2005

ANNUAL REPORT

PCC AG

PCC AT A GLANCE

PCC is an internationally operating group of companies under the leadership of PCC AG, headquartered in Duisburg, Germany. The group employs nearly 2,800 people in 16 countries. Last year's sales revenues of almost EUR 820 million were generated by operations in three Divisions: Trading, Production and Logistics.

The development of selected key financials

		2001	2002	2003	2004	2005
Sales revenues	in EUR million	390.9	354.0	468.5	684.3	817.0
Thereof: Trading Division	in EUR million	377.3	329.1	304.5	461.6	541.5
Production Division	in EUR million		10.4	145.2	174.0	215.5
Logistics Division	in EUR million	13.6	14.5	18.8	47.9	60.0
Gross profit	in EUR million	37.9	10.3	68.3	87.1	104.3
Net profit/net loss	in EUR million	10.0	-10.4	9.0	12.8	5.4
EBITDA (1)	in EUR million	21.9	-7.2	22.0	30.9	30.0
EBIT (2)	in EUR million	20.6	-8.1	15.8	22.6	19.7
EBT (3)	in EUR million	17.8	-10.1	11.6	17.5	10.3
Cash flow (4)	in EUR million	11.9	-9.4	16.4	20.7	15.3
ROCE (5)	in EUR million	83.6	-26.2	25.7	17.9	10.4
ROE (6)	in EUR million	87.6	-100.3	38.1	22.0	6.4
Group equity (7)	in EUR million	15.5	5.3	42.0	74.3	94.6
Equity ratio (8)	in percent	19.6	7.9	30.3	31.8	28.3
Capital expenditure	in EUR million	1.7	12.5	40.3	44.8	49.6
Employees (9)		650	650	1,887	2,826	2,785
Germany		56	62	81	95	120
International		594	588	1,806	2,731	2,665

(1) EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization

(2) EBIT = Earnings before Interest and Taxes = EBITDA - Depreciations and Amortization

(3) EBT = Earnings before Taxes = EBIT - Interest

(4) Cash Flow = Net profit + Depreciation of assets - Appreciation of assets

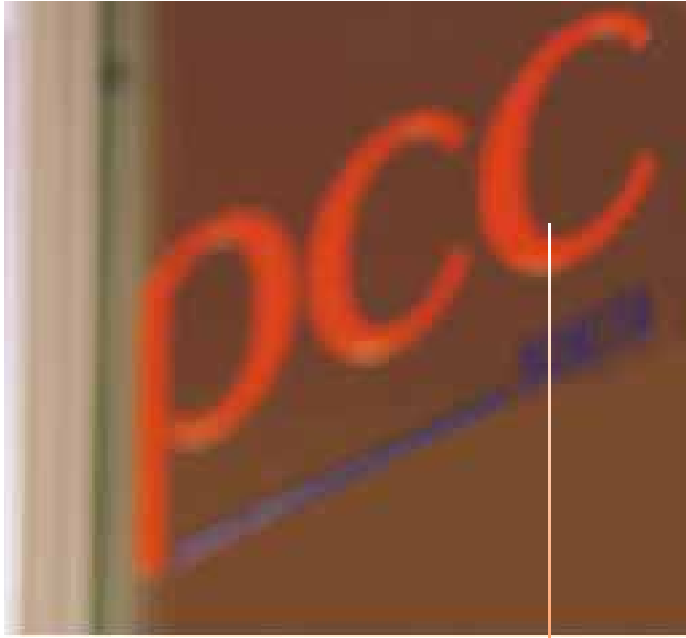
(5) ROCE = Return on Capital Employed = EBIT / (Average Equity + Average Interest-Bearing Debt incl. Pension Accruals)

(6) ROE = Return on Equity = Net Profit (Net Loss) / Average Equity

(7) Equity incl. subordinated bonds

(8) Established on the basis of the Group equity incl. subordinated bonds

(9) Annual average



ANNUAL REPORT 2005

Group Accounts PCC AG

TABLE OF CONTENTS

“Vision without action is just a dream.

Vision with action can change the world.”

B. Muthuraman, Managing Director of Tata S t e e l , India
Member of the UN Global Compact Board

PREFACE

Dear Customers,
Business Partners and Investors,
Dear Colleagues,
Ladies and Gentlemen,

PCC Group has managed to hold its course of growth throughout the past business year, increasing its sales revenues to nearly EUR 820 million. It is particularly encouraging that all three Divisions contributed in equal measure to this expansion.

The development of our profitability, though, was less satisfactory, as earnings 2005 dropped considerably below the previous year's level. The Trading Division had to contend with serious problems in its electricity and coke trading activities, resulting in a sharp fall of its operating results. Our production and logistics enterprises, on the other hand, managed to generate increased profits, which is why in the end we almost reached the previous year's EBITDA.

I consider this development a clear confirmation of our diversification policy, which gives us the chance to compensate weaknesses in one Division by further developing our strengths in other business areas, thus stabilising the development of the Group as a whole. Nevertheless, we will always continue to look hard at business activities which fail to produce acceptable results and have, therefore, started to restructure our international electricity trading business.

The drop in earnings before taxes (EBT) is largely the consequence of increased interest payments for borrowed funds which we either had planned to or will shortly invest into the extension of our portfolio of shareholdings. Our balance sheet shows that the group at year's end was in possession of EUR 60 million in liquid funds or short-term deposits, due to the fact that some acquisition projects could either not be realised at all or were postponed into 2006.

Just before the end of the year we did succeed, however, in acquiring Coaltran Sp. z o.o., a Warsaw-based rail cargo company. This transaction will help to further strengthen our position as one of the leading logistics enterprises in Poland. We are equally pleased that we were able to almost finalize the negotiations for the takeover of CHEMAX still in 2006 and thus to lay the basis for our first acquisition on the American continent, by which we expect to help our Production Division to gain additional momentum. Both companies will make their first contribution to the consolidated result in 2006.

Our focus will continue to aim at both the strengthening of our existing operations and a healthy expansion of the group. We are confidently expecting to take a further important step in this direction by acquiring two more Polish chemical production enterprises which are due to be privatised in 2006.

Waldemar Preussner, Chief Executive Officer of PCC AG

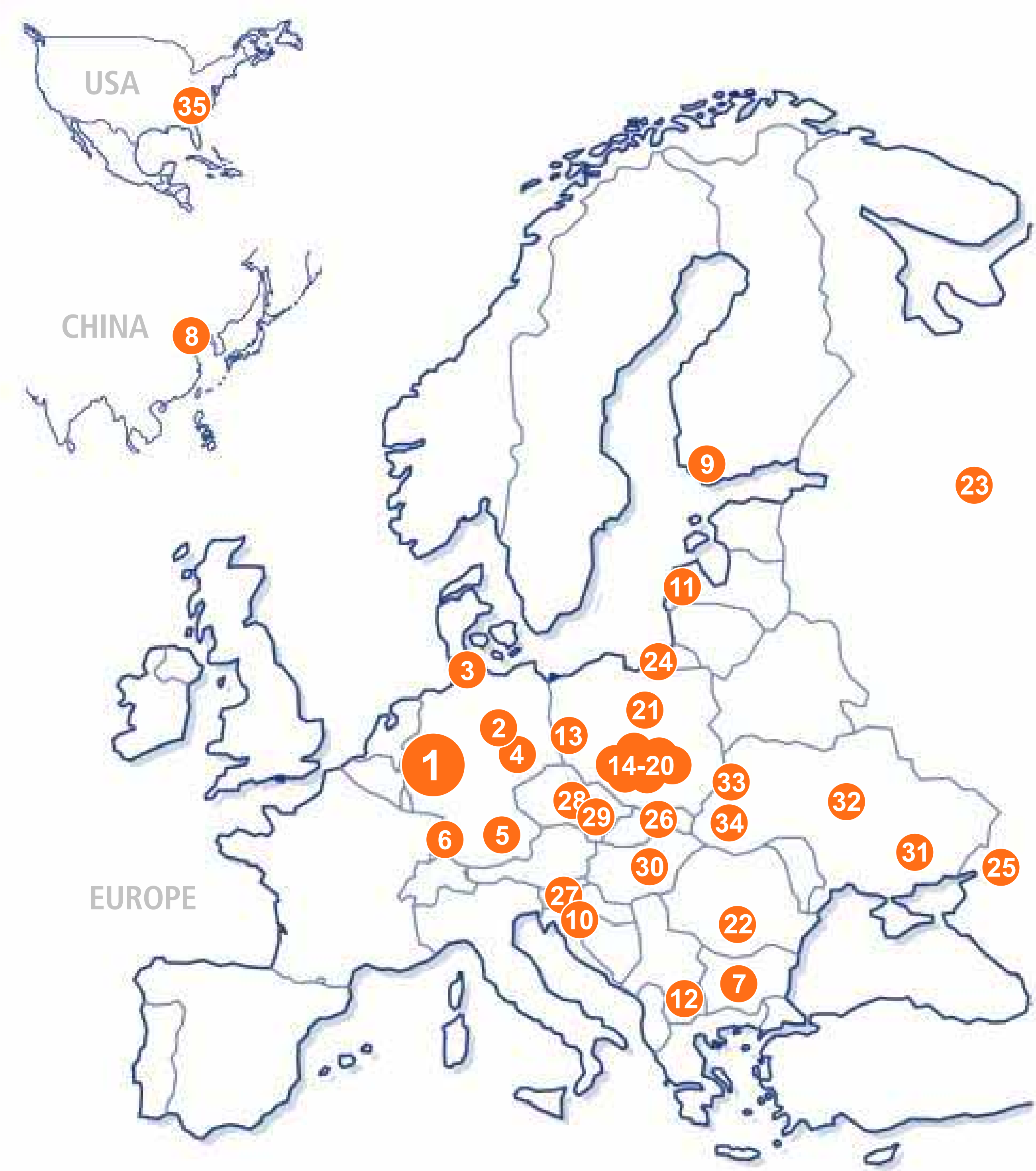
We will continue to pursue ambitious targets, and I am extremely confident that all of you, dear employees, will help to achieve them. Your professionalism, commitment and resourcefulness will remain to provide the foundation of PCC's continued success.

May we all combine our visions with determined action!

