Quarterly Report IV/2013

Business Development

The fourth quarter of 2013 was characterised by rising profits for the PCC Group, although sales were declining at the same time. Given sales to the tune of €147 million in the fourth quarter, cumulated consolidated sales as of 31 December 2013 reached €625 million. This is a decline of €52 million compared to the previous year's figure, which reached €677 million. Apart from declining prices on the back of the rather subdued business climate in 2013, changes in the product mix and exchange rate effects can be identified as the main reasons for this development. However, when it comes to profit, we noted a marked improvement in the fourth quarter: Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) improved to +€47.9 million in the fourth quarter of 2013, rising by €20.9 million. Earnings before Taxes (EBT) increased by some €13 million. In all likelihood, this figure will reach +€9 million for the period ending 31 December 2013. Virtually all business units of the PCC Group contributed their – major or minor – share to this, as can be seen from the discussion of the individual segments below. Apart from that, the fourth quarter's profits were favourably influenced by the sale of a minority shareholding in PCC Exol SA, Brzeg Dolny (Poland), to an international investment fund. All of the above-mentioned figures need to be considered preliminary. Currently all annual statements of our group companies and the consolidated statement are being audited by our auditors. The final, audited figures will be published on our website immediately after final approval of the annual financial statement.

The Chemicals division of the PCC Group generated external sales slightly below €131 million in the fourth quarter of 2013. Cumulated sales as of 31 December 2013 thus reached €567 million. They therefore missed the forecast for fiscal 2013 by some €9 million, and fell short of the previous year's figure (€613 million) by as much as €46 million. The largest portion of this negative deviation could be ascribed to both trading companies belonging to the PCC Group, namely Petro Carbo Chem GmbH, Duisburg (Germany), and PCC Morava Chem s.r.o., Český Těšín (Czech Republic), and was due to lower commodity prices and sales volumes on the back of the slack economy, as well as changes in the product mix. Nevertheless both companies, being part of the "Speciality Chemicals" segment, each contributed a small profit in the fourth quarter of 2013, as they were able to achieve lower prices on the purchasing side. Slightly better results were also on the horizon in the fourth quarter of 2013 in the phosphorus and naphthalene derivatives business (PCC Rokita SA) and at the alkylphenol producer PCC Synteza S.A., Kędzierzyn-Koźle (Poland), both of which are also included in the speciality chemicals segment. However, the losses sustained in the previous quarters in both sub-segments could not be made up by the end of the year.

For the polyols business unit (PCC Rokita SA), the fourth quarter of 2013 was difficult for several reasons: Apart from temporary shortages (due to maintenance works at a large supplier of starting materials) in the supply of ethylene oxide as a key raw material, which caused a temporary decline of production and sales, quality issues emerged with one of the final products. These have been addressed in the meantime. However, costs incurred in this context and provisions made for potential claims outstanding caused an erosion of the profits generated by this business unit in the fourth quarter. The chlorine (PCC Rokita SA) and surfactants (PCC Exol SA and PCC Chemax Inc., Piedmont, USA) business units both closed the fourth quarter with continued profits, and above our overall expectations. In the Consumer Products segment, both sales and overall profits fell short of the forecast for fiscal 2013, which among other things was due to delays in the implementation of a contract with REWE Group. Apart from that, entering the Russian market proved to be more difficult than expected. Still, the business unit substantially improved its performance in the fourth quarter, ending fiscal 2013 with a profit.

In total, the Chemicals division of the PCC Group increased its operating result (EBITDA) by €10.7 million in the fourth quarter of 2013, reaching +€41.8 million as of 31 December 2013, while the following picture evolves for the individual business units within the Chemicals division:

€ million	Sales		EBITDA	
	13 Q4	as of 31/12/2013	13 Q4	as of 31/12/2013
Polyols	29.4	132.9	– 1.3	4.0
Surfactants	24.1	95.3	2.5	8.3
Chlorine	18.3	88.6	3.4	16.4
Speciality Chemicals	46.2	203.2	1.5	2.8
Consumer Products	12.1	43.6	0.5	1.6

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 generated external sales of some €12 million in the fourth quarter of 2013. Division sales as of 31 December 2013 thus reached nearly €43 million. This means that the division's sales fell short of the previous year's result by more than €3 million, but slightly exceeded the forecast for fiscal 2013. The latter goes both for the Logistics division as a whole, and for the individual portfolio companies it is comprised of. Nevertheless, profit performance differed between the individual segments: At PCC Intermodal S.A., Gdynia (Poland), the

pcc SE

favourable trend observed since the beginning of the second quarter of 2013 continued into the fourth quarter of 2013.

