Annual Report

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pcc SE

Annual Report 2006 of PCC SE

PCC. SYNERGIES AT WORK

Key Group Financials

PCC is an internationally active group of companies which, under the management of PCC SE, employs a workforce in 18 countries totalling more than 3,200 employees. Consolidated sales, generated in the Group's three divisions Trading, Chemical Production and Logistics, amounted to 875 million EUR in fiscal 2006.

Figures in million €	2002	2003	2004	2005	2006
Sales	**354.0**	**468.5**	**684.3**	**803.8**	**874.4**
Trading division	329.1	304.5	461.6	528.3	537.6
Chemical Production division	10.4	145.2	174.0	218.3	247.9
Logistics division	14.5	18.8	47.9	56.9	88.9
Gross profit	**10.3**	**68.3**	**87.1**	**100.6**	**124.4**
Net profit / loss for the year	**–10.4**	**9.0**	**12.8**	**5.4**	**3.7**
EBITDA[1]	**–7.8**	**20.9**	**28.9**	**27.5**	**33.3**
EBIT[2]	**–8.7**	**14.7**	**20.6**	**17.4**	**19.8**
EBT[3]	**–10.1**	**11.6**	**17.4**	**10.3**	**7.4**
Gross cash flow[4]	**–9.5**	**15.2**	**21.0**	**15.0**	**14.3**
ROCE[5] in %	**–28.3**	**23.9**	**16.4**	**9.3**	**7.6**
Return on equity[6] in %	**–100.3**	**38.1**	**26.0**	**9.8**	**6.7**
Group equity[7]	**5.3**	**42.0**	**74.3**	**89.5**	**121.6**
Equity ratio[8] in %	**7.9**	**30.3**	**31.8**	**27.2**	**27.8**
Cash and cash equivalents, marketable securities	**5.7**	**12.0**	**21.2**	**59.4**	**103.3**
Capital expenditure	**12.5**	**40.3**	**44.8**	**49.6**	**72.2**
Employees (consolidated companies)[9]	**650**	**2.602**	**2.771**	**2.785**	**3.222**
Germany	62	76	104	120	130
International	588	2.526	2.667	2.665	3.092

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[1] EBITDA = Earnings before interest, taxes, depreciation and amortisation

[2] EBIT = Earnings before interest and taxes = EBITDA less depreciation and amortisation

[3] EBT = Earnings before taxes = EBIT less financial items

[4] Gross cash flow = Net profit for the year plus depreciation and amortisation less additions to fixed assets

[5] ROCE = Return on capital employed = EBIT ÷ Average equity plus average interest-bearing debt capital including pension provisions

[6] Return on equity = Net profit ÷ Average balance sheet equity

[7] Economic equity including capital from participating certificates

[8] On the basis of economic equity

[9] Average for the year

Contents

Information For Our Investors

The PCC Group strategy is to focus on profitable growth in core activities incorporated in the value chains encountered in the chemical, energy and logistics sectors. In addition, PCC endeavours to continuously develop its existing portfolio through diversification into new competence-related fields of activity.

Preface by the Chairman of the Board

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

2006 was another eventful year for PCC. It was characterised particularly by our efforts to acquire two major chemical companies in Poland. These acquisitions would have increased Group sales to over 1.4 billion EUR, and would have substantially strengthened our position as a leading chemical producer in Central Europe.

PCC 2006: Dynamic development of a European corporation in a year rich in successes and challenges.

Disappointments with respect to Polish acquisitions; good results in Chemical Production and Logistics.

Having won the bidding process and signed the purchase agreements in April 2006, we put every effort into preparing for the acquisitions planned for the end of the year. However, the new Polish government intervened, refusing to give the necessary consent to these privatisation transactions.

Waldemar Preussner, Chairman of the Board of PCC SE

The motives for this legally rather questionable decision were apparently taken less on economic and more on political grounds.

Good results in Chemical Production and Logistics increase EBITDA

The collapse of these transactions not only negated many months of intensive work but also cost PCC significantly in cash terms. Aside from consultants' fees, we also incurred substantially increased interest expenses. Because we had been holding the funds required to pay the purchase price for, in some cases a number of months, the burden on earnings was appreciable. This can also be seen from the consolidated balance sheet which shows liquid funds in excess of 103 million EUR as of December 31, 2006. Consequently, the pre-tax profit of the Group, at 7.4 million EUR was both below expectations and down on the EBT result for the previous year. Nevertheless, we were able to increase operating profit (EBITDA) to 33.3 million EUR, a rise of over 20 % compared to 2005, with all the business units apart from the Energy BU contributing. Our business performance was unsatisfactory in both the Power Supply unit and – unfortunately – again in the Electricity Trading unit where we were still unable to return to profitability overall. However, related legacy contracts have now been extensively wound up, we have optimised our internal processes and have further reduced our low-margin wholesale activities, so that we expect this segment to undergo sustained consolidation through 2007.

Establishment of a logistics holding company in Poland

The year under review was also very much characterised by the organic expansion of our chemical and transport activities in Poland.

In 2006, we initially merged all our logistics companies under the umbrella of PCC Rail S. A., thus significantly improving our platform for further growth.

Aside from expansion in our bulk transportation activities, increasing our participation in the rapidly growing market for container transport stood at the centre of our growth strategy.

A highly ambitious investment programme was also initiated with respect to PCC Rokita SA, our most important chemical subsidiary. Aside from the construction of a new power plant and modernisation of the chlorine production facilities, we want, in particular, to substantially expand our production capacities in the promising growth segments of polyols and surfactants. We are also continuing to examine further acquisition possibilities in interesting markets and product groups.

PCC AG becomes PCC SE

A substantial proportion of the liquid funds available at the end of the year will be redeployed to these projects. Moreover, we made the most of the possibility available to us at the start of the year to prematurely redeem short-term bearer bonds with a volume of over 30 million EUR, thus significantly improving our financial structure.

The process initiated around mid 2006 to convert PCC AG into a joint stock corporation under European law (Societas Europaea or SE) was successfully completed at the beginning of February 2007, making us one of the few German companies that have taken this step to date. The purpose of this change in legal form was, in particular, to underline that we at PCC consider Europe as a whole to be our home market, rather than regarding ourselves as a German or Polish enterprise.

To conclude, I would like to express my heart-felt thanks to everyone at PCC for the enormous commitment that they showed in 2006, a year rich not only in successes but also in disappointments. The dedication creativity and dependability of our more than 3,200 employees at home and abroad have provided a solid foundation for the dynamic development undergone by the Group to date and will undoubtedly continue to do so in the future. I would also like to thank our many thousands of investors who, again last year, subscribed to PCC bonds and thus, as in the last nine years, provided a further major financial boost to our growth-generating activities.

Duisburg, June 2007

Waldemar Preussner
Chairman of the Board

Corporate Bodies

Board and Managing Directors of PCC SE

The members of the Board of PCC SE are Waldemar Preussner, Dipl.-Volksw. (Chairman), Dr. rer. oec. (BY) Alfred Pelzer (Deputy Chairman) and Reinhard Quint, Member of the Management Board of ThyssenKrupp Services AG, Düsseldorf.

The appointed managing directors are Ulrike Warnecke und Dr. Alfred Pelzer.

The change in legal form from PCC AG to a “Societas Europaea”, a European Company, also meant that the two main corporate bodies (Executive Board and Supervisory Board) were replaced by an Administrative Board. Previously, Dr. Alfred Pelzer and Ulrike Warnecke constituted the Executive Board of the former PCC AG. The Chairman of the Supervisory Board was Waldemar Preussner, and Reinhard Quint was the Deputy Chairman of the Supervisory Board. Dr. Jürgen W. Stadelhofer was a member of the Supervisory Board of PCC AG until December 31, 2006 (see note 26 to the consolidated financial statements).

The management of the Duisburg head office is completed by Executive Vice President Dietmar Kessler, Dipl.-Kfm., CFO of the Group.

Group head office in Duisburg, Germany

Dietmar Kessler, Ulrike Warnecke, Dr. Alfred Pelzer (from left to right)

Investor Relations

Solidarity and flexibility through a diversified approach to financing growth

In this, the fourteenth year of its existence as a corporation, the PCC Group today comprises more than 65 enterprises at home and abroad. In fiscal 2006, these entities with their more than 3,200 employees generated group sales amounting to 874 million EUR. Solid trading by existing operations and flexibility in the exploitation of new opportunities are the primary contributors to the rapid rate of growth achieved.

In the future, too, the growth policy of PCC SE as the holding company will be aligned to these two primary attributes. Hence, healthy organic growth of our subsidiaries in the three Group divisions – Trading, Chemical Production and Logistics – will remain as much in focus as achieving competence-related expansion through mergers and further participations offering enhanced synergies.

PCC SE and its various international subsidiaries acting at the local level intend to continue seeking out interesting acquisition and participation opportunities. The strategic objective of such financial investments is, firstly, to complement and extend our portfolio and, secondly, to expand production capacities in the chemical segment. In the energy segment, moreover, we are currently analysing various projects involving power plant purchases. In the Logistics division, meanwhile, the focus is on expanding our fleet of vehicles through the purchase of further locomotives and wagons.

In order to finance our growth, PCC has – since 1998 – availed itself not only of classic bank loans but also the issuance of corporate bonds. Since 2004, we have also participated in a series of mezzanine programmes for the purpose of strengthening our economic equity. We endeavour to maintain an appropriate mix of in-house resources and debt capital such as bank loans, bonds and similar instruments for the financing of projects.

Bonds issued

The following table shows the bonds issued by PCC SE as of December 31, 2006.

ISIN *	Interest rate p.a. in %	Start date	Maturity date	Exchange listing	Principal amount in €	Terminated by issuer
DE000A0BM8U9	7,00	01.07.2004	01.04.2007	—	9,646,000	Terminated by issuer as of 01.01.07
DE000A0B09T9	7,00	01.10.2004	01.10.2007	—	7,662,000	—
DE000A0DL8H5	7,00	01.12.2004	01.04.2008	—	12,111,000	—
DE000A0EY6Q4	7,00	01.07.2005	01.07.2010	Frankfurt	31,420,000	—
DE000A0JFJ90	7,00	01.05.2006	01.04.2011	Frankfurt	23,917,000	—

The first line shows the bond prematurely redeemed by PCC SE as of January 1, 2007.