Duisburg, June 2006

Waldemar Preussner
Chief Executive Officer

PCC-LOCATIONS



Headquarters in Duisburg, Germany

Locations in Europe, Asia and America

Subsidiaries, branch offices, representative offices, regional offices (as per July 2006)

GERMANY
1 Duisburg (Group HQ)
2 Berlin
3 Flensburg
4 Leipzig
5 Munich
6 Offenburg

BULGARIA
7 Sofia

CHINA
8 Beijing

FINLAND
9 Helsinki

CROATIA
10 Zagreb

LATVIA
11 Ventspils

MACEDONIA
12 Skopje

POLAND
13 Brzeg Dolny
14 Chorzów
15 Dąbrowa Górnicza
16 Gliwice
17 Jaworzno
18 Kędzierzyn-Koźle
19 Sławków
20 Tarnów
21 Warsaw

ROMANIA
22 Ploiesti

RUSSIA
23 Moscow
24 Kaliningrad
25 Novocherkassk

SLOVAKIA
26 Košice

SLOVENIA
27 Ljubljana

CZECH REBUBLIC
28 Český Těšín
29 Prostejov

HUNGARY
30 Miskolc

UKRAINE
31 Dniepropetrovsk
32 Kiev
33 Lviv
34 Mukachevo

USA - South Carolina
35 Piedmont (Greenville County)

Dr. Jürgen W. Stadelhofer, Chairman of the Supervisory Board of PCC AG

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

In my capacity as the Chairman of the Supervisory Board and together with the other members of that body, I provided advice and supervision throughout the business year in a continuous dialogue with the Executive Board of PCC AG, particularly with Chief Executive Waldemar Preussner.

Four ordinary meetings and one extraordinary meeting, regular monthly reports, phone conversations and joint visits of chemical factories abroad have ensured a continuous flow of information between the Group's Supervisory Board and Executive Board.

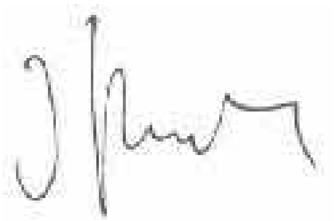
The Supervisory Board was duly involved in all decisions which required its approval. The Chairman of the Supervisory Board received immediate and comprehensive information about all key events. Much of our work in the business year 2005 focussed on the provision of advice in view of the group's plans to acquire additional chemical factories in Poland and the corresponding change in the group's risk profile.

In its meeting on June 16th, 2006, the Supervisory Board comprehensively discussed the accounts and the Group Management Report for the business year 2005 with the company's Certified Chartered Accountant before providing its final and formal approval for the accounts of the business year.

Please allow me to acknowledge the collective effort of all employees and the Executive Board which has turned 2005 into another successful year for the company.

Together, we will continue in 2006 to further diversify the Group. We will in particular try to exploit the growth potentials of the Production and Logistics Divisions in order to strengthen the Group's profitability. The Supervisory Board will actively contribute to the Group's efforts by continuously providing supervision and advice.

Duisburg, June 2006



Dr. Jürgen W. Stadelhofer
Chairman of the Supervisory Board

P. S. On April 3rd, 2006 Mr G. Rühl left the PCC AG Supervisory Board.
I would like to thank him for his long years of valuable service. Dr. F. Kruger was appointed as a Member of the Supervisory Board on May 8th, 2006.

From left hand: Dietmar Kessler,
Dr. Alfred Pelzer, Ulrike Warnecke,
Waldemar Preussner

CORPORATE BODIES OF PCC AG

Executive Board

Waldemar Preussner
Chief Executive Officer (CEO)

Ulrike Warnecke (née Halbach)
Chief Operating Officer (COO)

Dr. (BY) Alfred Pelzer
Chief Operating Officer (COO)

Executive Vice President

Dietmar Kessler
Chief Financial Officer (CFO)

Supervisory Board

Dr. Jürgen W. Stadelhofer
Chairman
(CEO of RAG Coal International AG, Essen)

Reinhard Quint
Deputy Chairman
(Deputy CEO of Thyssen Krupp Services AG, Düsseldorf)

Gisbert Rühl
until April 3rd, 2006 Member of the Supervisory Board
(Member of the Board of Management of Klöckner & Co GmbH, Duisburg

Dr. Franz Josef Kruger
since May 8th, 2006 Member of the Supervisory Board
(Managing Partner of InnoventisConsulting GmbH, Eppstein)

GROUP STRUCTURE

In its capacity as the group's holding company, PCC AG manages directly or indirectly about 65 affiliates in Germany and abroad. Nearly 2,800 employees in 16 countries generated sales revenues of just under EUR 820 million for the group's three divisions in 2005.

The group management determines the overall international strategy, the subsidiaries remain in charge of operations. The subsidiaries are given the freedom to act as independent profit centers which provides them with the manoeuvring space they require to make the right decisions on their individual markets.

Photos:
Details of installations at
PCC Rokita S.A. - Brzeg Dolny near Wrocław,
Lower Silesia

The focus of the group has been firmly placed on the restructuring and dynamically expanding economies in Central and Eastern Europe. The representative office in Beijing serves as the group's bridgehead to the Chinese growth market.

PCC employs strategically well-placed investments and restructuring programmes as well as communication plans and branding activities to realize sustainable and above all profitable growth. The frequently overlapping business interests of companies in the group's three divisions and the continuous diversification of the product range and sales markets which is always based on existing skills and competences have created opportunities for the exploitation of synergy potentials.

The identification and determined development of potentials for new trading and service activities is a core competence of PCC and one of its key competitive strengths. This has been specifically in evidence on deregulated markets such as the electricity market: PCC entered this sector in 1998, the first year of market deregulation, and has since extended its operations to 16 European countries.

PCC Group's Divisional Structure

TRADING	PRODUCTION	LOGISTICS
- Chemical raw materials - Energy (electricity, gas) - Solid fuels (coke, coal)	- Chlorine - Polyols - Speciality chemicals - Phosphor derivates (flame retardants, e.g.) - Surfactants - Bisphenol A - Plant Protection Products	- Rail transports - Road transports - Logistic services - Transshipment terminals

The company has, on the other hand, also demonstrated its capacity for the successful restructuring, integration and development of affiliates it acquired in the course of privatisations. The Silesian chemical manufacturer PCC Rokita S.A. and the railway operator PCC Rail Szczakowa S.A. were successfully restructured and today represent the group's most important sources of income.

The group's success in this area has also been documented by a number of awards. PCC CEO Waldemar Preussner was recently awarded the "Gold Statue of Polish Business Leader" by Poland's Deputy Prime Minister Zyta Gilowska. PCC Rail Szczakowa S.A. was one of 15 enterprises out of 142 participants which received a prize from the Business Centre Club. PCC Rokita and PCC Szczakowa as well as the Czech trading company Morava-Chem, spol. s r. o. are among the most profitable enterprises in their respective industries.

PCC-Group - Break-Down of Revenues by Divisions

Division	2003	2004	2005
Trading	65.0 %	67.5 %	66.3 %
Production	31 %	25.2 %	26.4 %
Logistics	4 %	7.3 %	7.3 %
Total 100 %	468.5 EUR million	684.3 EUR million	817.0 EUR million

As per December 31st, 2005, PCC AG held interests in the following substantial companies:

Name	PCC AG shareholding* in percent	Subscribed capital in local currency in million		Sales revenues 2005** in EUR million
PCC AG Duisburg (D)	100.00	EUR	5.00	3.33
Trading Division				
Petro Carbo Chem GmbH (PCC GmbH), Duisburg (D)	100.00	EUR	3.00	406.60
PCC Energie GmbH Duisburg (D)	100.00	EUR	1.00	97.75
Morava-Chem, spol. s r.o. Český Těšín (CZ)	100.00	CZK	88.00	72.98
C&C Coke and Coal Products GmbH (C&C GmbH), Duisburg (D)	60.00	EUR	0.80	29.92
PCC Energy S.A. Chorzów (PL)	100.00	PLN	1.99	29.68
Petro Carbo Chem S.A. (PCC S.A.) Gliwice, Dąbrowa Górnicza (PL)	100.00	PLN	8.00	16.05
Petro Carbo Chem Oy (PCC Oy), Helsinki (FIN)	100.00	EUR	0.02	6.19
Production Division				
PCC Rokita S.A. Brzeg Dolny (PL)	89.95	PLN	15.30	192.84
Rokita-Agro S.A. Brzeg Dolny (PL)	88.66	PLN	24.03	33.09
PCC Synteza S.A. Kędzierzyn-Koźle (PL)	100.00	PLN	2.50	27.72
Kosmet Rokita Sp. z o.o. Brzeg Dolny (PL)	100.00	PLN	4.98	11.47
PCC Weglopochodne Sp. z o.o. Kędzierzyn-Koźle (PL)	100.00	PLN	3.60	4.42
Logistics Division				
PCC Rail Szczakowa S.A. Jaworzno (PL)	97.12	PLN	5.72	49.44
PCC Rail Coaltran Sp. z o.o. Warsaw (PL)	100.00	PLN	11.14	27.34
PCC Cargo S.A. Chorzów, Sławków (PL)	100.00	PLN	1.99	8.16
PCC Cargo GmbH Duisburg (D)	100.00	EUR	0.05	8.12
PCC Spedkol Sp. z o.o. Kędzierzyn-Koźle (PL)	100.00	PLN	2.26	5.62
Euro-Line GmbH Duisburg (D)	50.00	EUR	0.05	3.89
PCC Autochem Sp. z o.o. Brzeg Dolny (PL)	100.00	PLN	3.40	3.80
PCC Kolchem Sp. z o.o. Brzeg Dolny (PL)	100.00	PLN	5.56	3.01
PCC Rail Containers Sp. z o.o. Jaworzno (PL)	100.00	PLN	0.20	0.48

* direct and indirect participations ** not consolidated

D I V I S I O N S

The Three Strategic Pillars of PCC

Trading - Production - Logistics

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

PCC's operations and subsidiaries which are organised in the Trading, Production and Logistics Divisions today represent a stable and well-balanced portfolio. The current structure allows the group to spread and diversify its entrepreneurial risks, since the individual affiliates from the different divisions overwhelmingly operate in mutually independent industries and market segments.

The remaining cooperation potentials nevertheless provide interesting opportunities for the exploitation of synergies.

PCC-Group - Break-Down of Revenues by Regions*

Region	2003	2004	2005
Germany	44.3%	37.1 %	44.2 %
Poland	29.7 %	31.6 %	26.9 %
Other EU countries	19.7 %	25.5 %	17.7 %
EU total	93.6 %	94.2%	88.8 %
	3.9 %	2.3 %	6.9 %
Europe total	97.5 %	96.5 %	95.7 %
US	0.1 %	0.3 %	0.7 %
Asia	1.4 %	2.0 %	1.9 %
Other countries	1.0 %	1.2 %	1.7 %
Grand total 100 %	468.5 EUR million	684.3 EUR million	817.0 EUR million

*rounding differences possible

TRADING DIVISION

The activities of the Trading Division focus on chemical raw materials, solid fuels and trade in electricity and gas.