PCC Autochem Sp. z o.o., the road tanker company from Brzeg Dolny, again generated a profit in the fourth quarter of 2013, and closed the whole year in the black. Contrastingly, the loss situation remained unchanged in the fourth quarter of 2013 at Russia-based wagon operator ZAO PCC Rail, Moscow. Besides the weak Russian Rouble, among the main reasons for this situation are the state-regulated transport tariffs, which - despite a slight increase recently - still do not cover costs. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) of the Logistics division still improved by €0.4 million in the course of the fourth quarter, to +€1.6 million.

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 just below €2 million in the fourth quarter of 2013, or €8.2 million for the period ending on 31 December 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 +€1.3 million as of 31 December 2013 (adjusted for consolidation effects). In the area of renewable energies, further progress was made on the construction of the small hydropower plants of Duisburg-based PCC DEG Renewables GmbH in Macedonia. Apart from that, signals have emerged that the lengthy approval processes for the remaining three small hydropower plants planned in this country can be closed successfully.

Profits of the "holding, service, and projects" division increased substantially in the fourth quarter of 2013 due to the above-mentioned sale of a minority shareholding in PCC Exol SA by PCC SE, Duisburg.

Key figures of the PCC Group[1]	**Q4/2013**	as at **31/12/2013**
Consolidated sales:	**€146.8 million**	**€625.2 million**
Sales of the Chemicals division:	€130.7 million	€566.5 million
Sales of the Logistics division:	€11.8 million	€42.8 million
Sales of the Energy division:	€1.8 million	€8.2 million
Sales of Other Shareholdings division:	€2.4 million	€7.7 million
EBITDA[2] (Operating result):	**€20.9 million**	**€47.9 million**
EBT (Earnings before Taxes):	**€13.1 million**	**€8.9 million**

Rounding differences may occur

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

Silicon metal project in Iceland is progressing

As a result of extensive geological analysis by internationally renowned experts, the quartzite mine operated by PCC Silicium S.A. in Zagórze (Poland) was awarded a so-called Yorc certificate in the fourth quarter of 2013. Having gained this certificate, one of the main preconditions for the approval of external financing for the silicon metal project has been met. It confirms that the PCC-owned mine contains quartzite of a sufficient quality and quantity to supply the silicon metal plant planned in Iceland with this raw material for at least 15 years. Another major milestone on the way to implement the silicon metal project was the signing of the contract on the turnkey construction of the production plant with the engineering company SMS Siemag AG, Dusseldorf, in October 2013. Apart from that, negotiations with the Icelandic electricity supplier, the operator of the national grid, and potential suppliers of the other necessary raw materials (such as coal and wood) were continued. Contract negotiations were also ongoing with potential clients. In the meantime negotiations have been completed successfully on several of these levels. However, all contracts are subject to the condition precedent that financing is approved by Kreditanstalt für Wiederaufbau (KfW IPEX). The financing plan envisages covering the turnkey plant by a Hermes export credit insurance and a so-called untied loan guarantee (UFK). The latter is granted by Germany's federal government if a project qualifies for support for reasons of raw material policy, which has principally been confirmed for the project based on the planned silicon imports to Germany and the sale to German clients. Currently intensive work is being carried out on the preparation of the application documents to be submitted to the federal Government's interministerial commission responsible for decisions on the above-mentioned covers. The commission's decision is expected in the course of the second quarter of 2014.

Successful sale of Exol shares

In December 2013, PCC SE sold 24.5 million shares of its surfactant-producing subsidiary PCC Exol SA to an international investment fund. This shareholding represents 8.26% of the voting rights at PCC Exol SA's general meeting of shareholders. As a result of the transaction, PCC still holds a substantial majority of 88.12% of the voting rights in this subsidiary. The selling price per share was 2.3 times book value. The transaction marks the consistent continuation of PCC SE's strategy to create value and realise it at the appropriate time.

Investor's Day 2014

PCC SE's Investor's Day 2014 has been scheduled for Saturday, 28 June 2014. All investors will receive a personal invitation to participate in this event in good time. This year's star guest will be Vicky Leandros, the famous Greek singer. Members of management and staff of PCC SE and its German subsidiaries will traditionally be at the investors' disposal on that day for face-to-face discussions and information.

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
Baumstr. 42, D-47198 Duisburg
Phone: +49 (0)2066.908090
Fax: +49 (0)2066.908099
E-mail: direktinvest@pcc.eu
www.pcc-direktinvest.eu