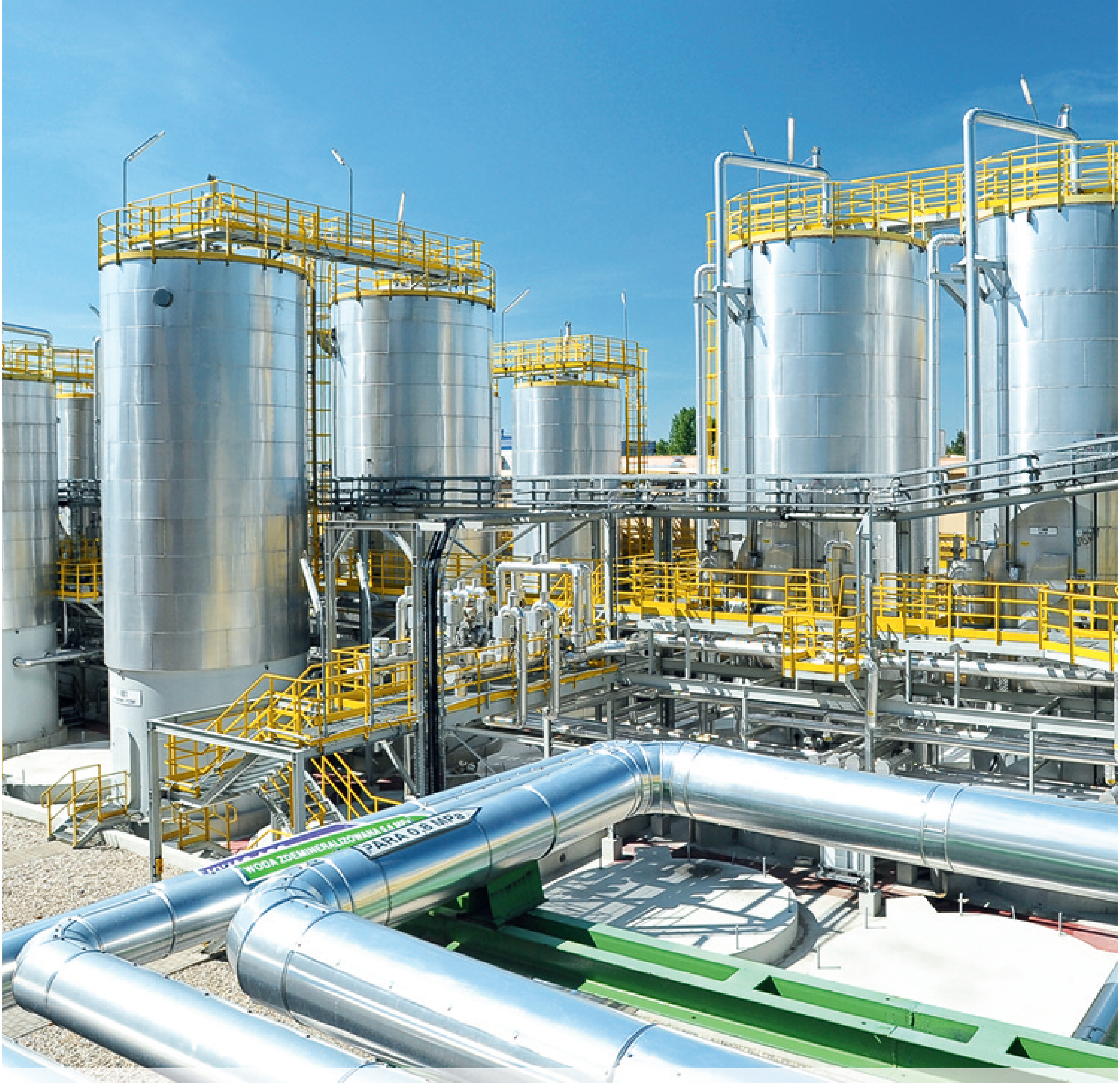
Quarterly Report 4/2014

- Fiscal 2014 sees PCC improve EBT by 13.4 % year on year
- Financing for Iceland project secured
- Expansion of PCC terminal in Frankfurt (Oder) completed
- EBRD makes award for hydropower plant projects in Macedonia



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Business Development

PCC Group consolidated sales in the fourth quarter of 2014 amounted to €149 million (prior-year quarter: €147 million). The Christmas break meant that the revenue figure was below the level of the previous quarters, each of which produced figures of over €170 million. As expected, declining commodity prices also had a reducing effect on sales. Nevertheless, we were able to increase total annual sales by 3.8 % or around €24 million compared with the previous year. By the end of 2014, consolidated sales had risen to €648 million.