In 2005 this division accounted for more than 66 percent (EUR 542 million) of the group sales revenues. Petro Carbo Chem GmbH (Duisburg) alone contributed three quarters of the division's revenues. The electricity trading again represented the most important line of business.

More than half of the Trading Division's sales revenues were generated in Germany.

The product range of the raw material business unit includes chemical raw materials, coke and coal and metallurgical products such as pig iron and sheet steel.

In the energy market group companies operate both as traders or wholesalers and as suppliers. Business activities include the demand-oriented supply of power to (mainly) small and medium-sized enterprises in Germany (PCC Energie GmbH, Duisburg).

Energy trading transactions are primarily conducted through exchanges, but sometimes also directly with large industrial corporations, utilities, municipal providers and power station operators. Transactions involve standard products as well as structured products (options, minute reserves etc.).

At the latest count, PCC Group operates in 16 European countries, participating in both domestic and cross-border trade activities. In 2005 it moved a physical electricity volume of 5 TWh (= 5 billion KWh). Group companies are members to the following energy exchanges:

Power exchanges
EEX (Leipzig, Germany)
EXAA (Graz, Austria)
GME (Rome, Italy)
OKO (Prague, Czech Republic)
OPCOM (Bucharest, Romania)
Powernext (Paris, France)

Since April 2003, PCC has continuously held a seat in the Council of the German Energy Exchange.

The most important companies of the Trading Division are:

PCC Rokita S.A. produces caustic soda flakes used in the paper and textile industry

Petro Carbo Chem GmbH (D)

Petro Carbo Chem GmbH ("PCC GmbH") is the company out of which the entire group developed. In 2005, it generated sales of EUR 406.6 million, confirming its position as the main enterprise in the division and contributing the majority of the trading revenues in the business units energy, chemical raw materials and solid fuels. In the business year 2005, the company employed on average 56 people.

The company is domiciled in Duisburg and has offices and subsidiaries in:

Germany:	Duisburg, Berlin
China:	Beijing, Shanghai (until June 2006)
Croatia:	Zagreb
Latvia:	Ventspils
Poland:	Warsaw, Tarnów
Romania:	Ploiesti
Russia:	Moscow, Novocherkassk, Kaliningrad
Slovenia:	Ljubljana
Ukraine:	Kiev, Dniepropetrovsk, Mukachevo

The energy trade continued to generate the majority of the company's sales revenues (EUR 215.1 million), followed by the chemical raw materials trade (EUR 112.3 million) and the trade in solid fuels (EUR 79.2 million).

The company's main clients are utilities and manufacturers of steel and chemicals.

PCC Energie GmbH (D)

In only three years, the company has established itself as a leading supplier and service provider on the German market for demand-oriented power supplies to SMEs. The company is specialised in providing electricity to end customers and customers with customized agreements and has also entered the market for natural gas in 2005. The first supply contracts have already been concluded with small and medium-sized manufacturers.

By the end of the year 2005, PCC Energie GmbH employed a total of 42 people at its headquarters in Duisburg and its offices across Germany and generated sales revenues of EUR 112.7 million.

Morava-Chem, spol. s r.o. (CZ)

The company was established in 1992 at Český Těšín (Czech Republic) near the industrial town of Ostrava. It has since specialised in trading of chemicals, coal and coke as well as foundry products and foundry raw materials.

More recently, the company has also started to trade in energy. Morava-Chem reported sales revenues of EUR 73 million in the business year 2005, foreign sales accounting for two thirds of this sum. The company employed 32 people as per December 31st, 2005.

Its primary customers are enterprises in steel manufacturing and steel processing, the chemical industry and utilities.

Morava-Chem holds participations in PCC Slovakia s r.o. (based in Košice, Slovakia), PCC Energie Kft (Miskolc, Hungary) and MCH Slévárna s r. o. (Pardubice, Czech Republic).

C&C Coke and Coal Products GmbH (D)

C&C Coke and Coal Products was established in 2002 as a joint venture between PCC AG (60 percent) and the Polish coke exporting company Polski Koks S.A. (40 percent).

The company concentrates on the marketing and sale of Polish small coke fractions, blast-furnace coke, foundry coke, Ukrainian anthracite and pig iron to customers in Germany and Western Europe.

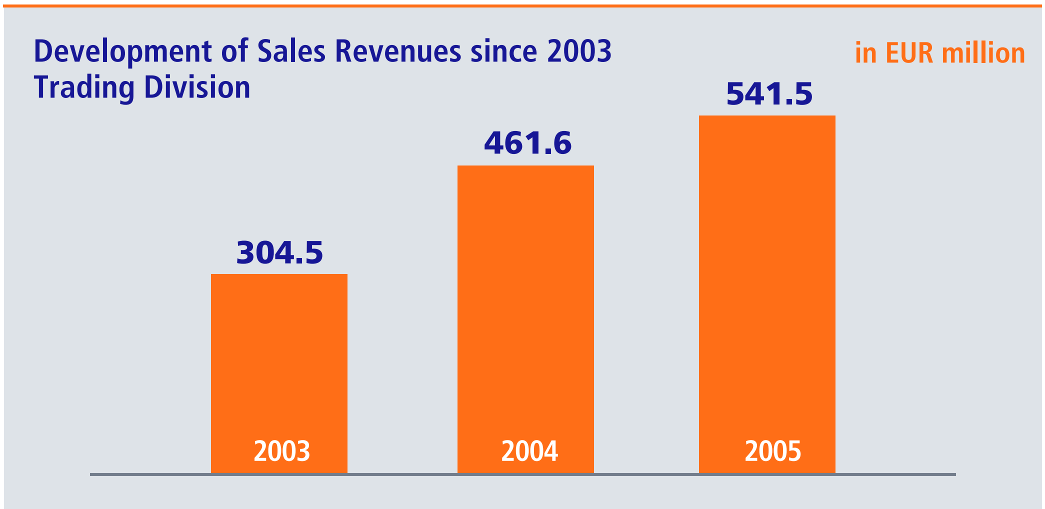
In 2005 sales revenues amounted to EUR 30 million. It employed 4 people at its office in Duisburg.

Petro Carbo Chem Energy S.A. (PL)

In the business year 2005, the trading company PCC Energy S.A. (est. in 2000) employed 13 people and generated sales revenues of EUR 30.0 million. Trading in coal, coke and fuels accounted for 90 percent of this sum.

Petro Carbo Chem S.A. (PL)

The Polish trading subsidiary PCC S.A., established in 1994, focusses its business activities on the energy trade and the trade with chemical raw materials and solid fuels. Its 16 employees achieved sales revenues of EUR 16 million in the business year 2005. Exports into other European countries accounted for a third of this sum. In addition to its main office in Gliwice, the company has an office in Dąbrowa Górnicza.

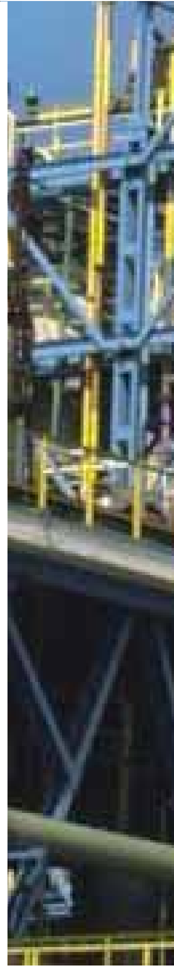


PRODUCTION DIVISION

Based on long years of experience as a trader of chemical products, PCC started to transform in 1998 into a major producer of chemical raw materials in Poland by acquiring strategically selected enterprises and participations.

At the two Silesian sites of Brzeg Dolny near Wrocław and Kędzierzyn-Koźle near Gliwice, the companies of this division manufacture a wide range of basic and speciality chemicals for use in (among others) the manufactoring of paper, detergents and textiles as well as in the pharmaceutical industry.

In 2005, the division's affiliates contributed about 27 percent to the consolidated turnover of PCC Group and accounted (with their 1,363 employees) for nearly 50 percent of the group's headcount. Roughly 60 percent of the division's sales are generated in Poland.

Photos:
Production Site PCC Rokita S.A.

The following paragraphs describe the companies of the division and outline their main business activities.

PCC Rokita S.A. (PL)

The Lower Silesian chemical factory was established in 1947. PCC first acquired a minority shareholding in 2002 – when Rokita S.A. was privatised – and one year later became the majority shareholder. As of December 31st, 2005, PCC AG owned 89.95 percent of the company which is renamed into PCC Rokita S.A.

PCC Rokita is one of the leading chemical manufacturers in Poland and the largest producer of chemicals in Lower Silesia. It manufactures a large variety of organic and inorganic products for use in a wide range of industries. The group is, for instance, an important supplier of chlorine to the paper and textile industry, while the production of polyols for the foam-making industry represents a key strategic focus of the enterprise.

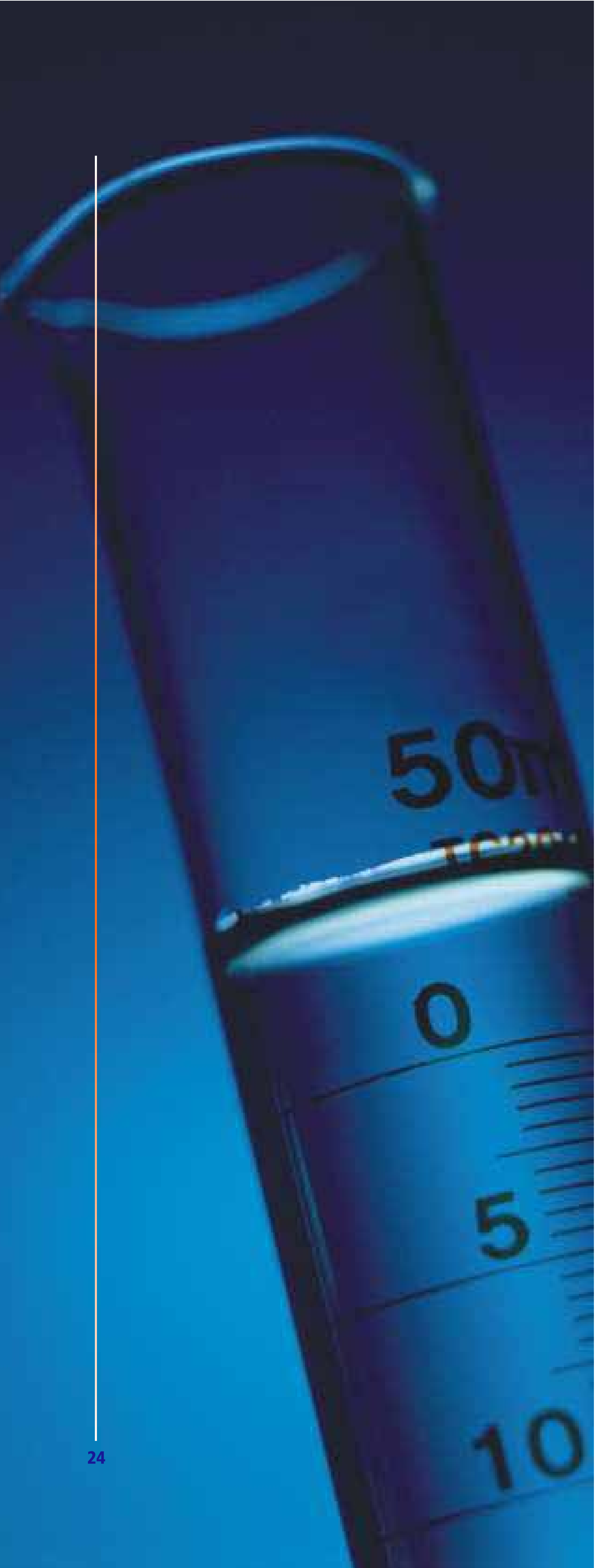
It is planned to substantially expand this business activity over the next five years and to make Rokita the leading supplier in Central Europe. The company also specialises in the production of surfactants and phosphorous derivates as plasticizers and as flame-retardants for plastics.

