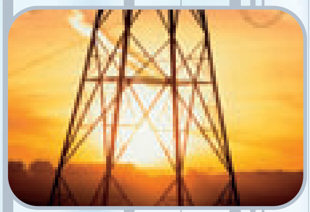
ANNUAL REPORT

2004

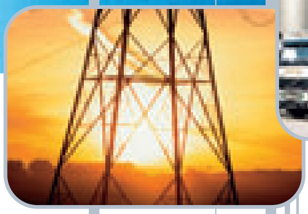


pcc AG

PCC Facts and Figures

		2000	2001	2002	2003	2004
Sales Revenues	in EUR million	**276.9**	**390.9**	**354.0**	**468.5**	**684.3**
thereof: Trading Division	in EUR million	276.9	367.5	329.1	304.5	461.6
Chemical Production Division	in EUR million	–	9.8	10.4	145.2	174.0
Logistics Division	in EUR million	–	13.6	14.5	18.8	47.9
Gross profit	in EUR million	**16.8**	**37.9**	**10.3**	**68.3**	**87.1**
Net Profit/Net Loss	in EUR million	**4.7**	**10.0**	**– 10.4**	**9.0**	**12.8**
EBITDA[1]	in EUR million	**8.8**	**21.9**	**– 7.2**	**22.0**	**30.9**
EBIT[2]	in EUR million	**8.2**	**20.6**	**– 8.1**	**15.8**	**22.7**
EBT[3]	in EUR million	**6.8**	**17.8**	**– 10.1**	**11.6**	**17.5**
Cash flow from Operations	in EUR million	**4.5**	**11.9**	**– 9.4**	**16.4**	**20.7**
ROCE[4]	in percent	**60.4**	**83.6**	**– 26.2**	**25.7**	**18.0**
ROE[5]	in percent	**98.5**	**87.6**	**– 100.3**	**38.1**	**22.0**
Group Equity[6]	in EUR million	**7.2**	**15.5**	**5.3**	**42.0**	**74.3**
Equity Ratio[6]	in percent	**12.2**	**19.6**	**7.9**	**30.3**	**31.8**
Capital Expenditures	in EUR million	**3.4**	**1.7**	**12.5**	**40.3**	**44.8**
Employees (consolidated circle)[7]		**378**	**650**	**650**	**2.602**	**2.771**
Germany		50	56	62	76	104
International		328	594	588	2.526	2.667

[1] EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
[2] EBIT (Earnings before Interest and Taxes) = EBITDA – Depreciation
[3] EBT (Earnings before Taxes) = EBIT – Interest
[4] ROCE (Return on Capital Employed) = EBIT / (Average Equity + Average Interest Bearing Debt incl. Pensions Accruals)
[5] ROE (Return on Equity) = Net Profit (Net Loss) / Average Equity
[6] Equity incl. Subordinated Bonds (PREPS 2004-2 LP) as at the Reporting Date
[7] as per December 31



PCC at a Glance

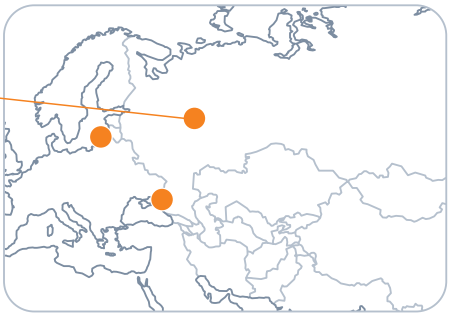
PCC is an international group of companies under the management of PCC AG, headquartered in Duisburg, Germany. Established in 1993, the group has since managed to increase sales revenues generated in its three divisions – Trading, Chemical Production and Logistics – from just under EUR 60 million in 1994 to some EUR 685 million in 2004. Last year's pre-tax profit reached EUR 17.5 million. The group employs 2,800 people in twelve countries.

PCC started its operations in 1993 as a wholesale trader of chemical raw materials and solid fuels, activities which still today form part of the group's core businesses. Already in 1998, immediately after their deregulation, PCC started to enter the electricity trading markets and has since established its reputation as an international wholesaler and a national provider of electricity to customers in trade and industry.

The purchase of selected businesses in the Polish chemical industry at the start of the new century marked the beginning of a successful backward integration from a pure trader into an integrated producer of chemicals. The wide range of this dynamic and growth-oriented division features both the manufacturing and refinement of basic chemicals such as phenolic and phosphorous compounds, adipic acid and polyols as well as coal tar. Products made by PCC companies are used in paper and steel manufacturing, power stations and the metallurgical industry as well as by producers of detergents, textiles, cosmetics and pharmaceuticals. Basic ingredients for plant protection chemicals are also produced.

Since 2001 the size of the Logistics Division has also been continuously increased. With more than 60 locomotives and roughly 2,800 rail and tank wagons, the members of PCC Group form a strong network which today represents one of the largest private rail operators in Poland.

Customers and business partners of the PCC include Aral, BASF, Bayer, DB Cargo, Degussa, DuPont, Henkel, PKN/Orlen, RAG, ThyssenKrupp, Total and many other renowned corporations from all over the world.



Locations*

China
- Beijing
- Shanghai

Russia
- Moscow
- Kaliningrad
- Novocherkassk

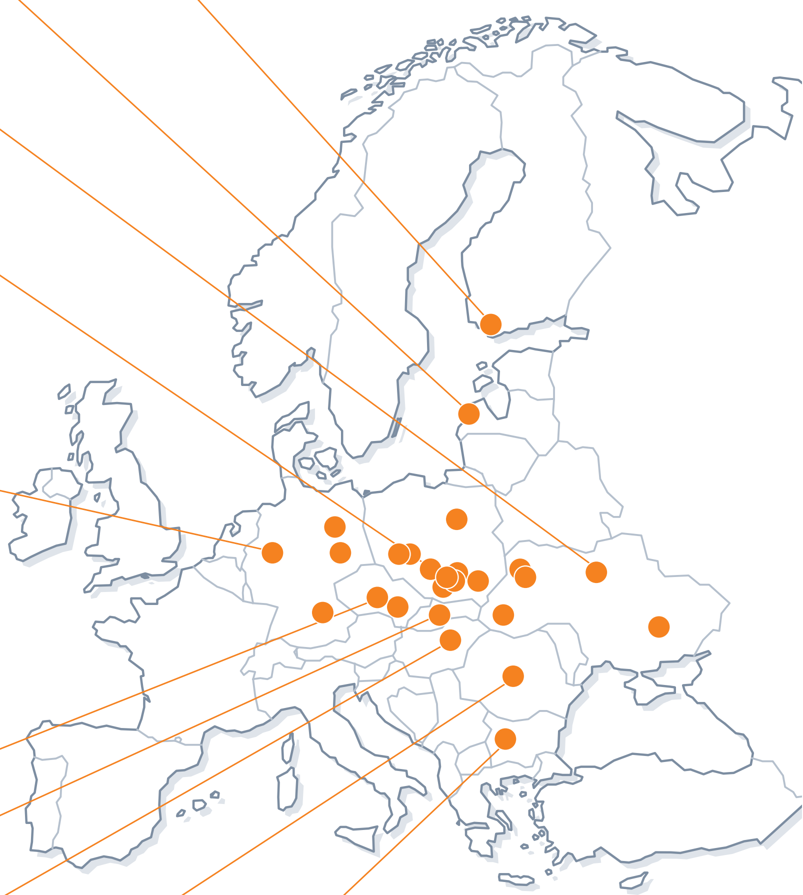
Ukraine
- Dniepropetrovsk
- Kiev
- Lviv
- Mukachevo
- Transcarpathians