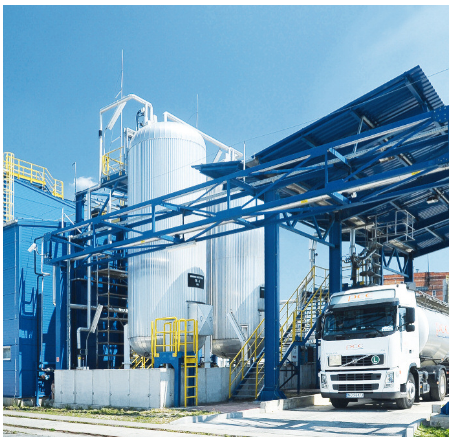
The profit figures also exceeded those of the prior-year period. Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved in the fourth quarter by €20.4 million to €51.4 million as of December 31, 2014. This was 8.1 % above the corresponding prior-year figure (€47.5 million). Earnings before taxes (EBT) rose in the fourth quarter by €10.8 million to a total of €11.8 million as of December 31, 2014, representing a plus of €1.4 million or 13.4 % year on year. On the operating side, the Polyols segment made by far the biggest contribution to earnings, with the Chlorine segment, our Intermodal Transport business and our Trading activities also posting appreciably positive results. At the holding company level (Holding segment), the successful execution of the planned sale of 13.5 % of the shares in the Icelandic project company PCC BakkiSilicon hf, Húsavík, by PCC SE to Icelandic co-investors in the fourth quarter also served to increase earnings (see page 4).

The business performance of the individual divisions and their segments can be summarised as follows:

Taking all its product segments as a whole, the Chemicals division of the PCC Group generated sales of €131 million in the fourth quarter of 2014. As of December 31, external divisional sales amounted to €578 million for the year. However, business performance in the individual segments within this division was once again very mixed.

Polyols

The Polyols segment continued its strong performance of recent months, both during the fourth quarter and beyond the turn of the year. Although both selling volumes and revenues were slightly below budget for the fourth quarter, this was primarily due to changes in the product portfolio. Conversely, the increasing focus on higher-margin speciality polyols had a positive effect on earnings development. The polyurethane system house activities that are likewise pursued within the Polyols segment also generated sales under budget in the fourth quarter. In products for insulation applications particularly, sales figures were below expectation, which is why we are continuously working on improving the product systems concerned. Despite the slightly negative effect on net earnings for the year exerted by this particular business, overall the Polyols segment ended the fourth quarter and also fiscal 2014 well above its original budget, making the biggest contribution to Group earnings at the operational level, as mentioned at the beginning.



Surfactants

Business performance in the Surfactants segment was below expectation overall – both during the fourth quarter and also in the course of the 2014 financial year. Aside from the reasons already mentioned in previous quarterly reports, expensive raw material purchases (fatty alcohols and ethylene oxide) were also partly to blame for this shortfall. In addition, PCC Exol SA, Brzeg Dolny (Poland), in particular intensified its efforts to optimise its product portfolio in 2014, with increasing focus on higher-margin speciality surfactants. Although representing an investment in the future of the Surfactants segment, the sometimes time- and cost-intensive approval procedures required for such developments also burdened profitability.

Chlorine

The Chlorine segment again showed positive performance in the fourth quarter. Overall, this business unit of PCC Rokita SA, Brzeg Dolny, ended 2014 with an appreciably positive result, posting figures above expectation. Helped by the relatively mild weather, construction of our production plant for high-purity monochloroacetic acid (MCAA), which will serve to extend our value chain in the Chlorine segment going forward, proceeded to schedule in the fourth quarter. The project management therefore remains confident that the facility will be commissioned in the summer of 2015.