Rokita Group employed 1,271 people, and generated total sales revenues of EUR 192.8 million in 2005, of which the sales of PCC Rokita S.A. amounted to EUR 155.1 million.

Rokita exports some 40 percent of its production. Although Rokita distributes its products worldwide, Europe is still the company's main sales market. 43 percent of export sales went to Germany, Rokita's single largest foreign market.

More than EUR 18 million were spent in the past business year on upgrades and expansions of existing facilities. The extension of the polyol production plant was one of the most important capital expenditure projects in 2005, granting additional annual capacity of 30,000 tons and, thus, allowing Rokita to double its output.

The subsidiary Rokita-Agro S.A., Brzeg Dolny, develops, manufactures and distributes plant protection products. Kosmet-Rokita Sp. z o.o., another member of the Group, produces household chemicals such as detergents, body care products, laundry soap and car care and car cleaning products.



PCC Synteza S.A. (PL)

The company (today named: PCC Synteza S.A.) was part of the state-owned chemicals Group Zaklady Chemiczne "Blachownia" from the early 1960s until 1997. When the company was restructured, PCC initially leased the production facilities, before taking over the enterprise in 2001.

The plant's best-selling products are bisphenol A and nonylphenol, distributed predominantly to manufacturers of chemicals in other EU countries, who use them as in-process products for the production of epoxide resins and non-ionic tensides in washing solutions. Dodecylphenol and petrotex complement the manufacturing range.

PCC Synteza employed 137 people in 2005 and generated sales of EUR 27.7 million.

In late 2005, a new line for the manufacturing of a propylenoxide-based in-process product was opened in cooperation with PCC Rokita, partly in reaction to a strong demand for such a product from the foam-making industry. A three-year supply contract with an annual volume of 3,000 to 4,000 tons has already been signed

PCC Weglopochodne Sp. z o.o. (PL)

PCC Weglopochodne Sp. z o.o. has been part of PCC Group since 2000. The company converts tar into pitch, naphthalene and anthracene oil under a service contract with a German chemical corporation. Pitch is mainly used in aluminium manufacturing. Naphthalene is an important raw material for the synthesis of dyes, tanning agents, insecticides and solvents. Anthracene oil is used for wood preservation and other purposes.

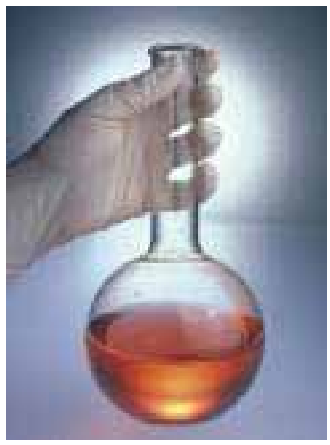
Revenues from the service contract (generated exclusively in Poland) amounted to EUR 4.4 million for the business year. The company employed 70 people in 2005.

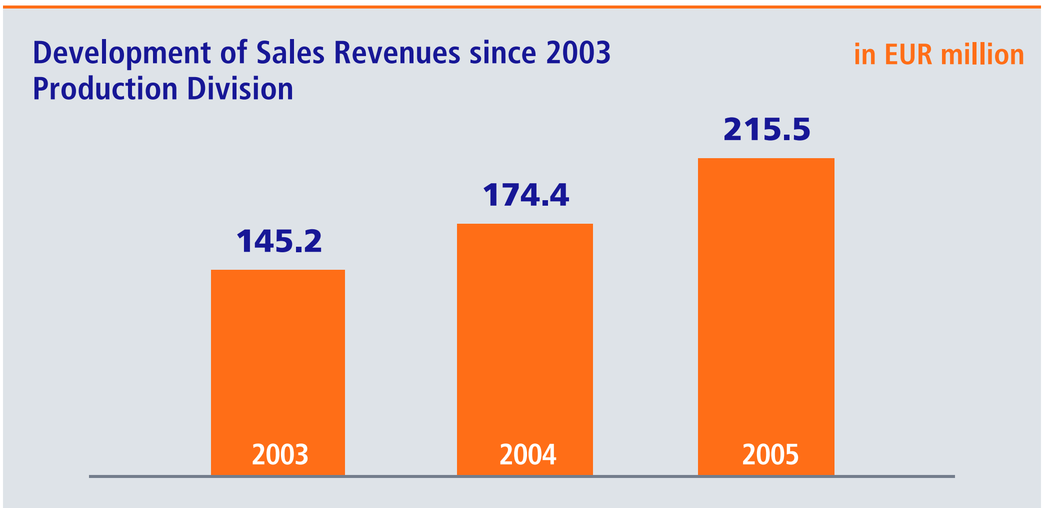
PCC Chemax, Inc. (South Carolina, USA)

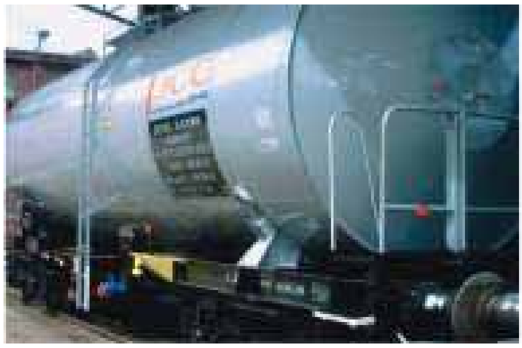
Towards the end of 2005, PCC established Chemax, Inc. and thereby took the first step to the eventual takeover of the business unit CHEMAX Performance Solutions/Polymer Additives of Rütgers Organics Corporation. In February 2006, PCC AG was subsequently able to formally acquire its first participation in the United States. Under its new name PCC Chemax, Inc., the company develops and distributes surfactants, which complement the product range of the PCC Rokita Group. The Chemax laboratories are located at Piedmont near Greenville in the state of South Carolina.

Rather than operating production facilities of its own, PCC Chemax has entered into tolling agreements with various manufacturers. The company then sells these products on to so-called compounders who use the surfactants from the Chemax labs as raw materials or ingredients for their own products, which they supply to manufacturers in the plastics, metal and textile industries. It is also planned to use the PCC Chemax labs for group-wide product development projects.

The sales revenue generated by the company amounted to app. EUR 14 million in 2005. The company employed 28 people.







LOGISTICS DIVISION

Being a trader and importer of bulk materials, logistic services required by customers have been in the focus of PCC from the beginning. Out of a pure service function the establishment of the Logistics Division started in 2000 by building up substantial transport capacities through a series of acquisitions.

In 2005, PCC companies transported a total of 11 million tons of goods, mainly by rail. Some 95 % of the logistics sales revenue comes from the Polish market. PCC is one of the biggest private rail carriers in Poland.

The range of services comprises rail transports, road transports, container services, letting and contract cleaning of rail tank wagons and the development and implementation of logistical concepts for complex transport operations. The division also comprises cargo handling terminals in Poland, the Ukraine and Russia. In Sławków (Poland) and Mukachevo (Ukraine), products such as benzene, phenols, heating oil and gasoline are transloaded from the Russian broadgauge to the Western European standard gauge and vice versa. In the port facilities of Kaliningrad (Russia), solid bulk materials such as coal, coke and scrap metal are handled. In Brzeg Dolny (Poland), PCC operates a pure container transshipment terminal.

The vehicle fleet of the PCC Group currently includes 93 own locomotives and over 3,800 wagons and rail tank cars. The logistics companies also own over 250 kilometres of track and siding facilities.

The following paragraphs describe the companies of the division and outline their main business activities:

PCC Rail Szczakowa S.A. (PL)

Starting out from the base of its original core business, the mining of 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. The group is in particular a specialist for coal and sand transports. With a vehicle fleet of over 52 locomotives and some 1,900 wagons, the company transported 8.7 million tons of goods in 2005, some of them on its own rail network.

PCC Rail Szczakowa's clients are mainly mining companies and utilities (power suppliers). With sales of nearly EUR 50 million in 2005 and more than 960 employees, PCC Rail Szczakowa S.A. is the largest company in the division and one of the key affiliates of the entire PCC Group.

fleet of 18 locomotives and 380 wagons. In 2005, it generated revenues of roughly EUR 26.7 million with a staff of 153 employees. This acquisition considerably strengthens the position of PCC's Logistics Division on the Polish market, specifically when seen in conjunction with PCC Rail Szczakowa S.A. which conducts a large part of the power station's coal transports. Company´s balance sheet was first consolidated in the group accounts of the business year 2005. Its initial full consolidation will follow in 2006.

PCC Cargo S.A. (PL)

Situated in the Lower Silesian town of Sławków, the transport company PCC Cargo S.A. is primarily involved in the transportation of fuels such as coal and coke. Chemicals such as chlorine, benzene, sodium hydroxide and hydrochloric acid are also transported by rail. Around 50 percent of the annual turnover of EUR 8.16 million was generated in Poland. PCC Cargo S.A. employs a workforce of 21. The company owns the handling terminal in Sławków, which has both a Western European standard gauge and an Eastern European broad gauge rail track. in which it is possible to alternate from narrow to broad gauge - similarly to Mukachevo. In the past year, investments were made in heating and transfer facilities, which are to be completed in 2006.