Latvia
- Ventspils

Finland
- Helsinki

Poland
- Brzeg Dolny
- Chorzów
- Dąbrowa Górnicza
- Gliwice
- Jaworzno
- Katowice
- Kędzierzyn-Koźle
- Sławków
- Tarnow
- Warsaw

Germany
- **Duisburg** (Headquarters)
- Berlin
- Leipzig
- Munich



Czech Republic
- Česky Těšín
- Prostejov

Slovakia
- Kosice

Hungary
- Miskolc

Romania
- Ploiesti

Bulgaria
- Sofia

* Subsidiaries, branch offices, representative offices, regional offices (as at June 2005)

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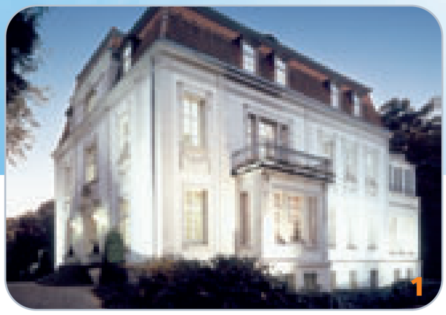
PREFACE



"The secret of success
is the constancy of purpose."

Benjamin Disraeli (1804–1881), British writer and politician

1 PCC´s headquarters in Duisburg-Homberg (Germany).

2 Waldemar Preussner (Chief Executive Officer).

Preface

My dear Customers,
Business Partners and Investors,
dear Colleagues,
Ladies and Gentlemen,

Please allow me to provide you today with our Annual Report for 2004, which shows that PCC has experienced another year of above average and – most important of all – profitable growth. This has been the most successful year of our corporate history, and all of us who have made this possible can look back with pride and satisfaction.

The decision to focus our resources rigorously on market niches in the chemical and energy industries has, in conjunction with our diversification and internationalisation strategies, provided a solid foundation for success. By consistently investing in our human and technical resources, we have embarked upon a path of continuous optimization with a view to meeting international quality and safety standards.

We are planning further growth through a strengthening of our market positions. We shall strive to meet our ambitious profitability targets by remaining faithful to our overriding business principle of giving fair treatment to all of our employees, customers and business partners. This principle has always been at the root of our success and is certain to stay there. Please allow me to express my gratitude to all employees of our enterprises. Your knowledge, your experiences and your tireless devotion are the driving force behind the progress of PCC.

Let us demonstrate our own constancy of purpose throughout any challenges of the future. Our opportunities of achieving our current business targets are better than ever.

Duisburg, June 2005

W. P

Waldemar Preussner

Chief Executive Officer

Corporate Bodies

The executive board, the shareholders´ meeting and the supervisory board represent the governing bodies of PCC AG.

Executive Board

Dipl.-Volkswirt Waldemar Preussner
Chief Executive Officer

Ulrike Halbach
Member of the board

Dr. rer. oec. (BY) Alfred Pelzer
Member of the board

Supervisory Board

Dr. rer. nat. Jürgen W. Stadelhofer
Chairman
CEO of RAG Coal International AG

Reinhard Quint
Deputy Chairman
Deputy CEO of ThyssenKrupp Services AG

Dipl. Wirtsch.-Ing. Gisbert Rühl
Member of the supervisory board
CFO of Klöckner & Co GmbH*

Executive Vice President

Dipl.-Kfm. Dietmar Kessler

1 From left to right: Waldemar Preussner (Chief Executive Officer), Dietmar Kessler, Ulrike Halbach, Dr. rer. oec. (BY) Alfred Pelzer.

2 Dr. Jürgen W. Stadelhofer (Chairman Supervisory Board).

*as of July 1, 2005

Report of the Supervisory Board

Dear Ladies and Gentlemen,

The Supervisory Board has carefully and regularly observed the business activities of the Executive Board in 2004 and has duly provided its advice. In the period under review, my colleagues and I have convened for four ordinary sessions. Regular monthly reports as well as phone conversations and joint visits of key production plants have ensured a continuous flow of information between Executive Board and the Supervisory Board.

In its meeting on May 12, 2005, the Supervisory Board comprehensively discussed the Accounts and the Group Management Report for the Business Year 2004 with the company's Certified Chartered Accountant before providing its formal and final approval for the accounts of the Business Year.

Please allow me to acknowledge the collective effort of all employees and the Executive Board headed by its Chairman Waldemar Preussner which has turned 2004 into another successful year in the history of PCC.

The year 2005 has also – all in all – started well. The diversified structure of PCC Group with its business activities in the Divisions Trading, Chemical Production and Logistics has again proved to provide a solid foundation for a successful future.

We want to assure all PCC stakeholders that the joint dedication of employees, Executive Board and Supervisory Board will keep the corporation on its course of successful growth for 2005 in order to fully justify the trust of its investors and business partners.

Duisburg, June 2005

Dr. Jürgen W. Stadelhofer
Chairman of the Supervisory Board

GROUP STRUCTURE

Group Structure

The key organizational principle of PCC AG – as much centralized control as necessary, as much entrepreneurial freedom as possible – is also reflected by the structure of the group. The holding company determines the overall strategy; the subsidiaries remain in charge of operations. This is based on the conviction and on the experience that only full compliance with the subsidiarity principle can promote entrepreneurial initiative and proximity to the customers' needs while preventing the business activities from being stifled by too much bureaucracy.

PCC AG manages the group members on the basis of a revolving three-year-planning and continuous controlling process. The key performance indicator is ROCE (Return on Capital Employed). Apart from risk management and investment controlling, the holding company's key functions are management development, liquidity management, mergers & acquisitions, support in tax and financing issues as well as providing advice and support in special projects.

By making suitable communications measures and financial funds available, PCC AG helps to create and strengthen the conditions for further growth and enables the full exploitation of all synergy potentials.

Through subsidiaries and local offices, PCC Group operates in twelve countries. Its focus has been firmly placed on the restructuring and dynamically expanding economies in Central and Eastern Europe. This local presence allows us to react quickly and flexibly to all developments on any of the individual markets which often follow their own laws and trends. It also guarantees that we always stay in close contact with our customers. Our bridgehead for the Far Eastern growth markets is the representative office of Petro Carbo Chem GmbH in Beijing, China.

In the past year, PCC has updated and harmonized its corporate design in order to create sound conditions for developing professional international and cross-border marketing activities. The move towards the integration of all subsidiaries under the "PCC" brand name started with the introduction of the new corporate logo in October 2004 and will embrace all national and foreign group members. Nearly all entities have by now already changed their name to reflect this process. Former KP Szczakowa S.A., for instance, now trades as PCC Rail Szczakowa S.A., while the name of the chemicals manufacturer Zakłady Chemiczne Rokita S.A. has been changed to PCC Rokita S.A.

As much centralized control as necessary, as much entrepreneurial freedom as possible.