Key financials by segment		Polyols			Surfactants			Chlorine			Speciality Chemicals		
		Q4/2014	12M/2014	12M/2013	Q4/2014	12M/2014	12M/2013	Q4/2014	12M/2014	12M/2013	Q4/2014	12M/2014	12M/2013
Sales [1]	€m	**38.6**	157.2	140.1	**29.0**	123.4	112.7	**31.6**	129.0	142.2	**48.0**	227.3	211.7
EBITDA [2]	€m	**5.2**	12.9	4.0	**1.7**	6.5	8.2	**1.9**	7.9	16.3	**0.2**	4.4	2.6
EBIT [3]	€m	**4.9**	11.8	2.8	**0.8**	2.8	4.5	**0.9**	3.5	12.2	**- 0.6**	1.6	0.0
EBT [4]	€m	**4.8**	11.3	2.1	**0.1**	0.0	1.3	**1.0**	3.3	11.1	**- 1.0**	0.3	- 1.2
Employees	(at Dec. 31)	–	142	145	–	245	240	–	242	238	–	381	380

Speciality Chemicals

The business development of the portfolio companies managed under the Speciality Chemicals segment was again extremely mixed in the fourth quarter of 2014. Although there was a significant decline in the commodities trading business of PCC Trade & Services GmbH, Duisburg (Germany), this largely resulted from the major collapse in certain commodity prices caused by the fall in the oil price. Because this decrease in selling prices was also accompanied by a drop in prices on the purchasing side, however, this portfolio company was able to end the fourth quarter with a positive result and closed 2014 significantly above our original expectations. The results of PCC Morava-Chem s.r.o., Český Těšín (Czech Republic), divisional were adversely impacted in the fourth quarter by, among other things, a bad debt loss attributable to a major customer; however, this portfolio company also ended the year in profit below the line.
By contrast, the Phosphorus and Naphthalene Derivatives business (PCC Rokita SA) and also the Alkylphenols business of manufacturer PCC Synteza S.A., Kędzierzyn-Koźle (Poland), ended both the fourth quarter and the full fiscal year with the losses expected. The reasons for these have been explained in previous quarterly reports. However, with sales, including those of phosphorus-based flame retardants (PCC Rokita SA) and dodecylphenol (PCC Synteza S.A.) rising above budget in December, and a downturn in certain raw material prices on the purchasing side, there were at least some slightly positive signs towards the end of the year for the future development of these two businesses.
The quartzite quarry operated by PCC Silicium S.A., Zagórze (Poland) ended fiscal 2014 with a small profit overall. The further development of this portfolio company is heavily dependent on our silicon metal project in Iceland, for which financial closing in the second quarter of 2015 now appears highly likely.

Consumer Products

The PCC Consumer Products subgroup ended the fourth quarter of 2014 with a loss. However, as of December 31, 2014, it was at least able to produce a slightly positive operating result, albeit with a pre-tax loss. In addition to the comprehensive reconstruction and modernisation projects being pursued at PCC Consumer Products Kosmet Sp. z o.o., Brzeg Dolny, which adversely affected ongoing production last year, there were also changes in the product mix of one of the biggest customers of this portfolio company. Problems were also encountered in the segment's Russian and Belarusian businesses, with the significant decline in the Russian ruble among the major causes.

Energy

The Energy division of the PCC Group generated external sales of around €3 million in the fourth quarter of 2014, and total divisional sales of around €11 million for the fiscal year ending December 31, 2014. The main source of revenues and earnings in this division remained the Conventional Energies business comprising the power station (and thus the corresponding business unit) of PCC Rokita SA, and the activities of Polish power and heat generator PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle. The Renewable Energies business has, however, gained in importance following the commissioning of a total of four small hydropower plants in the course of 2014.

Logistics

In the fourth quarter of 2014, the Logistics division of the PCC Group generated external sales of around €13 million. This took divisional sales to a total of €51 million for the full fiscal year. PCC Intermodal S.A., Gdynia (Poland), continued its strong performance with further improved utilisation of the routes offered by the company, accompanied by growth in internal handling volumes. As a result, PCC Intermodal S.A. was able to end fiscal 2014 comfortably in profit overall, posting results that were well above budget. The road tanker company PCC Autochem Sp. z o.o., Brzeg Dolny, was able to slightly improve its performance in the fourth quarter, likewise ending fiscal 2014 in profit and above our original expectations. A large portion of the positive results achieved by these two companies was, however, offset by the ongoing losses being made by the Russian wagon fleet operator ZAO PCC Rail, thus reducing the overall earnings of the Logistics division. The main reasons lay, once again, in the economic crisis in Russia and the significant depreciation of the ruble.

Holding

The Holding segment of PCC SE closed the fourth quarter of 2014 in profit following the aforementioned sale of a minority share in the Icelandic project company PCC BakkiSilicon hf. It also reported a positive result for full fiscal 2014. Beyond the holding company itself, this segment also includes the IT services and data centre activities of the PCC Group. These businesses likewise reported positive developments, including a steady increase in the level of capacity utilisation at our data centre.

