

Quarterly Report 3/2015

- Operating profit as of September 30 up 18% year on year
- Low commodity price levels burden consolidated sales
- PCC Rokita SA increases chlorine production capacity by more than 12%
- Official construction start for production plant in Iceland
- Inauguration of expanded PCC container terminal in Brzeg Dolny



Official construction site inauguration in Bakki (Iceland) on September 17, 2015, by Islandsbanki CEO Birna Einarsdóttir, Iceland's prime minister Sigmundur Davíð Gunnlaugsson, PCC's Administrative Board Chairman Waldemar Preussner, Mayor of Norðurþing municipal district Kristján Þór Magnússon and Iceland's Minister for Trade and Industry Ragnheiður Elin Arnadóttir (from left to right, see also page 4).

Business Development

The start of the third quarter of 2015 initially witnessed further positive business performance at most portfolio companies of the PCC Group.

As expected, results declined significantly in August, with sales and earnings accelerating again in September. Aside from the “summer lull” that occurs every year due to the vacation period, the high temperatures that prevailed in August also contributed to the temporary downturn. As a result of the extraordinary heat wave that occurred in Poland particularly, the power plants there were forced to cut electricity generation due to stricter restrictions being placed on the discharge of cooling water into the local rivers. Most of Poland’s industry suffered interruptions in power supplies as a result, with correspondingly adverse consequences for the PCC companies in the country. In addition, commodity prices – a short-lived recovery notwithstanding – remained at a low level in the third quarter. The causes for this lie in the continuing low price of crude oil and the fact that the deceleration in China’s economic growth has resulted in more and more commodities being exported from that region to the European market, compounding the pressure on prices. On the purchasing side, however, the PCC Group was able to profit quite considerably from this development in the third quarter, and will continue to do so in the months to come.

Consolidated sales in the third quarter amounted to €152 million, slightly above the level of the two preceding quarters. As of the end of Q3, accumulated consolidated sales for fiscal 2015 amounted to €437 million. Revenues thus fell significantly short of both the corresponding prior-year figure and also the budget level set for the reporting period – again due to the persis-

tently low level of commodity prices resulting from the drastic decline in the price of crude oil. Consequently, by far the biggest share of the variance was assignable to the Chemicals division.

Operating profit before interest (or financial result), taxes, depreciation and amortisation (EBITDA) increased by €12.8 million to €+37.4 million as of September 30, 2015. Compared to the prior-year figure (€+31.7 million), this represents a rise of around 18%. However, the EBITDA figure fell short of the 2015 budget. In addition to the reasons already explained in the report for Q2/2015 (including the lower than planned proceeds on the disposal of our telecommunication activities), the aforementioned production restrictions imposed in August also had an impact. And as detailed under the section dealing with the Consumer Products segment (see below), the current earnings situation at the subgroup PCC Consumer Products S.A., Warsaw, was a further contributory factor. Below-target EBITDA meant consolidated earnings before taxes (EBT) were also affected, decreasing in the third quarter by €0.7 million to €+3.0 million as of September 30, 2015, still €4.5 million above the corresponding prior-year level of €–1.5 million.

Taking all its segments together, the Chemicals division of the PCC Group generated sales of €133 million in the third quarter of 2015. As of the end of September, accumulated divisional sales had thus risen to €381 million. Performance within the individual segments of the division is summarised in the following:

Polyols

Once again the Polyols segment put in a strong performance in the third quarter. In the Polyurethane Sys-

tems business unit, that is to say PCC Prodex Sp. z o.o., Warsaw, the slightly positive trend of the preceding quarter was sustained. For seasonal reasons, sales of this portfolio company to the construction industry remained at a high level while, for example, sales in the mining sector continued to come in below expectation. At the end of the third quarter, PCC Prodex Sp. z o.o. was therefore still operating at a loss. This also applies to the start-up company PCC Prodex GmbH, Essen (Germany), which only began its production activities in the field of speciality flexible PUR foams in the second quarter of this year.

Surfactants

In the Surfactants segment, the positive trend of the first six months of the year continued through the third quarter. PCC Exol SA, Brzeg Dolny (Poland), was able to significantly exceed our earnings expectations thanks to persistently favourable feedstock purchase prices, and also its increasing focus on higher-value speciality surfactants. By contrast, the US American subsidiary of PCC Exol SA, namely PCC Chemax, Inc., Piedmont (SC), continued to suffer from declining sales in oilfield chemicals and was therefore only able to marginally improve earnings in the third quarter of 2015. Although this affiliate was able to close the reporting period on a generally positive note, its results still remained below budget.