As per December 31, 2004,
the PCC AG held interests in the following companies*:

Companies	Shareholding in percent	Registered capital in EUR million**	Equity in EUR million**
Energy and Raw Materials Trading			
Petro Carbo Chem GmbH (abbr PCC GmbH) Duisburg (Germany)	100.00	3.00	6.31
Morava-Chem, spol. s r.o. Česky Těšín (Czech Republic)	100.00	2.30	3.98
Petro Carbo Chem S.A. (abbr PCC S.A.) Gliwice (Poland)	100.00	1.96	2.12
C&C Coke and Coal Products GmbH Duisburg (Germany)	60.00	0.80	1.54
PCC Energie GmbH (formerly GED mbH) Duisburg (Germany)	100.00	1.00	1.28
Petromag Oy Helsinki (Finland)	50.00	0.25	1.00
PCC Energy S.A. Chorzów/Dąbrowa Górnicza (Poland)	100.00	0.32	0.71
Petro Carbo Chem Oy (abbr PCC Oy) Helsinki (Finland)	100.00	0.02	0.04
Chemical Production			
PCC Rokita S.A. Brzeg Dolny (Poland)	88.75	3.74	54.10
PCC Synteza S.A. Kędzierzyn-Koźle (Poland)	100.00	0.54	1.09
Węglopochodne Sp. z o. o Kędzierzyn-Koźle (Poland)	100.00	0.68	0.25
Logistics			
PCC Rail Szczakowa S.A. Jaworzno (Poland)	95.70	1.40	20.78
Sped-Kol Blachownia Sp. z o. o Kędzierzyn-Koźle (Poland)	99.33	0.55	1.44
PCC Cargo S.A. Chorzów/Sławków (Poland)	100.00	0.24	0.79
PCC Cargo GmbH Duisburg (Germany)	100.00	0.05	0.14

* only material companies and participations
** 100 percent

1 PCC Rokita plant for the production of polyols (Brzeg Dolny).

Strategy

The group's strategy focuses on both the profitable growth of its core activities along the established value chain and the further diversification of its portfolio, relying on existing competencies. Within our business units, we are aiming to achieve leading positions in market niches and less competitive market segments. In order to implement this, the major part of future capital expenditures will be directed to the restructuring, fast growing Central and Eastern European economies in preference to the stagnating and heavily regulated Western European markets.

The strategy of the three PCC Divisions – Trading, Chemical Production and Logistics – focuses on the following objective.

Energy and Raw Materials Trading

Chemical Trading is strongly focused on supporting the group's production activities. We want to strengthen our sales into Western markets and at the same time increase the trading volume in those raw materials that are particularly important for the sourcing of our plants in order to realize economies of scale.

In solid fuels (coal and coke), PCC Group is working to broaden its product-sourcing base in Central and Eastern Europe and to strengthen its profile as a full-service-supplier to customers in Western Europe by offering an integrated value chain including screening and processing of coal, logistics and transportation.

In Electricity Trading, PCC is focusing on two targets. Firstly, it is aiming to further expand its leading position as an independent player in the Central European high voltage sector. Secondly, we are working to increase our sales to commercial and industrial end users in Germany and to expand this business into neighbouring countries in the near future. In order to support and strengthen our position in electricity trading, we are continuously assessing opportunities for investments in power generation projects in Germany and abroad.

1 Upgrading of the process control system at the PCC Rokita ethoxylation and sulphonation plants.

2 The companies of Rokita Group in Lower Silesia manufacture more than 400 different products.

STRATEGY

Chemical Production

The key strategic goal for the group's manufacturing units is to consolidate, but also to expand the leading Central or partly even pan-European positions it has achieved in selected product areas such as polyols, surfactants and flame retardants. Against this background, further acquisitions and capital expenditures into the existing sites are planned for the coming years. Major goals are to upgrade our plants to meet state-of-the-art commercial and environmental standards and the elimination of production bottlenecks in growth areas.

Logistics

The group's aim for further growth in the logistics markets has always been driven by the motivation to offer full-service-packages to the customers of our trading and production companies. In this respect, we consider the provision of an appropriate infrastructure for cross-border business between the different railway systems in Central and Eastern Europe as our top priority. In addition, the deregulation of transport markets and the ongoing trend towards the outsourcing of intra-company transport activities provide attractive opportunities for enhancing the group's position as a renowned supplier of rail transport, including by means of strategic alliances and acquisitions.

Beyond the organic expansion of the different business units, further acquisitions will remain the group's major growth driver. Central elements of our M&A policy are the proximity to existent competencies, appropriate ROIs (return on investment), risk diversification and the potential of synergies with present group ventures.

Lean management structures with flexible decision-making routines, creativity and dynamic growth, attractive returns and stable cash flows form the basis for entrepreneurial and financial independence and are the precondition and at the same time the result of PCC's founder and CEO Waldemar Preussner's maxim:

"You must play the ball, if you don't want to end up being the ball!"

For 2005, we expect another positive development of our group results.

Break-down of Revenues by Divisions (consolidated)	2002 in EUR million	2003 in EUR million	2004 in EUR million
Energy and Raw Materials Trading	329.1	304.5	461.6
Chemical Production	10.4	145.2	174.0
Logistics	14.5	18.8	47.9

DIVISIONS

Divisions

Having started as a trading company for chemical raw materials and solid fuels, PCC has over the past decade been continuously developed into a diversified group of companies with three stable pillars. Investments were rigorously directed into the growth areas of Eastern Europe while trade links with the Far East and China in particular were developed and extended.

PCC's activities and subsidiaries organized in the group Divisions Trading, Chemical Production und Logistics represent today a stable and well-balanced portfolio. The group strategy will continue to focus on the realisation of synergies which further reinforce the underlying growth and profitability trends.

In 2004, all divisions managed to increase their sales revenues substantially. Our trading businesses benefited in particular from the expansion in the electricity markets, and while the Chemical Production Division grew organically, the growth of the Logistics Division is largely an effect of acquiring a majority shareholding in PCC Rail Szczakowa and its subsequent first full consolidation.

1 PCC companies trade at the power exchanges in Germany, Austria, France and Italy.

2 PCC Rokita production facility.

3 One of the PCC Autochem trucks is being filled.

DIVISIONS

The Three Strategic Pillars of PCC Group

PCC AG

Energy and Raw Materials Trading

- **Petro Carbo Chem GmbH** — D Duisburg
- **Morava-Chem, spol. s r.o.** — CZ Česky Těšín, Prostejov
- **Petro Carbo Chem S.A.** — PL Gliwice
- **C&C GmbH** — D Duisburg — **60 percent**
- **PCC Energie GmbH** — D Duisburg
- **Petromag OY** — FN Helsinki — **50 percent**
- **PCC Energy S.A.** — PL Chorzów and Dąbrowa Górnicza
- **Petro Carbo Chem Oy** — FN Helsinki

Chemical Production

- **PCC Synteza S.A.** — PL Kędzierzyn-Koźle
- **Węglopochodne Sp. z o.o.** — PL Kędzierzyn-Koźle
- **PCC Rokita S.A.** — PL Brzeg Dolny — **88,75 percent**
  - **Kosmet-Rokita Sp. z o. o.**
  - **Rokita-Agro S.A.**
  - **Kolchem-Rokita Sp. z o. o.**
  - **PCC Autochem Sp. z o. o.**

Logistics

- **PCC Rail Szczakowa S.A.** — PL Jaworzno — **95,70 percent**
- **Sped-Kol Blachownia Sp. z o.o.** — PL Kędzierzyn-Koźle — **99,33 percent**
- **PCC Cargo S.A.** — PL Chorzów and Sławków
- **PCC Cargo GmbH** — D Duisburg

Excluding participations of insignificant size. Shareholdings 100 percent unless stated otherwise.