* International Security Identification Number

True to the prudent corporate philosophy of PCC, the bond issuance volumes in particular are limited to the level required for our corporate development. Thus, in the course of the preceding year, significant liquidity holdings were built up in advance of various acquisition projects in Poland, as already mentioned in the preface. With the envisaged purchases not ultimately coming to fruition, the monies not reassigned to further projects were used as of January 1, 2007, for the early redemption of bonds issued by PCC SE and our subsidiary Petro Carbo Chem GmbH (PCC GmbH) in an amount exceeding 30 million EUR.

Currently in circulation are bearer bonds of PCC SE in the amount of approximately 82.7 million EUR (as at June 30, 2007). Outside Germany, our major Polish subsidiaries PCC Rokita SA and PCC Rail S. A. issued securities in the principal amount of 13.1 million EUR and 7.8 million EUR respectively. These low-interest, short-term złoty bonds were exclusively placed with institutional investors rather than being offered to the public.

On March 1, 2007, PCC SE issued the bond with the international security identification number (ISIN) DE000A0LRV96, maturing on July 1, 2013. The interest rate is 6.5 % per year. The security comes with a quarterly coupon. Inclusion in free market trading on the Frankfurt securities exchange took place in March of this year.

To further diversify the financing of growth, we are planning to issue our first PCC participating certificate at the end of the third quarter of 2007. Subject to approval of the prospectus by the BAFin (Federal Financial Supervisory Authority), the terms of this issue will be announced in the German “Handelsblatt” gazette and then published both in the quarterly reports and promptly on the web pages of PCC SE at www.pcc.eu.

Currently, the following financial information is regularly published:

- Annual report of PCC SE
- Condensed quarterly reports of PCC SE

Mezzanine capital

The following table shows the mezzanine debt instruments taken up as of December 31, 2006.

Programme	Bank / Banking syndicate	Principal value in €	Maturity date
Preps 2004-2 LP	Bayerische Hypo- und Vereinsbank GmbH, Munich	18,000,000	2011
Preps 2006-1 plc	Bayerische Hypo- und Vereinsbank GmbH, Munich	12,000,000	2013
H.E.A.T Mezzanine I-2005 S.A.	HSBC Trinkaus & Burkardt KGaA, Düsseldorf	18,000,000	2012
H.E.A.T Mezzanine I-2006 S.A.	HSBC Trinkaus & Burkardt KGaA, Düsseldorf	10,000,000	2013
StaGe Mezzanine	WestLB AG, Düsseldorf	8,000,000	2012

Additional Information

By converting to a Societas Europaea (SE), PCC has put down a clear marker. As a diversified industrial group, it generates 90 % of its sales within the European Union, and therefore sees itself very much as a pan-European enterprise.

PCC SE: The New European PCC

The expansion of the PCC Group and its further internationalisation are advancing apace. Today's PCC SE, previously PCC AG, operating as a group parent and holding company, now controls subsidiaries and affiliates in 18 countries. As a consequence, the prerequisites for a change in legal form to that of a European joint stock corporation, a Societas Europaea (SE for short) were met in the last quarter of 2006. By February 5, 2007, PCC SE had been entered as a European Company in the Duisburg commercial register.

With this new face, PCC has also underlined its clear pan-European alignment – extending far beyond Germany's borders – to its external audiences. Already today, far more than half the consolidated sales of the Group (60.7 %) are generated outside Germany. Poland is the second most important national market of the Group owing to PCC's strong presence in that country's chemical industry and logistics services segment. Overall, more than 90 % of consolidated revenues are generated within the European Union.

From its Duisburg headquarters, PCC SE as the holding company steers the global strategy of the corporate group. The international subsidiaries engaged in their respective local markets determine their own operating activities. They are managed as independent profit centres and have extensive entrepreneurial scope when it comes to making their own business decisions. The holding company supports its subsidiaries and affiliates through investment-related and communication activities aligned to creating the necessary conditions for growth and the effective utilisation of synergies.

Sales structure by region

Figures in million €

	2006	2005	2004
Germany	343.8	347.9	254.0
Poland	300.9	219.8	216.3
Other EU member states	144.3	144.6	174.6
EU total	**789.0**	**712.3**	**644.9**
Other Europe	47.1	56.4	15.8
Europe total	**836.1**	**768.7**	**660.7**
USA	15.1	5.7	2.2
Asia	14.8	15.5	13.5
Other regions	8.4	13.9	7.9
Total sales	**874.4**	**803.8**	**684.3**

General Overview of the Three Divisions

PCC – a modern mix of diversified industrial investments

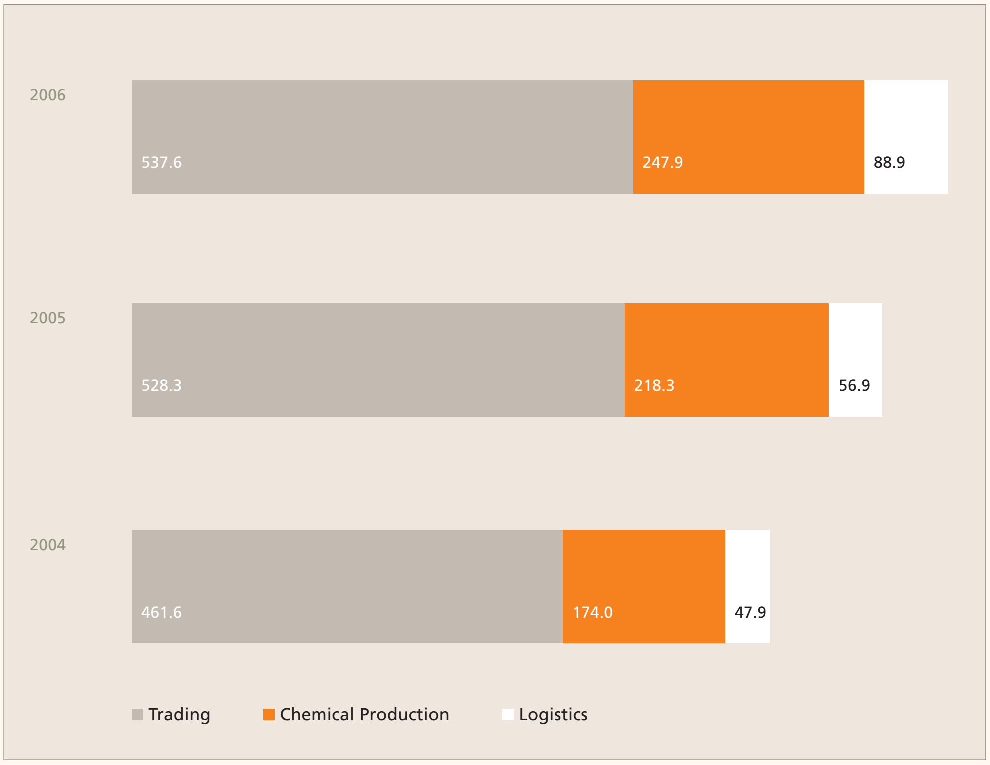
The companies of the PCC Group operate in the three segment-related divisions Trading, Chemical Production and Logistics. Through this diversification, the overall portfolio of PCC can be regarded as both stable and balanced. Due particularly to the labour-intensive production and logistics activities, the holding company with its sites in Europe, Asia and America accounts for more than 3,200 employees.

Thanks to the current structure of PCC as a mixed group comprised of companies operating in independent sectors and markets within a divisional framework, a certain level of diversification has been achieved leading to a reduction in entrepreneurial risk. Conversely, the excellent potential for cooperation opens up opportunities for enhanced synergies in the promotion of profitable growth. Intra-Group sales have, as a result, increased in the course of time to around 20 % of the gross figure.

In future, PCC will be focusing primarily on the expansion of its activities in the chemical and logistics sectors, both of which have, in recent years, increasingly contributed to the growth and, above all, the profitability of the PCC Group.

Sales structure by division

Figures in million €



Competitive strengths

The special competences and competitive strengths of PCC SE lie in the ability to identify and effectively further develop promising trading and service operations. One of the priorities in this regard lies in the expansion of our activities as a supplier in the electricity and gas markets. Further, the holding company PCC SE is gaining a growing reputation as a solid investor capable of successfully restructuring companies acquired in the course of privatisation processes. We have a proven track record when it comes to the successful integration of such enterprises within the Group and their subsequent further development. While PCC SE has shown that it is capable of increasing per capita value added, we place particular emphasis on retaining the integrity of the acquired entities. Glowing examples include the lead companies PCC Rokita SA of the Chemical Production division, and PCC Rail S. A. of the Logistics division. Today, both these companies count among the most profitable within the PCC Group.

Development following integration within the PCC Group

The improving performance of these two entities following their integration in the PCC Group is indicated in the following tables.

Development of the PCC Rokita SA subgroup

Figures in million €

	2002	2003	2004	2005	2006
Sales	124.4	124.2	182.1	199.1	222.4
Profit for the year	0.3	2.1	4.4	9.1	9.4
Equity	48.0	42.7	53.7	64.0	66.8
Capital expenditure	3.4	3.1	5.6	18.3	19.1

Development of the PCC Rail S.A. subgroup

Figures in million €

	2003	2004	2005	2006*
Sales	28.4	40.7	51.3	102.7
Profit for the year	1.3	4.2	7.3	7.3
Equity	14.5	20.9	29.3	29.7
Capital expenditure	2.3	11.5	8.9	39.8

*Holding company: PCC Rail

Exchange rates as of December 31

PLN (Polish złoty) versus 1 €

	2002	2003	2004	2005	2006
Year-end exchange rate	3.9965	4.6854	4.0746	3.8600	3.8310

PCC SE

Major directly and indirectly held subsidiaries of PCC SE

Trading division	Chemical Production division	Logistics division
PCC Petro Carbo Chem GmbH 100 (D)	PCC ROKITA 97.12 (PL)	PCC RAIL 97.58 (PL)
PCC Energie 100 (D)	ENERGETYKA ROKITA 97.12 (PL)	PCC Rail Coaltran 97.58 (PL)
PCC MORAVA-CHEM 100 (CZ)	ROKITA-AGRO 97.12 (PL)	PCC Cargo S.A. 97.58 (PL)
C&C Coke and Coal Products GmbH 60 (D)	KOSMET ROKITA 97.12 (PL)	PCC Cargo GmbH 97.58 (D)
PCC Energy S.A. 100 (PL)	TENSIS 97.12 (PL)	PCC SPEDKOL 97.58 (PL)
PCC Petro Carbo Chem S.A. 100 (PL)	PCC SYNTEZA 100 (PL)	PCC Rail Containers 97.58 (PL)
PCC Petro Carbo Chem Oy 100 (FIN)	PCC Węglopochodne 100 (PL)	PCC Kolchem 97.58 (PL)
ZE KE ZAKŁAD ENERGETYKI BLACHOWNIA Spółka z o.o. 58.18 (PL)	PCC CHEMAX 100 (USA)	PCC Autochem 98.81 (PL)
PCC Capital 100 (D)		Euro-Line GmbH 50 (D)

Participating interest in percent

▨ Direct subsidiaries of PCC SE □ Second-tier subsidiaries of PCC SE

PCC Group Locations

PCC Group Locations

Trading Division

Traditionally our biggest division, Trading, was once again the main contributor to revenues in fiscal 2006. In all, our trading companies generated around 538 million EUR in sales, a plus of 2.0 % compared to the previous year (528 million EUR).