Chlorine

The Chlorine segment again recorded positive business development in the third quarter. Although the performance of the Chlorine business unit of PCC Rokita SA, Brzeg Dolny, was impacted – at least temporarily – by the

Key financials by segment (per IFRS)	Polyols			Surfactants			Chlorine			Speciality Chemicals		
	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014
Sales ¹ € m	35.2	104.7	111.3	26.9	76.9	76.4	16.5	40.7	51.5	43.4	128.7	175.5
EBITDA ² € m	2.6	11.0	7.7	2.5	6.8	5.0	3.2	2.3	6.0	1.6	5.0	4.0
EBIT ³ € m	2.3	10.0	6.8	2.0	5.2	3.3	2.1	–1.3	1.2	0.8	2.4	1.2
EBT ⁴ € m	2.3	9.7	6.4	1.5	3.3	1.1	1.6	–1.6	2.3	0.4	1.5	0.6
Employees (at Sept. 30)	166	166	140	255	255	238	323	323	240	368	368	374

Notes: Rounding differences possible; Quarterly and half-year figures unaudited | 1 The segment sales indicated here also contain sales between the individual segments which are eliminated on consolidation. | 2 EBITDA (earnings before interest, taxes, depreciation and amortisation) | 3 EBIT (earnings before interest and taxes) = EBITDA - depreciation and amortisation | 4 EBT (earnings before taxes) = EBIT - financial result



Advanced membrane electrolysis plant at PCC Rokita SA

aforementioned power shortages in August, favourable feedstock prices and the significantly improved energy efficiency of the new chlor-alkali electrolysis process had a partial compensatory effect. Seen over the long term, the chlor-alkali process will also contribute to improving the cost-efficiency of the Chlorine segment. The commissioning of our new production plant for ultra-pure monochloroacetic acid (MCAA), also managed under the Chlorine segment, suffered from a number of delays in recent weeks, which means that the actual production start-up is now likely to be put back to after the New Year.

Speciality Chemicals

Although weaker than in the preceding months, the Speciality Chemicals segment again posted a positive performance in the third quarter. In particular, the two commodity trading companies still managed under this segment, PCC Trade & Services GmbH, Duisburg (Germany), and PCC Morava Chem s.r.o., Český Těšín (Czech Republic), experienced a further increase in competitive pressure in the third quarter, due among other things to commodity imports from China (particularly coke). The situation was exacerbated by the current weakness of the steel industry and the persistently low price

levels prevailing for chemical feedstocks. Although both companies were able to close the third quarter in profit, the level of earnings was below our expectations.

By contrast, both the alkylphenol manufacturer PCC Synteza S.A., Kędzierzyn-Koźle (Poland), and the business unit Phosphorus and Naphthalene Derivatives of PCC Rokita SA were able to improve their performance compared to the preceding quarter, benefiting on the purchasing side, for example, from persistently low feedstock price levels. The quartzite quarry of PCC Silicium S.A., Zagórze (Poland), was able to at least break even at the operating level in the third quarter. However, it remains in the loss zone due to the problems described in the report for Q1/2015. In the meantime, preparations have begun at this affiliate for the future extraction of quartzite for PCC's Iceland project.

Consumer Products

Although the "PCC Consumer Products" subgroup saw its operating profit (EBITDA) again improve in the third quarter of 2015, it still remained significantly below our expectations. The subgroup continued to post losses at the pre-tax level as of September 30, the main cause being the significant delay in the planned upgrades at PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny. This has adversely affected ongoing production operations and thus also the volume sales of this affiliate in 2015 to date. The modernisation work is not expected to be completed before the end of the year. The situation was compounded by under-budget volume sales and sales revenue at matches factory PCC Consumer Products Czechowice S.A., Czechowice-Dziedzice (Poland), and also at our Belarusian affiliate OOO PCC Consumer Products Navigator, Grodno. In the case of

the latter portfolio company, the weakening of the Belarusian ruble had an additional negative impact on business performance. For the reasons indicated, sustainable improvement in the business development of the Consumer Products segment is not expected until next year.

Energy

The Energy division of the PCC Group continued to be supported by the Conventional Energies business unit in the third quarter of 2015. This encompasses not only the CHP power plant (and the corresponding business unit) of PCC Rokita SA but also the power and heat cogenerator PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle (Poland). Both affiliates closed the reporting period with positive results above our expectations. Among the causes for this upside variance are below-budget maintenance and repair costs. The Renewable Energies business unit also posted a positive business performance in the third quarter, although the delay in commissioning the Patiška site (Republic of Macedonia) and occasionally unfavourable hydrology in past months kept results below budget. Overall, the Energy division generated external sales of €2.3 million in the third quarter. As of the end of the quarter, sales revenue had accumulated to €8.4 million.