Trading Division

With sales revenues of EUR 461.6 million (67 percent of group sales), the Trading Division has once again proved to be the group's strongest pillar. Duisburg-based Petro Carbo Chem GmbH (sales of EUR 277.1 million) has also remained the biggest single contributor to the group sales revenues.

Electricity Trading and Supplies

Market Development in the Electricity Sector

Net consumption of electrical power in Germany in 2004 increased by 0.7 percent to 527.7 billion kWh (figures from the Association of the Power Generation Industry VDEW). The comparison of this figure with the 1994 net power consumption of 465.1 billion kWh demonstrates that neither private households nor the economy can be operated without rising electricity consumption if living standards are to be continuously improved. Electricity prices rose disproportionately over the same period. In the process, power in industrial quantities has become more expensive in Germany than almost anywhere else in Europe – only Italian commercial customers pay more for their electricity. Under the assumption of an annual consumption of 70 GWh, a German company would have to pay EUR 0.071 per kWh, compared to EUR 0.076 charged to a comparable enterprise in Italy. If you purchase the same amount of power in Norway, you will only pay EUR 0.036.

Demand-Oriented Power Supply for SMEs

These price differences have prompted PCC to develop a model which is particularly tailored to the power needs of small and medium-sized enterprises (SME).

PCC purchases power at competitive prices on the European electricity market and supplies this power to its German customers through its subsidiary PCC Energie GmbH (the former GED mbH). The opening of a number of regional offices during the last year has allowed PCC to react more quickly to the energy needs of its local customers. The sales revenue of the power supply business in 2004 reached approx EUR 42 million. This extremely dynamic business is fore-cast to nearly double its sales to approx EUR 80 million in 2005.

1 Rail tank cars of Sped-Kol Blachownia, a member of the PCC Group – Logistics Division group.

2 The volume of physical electricity supplies amounted to some 6 TWh (6 billion kilowatt hour) in 2004.

DIVISIONS

Registrations on European Energy Exchanges

PCC has direct access to the most important power exchanges in Europe:

- EEX in Leipzig (Germany)
- EXAA in Graz (Austria)
- Powernext in Paris (France)
- GME in Rome (Italy)

PCC's CEO Waldemar Preussner was elected to the Council of the German Energy Exchange already in April 2003.

Expansion in Hungary

Since Q3 of 2004, the energy trade activities in Central Eastern and South Eastern Europe have been coordinated by a newly established local subsidiary. This entity will have to ensure that power is flexibly provided to the various Hungarian neighbours at the respective frontiers.

Sales Revenue

The energy trade business supplied overall more than 6 TWh (6 billion kilowatt hour) in 2004, and the combined revenues of the PCC companies – Petro Carbo Chem GmbH (D), PCC Energie GmbH (D), Morava-Chem (CZ) and Petro Carbo Chem S.A. (PL) – amounted to more than EUR 170 million. This shows that, besides the traditional PCC core business of raw materials trading, the wholesale trading and supply of electricity has gained increasing importance also in 2004.

Trading of Chemical Raw Materials and Solid Fuels

PCC raw material traders supplied the chemical, petrochemical and mining industries as well as paper and tyre manufacturers. The international character of the operations with subsidiaries, subsidiaries and offices in Germany, China, Finland, Poland, Russia, the Ukraine and the Czech Republic allowed the group to benefit from synergies in sales and sourcing. Opportunities to increase the proportion of the group's own products in the overall trading volume were also used.

Overview over the PCC Product Range

- Chemical raw materials such as adipic acid, bisphenol A, chlorine, caustic soda, pure benzene, raw tar
- coke and coal
- metallurgical products such as pig iron and sheet steel
- plastics such as rubber
- fuels such as diesel oil and heating oil
- natural gas

The continuously positive development of the trading in solid fuels was again – as in 2003 – the result of a rising global demand for coke exceeding supplies due to falling exports from China. All PCC entities active in these markets were capable of benefiting from this development, generating increased sales and profit margins. The market has since calmed down considerably, leading to lowered sales forecasts for 2005 (at nevertheless satisfactory margins).

CO_2 Emissions Trade

In December 2004, PCC added the trading of CO_2 emission certificates to its range of services. Our activities will further support the aims of the EU Directive for the Emissions Trade from October 2003, part of the global campaign to protect the world's climate. Several cross-border contracts have already been closed. We also intend to offer the trading of certificates to those industrial companies which do not have direct access to the respective markets.

New in Our Range of Products: Silicone

The earlier announcement to extend the PCC range of services with the trade of silicones and silane (raw material for the silicone production) was fulfilled, as planned, in 2004. In cooperation with the Ukrainian manufacturer Kremnipolymer, a long-standing trading partner, the PCC subsidiary Petro Carbo Chem GmbH has since supplied customers in Europe and North America.

With 40 years of experience in silicone manufacturing, the Kremnipolymer plant is one of the leading companies on the market of the former CIS states. Since a quality assurance system of Western standard was introduced in March 2004, the company has been certified in compliance with ISO 9001:2000.

Kremnipolymer also manufactures organic chlorine products, complementing the product range of the subsidiary PCC Rokita S.A.

1 Trading in coke and coal is one of PCC´s core businesses.

2 Production line for silicone resins – reaction kettle at PCC´s trading partner Kremnipolymer.

3 The fleet of PCC Autochem features some 30 tank trucks.

DIVISIONS

Chemical Production Division

Development of the Polish Market

Despite a rise in costs – mainly the effect of increasingly expensive fuels and raw materials – the sales revenues for Polish chemical products rose by roughly 9 percent in the period from 2000 to 2004. Poland, traditionally heavily dependent on imports (volume of chemical imports in 2003: EUR 6.9 billion), exported EUR 2.1 billion worth of chemicals.

The Polish economy having grown by 5.4 percent in 2004, this constellation is unlikely to change radically in the current year. Polish exports are dominated by polymers, followed by household chemicals, cosmetics, petrochemicals and derivates.

The Polish chemical industry has currently a share of 0.6 percent in the global market (figures from the Federation of Chemical Industry VCI).

Continued Investments

Consequently, the PCC Chemical Production Division continued its investments in Poland in 2004, further developing its position as one of the major raw material suppliers. The international presence of the group companies has also served to promote the sales of products from the group's own manufacturing entities.

The production and processing of basic chemicals such as phenolic and phosphorous compounds, adipic acid and polyols as well as coal tar generated sales of EUR 174.0 million in 2004, roughly 20 percent above the previous year's levels.

Base surfactants such as the Perlan R40 shown here are produced by PCC Rokita. 1

PCC Rokita produces caustic soda flakes for the paper and textile industries. 2

PCC Rokita S.A. and Subsidiaries

Rokita Group in Brzeg Dolny (Lower Silesia, near Wrocław) represents PCC Group's largest production site. It is one of the major manufacturers of chemicals in Poland, supplying the plastics industries, manufacturers of household chemicals and cosmetics as well as enterprises in the construction and chemical industries.

In December 2003, PCC acquired a majority shareholding in Rokita S.A. which has been consolidated within the PCC circle since the business year 2003. By the end of 2004, PCC increased its shareholding to 88.75 percent. In the wake of these developments, the company has changed its name from Zakłady Chemiczne Rokita S.A. to PCC Rokita S.A.