The largest entity in the Trading division remains the founding company of the PCC Group, Petro Carbo Chem GmbH of Duisburg, which realised sales amounting to 368.9 million EUR (previous year: 383.0 million EUR).

The Trading division is the main revenue earner of the PCC Group. Its business activities include trading with commodities and energy sources.

The companies in the division operate in the commodities and energy trading segments, i.e. are predominantly involved in the purchase and sale of basestocks and energy sources, plus the supply of electricity and gas to end consumers. The portfolio of the Commodities business unit includes trading with chemical basestocks such as adipic acid, bisphenol A, caustic soda, rectified benzene, toluene and coking plant bi-products. The division trades both in products manufactured in-house and in third-party products. The international presence of the PCC Group effectively promotes the worldwide sale and distribution of

Caustic soda flakes produced by PCC Rokita

PCC has been offering container transport services since 2005 products manufactured by Group companies. In addition to these operations, the division trades in solid fuels such as coal and coke, and metallurgical products such as pig iron and steel sheet and plate.

Within the energy trading segment, the companies of the PCC Group operate both as wholesalers/ distributors and as energy providers. Since its entry into this segment in 1998, the year in which the power market was liberalised, PCC has become established throughout Germany as a competent and, above all, service-oriented electricity and gas vendor to SMEs and industrial concerns. This latter activity involves, in particular, the demand-led supply of energy to medium-sized enterprises in Germany by PCC Energie GmbH, Duisburg.

The hedging transactions relating to electricity trading are predominantly effected via the power exchanges, while gas wholesale activities are conducted on a bilateral basis. PCC trades on the major European power exchanges such as the EEX in Leipzig (Germany) and the EXAA in Graz (Austria). PCC is also active as a trader on the national power exchanges in Romania (OPCOM) and the Czech Republic (OKO). In 2006, PCC was responsible for electricity supplies totalling approximately 4 TWh (terawatt-hours, corresponding to 4 billion kilowatt-hours). As a further means of hedging our own trading positions, we continuously examine the possibilities of investing or participating in power plant projects both at home and abroad. At the time of going to press, our first mini hydro-electric power plants in the province of Central Bosnia are at the project engineering stage and we are awaiting the final approvals. The initial ground works are planned to begin shortly, and completion of the first power plant units is expected in the course of this year (2007). More and more, our focus within the energy sector is being directed towards promoting our development from the position of pure trader to that of energy generator and supplier.

Loading a PCC-owned tanker truck with chemical basestocks

Trading with coal and coke is one of the core business activities of PCC

The main companies in the Trading division and their fields of activity are described in the following.

Petro Carbo Chem GmbH, Duisburg (Germany)

Petro Carbo Chem GmbH was founded in 1993, and today's PCC SE was carved out of the company in 1998. It is the oldest PCC company and still today constitutes our biggest trading enterprise in revenue terms.

In fiscal 2006, it generated sales revenues of 387.1 million EUR with a total of 46 employees at its headquarters in Duisburg and subsidiaries in Warsaw (Poland), Moscow, Novocherkassk and Kaliningrad (Russia), Ventspils (Latvia), Kiev, Lviv, Dniepropetrovsk and Mukachevo (Ukraine), Ploiesti (Romania) and Beijing (China).

Turnover from trading activities is generated in the business units Energy (203.0 million EUR), Chemical Products (131.7 million EUR) and Solid Fuels (37.2 million EUR). The main customers of PCC GmbH are companies operating in the steel and chemical industries, and power utilities.

Within the Chemical Products business unit of the Trading division, the emphasis is on supporting our own production activities

PCC Energie GmbH, Duisburg (Germany)

Particularly since 2003, this company has succeeded in establishing itself as a vendor and service-provider in the demand-led supply of electricity to medium-sized companies in Germany, and in fiscal 2006 it realised sales amounting to 129.5 million EUR. In 2005, it went into the natural gas business, concluding its first supply agreements with industrial SMEs. The average number of employees at its Duisburg and regional offices during 2006 was 44.

PCC Morava - Chem s.r.o., Český Těšín (Czech Republic)

The company (previously Morava - Chem, spol. s r.o.) was founded in 1992 in Český Těšín close to the Czech industrial city of Ostrava, and specialises in trading chemicals, coal and coke, plus foundry supplies and products. In the recent past, it has also established itself as a player in the energy trading segment. Sales of PCC Morava - Chem in fiscal 2006 totalled 82.2 million EUR, achieved with a workforce of 34 employees. Its main customers are companies in the steel production and fabrication industries, chemical companies and power utilities.

The electricity volume handled by PCC in 2006 amounted to 4 TWh

PCC Morava - Chem also trades in foundry supplies and products

C&C Coke and Coal Products GmbH, Duisburg (Germany)

This company was founded in 2002 as a joint venture between PCC SE (60 % shareholding) and the Polish coke exporter Polski Koks S.A. (40 % shareholding). The main field of activity of the company lies in the marketing of Polish commodities in the form of small-sized coke fractions, blast furnace coke and foundry coke, plus Ukrainian anthracite, in Germany and Western Europe. In 2006, it generated sales amounting to 25.7 million EUR. The workforce in Duisburg comprises four employees.

Petro Carbo Chem Energy S.A., Chorzów (Poland)

Established in 2000, the trading company Petro Carbo Chem Energy S.A. (PCC Energy S.A. for short) realised sales in 2006 of around 23.5 million EUR with 11 employees. At 90 %, the majority of these revenues are generated by trading with coal, coke and fuels.

Petro Carbo Chem S.A., Gliwice (Poland)

The Polish trading subsidiary Petro Carbo Chem S. A. (PCC S. A. for short), founded in 1994, specialises in the energy trade and trading with commodity chemicals and solid fuels. With 91 employees, the company generated sales of around 77.1 million EUR in fiscal 2006. More than one third of this turnover is earned through export sales to other parts of Europe. The company, headquartered in Gliwice, has a second office in Dąbrowa Górnicza.

Customers in Western and Central Europe are supplied by trucks operated by PCC Autochem

Zakład Energetyki - Blachownia Sp. z o.o., Kędzierzyn - Koźle (Poland)

The business activities of the power plant company ZE - Blachownia encompass the trading and distribution of electricity, heating energy and coke-oven gas, and also the generation and supply of compressed air, industrial, distilled and sanitary water. Further important business segments include sewage and waste treatment. In 2006, the company's sales – generated with an average of 129 employees – amounted to 8.9 million EUR.

Petro Carbo Chem Oy, Helsinki (Finland)

The Finnish subsidiary Petro Carbo Chem Oy (PCC Oy for short) specialises in importation and international trading operations involving industrial chemicals, and petro- and carbon-based commodities. Sales in 2006 amounted to 6.4 million EUR. The average number of employees during the year was four.

PCC Capital GmbH, Duisburg (Germany)

PCC Capital GmbH, founded in 2005, provides financial services both to the companies of the PCC Group and to third parties. Its portfolio ranges from full-service factoring to purchase financing. Fiscal 2006 revenues were 0.7 million EUR, generated with a workforce of two employees.

Piping system on the factory site of PCC Rokita

Screening plant operated by PCC in Kaliningrad

Chemical Production Division

Specialising in selected product groups

At the beginning of the new millennium, PCC embarked on a campaign aimed at acquiring participating interests in companies in the Polish chemical industry. This resulted in the successful reverse integration of the company from pure commodity chemical trader to chemical producer.

Focusing on polyols, surfactants and phosphorus derivatives, PCC is one of the largest chemical producers in Poland.

In the meantime, PCC has become established as one of the largest chemical producers in Poland. Organic growth and further acquisition projects provide the twin tracks that we intend to follow in our future development strategy. The companies included in the Chemical Production division, operating at the two major Polish sites Brzeg Dolny near Wrocław and Kędzierzyn-Koźle near Gliwice, manufacture a wide range of basestock and speciality chemicals. Since the beginning of 2006, the US company PCC Chemax, Inc. has also been part of the PCC Group.

Polyether polyols supplied by PCC Rokita are used in the manufacture of PUR foams for the automotive industry

Plant for surfactant production at PCC Rokita

The main manufactures of the division fall under the following product group headings:

Polyols – in particular polyether polyols – are used in the manufacture of flexible and rigid polyurethane foams (PUR) for the furniture and automotive industries. Within Poland, our subsidiary PCC Rokita is the only producer of these polyols.

Chlorine (chlorine compounds, lyes) is used as a stock chemical in innumerable production processes. The associated applications range from the pulp and paper industry to use in the household products and textile industries.

Surfactants are surface active substances which, due to their specific properties, are used in the manufacture of household cleaners and laundry detergents.

Phosphorus derivatives are used, for example, in the form of flame retardants and plasticisers in the plastics industry.

Bisphenol A is used as a primary component in the manufacture of polycarbonate plastics (e.g. for compact discs) and epoxy resin lacquers (e.g. for can coatings).