PCC Cargo GmbH (D)

PCC Cargo GmbH, located in Duisburg, offers combined transport services in addition to road and rail services. Coke is the main product transported by rail. Wagon letting, cleaning of tank wagons and containers complete the service programme. PCC Cargo GmbH operates the handling terminal at

PCC Spedkol Sp. z o.o. (PL)

This enterprise conducts rail transports for the regional industry and offers letting, maintenance and cleaning services for rail tank wagons. In the business year 2005, it employed 121 people and generated sales revenues of EUR 5.6 million.

PCC Rail Coaltran Sp. z o.o. (PL)

With effect from December 27th, 2005, PCC AG took over 100 % of the shares in PCC Rail Coaltran Sp. z o.o. The company provides the entire internal transport logistics for one of the largest coal-fired power stations in Warsaw, owned by the Swedish Vattenfall Group. The company (named today: PCC Rail Coaltran Sp. z o.o.) operates its own rail vehicle

Mukachevo, on the Polish-Ukrainian border. The central stock area is also ideally situated from a logistical viewpoint for the borders with Hungary, Romania and Slovakia. With both a standard gauge and a broad gauge it is possible to alternate from standard to broad gauge and vice versa - similarly to Sławków. The heating facility enables highly viscose and higher tempered materials such as phenol to be handled in winter the main material handled is oil derivates. In 2005 the subsidiary achieved a turnover of EUR 8.12 million with 4 employees.

PCC Autochem Sp. z o.o. (PL)

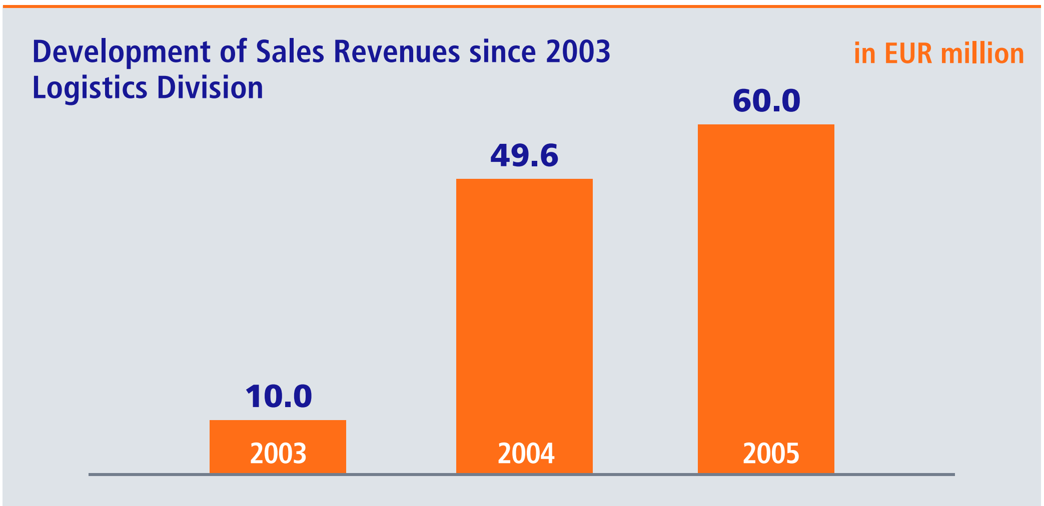
In both Poland and abroad PCC Autochem offers road transport and haulage services, specializing in the transportation of hazardous goods, and liquid chemicals in particular. In 2005, 13 employees generated an annual turnover of EUR 3.81 million. The PCC Autochem fleet includes around 50 road tank cars.

PCC Kolchem Sp. z o.o. (PL)

Like PCC Autochem, the transport and haulage company PCC Kolchem Sp. z o.o. (formerly Kolchem-Rokita) is situated on the PCC Rokita site. The company offers both national and international customer services primarily in the field of rail services, such as the rental of transport facilities and the washing and disinfecting of the vehicle fleet. Annual turnover in 2005 stood at some EUR 3.0 million.

PCC Rail Containers Sp. z o.o. (PL)

Founded in July 2005, PCC Rail Containers achieved sales of EUR 0.48 million in the remaining months of the year, with 11 employees. The company maintains the container terminal of PCC Rokita S.A. in Brzeg Dolny. Full container transports serve the region around Wrocław, together with access to the sea.



GROUP MANAGEMENT REPORT

Core business activities

In 2005, PCC AG continued to focus its activities on the strategic management of the group and its foreign and domestic affiliates, while further growth in its core activities and diversification into new business segments remained its key strategic goals.

As the group holding company, PCC AG was responsible for the strategic direction of the three Divisions of Trading, Production and Logistics and for group-wide financing matters.

The range of services also comprises market research, consultancy and controlling of the major subsidiaries listed in the following index.

Major Subsidiaries

Petro Carbo Chem GmbH Duisburg (Germany)	**PCC Synteza S.A.** Kędzierzyn-Koźle (Poland)
Petro Carbo Chem Oy Helsinki (Finland)	**PCC Weglopochodne Sp. z o. o.** Kędzierzyn-Koźle (Poland)
Petro Carbo Chem S.A. Gliwice (Poland)	**PCC Rail Szczakowa S.A.** Jaworzno (Poland), Shareholding 97,12 %
PCC Energy S.A. Chorzów (Poland)	**PCC Rail AG** Duisburg (Germany)
Morava Chem, spol. s r. o. Český Těšín (Czech Republic)	**PCC Cargo GmbH** Duisburg (Germany)
PCC Energie GmbH Duisburg (Germany)	**PCC Cargo S.A.** Katowice (Poland)
C&C Coke and Coal Products GmbH Duisburg (Germany), Shareholding 60 %	**PCC Spedkol Sp. z o. o.** Kędzierzyn-Koźle (Poland)
PCC Rokita S.A. Brzeg Dolny (Poland), Shareholding 89,95 %	**PCC Rail Coaltran Sp. z o. o.** Warsaw (Poland)

Beyond fulfilling our strategic management duties towards the existing group, we continued in our efforts to acquire additional interests in logistics and production enterprises in Poland throughout the business year. We succeeded in taking over (100 percent) another Polish rail cargo company in December 2005, Coaltran Sp. z o. o., and also made a first acquisition in the US, the chemical production company PCC Chemax, Inc. This latter deal, however, was only closed in February 2006, which is why PCC Chemax will be initially consolidated for the business year 2006.

We furthermore increased our shareholding in PCC Rokita S.A. slightly from 88.75 percent to 89.95 percent and in connection with the planned restructuring of our Logistics Division took over 91.66 percent of PCC Rokita's shares in Kolchem-Rokita and a shareholding of 59.85 percent in Autochem-Rokita, in either case by increasing the capital stock of the companies concerned. We are preparing to acquire all minority shares of both, PCC Rokita S.A. and PCC Rail Szczakowa S.A. (where we increased our shareholding slightly from 95.70 percent to 97.12 percent).

We are also targeting the acquisition of two further chemical companies in Poland for 2006. Negotiations have continued since the middle of last year, and we expect the deals to be closed provided the Polish Cartel Office and the Polish Treasury give their approval by summer of 2006.

Results of Affiliated Companies

Trading Division

The Trading Division was once again the main contributor to the group sales revenues, but experienced a massive fall in earnings, which was due to various factors:

While the sales revenues in the Electricity Trading Sector continued to rise throughout 2005, mirroring the development of the electricity price, the increasing transparency of the Western and Central European markets including Poland, the Czech Republic and Slovakia led to a substantial drop in profit margins. Furthermore, totally unexpected transmission restrictions on our relatively new markets in South Eastern Europe forced our affiliate Petro Carbo Chem GmbH (Duisburg) to meet its delivery obligations through expensive (and loss-making) spot purchases. These procurement insecurities also triggered a stop-loss for financial contracts beyond 2006 which resulted in a further loss of app. KEUR 840 for Petro Carbo Chem GmbH.

Trading in CO_2 certificates, a new addition to our energy trading portfolio, generated another loss for this affiliate. Both the allocation of certificates in Poland and the establishment of the Polish register for the emissions trade suffered from unexpected delays, and as a consequence we were obliged to arrange a covering purchase to meet our sales obligation (which had originally been expected to involve the surplus certificates of our affiliate PCC Rokita S.A.). This transaction resulted in an overall loss of about EUR 1 million.

Suffering from further losses in the steam coal trade, Petro Carbo Chem GmbH closed the business year with a total deficit of EUR 6.1 million.

Our affiliate PCC Energy S.A., trading in coke and coal, also suffered a negative result, due to falling margins on the declining coke market, while our joint venture C&C Coke and Coke Products GmbH (Duisburg) suffered losses following a bad debt and the general downturn in the market.

These negative developments failed to be fully compensated by the encouragingly positive results of Morava-Chem, spol. s r. o. (Český Těšín), which trades in solid fuels and chemical raw materials, and PCC Energie GmbH (Duisburg), which was able to improve its annual result significantly (EUR 1.1 million before tax in 2005, up from EUR 0.8 million in 2004).

Further positive contributions came from the other companies in the division: PCC S.A. (Gliwice), Petromag Oy (Helsinki) and Petro Carbo Chem Oy (Helsinki), the latter's result positive for the first time in years reflecting drastic cost-cutting and restructuring measures.

The division nevertheless closed the business year with a loss, primarily as mentioned above, due to problems developing in connection with its attempts to enter new markets and to cultivate new business segments.

In the wake of this development, the Energy Trade in particular will need to be strategically re-aligned for 2006. One essential imperative will be the avoidance of all open positions, whether trading with electricity, CO_2 certificates or natural gas (another new activity in our portfolio since 2005). The PCC AG Executive Board furthermore issued a blanket ban on speculative hedging deals to minimize risk exposure. It will be the supreme objective for 2006 to restore the profitability of the Energy Trading Division.

The successful business strategy of focusing the chemical raw materials trade on few core products and those raw materials which are of key importance for the sourcing of the manufacturing affiliates will be rigorously continued in 2006.

This business unit is therefore likely to experience a relatively stable development and to generate continuously positive contributions.
The same applies to the trade in solid fuels. After losses from the trade in steam coal (partly due to quality problems), however, this particular business activity will be discontinued.