Rokita Group is also the largest single employer within PCC Group. As of December 31, 2004, Rokita Group alone employed some 1,200 out of all 2,800 PCC Group employees.

A large variety of different organic and inorganic chemical products such as flame retardants and surfactants are produced in the Brzeg Dolny plants. Rokita is an important chlorine manufacturer and supplies the paper and textile industries. Polyols are produced for the foam making industries, and the range of products also includes substances for the cleaning of drinking and process water.

Kosmet-Rokita Sp. z o.o., a member of Rokita Group, manufactures household detergents, cosmetic and body care products, laundry soap, car care and other cleaning products. Its wide range of products also includes special substances for the cleaning industry.

Rokita-Agro S.A. develops and manufactures plant protection agents. Customers can purchase ready-to-use products directly from the factory.

PCC Rokita is ISO-certified (ISO 9001, ISO 14001) and has participated in the "Responsible Care" environment scheme since 1998.

PCC Synteza S.A.

Chemical raw materials for the domestic and foreign markets are also produced in the city of Blachownia (Upper Silesia, near Katowice, PL). They include bisphenol A, nonylphenol, dodecylphenol and cumylphenol, in-process products for the production of epoxy resins in industrial paints and of polycarbonates for automotive and airplane manufacturers (BPA, cumylphenol), of non-ionic tensides in cleaning solutions, of the ink for inkjet printers (nonylphenol) and of lubricants (dodecylphenol).

PCC Synteza is ISO-9001-certified and has participated in the "Responsible Care" environment scheme since 2000.

Węglopochodne Sp. z o.o.

The Węglopochodne processing plant in Kędzierzyn-Koźle (Upper Silesia, near Katowice) produces pitch, naphthalene and anthracene oil from coal tar. Naphthalene is the basic material for the synthesis of colouring agents, tannins, insecticides and solvents. Anthracene oil is an important ingredient of wood preservatives (among others).

DIVISIONS

Logistics Division

The Market Development in the Wake of the EU Enlargement

Following the EU enlargement in 2004, Poland has managed to confirm its position as the most important Eastern European logistics market. Roughly one third of all Polish cargo is transported by rail. The rail is the most reliable and the most important means of transport, particularly for the cross-border freight traffic with Russia and Germany.

The demand for transports between Poland and Germany is heavily influenced by developments in the bilateral trade relations. Its volume increased from EUR 26.4 billion in 2000 to EUR 34.7 billion in 2004. For 2005, another increase to EUR 37.5 billion has been forecasted. The Polish export industry in particular has benefited from the Polish EU accession and has grown by 23 percent since.

The EU extension has helped to increase the volume of the European logistics market by a total of EUR 30 billion (according to the German Federation for Haulage and Logistic Services DSLV). Experts expect the transport volume of the European trade to increase by nearly 60 percent until 2015.

PCC continues to extend its Logistics Division

With a transport volume of more than 11.2 million tons in 2004, PCC's Logistics Division has become one of the largest private rail operators in Poland. Its range of services extends beyond rail transports and also covers road transports, the letting and contract cleaning of tank wagons and the development and implementation of logistical concepts for complex transport operations.

PCC Group also provides cargo reloading terminals for a range of products such as benzene, phenols, heating oil and gasoline in the Ukraine (at Mukachevo), near the Hungarian-Romanian border and in Sławków near Katowice, Poland. Both terminals are capable of switching the cargo from the Eastern European broad-gauge to the Western European standard gauge and vice versa. The Mukachevo terminal is additionally equipped with a heating facility which allows the handling of highly viscous and high-temperature products such as phenols, styrene and acetic acid throughout the year.

The group has two objectives: firstly, to develop the markets in Slovakia, Hungary and Romania in an East-to-West marketing drive. Secondly, a West-to-East drive is planned with a view to developing the Ukrainian market for liquid chemical raw materials from Western and Central Europe.

The PCC reloading terminal in Mukachewo (Ukraine). 1

PCC operates a self-owned cargo fleet of 61 locomotives and nearly 2,800 wagons and rail tank cars. 2

Majority Shareholding in Szczakowa

The most important capital expenditure in the Logistics Division in 2004 was the purchase of additional shares in PCC Rail Szczakowa S.A.

As per December 31, 2004, PCC AG held 95.7 percent of the company which was therefore fully consolidated for the first time.

PCC Rail Szczakowa S.A. is the second largest employer of the group. Roughly 900 people work at its facilities in Jaworzno (southeast of Katowice).

Starting out from the base of its original core business, the mining and transport of quartz sand for the Silesian coal mines (where the sand is used as a filling material), PCC Rail Szczakowa has developed into one of the largest private rail companies in Poland, operating its own rail network and a vehicle fleet of 51 locomotives and some 1,700 rail and tank wagons. The enterprise has been certified in accordance with DIN EN ISO 9001:2000 since October 2003.

Furthermore, within PCC Group the following companies offer transport and logistics services.

PCC Cargo GmbH

The Duisburg-based enterprise provides a wide range of services: rail, road and combined transports; the handling of liquid products; the cleaning of tank wagons, tank trucks and containers as well as repairs.

PCC Cargo S.A.

This company which is based in Chorzów (PL) has concentrated on providing rail transport and handling services for solid and liquid products as well as the storage of solid products.

Sped-Kol Blachownia Sp. z o.o.

This enterprise is located in Kędzierzyn-Koźle near the main rail line from Gliwice to Opole. Its services include rail transports and the cleaning of tank wagons, tank trucks and containers in its own designated cleaning facility. It also runs a repair workshop.

PCC Autochem Sp. z o.o. (Rokita Group)

PCC Autochem runs its own vehicle fleet for road transports of chemical products. It is located at the Rokita site in Brzeg Dolny.

Kolchem Rokita Sp. z o.o. (Rokita Group)

This rail transport service provider – also based in Brzeg Dolny – has concentrated on the hiring out of transport equipment, the cleaning and disinfecting of vehicle fleets and the provision of general haulage services.

Overview	2004
Locomotives	61
Rail and tank wagons	2.762
Total length of the rail and track network	253 km
Tank trucks	33
Transport volume (metric tons)	11.2 million

Group Management Report

Core Activities of PCC AG

In 2004, PCC AG continued to focus its activities on the strategic management of the group and its foreign and domestic subsidiaries, while achieving profitable growth in our core activities and the near-competent diversification into new business segments remained our key strategic goals. As the group holding company, we set the strategic guidelines for our three divisions Trading, Chemical Production and Logistics and provide financing. The range of services also comprises market research and consultancy for our associated companies.

Last year, PCC AG again succeeded in acquiring further shares of Polish chemical and logistics companies. The increases of our shareholdings in PCC Rokita S.A. (formerly Zakłady Chemiczne "Rokita" S.A.) to 88.75 percent and in PCC Rail Szczakowa S.A. (formerly Kopalnia Piasku "Szczakowa" S.A.) to 95.70 percent were of particular importance. PCC AG will continue in its attempt to buy the remaining shares in these companies and furthermore investigates further acquisition opportunities in the chemical and logistics sectors.

1 Production facilities of PCC Rokita in which PCC AG owns about 90 percent.

2 Columns to recover acetone and phenol at Synteza S.A.

The share purchases were financed both through a first issue of subordinated bonds in the framework of the PREPS II programme (EUR 18 million) and the issue of further bearer bonds.