Consumer Products		
Q4/2014	12M/2014	12M/2013
10.2	42.7	43.7
- 0.3	0.3	1.3
- 0.5	- 0.4	0.7
- 0.7	- 1.1	0.0
–	615	645

Energy		
Q4/2014	12M/2014	12M/2013
7.2	26.0	25.8
1.5	5.3	4.4
0.9	3.4	2.7
0.8	3.1	2.7
–	177	177

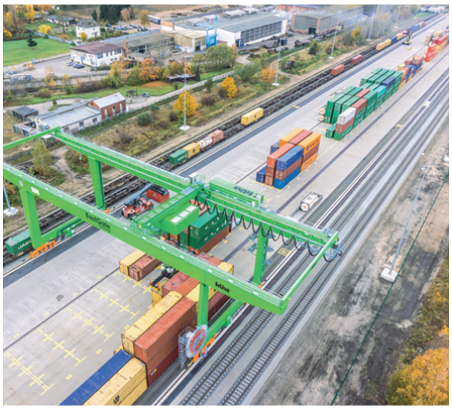
Logistics		
Q4/2014	12M/2014	12M/2013
15.3	58.7	50.3
- 1.9	0.3	1.6
- 2.5	- 2.3	- 1.0
- 2.9	- 3.9	- 2.8
–	331	328

PCC Group total		
Q4/2014	12M/2014	12M/2013
149.2	648.1	624.3
20.4	51.4	47.5
15.1	30.6	28.6
10.8	11.8	10.4
–	2,879	2,869

Notes:
- Rounding differences possible
- Quarterly figures unaudited
- Annual financial statements 2014 not yet certified

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 amortization)
3 EBIT (earnings before interest and taxes) = EBITDA – depreciation and amortization
4 EBT (earnings before taxes) = EBIT – financial result (pre-tax profits)


Computer animation



PCC SE secures financing for its planned silicon metal production facility in Iceland

We have now succeeded in fully financing the investment outlay required for our silicon metal project in Iceland. As reported, we are planning the construction of one of the world's most advanced production facilities for silicon metal in the north of the island. Around a quarter of the investment volume of approximately $300 million (roughly €260 million) is to be jointly financed by a group of Icelandic pension funds and the Icelandic bank Islandsbanki. An associated contract covering the sale of shares in PCC BakkiSilicon hf (see page 2) was concluded by PCC SE at the end of December 2014 with the Icelandic company Bakkastakkur slhf. PCC SE remains the majority shareholder with an 85% stake. The largest portion of the project financing is to be covered by a loan from KfW IPEX-Bank of Frankfurt am Main (Germany). Construction is to begin around mid-2015.

Expansion of PCC terminal in Frankfurt (Oder) completed

Following the successful conclusion of an expansion project, PCC Intermodal S.A. officially re-commissioned the PCC container terminal in Frankfurt (Oder) on December 9, 2014. The terminal now has four 600 metre long spur tracks instead of the previous two, and has been equipped with a gantry crane. Its annual handling capacity has been increased to more than 100,000 TEU (twenty-foot equivalent units). The handling area has also increased to 30,000 square metres, with storage space now available for up to 1,000 TEU.
Thanks to the gantry crane with its span of 70 metres, it will be possible to load and unload trains across all four spurs. The craneway itself operates at a speed of 120 metres per minute and has a rated lifting capacity of 41 metric tons.
Combined transport trains are currently being despatched several times a week from Frankfurt (Oder) to Hamburg, Duisburg and Rotterdam and also to the central Polish city of Kutno. Further connections to France are to be added to the schedule in 2015.

EBRD makes award for hydropower plants in Macedonia

After an audit carried out by independent experts, the financing bank EBRD (European Bank for Reconstruction and Development) granted a batch of incentive payments in November 2014 in recognition of the successful commissioning of our Macedonian hydropower plants. As reported, the project company PCC HYDRO DOOEL Skopje (Macedonia) was able to hook its first three small hydropower plants to the grid by the middle of 2014. The bank had financed the projects with a loan agreement for €6 million. The incentive payments serve to reduce the total repayable by around €670,000.
The fourth power plant was also commissioned in December 2014, and there is a fifth at the planning stage.

Redemption of due bonds

Two bonds, one falling due on October 1 and the other on December 1, 2014, were duly redeemed on maturity. The first was issued in 2010 with a coupon of 6.00 % and a placed volume of around €35.0 million (ISIN: DE000A1EKZN7), and the second was issued in February 2013 with a 5.00 % coupon and a placed volume of around €9.0 million (ISIN: DE000A1R1AM7).

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