Trading activities in general were and are subject to price and currency risks. We will continue our policy of limiting price risks by concluding either formula-based or back-to-back agreements. Contracts in other currencies will be generally denominated in a single currency to exclude exchange rate risks. In the majority of cases where different currencies are used for purchase and sale, the foreign currency will be hedged. This also and specifically applies to the Chemical Production Division, which generates a substantial part of its revenues in Euros and US-Dollars while purchasing energy and a majority of its raw materials in local currency.

Production Division

Much of the Chemical Production Division's success from the past business year can be attributed to the eminently positive development of PCC Rokita S.A., which made the largest contribution of all companies to the Group results in 2005.

All three profit centres of PCC Rokita S.A., the chlorine division as well as the production of polyols and special chemicals, managed to close the business year with solid profits which exceeded expectations. More rationalisation and restructuring measures are planned for 2006 to further increase the productivity and efficiency of this affiliate.

We expect to generate additional growth impulses from the exploitation of synergies through cooperation between PCC Rokita S.A. and our new affiliate PCC Chemax, Inc. (US), mainly in the areas of distribution and R&D.

Another positive contribution for the business year was provided by PCC Synteza S.A. (Kędzierzyn-Koźle), but, for a number of reasons, the company's result fell significantly short of our expectations. The sharply rising purchase prices for the raw materials required by PCC Synteza S.A. could not be passed on to the consumer without delays, while the result was additionally affected by rising energy costs and a scheduled maintenance shutdown which took longer than anticipated.

The development of the raw material prices and energy prices continued into 2006 and has made restructuring measures and redundancies inevitable. We are confident that, once these measures have been implemented, PCC Synteza S.A. will also be able to generate a positive result for 2006.

The third of our affiliates in the Chemical Production Division, Weglopochodne Sp. z o.o. (Kędzierzyn-Koźle) closed the business year 2005 with the anticipated result, i.e. a loss amounting to the depreciation of its equipment.

In addition to the aforementioned currency risks (which are hedged through forward exchange dealings), our affiliates in the Chemical Production Division are primarily faced with the risk of increasing production costs in the wake of stricter European environmental regulations about waste and waste water disposal etc. Any resulting capital expenditure requirements may affect the profitability of these companies in the future. The effects of such a loss in profitability may require us to explore and exploit additional cost-saving potentials.

In the wake of the planned new acquisition of two more enterprises in Poland, the importance of the Chemical Production Division for the group and the group results will grow considerably in 2006 and the years thereafter. The realization of synergies with existing companies and the aforementioned restructuring and modernisation measures are intended to increase the division's economic efficiency considerably. It is the strategic objective of the PCC Group to use all of its manufacturing sites to defend, stabilise and extend its market share and its position as the leading provider of selected product groups across Central Europe and the entire continent.

Logistics Division

The business development of the Logistics Division was equally positive. The largest contributions to both sales revenues and result were naturally provided by the largest company of the division, PCC Rail Szczakowa S.A. (net profit: EUR 7 million), but the logistics affiliates PCC Cargo GmbH, PCC Sped-Kol Sp. z o.o., PCC Kolchem Sp. z o.o. and PCC Autochem all made positive contributions, too. Only PCC Cargo S.A. registered a deficit of KEUR 140 after having to provide for impending losses for possible additional claims by PKP, having failed to meet its contractually agreed delivery commitments. This could not, however, substantially affect the overall very positive result of the division.

The net profit of PCC Rail Coaltran Sp. z o. o. of KEUR 645 could not be entered into the profit and loss account for 2005, since the purchase contract with the company's previous owners was only closed in late December of that year. The amount will, however, be available for possible profit contributions in 2006.

We expect another stable business year 2006 for the affiliates in the Logistics Division and also look forward to completing the process of integrating all the division's affiliates into a single intermediate holding company, a process which was started in late 2004. Bearing in mind the importance of PCC Rail Szczakowa S.A. for our Logistics Division, this affiliate has now been selected - against our original plans - to assume the leadership of this holding.

We expect this restructuring measure to provide long-term synergies and further improvements of the results. We intend to make additional acquisitions to extend our position as a major player on the market for rail cargo services.

Consolidated Group Financials

These developments in the three divisions of PCC Group serve to increase the consolidated sales revenues from EUR 684.3 million (2004) to EUR 817.0 million. Due to the positive results in the Chemical Production and Logistics Divisions, the group generated a gross profit of EUR 104.3 million which significantly exceeded the previous year's figure (EUR 87.1 million), despite the losses of the Energy Trading Division.

The result of ordinary operating activities of EUR 16.8 million, however, fell significantly short of the result for 2004 (EUR 23.4 million), mainly reflecting the higher personnel expenses, depreciations and other expenses as well as the rise in interest payments.

The net profit of EUR 5.4 million was substantially lower than the previous year's figure (EUR 12.8 million) and also fell significantly short of our expectations. It is worth nothing, however, that the net result of the newly acquired logistics affiliate PCC Rail Coaltran Sp. z o. o. of KEUR 645 has not been included in the aforementioned consolidated result.

As a consequence of the growth in sales revenue, both the trade accounts receivables (up from EUR 72.9 million as per December 31st, 2004 to EUR 92.7 million as per December 31st, 2005) and the trade accounts payables (up from EUR 44.1 million to EUR 60.7 million) rose significantly. Bank liabilities and specifically the liabilities from bearer bonds also increased, the latter by app. EUR 30 million to EUR 85.8 million. The subordinated bonds doubled in volume to EUR 36 million.

This increase was matched by a corresponding increase in the value of fixed assets (EUR 94.2 million as per December 31st, 2005, up from EUR 73.9 million a year earlier) and in preparation for the new acquisitions planned for 2006 securities (EUR 12.3 million) as well as liquid funds (EUR 53.3 million).

All of this resulted in another significant increase of our balance sheet total from EUR 233.2 million to EUR 333.9 million, pushing our equity ratio down from 24.1 percent to 17.5 percent, despite the annual net surplus. The ratio of equity and long-term subordinated participation rights capital (a total of EUR 94.6 million, up from EUR 74.3 million as per December 31st, 2004) to the balance sheet total fell from 31.8 percent to 28.3 percent.

Our objectives for 2006 are, as we already mentioned, a marked and sustained improvement of the Energy Trading Division's profitability and the continued organic growth of the Chemical Production and Logistics Divisions.

Selected acquisitions in the latter two divisions will probably again make a contribution to the growth of the group. We therefore expect another rise in sales revenue and a significantly improved group result for 2006.

In view of this continuous growth, PCC AG will further strengthen both personnel and technical resources for risk management and controlling in order to improve its capacities for even quicker and more astute reactions to the developments in the individual divisions and affiliates and to make its management processes even more transparent. Management development, liquidity assurance and liquidity procurement will remain key functions of the holding company.

Duisburg, May 3rd, 2006

PCC Aktiengesellschaft
Executive Board

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 & Klein GmbH, Düsseldorf, and received the auditors´ unqualified approval on June 21st, 2006.

Group Balance Sheet of PCC Aktiengesellschaft, Duisburg as per 31 Dezember 2005

ASSETS in EUR		31.12.2005	31.12.2004
A. Fixed assets			
I. Intangible assets			
1. Industrial property rights and similar rights	3,924,653.88		3,061,078.22
2. Prepayments on intangible assets	0.00		24,172.90
		3,924,653.88	(3,085,251.12)
II. Tangible assets			
1. Land and buildings	41,437,228.98		37,884,493.72
2. Plant and maschinery	32,332,969.15		24,834,821.84
3. Other equipment, factory and office equipment	3,793,581.61		4,767,455.20
4. Prepayments and construction in progress	16,595,769.24		6,455,864.44
		94,159,548.98	(73,942,635.20)
III. Financial assets			
1. Shares in affiliated companies	7,580,271.05		6,490,672.75
2. Loans to affiliated companies	495,377.38		2,004.94
3. Participations	654,378.51		1,021,256.95
4. Loans to enterprises in which participation are held	0.00		500,000.00
5. Long-term securities	6,199,075.49		0.00
6. Other loans	499,095.65		281,618.80
		15,428,198.08	(8,295,553.44)
		113,512,400.94	**85,323,439.76**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	12,132,819.75		10,770,899.83
2. Unfinished products	685,921.42		2,601,755.81
3. Finished products and goods	18,062,837.63		14,457,182.54
4. Prepayments	8,788,973.64		8,495,117.26
		39,670,552.44	(36,324,955.44)
II. Receivables and other assets			
1. Trade accounts receivable	92,702,606.81		72,889,562.32
2. Accounts receivable from affiliated companies	1,141,767.86		37,068.74
3. Accounts receivable from associated companies	0.00		80,220.10
4. Other assets	16,900,628.20		11,969,900.18
		110,745,002.87	(84,976,751.34)
III. Securities			
Other securities		**6,098,489.50**	(198,691.74)
IV. Liquid funds		**53,292,626.23**	(20,996,888.60)
		209,806,671.04	**142,497,287.12**
C. Prepaid expenses			
		10,576,731.91	**5,382,147.16**
		333,895,803.89	**233,202,874.04**

LIABILITIES in EUR		31.12.2005	31.12.2004
A. Equity			
I. Subscribed capital	5,000,000.00		5,000,000.00
II. Capital reserve	55,796.86		55,796.86
III. Profit reserve	33,863,911.07		28,626,473.72
IV. Group balance sheet profit	11,905,910.04		15,027,870.00
V. Minority interests	7,734,309.95		7,564,460.71
		58,559,927.92	**56,274,601.29**
B. Accruals			
1. Accruals for pensions and similar obligations	2,510,834.30		2,467,996.21
2. Tax accruals	2,850,100.91		2,856,689.51
3. Other accruals	9,089,757.97		10,291,246.77
		14,450,693.18	**15,615,932.49**
C. Liabilities			
1. Subordinated bonds - thereof due in more than five years: EUR 36,000,000.00 (31.12.2004: EUR 18,000,000.00)	36,000,000.00		18,000,000.00
2. Bearer bonds - thereof due in less than one year: EUR 35,576,000.00 (31.12.2004: EUR 0.00)	85,782,000.00		55,107,000.00
3. Liabilities due to banks - thereof due in less than one year: EUR 29,748,713.49 (31.12.2004: EUR 23,631,125.76)	37,637,479.53		27,569,576.77
4. Advance payments for orders received - thereof due in less than one year: EUR 996,846.17 (31.12.2004: EUR 829,568.96)	996,846.17		829,568.96
5. Trade accounts payable - thereof due in less than one year: EUR 60,655,353.87 (31.12.2004: EUR 44,135,257.65)	60,655,353.87		44,135,257.65
6. Liabilities due to affiliated companies - thereof due in less than one year: EUR 390,256.06 (31.12.2004: EUR 52,743.06)	390,256.06		52,743.06
7. Liabilities due to associated companies - thereof due in less than one year: Euro 3,197.41 (31.12.2004: EUR 0.00)	3,197.41		0.00
8. Other liabilities - thereof due in less than one year: EUR 36,975,375.15 (31.12.2004: EUR 13,124,978.62) -thereof from taxes: EUR 10,133,560.61 (31.12.2004: EUR 4,440,604.56) - thereof within the scope of social security: EUR 1,211,853.47 (31.12.2004: EUR 96,751.90)	37,171,164.14		13,191,255.12
		258,636,297.18	**158,885,401.56**
D. Deferred income		**2,248,885.61**	**2,426,938.70**
		333,895,803.89	**233,202,874.04**