At maturity, PCC bonds will be repaid mainly from the dividend income received from subsidiaries. Any shortfalls resulting from gaps between the date of maturity and the date of profit distribution will be made up by short-term liquidity loans from associated companies and by additional bond issues.

On the basis of the fact that nearly all of our associated companies have been able to close the business year 2004 with healthy profits, we expect another good overall result for the current business year.

GROUP MANAGEMENT REPORT

Results of the Individual Group Companies

Energy and Raw Materials Trading

The Trading Division was once again the main contributor to both sales and earnings. Apart from the electricity trading, the trading in solid fuels was of particular importance.

The drastic fall in the volume of coke exports from China led to a shortage also in Western Europe, triggering enormous price rises for blast furnace coke as well as other types of coke and coke products. Due to this development, our affiliates C&C Coke and Coal Products GmbH, PCC Energy S.A. and Petromag Oy, which have focused their business activities almost exclusively on the trading of coke, were able to improve their results for 2004 considerably. Petro Carbo Chem GmbH (trading in Russian anthracite coal) and Morava Chem, spol s r.o. (active in foundry coke) were equally able to benefit from this market situation.

In the meantime, however, the situation on the coke market has calmed down considerably, and sufficient supplies have led to a substantial drop in prices. For 2005 we therefore expect falling sales revenues and falling, yet still fairly high profit margins.

The trading in electricity experienced rising sales and falling profit margins in 2004. This development particularly impacted the results of our largest company in this field: the net profit of Petro Carbo Chem GmbH of EUR 1.6 million fell a long way short of the previous year's result (+ EUR 6.05 million). Two reasons were instrumental for this: firstly, Petro Carbo Chem GmbH could not utilize all transmission capacities it had acquired in the annual auction for 2004 which caused losses in the early months of the year. Secondly, the increasing transparency of the Western and Central European markets including Poland, the Czech Republic and Slovakia led to a substantial drop in the profit margins.

This development also affected the results of PCC S.A. (Gliwice) and Morava Chem, spol. s r.o. at least at the beginning of the year. Both companies, however, were able to recover these losses in the further course of 2004. And due to the positive results in the trading of coke and chemical products, Morava Chem, spol. s r.o. could report a net profit of EUR 1.4 million, surpassing even its already excellent result for the previous year.

We consider the electricity trading in Southeast Europe, which we entered in 2004 and which generated profits in particular for Petro Carbo Chem GmbH already in the second half of the year, a business segment with enormous growth potentials. We intend to extend these activities substantially with a view to acquiring more international flexibility. This should help to increase the profitability of all the group companies active in electricity trading in 2005.

GROUP MANAGEMENT REPORT

Although 2004 was just the second year in the short history of PCC Energie GmbH – (the former GED Gesellschaft für Energieversorgung und Datenmanagement mbH) which supplies electricity to corporate end users – the company was already able to generate a profit of some EUR 0.6 million. This result which exceeded all expectations was mainly due to the company's shrewd optimization of its purchasing portfolio.

This successful strategy will be followed also in 2005. It is furthermore planned to increase the customer base by additional marketing activities and in particular well-targeted advertising campaigns. Accordingly, we expect increasing sales and improved results for 2005.

Due to the almost permanently high price level of raw materials in 2004, the chemical trading unit was capable of generating rising revenues despite falling sales volumes with correspondingly positive effects on the results of Petro Carbo Chem GmbH, Morava Chem, spol. s r.o. and PCC S.A. (Gliwice).

Petro Carbo Chem Oy (Helsinki) however, a group member exclusively active in trading chemical products, suffered a loss in 2004. Despite restructuring measures such as a reduction of personnel office space taken in 2004, the company closed the year with a deficit of EUR 153,210. In order to avoid the insolvency of Petro Carbo Chem Oy, a subordinated shareholder's loan of EUR 125,000 had to be granted. It remains to be seen whether or not the company can be turned around in the near future.

For 2005, we have set the objective of strengthening our sales forces in the chemical trading unit not only in Scandinavia but all Western European markets. In this respect, we will put special emphasis on products which are of particular importance for the sourcing of our manufacturing plants. This will allow us to create synergies and achieve economies of scale.

1 Production site of PCC Rokita, the largest chemical company in Lower Silesia.

2 Chemical plant of PCC Rokita. Products made in Brzeg Dolny are much in demand by manufacturers of plastics, cosmetics and household chemicals.

3 On behalf of its medium-sized and industrial customers, PCC Energie GmbH supplies up to 800 chain stores each with electricity.

3

Chemical Production

The standing of the Chemical Production Division within the group has markedly improved in the course of 2004, not least due to the increase of our shareholding in PCC Rokita S.A. (former Zakłady Chemiczne "Rokita" S.A.) to now 88.75 percent. Due to the restructuring and rationalization measures taken, the profitability of PCC Rokita S.A. was further strengthened in the course of the year. In addition, the sharp rise in prices for certain materials such as caustic soda in the second half of 2004 had a positive impact on the result. Rokita generated a net profit of EUR 4.5 million, considerably exceeding the previous year's figure of EUR 2.2 million.

On the other hand, PCC Synteza S.A., which relies strongly on raw material deliveries from Russia, suffered from a temporary shutdown of some suppliers in the middle of the year – and had to wait until the end of the year to make up for the subsequent loss. The company finally managed to close the year with a net profit of EUR 0.16 million, but failed to achieve the previous year's result of EUR 0.5 million.

Węglopochodne Sp. z o.o. again generated a (budgeted) loss which corresponded to the depreciation of the company's plant and equipment.

The strategy for all our manufacturing activities aims at stabilizing and extending our leading position in selected segments of the Central European and pan-European markets. We will also continue to improve the efficiency of our plants by implementing suitable restructuring and modernization programs.

Selected and well targeted acquisitions will continue to be an important element of our growth strategy. The potential of achieving synergies and the compatibility of targets with our existing core competences will be the key parameters in the respective decision-making processes.

In the years to come, the Chemical Production Division will continue to increase its dominant role within the group and is expected to remain a major contributor to our results.

Logistics

The latter also applies to our Logistics Division, for which the increase of our shareholding in the PCC Rail Szczakowa S.A. to 95.70 percent was the main event of 2004.

This company also contributed the lion's share (net profit of EUR 4.2 million) to the division's result. But the other PCC logistics companies – PCC Cargo GmbH, PCC Cargo S.A. and Sped-Kol Blachownia Sp. z o.o. – reported profits, too.

All group members of this division expect their business to remain stable in 2005. The integration of the different companies under the roof of PCC Rail AG which was started in December 2004 will continue and should generate additional synergies and further improved results in the long term.

We are also looking at other acquisition opportunities in the logistics segment in order to further strengthen our position as a leading player particularly in the rail cargo transport markets.

Consolidated Result of PCC Group of Companies

Due to the – for the main part – positive results of our group companies, some of which substantially exceeded the results from the previous year, our group has generated a net profit of approximately EUR 13 million as per December 31, 2004, again a significant improvement compared to the previous year's result of EUR 9 million.