Phenols (nonyl phenol and dodecyl phenol) are used, for example, in the manufacture of surfactants used in detergents, for ink jet cartridge filling applications and also in the production of lubricating oils.

Process control system for a production plant at PCC Rokita

Basic surfactants such as Perlan R40 here are manufactured by PCC Rokita

Sales of the Chemical Production division in 2006 amounted to 247.9 million EUR, an increase of 13.6 % above the 218.3 million EUR realised in the previous year. Overall, the PCC companies in this division contributed over 28 % to Group revenues (previous year: 25 %). At 1,326, the division's workforce represents over 40 % of total Group employees. The main sales market for the division is Poland, which accounts for a share of around 50 %.

PCC Rokita SA, Brzeg Dolny (Poland)

PCC Rokita SA is the largest chemical plant in the Dolny Śląsk region (Lower Silesia). With sales amounting to 216.9 million EUR, the PCC Rokita subgroup accounted for 86 % of production sales, once again putting it well ahead of the other companies in the division. Its export rate has continuously increased, rising to 42 % of total sales in 2006. The average number of employees at the company over the year was 1,174.

Enormous effort is currently being put into the expansion of existing production facilities and the construction of new plant in Brzeg Dolny. When PCC SE in its role as strategic investor acquired a majority holding in the then Rokita SA in 2003, the first main priority was to refurbish and stabilise the existing production facilities. After extensive demolition and clearance work accompanied by successful restructuring, an expansion phase was initiated with major investment projects ensuing. By the beginning of the second quarter of 2006, a new production line had been taken on stream as part of the expansion of the company's polyol production capability.

Details of production facilities and storage tanks at the PCC Rokita chemical plant

This resulted in capacity doubling to 68,000 metric tons per year. New expansion investments have already been put in place. By 2008, additional facilities built will increase production to 120,000 metric tons per year.

The PCC Rokita portfolio – comprising around 400 substances – is divided between four business units:

Polyols Business Unit

Figures in metric tons

	2005	2006	2007*	2008*
Production capacity: Polyols	40,000	62,000	68,000	100,000

***** Forecast

Chlorine Business Unit

Figures in metric tons

	2005	2006	2007*	2008*
Production capacity: Caustic soda (100 % NaOH)	100,000	100,000	105,000	135,000

***** Forecast

Structural framework of a new sulphonation plant at PCC Rokita scheduled for completion by the end of 2007

Surfactants Business Unit

Figures in metric tons

	2005	2006	2007*	2008*
Production capacity: Surfactants (100 % active ingredient)	35,000	35,000	35,000	65,000

* Forecast

Phosphorus Derivatives Business Unit

Figures in metric tons

	2005	2006	2007*	2008*
Production capacity: Phosphorus Derivatives	20,500	28,400	29,900	29,900

* Forecast

The focus is particularly on the Polyols business unit which accounts for sales volumes equating to more than 50 % of total production. Consequently, the investments made in this area are of major importance.

Within the Surfactants business unit, the first phase of construction for a second major sulphonation plant was initiated in 2006. Following completion, planned for the fourth quarter of 2007, the production volume of anionic surfactants will quadruple to 40,000 metric tons per year. An ethoxylation plant for the manufacture of non-ionic surfactants will, once completed, provide for the production of 20,000 metric tons per year – with an expansion option to double output. The construction of a monochloroacetic acid (MCAA) plant, begun in December 2006, will ensure achievement of the necessary chlorine balance. Chlorine consumption within the plant itself will be maximised and the new capacity will also secure acid supply to our subsidiary Rokita-Agro S. A., the division’s main Polish customer. Plant components and the technology applied in a former French MCAA facility are being used for this project.

With a volume of around 120 million EUR, the ambitious investment plan for the coming three years also encompasses the expansion of a modern electrolysis plant (approximately 30 million EUR) which will herald a change-over from mercury-based electrolysis to membrane (diaphragm) electrolysis. The electrolysis process and chlorine processing operations count among the main production activities of PCC Rokita.

The PCC Rokita subgroup comprises more than a dozen entities, of which the main companies are described in the following.

Energetyka-Rokita Sp. z o.o., a wholly owned power plant operator of PCC Rokita, is planning to construct a new combined heat and power plant with an investment volume of around 28 million EUR. This is scheduled to start supplying electricity and process steam to the chemical plant of PCC Rokita, and also district heat to the neighbouring town of Brzeg Dolny from July 2008.

For this project, which satisfies the BAT Environmental Guidelines (BAT = Best Available Technologies) for environmentally relevant industrial installations, Energetyka Rokita is receiving subsidies from the associated EU fund.

The subsidiary **Rokita Agro S. A.**, Brzeg Dolny, is active in the development, production and sale of plant protection products. Its portfolio includes herbicides and growth regulators. 50 % of its output is exported.

Also part of the PCC Rokita subgroup is **Kosmet-Rokita Sp. z o.o.** a manufacturer of household chemicals such as cleaners, toiletry and body care products, laundry detergents and also automotive care and cleaning products.

The newest PCC Rokita subsidiary is **Tensis Sp. z o.o.** which has been manufacturing chemical mixtures for the textile, construction and agricultural industries since April 2006. Its product range also includes fire-fighting media and laundry and home care products.

PCC Synteza S. A., Kędzierzyn-Koźle (Poland)

The main products of this company are bisphenol A and nonyl phenol which, as intermediates used in the manufacture of epoxy resins and non-ionic surfactants in detergents, are primarily marketed to customers in the chemical sector in other countries of the EU. Dodecyl phenol and Petrotex(R) round off the production programme. With 59 employees, PCC Synteza generated sales of around 25.3 million EUR in fiscal 2006.

PCC Węglopochodne Sp. z o.o., Kędzierzyn-Koźle (Poland)

Operating on the basis of a service agreement with a German chemical concern, PCC Węglopochodne converts tar into pitch, naphthalene and anthracene oil. Pitch is used in particular in the production of aluminium; naphthalene is a starting material for the synthesis of dyes, tanning agents, insecticides and solvents. Anthracene oil is an ingredient in, for example, wood preservatives. Sales from these conversion processes totalled 4.3 million EUR in the year under review, and the average number of employees at the company in 2006 was 64.

PCC Chemax, Inc., Piedmont, Greenville County, South Carolina (USA)

PCC Chemax, Inc., our first American subsidiary, develops and markets speciality chemicals (surfactant additives) for surface treatment applications, thus complementing the product portfolio of the PCC Rokita subgroup. In 2006, sales from these activities amounted to 12.4 million EUR, generated by a workforce of 29 employees.

Logistics Division

With a share of 3.85 % of the national rail goods traffic market, the PCC Rail S. A. subgroup – with PCC Rail S. A. as the lead company – has become one of the largest private train operators in Poland. Its annual volume amounts to around 1.5 billion FTK (freight ton kilometres), with the PCC companies of this division having handled a figure of around 11.5 million metric tons in 2006 – predominantly on rail – using their own rolling stock. The PCC fleet includes 116 locomotives and around 3,600 wagons and rail tankers.

The service portfolio of the division encompasses not only rail carriage but also road haulage and ranges from container services and the leasing and cleaning of rail tankers to assumption of full supply chain responsibility.

As one of the largest private rail carriers in Poland, PCC Rail is responsible for transport volumes amounting to 11.5 million metric tons per year.

The division also includes four transshipment terminals in Ukraine (Mukachevo), Poland (Sławków, Brzeg Dolny) and Russia (Kaliningrad). In Sławków (Poland) and Mukachevo (Ukraine), products such as benzene, phenol, fuel oil and gasoline are transloaded from Russian broad gauge vehicles to European standard gauge wagons and vice versa. The port of Kaliningrad (Russia) exclusively handles solid materials such as coal, coke and scrap. In Brzeg Dolny (Poland), PCC Rail has a container terminal on the site of PCC Rokita SA.

A new project for 2006 involved expansion of operations into rail passenger transport. A joint venture with Arriva International Ltd., a subsidiary of the Arriva Group – one of the largest providers of public passenger transport in Europe – is expected to generate significant success in this new business enterprise going forward.

The companies of the Logistics division are domiciled in Germany, Poland, the Czech Republic, Russia and Ukraine. More than 90 % of logistics sales in 2006 – which totalled 88.9 million EUR (consolidated at Group level) – are exclusively accounted for by the Polish market.

The major subsidiaries and their activities in the road and rail transport sector are described on the following pages.

