (EBITDA) by €0.9 million in the third quarter of 2014, reaching + €3.9 million as at 30 September. (Our report for the second quarter of 2014 erroneously contained an EBITDA figure of €3.6 million. Please accept our apologies. The actual EBITDA of the Energy division as at 30 June amounted to + €3.0 million).

The PCC SE holding company, Duisburg, also closed the nine-month period ending on 30 September 2014 with a profit.

Key figures of the PCC Group		Q3 / 2014	Q1-Q3/2014
<b>Consolidated sales, total</b>	€m	<b>173.9</b>	<b>499.0</b>
Sales of the Chemicals division	€m	156.2	446.9
Sales of the Energy division	€m	2.2	7.9
Sales of the Logistics division	€m	13.2	38.0
<b>EBITDA<sup>1</sup> (operating result)</b>	€m	<b>8.3</b>	<b>30.9</b>
<b>EBT (Earnings before Taxes)</b>	€m	<b>-2.2</b>	<b>1.0</b>

Note: Rounding differences may occur. Unaudited figures.

<sup>1</sup> EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation

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## Progress in financing our project in Iceland

Having obtained the provisional cover note from the Inter-ministerial Committee of Germany's federal government on 25 September 2014, the financing process for PCC's silicon metal project in Húsavík (Iceland) has taken a decisive step forward.

Roughly at the same time, the local council of Iceland's Nordurthing province issued the construction permit for the plant, which has already come into effect following the expiry of the objection period. Consequently the final investment decision followed by the start of the construction works can be expected at a date around the turn of 2014 and 2015. As reported before, we plan to build in the north of the island one of the most advanced production plants for silicon metal for use e.g. in the aluminium industry and the manufacturing of silicones.

## Environmental initiative at PCC Exol SA

In July 2014, our surfactants producer PCC Exol SA became a full-fledged member of the Responsible Care® environmental initiative, following the manufacturing companies PCC Rokita SA, PCC Synteza S.A., and PCC Consumer Products Sp. z o.o. For more than 20 years now, the chemical industry has been advocating responsible conduct in the fields of environment, health, and safety within the framework of this voluntary initiative. The Responsible Care® initiative stands for the continuous improvement of health and safety as well as environmental protection standards within companies, making an important contribution to sustainability.

Apart from that, PCC Exol SA joined the UN Global Compact, a United Nations initiative promoting sustainable development and social responsibility. The companies participating in this strategic initiative commit to align their business activities and strategies with ten universally recognised principles relating to human rights, labour, environmental protection, and the fight against corruption. It is a tool for businesses, as one of the key driving forces of globalisation, to make their contribution to the development of markets and trade relations, technologies, and financial systems that are beneficial for all economic areas and communities.

## Ecolabel for "Roko Eco" - the new product line of PCC Consumer Products Kosmet

At the end of August 2014, cleaning and washing detergents producer PCC Consumer Products Kosmet Sp. z o.o., based in Brzeg Dolny, introduced to the market a new product line called Roko Eco. It is based on sustainable raw materials. The product line of household cleaners carries the EU's renowned Ecolabel. This quality label is granted to products and services that have a lower impact on the environment than comparable offerings, spanning from the choice of raw materials and manufacturing to packaging, delivery, and distribution. The EU Ecolabel gives consumers the opportunity to identify more environmentally friendly and healthier products.

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