Group Profit and Loss Account of PCC Aktiengesellschaft, Duisburg for the Period from 1 January to 31 December2005

in EUR		2005	2004
1. Sales revenues		816,977,715.22	684,338,329.07
2. I ncrease/decrease in finished goods inventories and work in progress		./. 2,487,032.79	./. 255,515.32
3. Own work capitalized		777,234.84	518,240.99
4. Other operating income		45,120,534.48	14,374,145.08
5. Cost of materials			
a) Cost of raw materials, supplies and purchased merchandise	650,909,863.12		(543,060,675.90)
b) Cost of purchased services	60,021,082.66		(54,456,089.28)
		710,930,945.78	597,516,765.18
6. Personnel expenses			
a) Wages and salaries	30,454,872.99		(24,360,952.48)
b) Social security and pension expenses - thereof for old age pension: EUR 1,855,946.63 (2004: EUR 20,745.96)	7,340,937.09		(6,022,083.90)
		37,795,810.08	30,383,036.38
7. Depreciation of intangible / tangible assets		10,086,000.87	8,230,679.78
8. Other operating expenses		77,385,366.03	36,253,101.92
9. Income from associated companies		8,621.56	342,730.62
10. Income from participations		10,238.49	0.00
11. Other interests and similar income		2,469,953.15	1,630,961.73
12. Write-downs on short term securities		214,505.10	44,932.14
13. Interests and similar expenses		9,370,941.21	5,134,081.00
14. Result from ordinary operations		17,093,695.90	23,386,295.77
15. Extraordinary income	0.00		(66,784.70)
16. Extraordinary expenses	200,875.68		(0.00)
17. Extraordinary result		./. 200,875.68	66,784.70
18. Taxes on income		4,931,105.86	4,682,621.05
19. Other taxes		6,591,788.71	5,996,231.29
20. Group net income for the year		5,369,925.65	12,774,228.13
21. Retained earnings/accumulated deficit		6,843,257.31	3,442,158.00
22. Allocation to legal reserve account		0.00	275,303.08
23. Share of profit due to minority shareholders		307,272.92	913,213.05
24. Unappropriated retained earnings		11,905,910.04	15,027,870.00

Auditor General Remarks

Abridged version of the auditor report as per December 31st, 2005:

As per § 321 clause 1 HGB, an assessment of the corporation's situation, in which we shall submit our comments based on the group accounts and group management report prepared by the legal representatives of the corporation, shall precede the report. In so doing, we shall explicitly comment on our expectancies concerning the continuation of the corporation and the future development of the corporation, as gained from the group accounts and the group management report, to the extent that the documents submitted for auditing and the group accounts allow such an assessment.

Our point of departure for reporting shall be the group management report, prepared by the legal representatives of the corporation, as featured in the annual report. We compared the assessments included in the group management report with our findings gained during the audit as to their plausibility and conformity. According to professional regulations, we shall not make any predictive calculations nor make any statements as to the corporation's situations in the stead of the legal representatives of the corporation.

The group management report of PCC Aktiengesellschaft, prepared by the Board of Management of the latter, will be summarized below as per § 315 clause 3 HGB; it contains the following core statements on the economic situation and the business activity of the PCC Group:

1. Despite a significant increase in revenues, PCC Group's result fell by EUR 7.4 million or 58 percent. This was largely caused by negative developments in the Trading Division which could not be sufficiently compensated by positive contributions from the other divisions. The substantial losses of the Trading Division have been caused by the lower profit margins on the electricity market, but also by the unexpected introduction of transmission restrictions in South-Eastern Europe, losses resulting from covering transactions and defaulted claims.

The Chemical Production Division and the Logistics Division, meanwhile, experienced some positive developments despite rising purchase prices for raw materials and energy.

2. Expansion of business activity, especially in energy trading, and the 2005 investments in Chemical Production and Logistics resulted in an increase in the balance sheet total by EUR 100.7 million to EUR 333.9 million. Consequently, the equity ratio decreased from 24.1 percent (2004) to 17.5 percent as per December 31st, 2005 despite the annual net surplus of the group.

3. PCC Aktiengesellschaft took over PCC Rail/ Coaltran Sp. z o.o., Warsaw (Poland), another rail transport company. It also acquired additional shares in its affiliates Rokita and Szczakowa. These investments were primarily funded through capital raised by issuing subordinated bonds and bearer bonds.

These core statements on the economic situation and the business activity of the group have been sufficiently explained in the management report. For further details, see pages 31 to 36, which include the group management report in question. In our opinion, the group management report prepared by the Board of Management contains the following core statements on the future development and risks in connection with future developments of the PCC Group.

I. Further expansion of the group through organic growth and selected acquisitions in the Chemical Production Division and Logistics Division and sustainable improvements in the profitability of the Energy Trading Division.

II. Strengthening the area's risk management and participation controlling in order to secure the corporation's growth and realise economies of scale.
III. The Management Board expects to realize a better group result in 2006 on the strength of its efforts to minimize the business risks in the Energy Trading Division, ongoing rationalisation and restructuring measures and the anticipated realization of synergies with the new affiliates.

These core statements on future developments and risks in connection with future developments of the group have been sufficiently explained in the management report. For further details, see pages 31 to 36, which include the group management report for 2005.

On the basis of the assessment of the economic situation of the group, which we derived from our findings gained from auditing the group accounts and the group management report, we conclude to the extent that the documents submitted for auditing allow such an assessment that the management report by the legal representatives, especially with regard to the continuation of the corporation and the future development of the corporation, appears to be realistic.

Comments on Situation of Assets, Finances, and Revenues

The changes in the situation of assets, finances and revenues during the year have been caused by the growth of the energy and raw material trading business activities, but also by other factors such as (particularly) investments in tangible assets and financial assets and their funding through the issue of additional profit participation certificates and bearer bonds.

Comments on Revenue Situation

The following statement of operating results provides an overview of the revenue situation of the PCC Group: (tab 1)

The increase of sales revenues was primarily generated by the business activities of the Trading Division (KEUR 79,874) and Chemical Production Division (KEUR 44,290). This increase largely reflects rising sales and rising prices in the electricity trade.

Despite the declining margins in the energy trade, the development of the material costs and the gross margin largely mirrors the development of the sales revenues. This is primarily due to the improved margins in the trade with other raw materials, the production of chemicals and the provision of logistical services.

The sharp rise in personnel expenses can be mainly attributed to higher staffing levels at PCC AG and PCC Energie GmbH and the delayed disbursement of performance-related bonus payments for the business year 2004 (Petro Carbo Chem GmbH, PCC Rokita S.A., PCC Rail Szczakowa S.A. and others). Total personnel costs of KEUR 37,796 were incurred for an average of 2,730 employees (2004: 2,829).

The increase in depreciations reflects mainly the investments in fixed assets by the Chemical Production and Logistics Divisions.

The position "Other operating expenses, income and earnings and other taxes (balance)" comprises the following sub-positions: (tab 2)

tab 1

	2005		2004		change	
	KEUR	%	KEUR	%	KEUR	%
Sales revenues	816,978	100.0	684,338	100.0	+ 132,640	+ 19.4
Inventory changes	./. 2,487	./. 0.3	./. 255	./. 0.0	./. 2,232	875.3
Own work capitalized	777	0.1	518	0.1	+ 259	0.0
Cost of materials	710,931	87.0	597,517	./. 87.3	./. 113,414	./. 19.0
Gross profit	**104,337**	**12.8**	**87,084**	**12.7**	**+ 16,994**	**+ 19.5**
Personnel expenses	37,796	4.6	30,383	./. 4.4	./. 7,413	./. 24.4
Depreciation	10,086	1.2	8,231	./. 1.2	./. 1,855	./. 22.5
Other operating expenses, income and other taxes (balance)	./. 38,856	./. 4.8	./. 27,875	./. 4.1	./. 10,981	./. 39.4
Operating result after other taxes	**+ 17,599**	+ 2.2	**+ 20,595**	**+ 3.0**	**./. 2,996**	./. 14.5
Financial result	./. 7,097	./. 0.9	./. 3,205	./. 0.5	./. 3,892	./. 121.4
Extraordinary result	./. 201	./. 0.0	+ 67	+ 0.0	./. 268	./. 400.0
Result before taxes on income	**+ 10,301**	+ 1.3	**+ 17,457**	**+ 2.6**	**./. 7,156**	**./. 41.0**
Taxes on income	4,931	0.6	4,683	0.7	./. 248	./. 5.3
Group net profit	**+ 5,370**	+ 0.7	**+ 12,774**	**+ 1.9**	**./. 7,404**	**./. 58.0**

tab 2

	2005	2004	change
	KEUR	KEUR	KEUR
Other operating income	+ 45,121	+ 14,374	+ 30,747
Other operating expenses	./. 77,385	./. 36,253	./. 41,132
Other taxes	./. 6,592	./. 5,996	./. 596
	./. 38,856	**./. 27,875**	**./. 10,981**

The significant increase in other operating expenses and income has been caused by the year's strong growth in the volume of hedging deals in the electricity trade and the relatively (in comparison with 2004) high level of electricity price variations. The increased negative balance mainly reflects the negative balances from hedging operations (KEUR 5,128), bad debt write-off (KEUR 2,743), legal and consultancy costs (KEUR 2,643) and incidental money and currency transactions costs (KEUR 1,570).

The operating result after other taxes declined, mainly as a result of the disproportionate rise in operational expenses, by KEUR 2,996 to KEUR 17,599 for the business year 2005.

The financial result incorporates the following elements: (tab 3) tab 3

	2005 KEUR	2004 KEUR	change KEUR
Result from associated companies	+ 9	+ 343	./. 334
Dividends from shareholdings	+ 10	0	+ 10
Other interest and similar income	+ 2,470	+ 1,654	+ 816
Depreciation on financial assets and short-term securities	./. 215	./. 45	./. 170
Interest and similar expenses	./. 9,371	./. 5,157	./. 4,214
	./. 7,097	./. 3,205	./. 3,892

"Result from affiliated companies" is the pro-rata net profit of Petromag Oy. The dividends from other shareholdings were contributed by affiliates which were not consolidated.