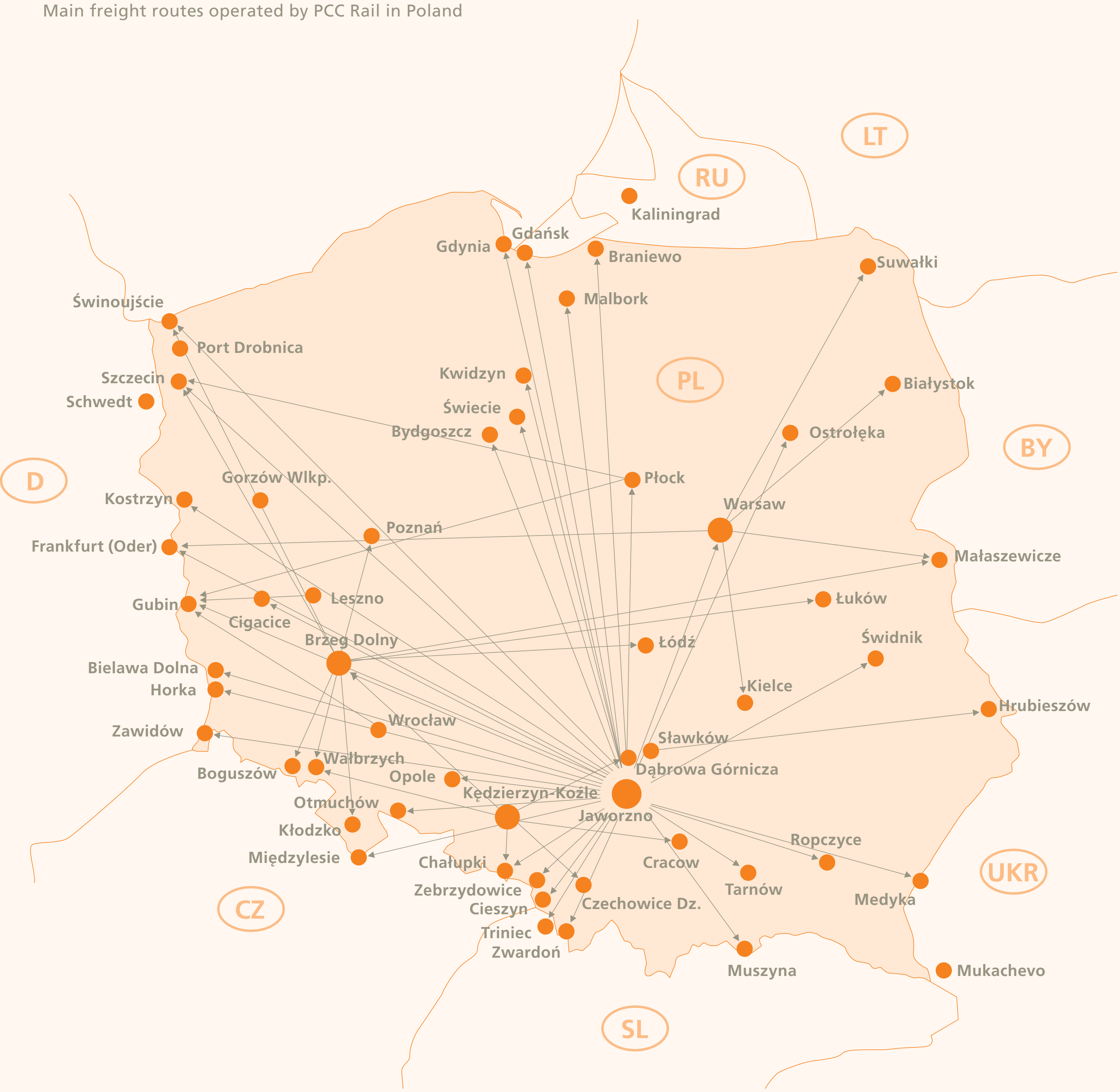
PCC Fleet

Figures refer to vehicle units

	2004	2005	2006
Locomotives	61	93	116
Wagons and rail tankers	2762	3800	3584
Road tankers	29	32	47

Rail transport

Main freight routes operated by PCC Rail in Poland



PCC Rail S.A., Jaworzno (Poland)

Since the end of 2006, all the major railway transport companies of the PCC Group have operated under the management of PCC Rail S. A. (previously PCC Rail Szczakowa S. A.).

With 1,431 employees and sales revenues in excess of 101.2 million EUR in 2006, PCC Rail S. A. operating as the subgroup parent not only performs the function of lead company of the Logistics division but also counts among the most important companies within the PCC Group as a whole.

Originally an operation serving a sand mine (producing aggregate as filler for excavated seams in the Silesian coal fields), in the course of time the company has developed into one of the largest private rail operators in Poland and a true specialist for coal and backing sand transportation. Its main customers are mining and power utility companies. PCC Rail has controlling shareholdings in ten entities which it manages from its head office in Jaworzno near Kraków [Cracow], Lower Silesia.

The main subsidiaries of the Logistics holding company PCC Rail S. A., and their fields of activity are described in more detail in the following.

Today, the PCC rail-bound fleet comprises 116 locomotives and around 3,600 wagons

PCC Rail Coaltran Sp. z o.o., Warsaw (Poland)

At the end of 2005, PCC SE acquired from Vattenfall Heat Poland S.A. 100 % of the shares in Coaltran Sp. z o.o. (today PCC Rail Coaltran Sp. z o.o.). The company is responsible for the entire internal transportation logistics of one of the largest coal-fired power stations in Warsaw owned by the Swedish Vattenfall Group. Through combination with the operations of PCC Rail S. A., in particular, which handles a major portion of the coal delivery and handling operations of behalf of the power plant, this represents a significant strengthening of the activities of PCC Logistics on the Polish market. The portfolio of PCC Rail Coaltran is also being continuously extended to include other business operations such as the transportation of construction materials. Following inclusion of just the balance sheet in the consolidated financial statements for fiscal 2005, the company was fully consolidated in 2006.

PCC Cargo GmbH, Duisburg (Germany)

The Duisburg carrier PCC Cargo GmbH offers not only road and rail transportation services but also intermodal solutions. Its rail-bound activities mainly involve the transportation of coke. Wagon leasing and rail tanker and container cleaning round off its service portfolio. PCC Cargo GmbH is the contact partner in Germany for all Logistics companies of the PCC Group.

In 2006, the transport volume handled by PCC Rail amounted to 1.5 billion FTK (freight ton kilometres)

PCC Cargo S. A., Sławków (Poland)

The goods carrier PCC Cargo S. A., nowadays domiciled in Sławków, Upper Silesia, offers rail and road transportation services. The company concentrates primarily on the carriage of chemicals, coal and steel products. It owns a transshipment terminal in Sławków which can be used to transfer cargoes between the standard Western European gauge track and the broad gauge track common in Eastern Europe. The year under review saw completion of the refurbishment work on its heating and transloading facilities. PCC Cargo S. A. also operates the PCC transshipment terminal at Mukachevo near the Ukrainian-Polish border. Its central location close to Romania, Slovakia and Hungary is also very favourable in logistical terms. As in the case of Sławków, the terminal has a standard gauge and a broad gauge track and is equipped with a heating facility.

PCC Spedkol Sp. z o.o., Kędzierzyn-Koźle (Poland)

Aside from offering rail-bound transportation services to the local regional industry of the region, PCC Spedkol is also active in the cleaning, maintenance, repair and leasing of rail tankers. Last year, the company opened a further subsidiary in Brzeg Dolny on the factory site of PCC Rokita. From here, haulage, transportation and repair services, and also the operation of the entire spur track serving the chemical works are managed at the local level.

In 2006, PCC Rail transported around 11.5 million metric tons of goods using its own rolling stock

PCC Rail Containers Sp. z o.o., Jaworzno (Poland)

Founded in 2005, PCC Rail Containers Sp. z o.o. serves the market for container-only trains. The company is primarily involved in the intermodal transportation of goods in containers, i. e. on routes involving more than one type of vehicle. The company runs the container terminal on the factory site of PCC Rokita SA in Brzeg Dolny. In the near future, further terminals are to be built for inter-modal carriage. Having opened an office in Gdynia, its portfolio of services performed on behalf of its customers, including companies of the Logistics division, was extended to include sea container transportation, enabling it to offer solutions to the more complex supply chain problems. In the course of fiscal 2006, scheduled block trains were put into service along the line Brzeg Dolny – Świnoujście/Świnoujście – Brzeg Dolny and also, since November 2006, on the Sławków – Gdynia/Gdynia – Sławków route. PCC Rail Containers is thus one of the first companies in Poland to offer regular services between its own terminal and the ports, providing a real alternative to the road haulage of containers.

PCC Rail Containers is planning to float on the Warsaw stock exchange at the end of 2007/beginning of 2008, with PCC Rail S. A. intending to hold a majority of the shares.

PCC is planning its first IPO with the listing of PCC Rail Containers on the Warsaw securities exchange GPW

Kolej Nadwiślańska Sp. z o.o., Jaworzno (Poland) – Arriva-PCC project

In 2006, Kolej Nadwiślańska working in collaboration with PCC Rail S. A. organised the first journey of a private passenger train in Poland. In the course of the year, several routes were covered. The operations of this company, which are being followed with enormous public interest, resulted in contract negotiations between PCC Rail S. A. and Arriva International Ltd., a subsidiary of the Arriva Group. The Arriva Group, whose head offices are in Derby, UK, is one of Europe's leading providers of public transport services.

A joint venture between PCC Rail S. A. and Arriva International Ltd. has been charged with the task of further developing non-state passenger transport in Poland, the Polish anti-trust authority already having given its approval in June 2007. The joint venture has also already won its first bid. Once the regional administrative authorities of województwo [province] has signed the associated agreement, Kujawsko-Pomorskie will be the first province in Poland in which passenger rail transport is offered and managed not by the state-run company Polskie Koleje Państwowe S.A. (PKP for short), but by a private company.

In 2006, PCC organised the first journey undertaken in Poland by a privately owned train

Road transport

PCC Autochem Sp. z o.o., Brzeg Dolny (Poland)

Complementing our rail-bound transport services, the Polish company PCC Autochem Sp. z o.o. also offers road transport and haulage services. Domiciled on the factory site of PCC Rokita SA in Brzeg Dolny, it owns almost 50 road tankers for deployment both within and beyond Poland.

PCC Autochem specialises in the transportation of hazardous materials, and particularly the carriage of liquid chemicals.

In January 2006, the company widened its service portfolio, having commissioned a modern washing facility for road tankers and containers.

With 66 employees, PCC Autochem realised sales of 5.1 million EUR in fiscal 2006.

The PCC vehicle fleet includes 47 road tankers stationed at the factory site of PCC Rokita

Group Management Report

In 2006, the PCC Group realised consolidated sales of 874 million EUR. Thanks in particular to growth in the Chemical Production and Logistics divisions, it was able to exceed prior-year sales by 70 million EUR. EBITDA rose from 27.5 million EUR to 33.3 million EUR.

Group Management Report

Our Core Business Activities

Again in 2006, the activities of the PCC Group focused on our three divisions

- Trading
- Chemical Production
- Logistics

Business performance within the individual divisions was extremely mixed:

Trading Division

This division is primarily concerned with trading in commodity chemical and solid fuels, and trading activities in the energy sector. Incorporated within the division are the following subsidiaries and affiliates:

- Petro Carbo Chem GmbH, Duisburg
- PCC Energie GmbH, Duisburg
- PCC Morava-Chem s.r.o., Český Těšín (until December 31, 2006: Morava-Chem, spol. s r.o.)
- Petro Carbo Chem S.A., Gliwice
- PCC Energy S.A., Chorzów
- Petro Carbo Chem Oy, Helsinki
- C&C Coke and Coal Products GmbH, Duisburg (participation: 60 %)

and also the Polish district heating utility

- ZE-Blachownia Sp. z o.o., Kędzierzyn-Koźle (participation: 58.18 %),

which shares we acquired in 2006.

Also included in this division is the wholly owned subsidiary PCC Capital GmbH, Duisburg, which began its activities in the factoring segment in 2006.