As a consequence of this positive result, but also due to the first full consolidation of PCC Rail Szczakowa S.A., the consolidated balance sheet total rose substantially from EUR 138.8 million (2003) to EUR 233.8 million (2004). Other reasons for this development are higher liabilities from the issue of bearer bonds (EUR 55.1 million as per December 31, 2004 compared to EUR 31.8 million as per December 31, 2003) in connection with the share purchases in 2004. Additionally, increased liquidity had to be made available at the end of the year for the interest and partial repayment of those bonds which were maturing on January 1, 2005.

At the same time, both the net profit and issued subordinated bonds (EUR 18 million) led to an increase of the group equity from EUR 42.0 million to EUR 74.3 million. Despite considerably higher total assets, the equity ratio could be further improved from 30.3 to 31.8 percent.

We expect a further positive development of the group in 2005 and the subsequent years. However, due to partly decreasing margins in our trading activities, the net profit may be slightly lower in 2005 than in 2004, with a trend to rise again in the years thereafter.

We plan to expand the group through both the organic growth of our business units and subsidiaries and by acquiring suitable targets. This continuous growth will be accompanied and supported by further measures to strengthen the resources for risk management and controlling.

1 In 2004, the total cargo volume of PCC Group road and rail transports exceeded 11.2 million metric tons.

Consolidated Accounts

The Group Accounts, excerpts of which are being reprinted on the following pages, including the Group Management Report and the Appendix have been audited by the accountancy firm of Warth und Klein GmbH, Düsseldorf, and received the auditors' unqualified approval on May 20, 2005.

Consolidated Balance Sheet PCC Aktiengesellschaft, Duisburg

as per December 31, 2004

ASSETS in EUR		31/12/2004	31/12/2003
A. Fixed assets			
I. Intangible assets			
1. Industrial property rights and similar rights	3,061,078.22		785,091.03
2. Prepayments on intangible assets	24,172.90		9,849.91
		3,085,251.12	794,940.94
II. Tangible assets			
1. Land and buildings	37,884,493.72		25,761,776.62
2. Plant and machinery	24,834,821.84		10,283,755.64
3. Other equipment, factory and office equipment	4,767,455.20		1,543,522.43
4. Prepayments on intangible assets and construction in progress	6,455,864.44		2,521,232.54
		73,942,635.20	40,110,287.23
III. Financial assets			
1. Shares in affiliated companies	6,490,672.75		3,543,020.14
2. Loans to affiliated companies	2,004.94		0.00
3. Participations	1,021,256.95		5,126,490.40
4. Loans to enterprises in which participations are held	500,000.00		500,000.00
5. Other loans	281,618.80		290,662.84
		8,295,553.44	9,460,173.38
		85,323,439.76	**50,365,401.55**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	10,770,899.83		5,927,058.08
2. Work in progress	2,601,755.81		2,684,366.73
3. Finished goods and merchandise	14,457,182.54		6,993,496.64
4. Prepayments on inventories	8,495,117.26		7,451,593.12
		36,324,955.44	23,056,514.57
II. Accounts receivable and other assets			
1. Trade receivables	72,889,562.32		39,332,060.19
2. Receivables from affiliated companies	37,068.74		40,911.91
3. Receivables from associated companies	80,220.10		2,397,638.73
4. Other assets	11,969,900.18		9,672,094.46
		84,976,751.34	51,442,705.29
III. Securities			
Other securities	198,691.74		
		198,691.74	177,160.93
IV. Cash at bank and in hand, cheques	20,996,888.60		
		20,996,888.60	11,805,800.80
		142,497,287.12	**86,482,181.59**
C. Prepaid expenses			
	5,382,147.16		
		5,382,147.16	**1,907,086.56**
		233,202,874.04	**138,754,669.70**

EQUITY AND LIABILITIES in EUR		31/12/2004	31/12/2003
A. Equity			
I. Share capital	5,000,000.00		5,000,000.00
II. Capital reserves	55,796.86		55,796.86
III. Retained earnings	28,626,473.72		9,316,240.33
IV. Net income for the year	15,027,870.00		5,929,888.67
V. Minority interests	7,564,460.71		21,698,330.97
		56,274,601.29	**42,000,256.83**
B. Capital from profit participation right (subordinated bond)			
	18,000,000.00		
		18,000,000.00	**0.00**
C. Accruals			
1. Accruals for pensions and similar obligations	2,467,996.21		1,343,552.07
2. Tax accruals	2,856,689.51		2,335,260.88
3. Other accruals	10,291,246.77		4,318,774.43
		15,615,932.49	**7,997,587.38**
D. Liabilities			
1. Bearer bonds – thereof due in less than one year: EUR 0.00 (Dec. 31, 2003: EUR 30,002,865.91)	55,107,000.00		31,835,865.91
2. Liabilities due to banks – thereof due in less than one year: EUR 23,631,125.76 (Dec. 31, 2003: EUR 15,569,695.24)	27,569,576.77		17,212,205.04
3. Payments received on account of orders – thereof due in less than one year: EUR 829,568.96 (Dec. 31, 2003: EUR 668,587.41)	829,568.96		668,587.41
4. Trade payables – thereof due in less than one year: EUR 44,135,257.65 (Dec. 31, 2003: EUR 31,091,806.29)	44,135,257.65		31,091,806.29
5. Payables to affiliated companies – thereof due in less than one year: EUR 52,743.06 (Dec. 31, 2003: EUR 12,362.59)	52,743.06		12,362.59
6. Payables to associated companies – thereof due in less than one year: EUR 0.00 (Dec. 31, 2003: EUR 86,341.20)	0.00		86,341.20
7. Other liabilities – thereof due in less than one year: EUR 13,124,978.62 (Dec. 31, 2003: EUR 7,351,300.92) – of which tax obligations: EUR 4,440,604.56 (Dec. 31, 2003: EUR 1,466,081.52) – of which relating to social security and similar obligations: EUR 96,751.90 (Dec. 31, 2003: EUR 99,763.34)	13,191,255.12		7,448,922.14
		140,885,401.56	**88,356,090.58**
E. Deferred income			
	2,426,938.70		
		2,426,938.70	**400,734.91**
		233,202,874.04	**138,754,669.70**

Consolidated Profit and Loss Account of PCC Aktiengesellschaft, Duisburg

as per December 31, 2004

in EUR		2004	2003
1. Sales revenues		684,338,329.07	468,452,632.77
2. Increase/decrease in finished goods inventories and work in progress		– 255,515.32	– 584,236.86
3. Own work capitalized		518,240.99	243,878.05
4. Other operating income – of which from the release of reserves for special purposes EUR 0.00 (2003: EUR 8,000.00)		14,374,145.08	8,622,428.57
5. Cost of materials			
a) Cost of raw materials, supplies and purchased merchandise	543,060,675.90		375,487,923.35
b) Cost for purchased services	54,456,089.28		24,362,719.25
		597,516,765.18	399,850,642.60
6. Personnel Expenses			
a) Wages and salaries	24,360,952.48		17,252,247.25
b) Social security and pension expenses – of which for pensions: EUR 20,745.96 (2003: EUR 16,291.45)	6,022,083.90		3,645,383.35
		30,383,036.38	20,897,630.60
7. Depreciation of intangible and tangible assets		8,230,679.78	6,182,629.19
8. Other operating expenses		36,253,101.92	31,470,893.11
9. Income from associated companies		342,730.62	161,878.26
10. Other interest and similar income		1,630,961.73	929,502.46
11. Write-downs on short term securities		44,932.14	3,048.63
12. Interest and similar expenses		5,134,081.00	4,137,099.82
13. Results from ordinary operations		23,386,295.77	15,284,139.30
14. Extraordinary income	66,784.70		149,870.55
15. Extraordinary expenses	0.00		85,945.84
16. Extraordinary result		66,784.70	63,924.71
17. Taxes on income		4,682,621.05	2,633,033.64
18. Other taxes		5,996,231.29	3,710,605.02
19. Group net income for the year		12,774,228.13	9,004,425.35
20. Retained Earnings/accumulated deficit		3,442,158.00	– 1,781,907.34
21. Allocation to legal reserve account		275,303.08	0.00
22. Share of profit due to minority shareholders		913,213.05	1,292,629.34
23. Unappropriated retained earnings		15,027,870.00	5,929,888.67