The rise of interest and similar expenses reflects the rise in financing costs for the investments in tangible and financial assets made during the financial year.

Taking into account the taxes on income of KEUR 4,931 the group net profit amounts to KEUR 5,370 after KEUR 12,774 in the previous year.

Notes to Financial Situation

The following tables provide an overview of the group's asset and capital structure. (tab 4+5)

The financial situation in the year under review reflects the growth in business activities and specifically the investments in tangible and financial assets as well as the measures taken to refinance them. The resulting increase in the balance sheet total caused the equity ratio to fall from 24.1 percent to 17.5 percent, despite the group net profit.

The increase in the value of fixed assets to KEUR 40,021 results from investments in land and buildings, technical equipment and fixtures and fittings in the Chemical Production and Logistics Divisions. Most of these investments were undertaken to extend existing assets. In the year under review, the group also purchased shares in a listed company from the Polish chemical industry (KEUR 6,199).

Another cause for the increase in the value of fixed assets is the appreciation of the PLN in relation to the EUR. The effect of this appreciation in the year under review has been assessed at KEUR 4,596.

The increase in inventories is related to sales increases in the raw materials trade and the production of chemicals.

The significant rise in trade accounts receivable in the year under review is also connected to an increase in sales revenues. Main contributors were the energy traders PCC GmbH and PCC Energie (KEUR 6,684) as well as the Rokita Group from the Chemical Production Division (KEUR 5,778). The initial consolidation of PCC Coaltran also brought in receivables of KEUR 3,416.

The increase in accounts receivable also caused an increase in the average period of payment (average receivables outstanding x 365/sales revenues) from 29.9 days to 37.0 days.

The development of the position "Other assets" reflects an increase of their value by KEUR 4,931 and has been primarily caused by the need to make a deposit at CEPS, the operator of the Czech power supply network, for the transmission capacities acquired at an auction for the year 2006. The value of other securities increased by KEUR 5,658 mainly reflecting the purchase of a shareholding in another company of the Polish chemical industry.

The sharp rise in liquid funds mainly reflects the issue of additional bearer bonds and subordinated bonds close to the balance sheet date by PCC AG. These increased the amount of liquid funds by KEUR 20,468.

Equity increased by KEUR 2,285 to KEUR 58,560 accounting for 17.5 percent (previous year: 24.1 percent) of the increased balance sheet total. The increase in equity basically reflects the group net profit of KEUR 5,370, profit distributions of KEUR 2,000 and changes caused by the consolidation of KEUR 1,085.

Under the position "Liabilities from subordinated bonds", both the capital from the PREPS contract concluded in the business year 2004 (KEUR 18,000) and additionally issued subordinated bonds (KEUR 18,000) are shown. The disbursement of the new subordinated bonds was discounted by KEUR 720 to the nominal amount, a difference which is shown as a prepaid expense. The subordinated bond has a period to maturity of seven years.

The fall in provisions mainly reflects the decrease of "Other provisions" (KEUR 1,201), a consequence of PCC Energie GmbH using up many of its electricity tax provisions during the year under review.

The increase in liabilities from bearer bonds results from issues of PCC AG (KEUR 27,108) and PCC GmbH (KEUR 3,567). The issuance of the new bearer bonds was primarily used to fund capital expenditures and sales increases. The bearer bonds have a remaining period to maturity of one to four years.

The increase in liabilities due to banks resulted primarily from increased liabilities of Rokita and Szczakowa in connection with their investment activities in the year under review.

The substantial increase of other liabilities has largely been caused by the accrual of payments from hedging deals at the EEX energy exchange.

tab 4

ASSETS	31.12.2005		31.12.2004		change	
	KEUR	%	KEUR	%	KEUR	%
Fixed assets						
Intangible assets	3,925	1.2	3,085	1.3	+ 840	+ 27.2
Tangible assets	94,159	28.2	73,943	31.7	+ 20,216	+ 27.3
Financial assets	15,428	4.6	8,295	3.6	+ 7,133	+ 86.0
	113,512	**34.0**	**85,323**	**36.6**	**+ 28,189**	**+ 33.0**
Current assets						
Inventories	39,671	11.9	36,325	15.6	+ 3,346	+ 9.2
Trade accounts receivable	92,703	27.8	72,890	31.3	+ 19,813	+ 27.2
Accounts receivable due from affliated companies	1,141	0.3	117	0.1	+ 1,024	+ 875.2
Other assets	33,576	10.1	17,551	7.5	+ 16,025	+ 91.3
Liquid funds	53,293	16.0	20,997	9.0	+ 32,296	+ 153.8
	220,384	**66.0**	**147,880**	**63.4**	**+ 72,504**	**+ 49.0**
TOTAL ASSETS	**333,896**	**100.0**	**233,203**	**100.0**	**+100,693**	**+ 43.2**

tab 5

LIABILITIES	31.12.2005		31.12.2004		change	
	KEUR	%	KEUR	%	KEUR	%
Equity	58,560	17.5	56,275	24.1	+ 2,285	+ 4.1
Long-term liabilities						
Subordinated bonds	36,000	10.8	18,000	7.7	+ 18,000	+ 100.0
Medium- and short-term liabilities						
Accruals	14,451	4.3	15,616	6.7	./. 1,165	./. 7.5
Liabilities from bearer bonds	85,782	25.8	55,107	23.6	+ 30,675	+ 55.7
Liabilities due to banks	37,637	11.3	27,569	11.8	+ 10,068	+ 36.5
Trade accounts receivable	60,655	18.2	44,135	18.9	+ 16,520	+ 37.4
Liabilities due to non-consolidated companies	393	0.1	53	0.0	+ 340	+ 641.5
Other liabilities	40,418	12.1	16,448	7.1	+ 23,970	+ 145.7
	239,336	**71.7**	**158,928**	**68.2**	**+ 80,408**	**+ 50.6**
TOTAL EQUITY AND LIABILITIES	**333,896**	**100.0**	**233,203**	**100.0**	**+100,693**	**+ 43.2**

Notes to Financial and Liquidity Position

The following statement of financial position provides an overview of the type and scope of financing flows of PCC Group in the year under review; it indicates the main financing sources and allocation of funds. (tab 6)

The cash flow from operations decreased by KEUR 5,352 from the previous year's level to KEUR 15,310 mainly as a consequence of the fall in the annual result. This cash flow contrasts to an outflow of funds of KEUR 6,224 due to asset management. Hence, the business activity of PCC Group resulted in a net outflow of funds of KEUR 9,086. The other changes in working capital concern fluctuations in currency conversion rates.

The investment activities of PCC Group resulted in an outflow of funds of KEUR 33,533, primarily caused by the fixed asset investments of Rokita and Szczakowa and investments in financial assets of PCC Aktiengesellschaft.

The investments listed above and the increase in working capital were mainly funded by PCC AG and PCC GmbH through the issue of subordinated bonds (KEUR 18,000) and bearer bonds. Moreover, Morava-Chem, Rokita and Szczakowa funded part of their growth and investments by taking up bank loans.

On the whole, the total stock of liquid funds increased by KEUR 32,296 to KEUR 53,293 in year-on-year terms.

tab 6

	2005 KEUR)*	2004 KEUR)*
Result before taxes on income	+ 10,301	+ 17,457
Taxes on income	./. 4,931	./. 4,683
Depreciation on fixed assets	+ 10,086	+ 8,231
Depreciation / appreciation of financial assets	./. 146	./. 343
Cash flow from operations	+ 15,310	+ 20,662
Changes in		
- Accruals	./. 1,165	+ 7,618
- Stocks	./. 3,346	./. 13,268
- Trade accounts receivable	./. 19,813	./. 33,558
- Trades accounts payable	+ 16,520	+ 13,043
- Accounts receivable due from group companies	./. 1,024	+ 2,322
- Accounts payable due to group companies	+ 340	./. 46
- Other operating assets	./. 16,025	./. 5,795
- Other operating liabilities	+ 23,970	+ 7,930
Cash relevant changes in working capital	./. 5,681	./. 3,996
Cash flow from asset management	./. 6,224	./. 25,750
Outflow / inflow of funds from business activities	+ 9,086	./. 5,088
Inflow from the sale of		
- Tangible / intangible fixed assets	+ 14,804	+ 5,865
- Financial assets	+ 1,228	+ 261
Effects of changes of consolidated group	0	./. 13,515
Capital expenditures		
- for tangible / intangible fixed assets	./. 41,592	./. 29,465
- for financial assets	./. 7,973	./. 495
Outflow of funds for capital expenditures	./. 33,533	./. 37,349
Issuing of subordinated bonds	+ 18,000	+ 18,000
Issuing of bearer bonds	+ 30,675	+ 23,271
Dividend payments	./. 2,000	0
Change in liabilities due to banks	+ 10,068	+ 10,357
Inflow of funds from financing activities	+ 56,743	+ 51,628
Change in liquid funds	**+ 32,296**	**+ 9,191**

*) + = Origin of funds
./. = Allocation of funds

IMPRINT

Publisher	PCC Aktiengesellschaft Moerser Str. 149 47198 Duisburg Germany Phone: +49 (0) 20 66 / 20 19 -0 Fax: +49 (0) 20 66 / 5 46 82 E-mail: info@pccag.com www.pcc.eu
Concept and editorial	Susanne Biskamp, PCC AG, Duisburg (D)
Design	L´ Atelier Werbeagentur & Werbeproduktion GmbH, Duisburg (D) Korporacja Reklamy LINEA, Wrocław (PL)
Printing	Druckerei und Verlag Peter Pomp GmbH, Bottrop (D)

This Annual Report has been published in German, English and Polish. The German version is the original.

PCC Aktiengesellschaft, Duisburg, Germany
July 2006

PCC ON THE INTERNET

www.pcc.eu

www.pcc.de

TRADING

www.pcc-energie.de

www.morava-chem.cz

www.chemproducts.com

PRODUCTION

www.pcc.rokita.pl

www.synteza.biz

www.kosmet.com.pl

www.rokita-agro.com.pl

LOGISTICS

www.pccrail.com.pl

www.pcc.railszczakowa.com.pl

www.pcc-cargo.de

www.autochem.com.pl

www.spedkol.com

www.pcccargo.pl

PCC. SYNERGIES AT WORK

PCC AG
Moerser Straße 149
47198 Duisburg
Germany
www.pcc.eu