With consolidated sales amounting to 538 million EUR, the Trading division once again constituted our main revenue earner in 2006. For the second year running, however, the division made a significant loss.

This was primarily due to the negative results generated by the two largest trading companies in the PCC Group, Petro Carbo Chem GmbH, Duisburg, and PCC Energie GmbH, Duisburg, said losses only being partially offset by the thoroughly positive results of the other subsidiaries and affiliates operating in this division.

The main reason for the loss recorded by Petro Carbo Chem GmbH was a long-term purchase agreement (two years) for electricity supplied from Poland. Based on a strategic decision on the part of our holding company and in cooperation with PCC S. A., Gliwice, this agreement was concluded as an "investment" – so to speak – for 2007 in the expectation that electricity prices would increase both in Germany and in Poland in 2007. Consequently, only an extremely small margin for these supplies had been initially incorporated in the calculations for 2006, albeit extensively secured both by hedging of the PLN-EUR exchange rate on the purchase side, and by hedging of the selling prices on the EEX. Sudden and sporadic interruptions to supplies from Poland in the months from May to July 2006 meant, however, that covering purchases had to be made on the spot market which ultimately led to a significant deficit. The positive business performance turned in by the Chemical Commodities and Solid Fuel business units was unable to fully compensate for this loss. The results of Petro Carbo Chem GmbH were further burdened by provisions for a bad debt amounting to 500 kEUR, and also a value allowance of 1 million EUR with respect to the chemical commodities transshipment terminal in Mukachevo, Ukraine, held by this company.

In the case of PCC Energie GmbH, Duisburg, supplementary charges for balancing power supplied by the four major German grid operators for the year 2003 to 2005 were the main reason for the losses incurred in 2006. These supplementary charges exceeded provisions allocated by the company for this eventuality by around 2.3 million EUR. There are many causes for this discrepancy: individual errors were made, and there were inherent faults in the IT systems of the company. Owing to the fact that the charges for the above-mentioned period were not invoiced until 2006, there was also a significant delay in discovering and eliminating these failings. At the beginning of 2006, these problems initially remained, again adversely affecting earnings. Since the middle of 2006, however, the charges for balancing power supplies are being invoiced with much greater regularity so that budget / actual cost variances are more readily identifiable and more promptly rectifiable. The likelihood of a similar occurrence impacting earnings in the future has thus been minimised.

As already indicated, our subsidiaries PCC Morava - Chem s.r.o. and PCC S. A., Gliwice – which, in addition to trading in chemical commodities and solid fuels, are also active in the energy trading sector – were able to conclude 2006 in profit, as in the case of all the other subsidiaries and affiliates in this division.

Chemical Production

The Chemical Production division comprises the subsidiaries

- PCC Rokita SA, Brzeg Dolny (participation: 97.12 %)
- PCC Synteza S.A., Kędzierzyn-Koźle
- PCC Węglopochodne Sp. z o.o., Kędzierzyn-Koźle
- PCC Chemax, Inc., Piedmont

These companies were able to generate consolidated sales of 248 million EUR in 2006, making a significant contribution to the profitability of the Group. The main revenue earner and profit generator is PCC Rokita SA, the largest company in this division. This entity was able to report exceptionally positive business performance with results well above average, particularly in its Polyols and Speciality Chemicals business units, and with that upward curve continuing into the 2007 financial year. This is essentially due to the beneficial economic developments taking place both in Poland and in the international market, resulting in growing demand for polyols (raw materials for the production of polyurethane foam for use in the furniture and automotive industries) and also for flame retardants used to reduce the flammability of plastics – to name just two of the many products in the Rokita portfolio. Rising selling prices on the one hand and expansion of production capacities on the other led to sustained revenue growth in 2006, particularly in the export sector, and ultimately to a successful set of results for fiscal 2006.

By contrast, PCC Synteza S. A. ended 2006 with a significant loss. This is attributable in part to time lags between increases in raw material prices on the purchasing side and the implementability of price increases on the selling side. In addition, bottlenecks in raw material supplies – due to simultaneous production outages at the two most important upstream suppliers – led to manufacturing downtime amounting to several days at this subsidiary. The restructuring measures implemented at PCC Synteza S. A. in 2006 were unable to fully compensate for these negative influences. Moreover, results were further burdened by exceptional items (write-off) of an obsolete investment.

The two other subsidiaries operating in this division, PCC Węglopochodne Sp. z o.o., Kędzierzyn-Koźle, active in the tar processing sector, and PCC Chemax, Inc., Piedmont (speciality chemicals for surface treatment applications) performed to budget.

The expansion of the Chemical Production division planned for 2006 through the addition of two further sites in Poland was unsuccessful due to a decision taken by the Polish government in relation to the direction of its privatisation policy.

Logistics

The companies operating within the Logistics division, namely

- PCC Rail S.A., Jaworzno (participation: 97.58 %), (formerly PCC Rail Szczakowa S. A.)
- PCC Cargo GmbH, Duisburg
- PCC Cargo S.A., Sławków
- PCC Spedkol Sp. z o.o., Kędzierzyn-Koźle
- PCC Rail Coaltran Sp. z o.o., Warsaw
- PCC Kolchem Sp. z o.o., Brzeg Dolny
- PCC Autochem Sp. z o.o., Brzeg Dolny

and also the joint venture Euro-Line GmbH, Duisburg, generated consolidated sales of 89 million EUR in 2006. This division – driven by its largest company, PCC Rail S. A. – made the highest contribution to Group operating profit in 2006. PCC Rail S. A. and the other Logistics subsidiaries operate in an environment characterised by strong national and international competition. The focus of their activities is on the Polish transport market, currently characterised both by advancing liberalisation and by significant restructuring, privatisation and consolidation processes.

The merger under the PCC Rail S. A. umbrella of all these subsidiaries – with the exception of the joint venture Euro-Line GmbH, Duisburg, and also PCC Autochem, which is exclusively active in the road transport sector – was brought to a successful conclusion in 2006. Over the long term, the positive synergies associated with this restructuring are expected to lead to further, sustainable increases in the profitability of this division.

Business Development and Financial Performance

Due primarily to growth in the Chemical Production and Logistics divisions, the PCC Group was able to generate consolidated sales of 874 million EUR in 2006, exceeding the prior-year figure by 70 million EUR.

Thanks to the positive development of these two divisions and despite the losses made by the Trading division, gross profit at 124.4 million EUR was significantly above the prior-year figure (100.6 million EUR). Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved from 27.5 million EUR in 2005 to 33.3 million EUR in 2006.

Due in particular to a substantially higher net interest expense, earnings before tax fell from 10.3 million EUR in 2005 to 7.4 million EUR as of December 31, 2006. Consequently, net earnings after deduction of taxes on income (profit for the year) also declined from 5.4 million EUR per December 31, 2005, to 3.7 million EUR at year-end, 2006.

Thanks to the growth in sales, our balance sheet as of December 31, 2006, once again showed significant increases both in trade accounts receivable (103.1 million EUR versus 92.7 million EUR per December 31, 2005) and in trade accounts payable (80.7 million EUR compared to 60.7 million EUR as of December 31, 2005). Bank liabilities rose from 37.6 million EUR to 54.8 million EUR. The rise in liabilities due to bearer bonds was even more substantial, the year-end figure amounting to 128.9 million EUR compared to 85.8 million EUR per December 31, 2005. Participation certificates likewise rose, namely from 36 million EUR to 66 million EUR.

These developments were matched on the assets side by significantly higher tangible fixed assets: 130.5 million EUR versus 89.2 million EUR in the previous year. There were also non-capitalised hereditable building rights (leasehold rights in perpetuity) with a total value of 4.9 million EUR. Financial assets rose from 15.4 million EUR to 21.9 million EUR and cash and cash equivalents as at December 31, 2006, amounted to 97.1 million EUR (compared to 53.3 million EUR per December 31, 2005). As in the case of the increase in liabilities generated through the issue of further bearer bonds and participation certificates, this was in preparation of the new acquisitions in Poland originally planned for 2006.

The above developments resulted in another significant overall increase in our balance sheet total, from 328.9 million EUR to 437.4 million EUR as of December 31, 2006. The equity ratio decreased in consequence, from 16.3 % to 12.7 % based on equity capital and reserves recognised in the balance sheet. On the other hand, the ratio of equity capital and reserves plus long-term subordinate participation certificates (= economic equity capital) increased slightly – from 27.2 % to 27.8 %. Cash flow from operating activities improved from 7.7 million EUR to around 12.8 million EUR per December 31, 2006.

Outlook for 2007

The PCC Group will continue to build on its three pillars Trading, Chemical Production and Logistics in 2007, although Group strategy related to the individual divisions will diverge.

Trading

In the field of chemical commodities, the focus of this division will continue to be on supporting our production activities, i.e. expanding trading volumes with respect to those raw materials which are particularly important for the sourcing requirements of our factories. In addition, the PCC Group intends to remain present in those market segments offering long-term trading success (including coking plant bi-products, benzene, toluene and adipic acid). Thanks to the current upbeat economic environment prevailing both at home and in the international market, we anticipate that 2007 will be a successful year for this trading segment.

In the solid fuel trading sector, we intend to focus on expanding our procurement base in Central and Eastern Europe. Full-service packages aligned to our primarily Western European customers and based on a value chain comprising beneficiation and logistics services, are also to be further optimised. As before, we will concentrate on market niches involving activities such as the marketing of coke breeze and small coke fractions of Central and Eastern European provenance, where we can operate within a reasonably straightforward competitive environment. The good levels of business activity currently anticipated both for the steel and the non-ferrous metallurgical industries, home of our main customers, also lead us to expect positive developments from this segment in 2007.

Our electricity trading business, and particularly the activities of Petro Carbo Chem GmbH, is to be continued at a significantly restricted level and under strict risk-limiting conditions in 2007. The top priority for 2007 is to break even in this trading segment. This also applies to the supply business of PCC Energie GmbH, the portfolio of which has been and will continue to be further expanded by the incorporation of the natural gas supply business and technical services. This latter step should also serve to strengthen the competitiveness of this subsidiary. The decartelisation of the major electricity corporations, demanded at the political level, should lead to a sustainable improvement in the competitive situation of independent suppliers such as PCC Energie GmbH. Our long-term objective is to develop our own power generation capacities, with part of our focus on South East Europe. With our 57 % participation in GRID BH d.o.o. in Sarajevo (hydro-electric power plant project), we laid the first foundation stone for this strategy in 2006. Further investments in this direction are planned for 2007.