Comments on Group Accounts

Comments on Assets and Revenues

In addition to the growth in the business areas Energy and Raw Materials Trading, the main changes to the situation of assets and revenues can be attributed to the initial full consolidation of Szczakowa Group. The fact that Szczakowa Group had been included for the first time resulted in a EUR 36.9 million increase in sales revenues and a EUR 3.9 million increase in net profit. Total assets increased by EUR 35.4 million, the largest share of which (EUR 24.3 million) accounts for tangible fixed assets. At the same time, debt increased by EUR 14.9 million.

Comments on Revenues

In addition to the increase of **sales revenues** by some 46 percent due to the initial consolidation of Szczakowa (EUR 36.9 million), the increase was primarily generated by the trading companies PCC GmbH (EUR 77.9 million), PCC Energie (EUR 19.6 million), C&C Coke and Coal (EUR 19.8 million), Morava Chem (EUR 18.7 million) and PCC S.A. (EUR 15.3 million).

The above-average increase in **cost of materials** (49.4 percent) mainly reflects the declining margins in coal, coke and electricity trading, resulting in a decline of the group of the gross margin from 14.6 percent in 2003 to 12.7 percent.

When adjusted for the initial consolidation of Szczakowa, personnel expenses slightly declined, which can mainly be attributed to cost reductions in the context of restructuring measures at Rokita. On the whole, the total payroll costs of EUR 30.4 million resulted from an average of 2,829 employees (previous year: 2,601). Average expenses per employee increased by EUR 2,700 to EUR 10,700.

The increase in **depreciations** resulted almost exclusively from the full initial consolidation of Szczakowa. The great majority of these depreciations were related to real estate and plant and equipment.

The **operating profit after other taxes** increased, especially due to an increased gross margin, from EUR 14.6 million in the previous year to EUR 17.3 million in fiscal year 2004.

The **financial result**, comprising "Income from associated companies", "Other interest and similar revenues", "Depreciation on financial assets" and "Interest and similar expenses", fell slightly (by EUR 0.16 million) to EUR -3.2 million in 2004.

Comments on Group Accounts

The increase in interest rates and similar expenses by some EUR 1.0 million to EUR 5.2 million reflects the increase in financing costs in connection with acquisitions.

The increase in **income taxes** resulted from the group's improved profitability. The overall income tax ratio in relation to the EBT equals only 27,0 percent due to the large share of foreign group companies.

Taking into account income taxes of EUR 4.7 million, the **group net profit** amounts to EUR 12.6 million, compared to EUR 9.0 million in the previous year.

Comments on Group Assets

Compared to the previous year, the relation of equity to liabilities in the group balance sheet has slightly improved. Due to the net profit generated and from the issued profit participation certificates (subordinated bonds), equity increased by EUR 32.3 million to a total of EUR 74.3 million. This resulted in an improvement of the equity ratio from 30.3 percent to 31.8 percent despite the higher balance sheet total of EUR 94,4 million.

The increase in **fixed assets** to EUR 26.8 million can be attributed to the initial full consolidation of Szczakowa Group, which reported as per the balance sheet date tangible assets of EUR 24.3 million and financial assets of EUR 2.4 million. At the same time, PCC AG's financial assets decreased due to the full consolidation by the book value of Szczakowa of EUR 4.4 million as per 31 December 2003.

Furthermore, expenditures on fixed assets – above all, investments of Rokita Group and the acquired rights to use the port facilities of NOVOBALT Terminal GmbH, Kaliningrad (Russia) – considerably contributed to the increase in fixed assets.

Furthermore the growth of fixed assets was caused by the increased PLN/Euro exchange rate, which had an effect of EUR 6.6 million.

At EUR 6.5 million, Rokita Group primarily accounted for the increase in **inventories**, which is related to its growth of revenues. Moreover, stocks of coke and coal of the trading companies PCC GmbH, C&C Coke and Coal GmbH and Morava Chem, spol. s r.o. also increased.

The significant rise in **trade accounts receivable** in the reporting year is also connected to an increase in sales revenues and is in the amount of EUR 19.3 million mainly contributed by the energy traders PCC GmbH and PCC Energie GmbH.

Due to this increase in trade receivables, the average collection period (average receivables outstanding x 365/sales revenues) went up from 22.7 days to 29.9 days.

Equity increased by EUR 14.3 million to EUR 56.3 million, accounting for 24.1 percent (previous year: 30.3 percent) of the balance sheet total, mainly as a result of the 2004 group net profit of EUR 12.8 million.

As a means of financing the expansion of PCC Group, PCC AG in late 2004 raised EUR 18 million of **capital from profit participation certificates (subordinated bond)** on the basis of the so-called PREPS II programme. The profit participation certificates represent subordinated debt repayable after seven years with a fixed interest rate of 7.5 percent p.a. Moreover the lender is entitled to an extra payment if the group net profit exceeds certain thresholds.

Taking into account Szczakowa Group (EUR 3.0 million), **accruals** increased by EUR 4.6 million. Apart from tax accruals of C&C Coke and Coal GmbH (EUR 0.8 million), this increase particularly resulted from accrued electricity purchases of PCC Energie GmbH (EUR 3.1 million).

The increase in **liabilities from bearer bonds** results from issues of PCC AG (EUR 11.3 million) and PCC GmbH (EUR 12.0 million). The new issues were primarily used to finance capital expenditures and the growth in revenues. The remaining period to maturity of the bonds is between one to four years.

In addition to borrowings of Szczakowa Group (EUR 3.1 million), consolidated for the first time, the increase in **liabilities due to banks** resulted primarily from higher bank financing (EUR 5.0 million) of capital expenditures within Rokita Group.

The increase of other liabilities (EUR 5.6 million) primarily resulted from other payables and deferred income of Szczakowa Group. In addition, other liabilities of Rokita Group grew significantly by EUR 1.8 million.

PCC Group on the Internet

Trading

www.pcc-energie.de
www.morava-chem.cz
www.pcc.de
www.chemproducts.com

Chemical Production

www.synteza.biz
www.pcc.rokita.pl
www.kosmet.com.pl
www.rokita-agro.pl
www.pccag.com

Logistics

www.pcc.railszczakowa.com.pl
www.pcc-cargo.de
www.autochem.com.pl
www.spedkol.com
www.pcccargo.pl

Editorial Notes

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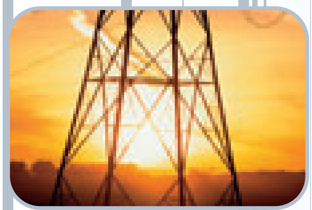

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