Logistics

The Logistics division of the PCC Group generated external sales of €14.4 million in the third quarter of 2015. As of September 30, divisional sales (external) had accumulated to €41.6 million. The main sales and earnings generator was once again PCC Intermodal S.A., Gdynia (Poland). Although the second stage of expansion at its terminal in Kutno (Poland)

Key financials by segment (per IFRS)	Consumer Products			Energy			Logistics			PCC Group total		
	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014	Q3/2015	9M/2015	9M/2014
Sales ¹ € m	11.0	30.0	32.3	2.3	8.4	7.9	14.4	41.6	38.0	151.7	436.9	499.0
EBITDA ² € m	0.2	0.4	0.8	1.6	5.6	3.9	1.4	3.3	3.4	12.8	37.4	31.7
EBIT ³ € m	0.0	-0.2	0.2	0.9	3.5	2.1	0.7	1.2	1.3	7.2	20.4	15.4
EBT ⁴ € m	-0.8	-1.6	-0.5	0.9	3.4	1.9	-2.5	-0.9	-1.0	-0.7	3.0	-1.5
Employees (at Sept. 30)	570	570	633	178	178	178	354	354	336	2,948	2,948	2,873

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was only completed in June 2015, by the end of the third quarter the facility was already working to almost full capacity. The other terminals run by this affiliate and the majority of the transport routes offered are also exhibiting increasing operating rates. Plans are in place to further expand the network of routes through the addition – by the end of the year – of a “north-south corridor” in the direction of the Czech Republic and Austria. Business performance of the road tanker haulage company PCC Autochem Sp. z o.o., Brzeg Dolny, was also positive in the third quarter. The Russian portfolio company ZAO PCC Rail, Moscow, was at least able to post a marginal plus at the operating level in the third quarter. However, earnings before tax slipped once again into the loss zone due to further depreciation of the Russian ruble. In the course of the third quarter, therefore, negotiations took place with several major Russian wagon operators aligned to renting out the wagon fleet of ZAO PCC Rail. In the meantime, these negotiations have been successfully concluded. ZAO PCC Rail will thus be in a position to significantly reduce its overheads in the coming months, which should have a correspondingly positive effect on its results.



Holding / Projects

As expected, holding company PCC SE posted a loss in the third quarter of 2015. However, because of the dividend payments received in the second quarter and the disposal of its telecommunications and data centre activities in June 2015, it continued to show a positive earnings result as of September 30.

Chlorine production capacity increase

PCC Rokita SA was able to increase the capacity of its chlorine production facilities as planned. The new membrane electrolysis

plant, which was commissioned in April of this year, was equipped with a fifth electrolyser around mid-July to complete the last expansion stage of the new chlor-alkali electrolysis process. In all, PCC Rokita SA was thus able to raise its annual capacity in respect of chlorine from 120,000 to 135,000 metric tons, and in respect of caustic soda from 135,000 to 152,000 metric tons, an increase of 12% on both counts. Additional process optimisation measures are planned for 2016 which should further increase capacities for both products by more than 10%.

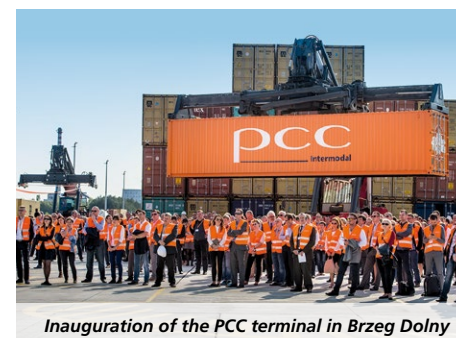
Official start of construction in PCC’s silicon metal project in Iceland

The construction of our advanced silicon metal production plant in Iceland has officially begun. On September 17, 2015, Chairman of the Administrative Board of PCC SE Waldemar Preussner officially opened the large construction site, which is located in the new Bakki industrial park near the town of Húsavík in the north of the island. The inauguration ceremony was attended by high-ranking representatives from the worlds of politics and business, including the Icelandic prime minister Sigmundur Davíð Gunnlaugsson and the Minister for Trade and Industry Ragnheiður Elín Árnadóttir. Prime minister Gunnlaugsson welcomed in particular the creation of over 120 direct jobs in the PCC plant, offering many families major prospects for a life in Iceland’s north-east. Kristján Þór Magnússon, Mayor of the municipal district of Norðurþing, to which Húsavík belongs, emphasised: “We want to harness the clean energy of our region for industrial facilities. PCC and its plans for a silicon metal plant therefore provide an excellent fit with our strategic intentions.” As previously reported, the start of production of the silicon smelting facility is scheduled

for 2018. The plant will eventually produce more than 32,000 metric tons of silicon metal per year.

Opening of the expanded PCC container terminal in Brzeg Dolny

On September 24, 2015, PCC Intermodal S.A. officially commissioned its expanded container terminal in Brzeg Dolny, Poland. As a result of the upgrade project, the annual handling capacity of the terminal has been more than doubled to 110,000 TEU (20-foot ISO standard containers). The terminal has three mobile reach stackers for container handling onto and from four block train spur tracks, each of which is 650 metres long. The terminal’s operating



area is 28,000 square metres and it offers 2,700 TEU of storage capacity. As reported, the terminal in Kutno (Poland) was inaugurated back in June of this year – likewise with more than double its handling capacity – and prior to that, in December 2014, the expanded terminal in Frankfurt (Oder) also reopened. The fourth expansion project – at the Gliwice terminal in Poland – is likewise due for completion by the end of 2015.

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