In general, our trading business is subject to both price and foreign exchange risks. Price risks are to be minimised in the future by concluding contracts either back-to-back or on the basis of price formulae. Transactions conducted in foreign currency are, as a rule, restricted throughout to just one such currency in order to exclude translation risks from the outset. In those cases in which a purchase and sale are transacted in different currencies, the exchange rates are extensively hedged. Incidentally, this latter rule is also strictly applied in the case of the Chemical Production division, which generates appreciable sales both in euros and in dollars, while a large proportion of the raw materials and energy resources required are purchased in local currency.

Chemical Production

Despite the failure already mentioned of the two acquisition projects in Poland in 2006, it is anticipated that the Chemical Production division will continue to gain in importance within the PCC Group.

Aside from comprehensive restructuring and modernisation activities aimed at permanently strengthening the competitiveness of existing facilities, subsidiaries and affiliates, our plans also include expansion investments, in particular at PCC Rokita SA, involving promising product groups such as polyols. Research and development in this and other product segments is also to be further intensified (expenditures in 2006 at PCC Rokita SA around 0.5 million EUR) so that we can remain competitive with the major international chemical corporations.

The financing costs arising from the above-mentioned investments coupled with an increase in depreciation and other write-downs, will inevitably affect the results of PCC Rokita SA in 2007. Overall, however, we expect to see a significant earnings contribution from this subsidiary this year.

Elsewhere we are working on a number of new acquisitions and green-field projects in order to achieve further growth into the future, implement competence-related diversification within the Chemical Production division, and increase our long-term competitiveness in the national and international markets in which we operate.

Aside from the currency risks already mentioned, all our subsidiaries and affiliates in the Chemical Production division are exposed to the risk of increasing environmental expense in the wake of ever more stringent pan-European waste, wastewater and allied controls. Investment commitments that may result from such regulation could in future have a negative impact on the earnings position of this division. The same applies to any additional expenditures arising in relation to the REACH regulations adopted in December 2006 (EU Directive on the Registration, Evaluation and Authorisation of Chemicals). It may be possible to compensate to a degree for such increases in expense through the exploitation of further savings potential.

Logistics

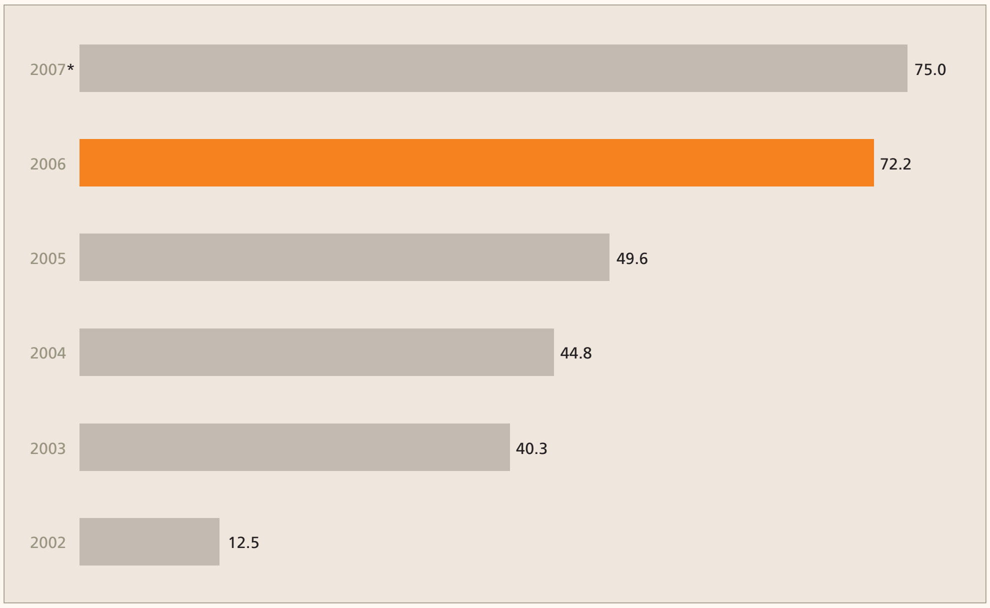
The strategy of our Logistics division is likewise aligned to further growth, particularly in our core activity, namely rail transport. More acquisitions and strategic alliances are planned with the aim of further expanding our position as a major participant in this market segment.

Within this context, we will be placing special focus on the container transport business for which high growth rates are forecast over the next few years. Supplemental to this, we also intend to further expand our transshipment activities. Having acquired a 46.12 % shareholding in the port company Drobnica-Port Szczecin in a transaction which has now also been approved by the Polish anti-trust authority, PCC Rail S. A. has made some significant progress in this direction.

Our entry into the passenger transport sector is also to be energetically pursued in collaboration with a strategic partner. These activities and also the planned investments in the expansion of the rolling stock of the PCC Rail Group should, over the long term, lead to an increase in the efficiency and profitability of our Logistics division in an ever more competitive environment.

Developments in investment volume at PCC Group

Figures in million €



* Forecast

Events after the Balance Sheet Date

Following the already mentioned failure of our acquisition projects in Poland in November 2006, it was not possible at short notice to redeploy the liquidity holdings – built up to finance these purchases – to other economically viable investments. Consequently, our holding company decided to pursue the path of early termination of all callable bearer bonds as of January 1, 2007. Hence, bonds to a total value of 32.8 million EUR were prematurely redeemed as of January 1, 2007. The corresponding consolidated liabilities, liquid funds and thus the overall balance sheet total were therefore reduced by this amount. As bond redemption per year-end 2006 was not possible for legal reasons, the ensuing positive effect with respect to certain financial metrics (including the equity ratio) was not reflected in the 2006 financial statements.

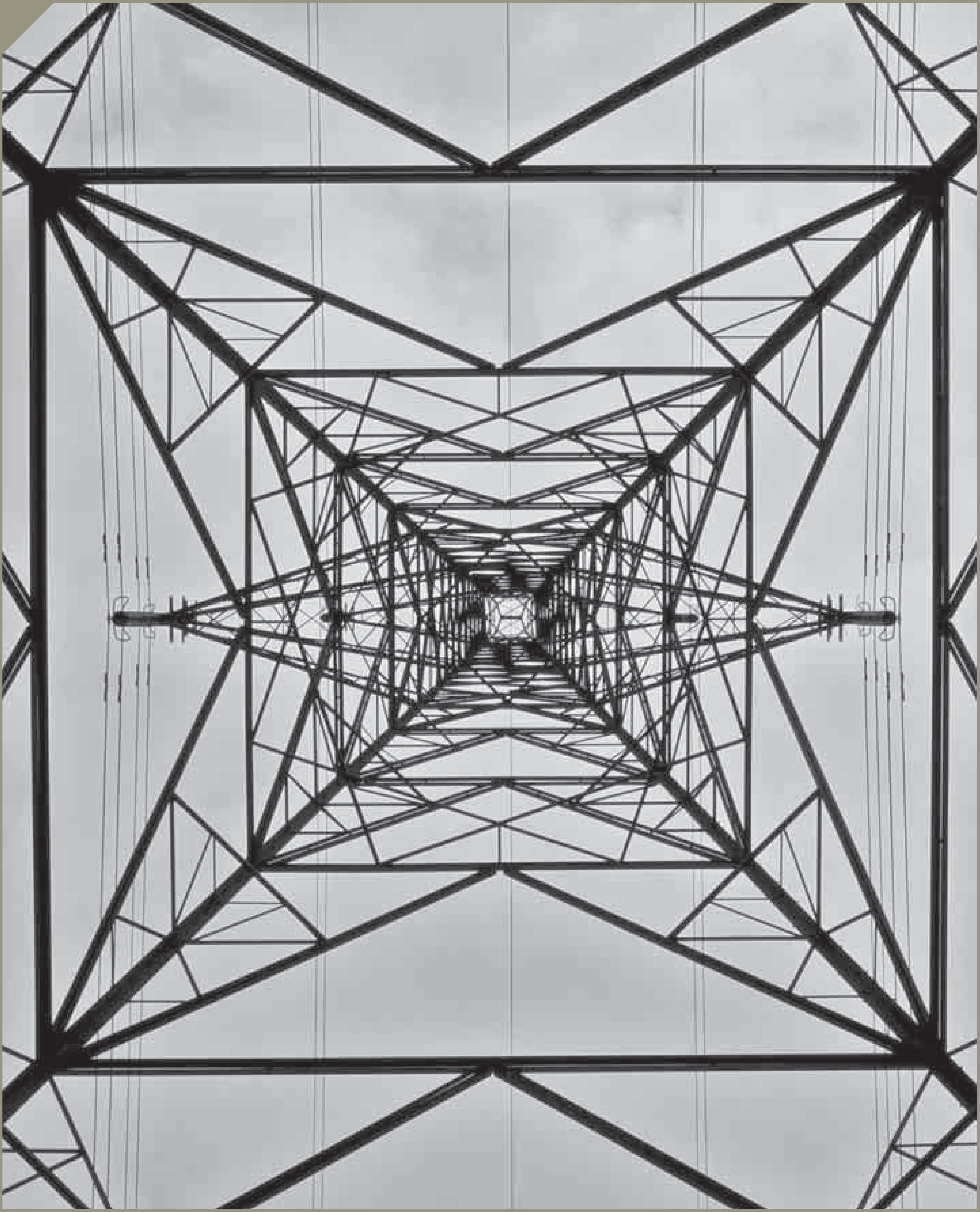
At the beginning of 2007, our holding company was successfully converted from a joint stock corporation to a European Company (Societas Europaea = SE). The new legal form was registered with the authorities on February 5, 2007. The purpose of implementing this change is to make a clear statement as to the European identity of our corporation and to strengthen our economic position and our social and cultural standing within the European Union and beyond.

Duisburg, June 6, 2007

PCC SE
Duisburg

Ulrike Warnecke
Managing Director

Dr. rer. oec. (BY) Alfred Pelzer
Managing Director



Consolidated Annual Financial Statements

The consolidated annual financial statements of PCC AG (from February 5, 2007: PCC SE) for 2006 have been prepared in accordance with German GAAP (GoB) as regulated in the German Commercial Code (HGB).

Consolidated Annual Financial Statements

Consolidated Income Statement* for the Financial Year 2006

Figures in thousand €	Note	2006	2005
Sales	(7)	**874,408**	**803,814**
Change in inventories		7,143	–2,487
Other internal costs capitalized		344	777
Other operating income	(8)	21,928	13,981
Purchased goods and services	(9)	757,515	701,490
Personnel expenses	(10)	44,273	37,796
Other operating expenses	(12)	68,725	49,315
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**33,310**	**27,484**
Depreciation and amortisation	(11)	13,517	10,086
Earnings before interest, taxes and other net financial income (EBIT)		**19,793**	**17,398**
Interest and similar income		2,623	2,470
Interest and similar expenses		14,723	9,371
Other net financial items	(13)	–264	–196
Earnings befores taxes (EBT)		**7,429**	**10,301**
Income taxes	(14)	3,764	4,931
Profit for the year		**3,665**	**5,370**
Result attributable to PCC AG Group		2,951	4,461
Result attributable to minority shareholders		714	909

*total expenditure format

Consolidated Balance Sheet as at December 31, 2006

ASSETS Figures in thousand €	Note	31.12.2006	31.12.2005
Fixed assets		**157,505**	**108,490**
Intangible assets		5,112	3,925
Tangible assets		130,473	89,179
Financial assets		21,920	15,386
Current assets		**271,927**	**209,807**
Inventories	(15)	42,737	39,671
Accounts receivable	(16)	103,092	92,703
Accounts receivable due from affiliated companies	(17)	42	1,142
Accounts receivable due from associated companies	(18)	268	0
Other assets	(19)	22,490	16,900
Securities		6,233	6,098
Cash and cash equivalents		97,065	53,293
Deferred taxes		**1,644**	**0**
Deferred expenses	(20)	**6,324**	**10,577**
Total assets		**437,400**	**328,874**

Equity and Liabilities Figures in thousand €	Note	31.12.2006	31.12.2005
Equity	**(21)**	**55,516**	**53,538**
Subscribed capital		5,000	5,000
Capital reserves		56	56
Consolidated retained earnings		42,744	38,587
Accumulated other capital		2,227	1,493
Minority interests		5,489	8,402
Provisions	**(22)**	**14,814**	**14,451**
Provisions for pensions and similar obligations		2,877	2,511
Tax provisions		417	1,400
Deferred tax provisions		243	1,450
Other provisions		11,277	9,090
Liabilities	**(23)**	**366,355**	**258,636**
Participation certificates		66,035	36,000
Liabilities from bonds		128,855	85,782
Bank liabilities		54,811	37,637
Advance payments for received orders		1,719	997
Accounts payable		80,696	60,655
Accounts payable due to affiliated companies		633	390
Accounts payable due to associated companies		21	3
Other Liabilities		33,585	37,172
Deferred income		**715**	**2,249**
Total equity and liabilities		**437,400**	**328,874**

Consolidated Statement of Cash Flows for the Financial Year 2006

Figures in thousand €	2006	2005
Profit for the year	**3,665**	**5,370**
Depreciation and amortisation of intangible assets	13,517	10,086
Depreciation and impairment of financial assets	1,150	207
Decrease (-), increase (+) in provisions	363	–1,165
Increase in allowance for receivables and other assets	2,291	2,286
Gains (-), losses (+) on disposals of fixed assets	–4,577	–1,403
Other non-cash gains (-) and expenses (+)	–2,075	–353
Gross cash flow	**14,334**	**15,028**
Increase (-), decrease (+) in inventories	–3,067	–3,346
Increase (-), decrease (+) in trade receivables (gross)	–12,680	–22,099
Increase (-), decrease (+) in receivables from affiliated companies	1,100	–1,104
Increase (-), decrease (+) in other assets	–3,249	–15,946
Increase (+), decrease (-) in trade payables	20,040	16,520
Increase (+), decrease (-) in payables to affiliated companies	243	337
Increase (+), decrease (-) in other liabilities	–4,380	23,973
Other changes	498	–5,681
Cash flow from operating activities	**12,839**	**7,682**
Inflows from disposal of tangible fixed assets	59	16,207
Inflows from disposal of financial fixed assets	12,934	1,228
Capital expenditures for purchases of intangible fixed assets	–2,389	–1,571
Capital expenditures for purchases of tangible fixed assets	–55,555	–40,021
Capital expenditures for purchases of financial fixed assets	–14,219	–7,973
Cash flow from investing activities	**–59,170**	**–32,130**
Dividends paid to shareholder and owner	0	–2,000
Inflows from issuing of participation certificates	30,035	18,000
Inflows from issuing of bearer bonds	43,073	30,675
Inflows from assumption of other financial liabilities	17,174	10,068
Cash flow from financing activities	**90,282**	**56,743**
Changes in cash due to cash transactions	43,951	32,295
Changes in cash due to foreign exchange rates	–178	0
Cash at beginning of period	53,292	20,997
Cash at end of period	**97,065**	**53,292**

Consolidated Statement of Movements in Group Equity for the Financial Year 2006

					Accumulated other capital				
Figures in thousand €	Note	Subscribed capital	Capital reserves	Consolidated retained earnings	Amounts due to foreign currency translation	Other amounts	Equity	Minority interests	Group equity
As at 31.12.2005		**5,000**	**56**	**38,587**	**1,493**	**0**	**45,136**	**8,402**	**53,538**
Profit for the year as at 31.12.2006				2,951			2,951	714	3,665
Changes in consolidation group				1,206			1,206		1,206
Foreign currency translation differences					734		734		734
Changes in minority interest							0	−3,627	−3,627
As at 31.12.2006	**(21)**	**5,000**	**56**	**42,744**	**2,227**	**0**	**50,027**	**5,489**	**55,516**

Consolidated Statement of Changes in Fixed Assets for the Financial Year 2006

	Historical cost							
Figures in thousand €	**01.01.2006**	Changes in amounts brought forward	Additions due to business combinations	Additions	Disposals	Reclassifications	Foreign currency translation	**31.12.2006**
Intangible assets	**8,287**	**147**	**46**	**2,376**	**218**	**106**	**67**	**10,811**
Industrial property and similar rights	8,287	0	31	836	218	0	65	9,001
Goodwill	0	147	15	1,540	0	106	2	1,810
Tangible assets	**218,680**	**0**	**12,832**	**52,998**	**7,132**	**0**	**2,285**	**279,663**
Land, land rights and buildings	76,420	0	1,554	2,960	1,035	−47,941	486	32,444
Technical plant and machinery	102,769	0	6,911	39,308	2,638	2,171	1,098	149,619
Other plant, operating and office equipment	22,108	0	3,077	6,237	3,459	48,098	530	76,591
Advance payments and assets under construction	17,383	0	1,290	4,493	0	−2,328	171	21,009
Financial assets	**14,750**	**5,295**	**138**	**14,182**	**7,306**	**– 106**	**1,701**	**28,654**
Shares in affiliated companies	7,746	2,327	0	1,340	70	– 116	112	11,339
Loans to affiliated companies	495	426	0	5,852	6,627	– 18	1,583	1,711
Shares in associated companies	4	1,017	0	0	400	0	0	621
Other investments	0	320	98	128	41	14	4	523
Loans to enterprises in which participating interests are held	0	0	0	392	0	18	–9	401
Securities	6,199	0	0	6,452	130	0	0	12,521
Other loans	306	1,205	40	18	38	–4	11	1,538
Fixed assets	**241,717**	**5,442**	**13,016**	**69,556**	**14,656**	**0**	**4,053**	**319,128**

Depreciation and amortisation								Net book value		
01.01.2006	Changes in amounts brought forward	Additions due to business combinations	Additions	Disposals	Reclassifications	Foreign currency translation	31.12.2006	31.12.2005	Changes in at-equity valuation	31.12.2006
4,363	**147**	**33**	**1,118**	**218**	**52**	**204**	**5,699**	**3,925**	**0**	**5,112**
4,363	0	27	769	218	0	200	5,141	3,925	0	3,860
0	147	6	349	0	52	4	558	0	0	1,252
129,501	**0**	**10,274**	**12,399**	**5,844**	**0**	**2,860**	**149,190**	**89,179**	**0**	**130,473**
39,964	0	137	874	398	–26,711	135	14,001	36,456	0	18,443
70,436	0	7,888	8,720	2,594	1,992	2,248	88,690	32,333	0	60,929
18,315	0	2,249	2,805	2,852	24,719	469	45,705	3,793	0	30,886
786	0	0	0	0	0	8	794	16,597	0	20,215
–637	**5,295**	**100**	**1,150**	**177**	**–52**	**1,044**	**6,723**	**15,386**	**–11**	**21,920**
206	2,327	0	1,111	39	–52	1,030	4,583	7,539	0	6,756
0	426	0	0	0	0	0	426	495	0	1,285
–650	1,017	0	0	0	0	0	367	654	–11	243
0	320	75	12	102	0	4	309	0	0	214
0	0	0	0	0	0	0	0	0	0	401
0	0	0	0	0	0	0	0	6,199	0	12,521
–193	1,205	25	27	36	0	10	1,038	499	0	500
133,227	**5,442**	**10,407**	**14,667**	**6,239**	**0**	**4,108**	**161,612**	**108,490**	**–11**	**157,505**

Notes to the Consolidated Annual Financial Statements for Fiscal 2006

General principles and methods applied in the preparation of the consolidated annual financial statements

PCC AG and its subsidiaries (hereinafter referred to as the "PCC Group") operate within a structure comprising three divisions: Trading, Chemical Production and Logistics. PCC AG is the group managing parent (holding company). The economic activities of the subsidiaries of PCC AG essentially encompass, within the respective divisions, energy and commodity trading, and the manufacture of chemical products. Also included in the portfolio are comprehensive logistics services. The PCC Group is currently represented in 18 countries in Europe and beyond.

1 General principles

The consolidated annual financial statements of PCC AG as of December 31, 2006, have been prepared in accordance with German GAAP (GoB) as regulated in the German Commercial Code (HGB). The financial statements of PCC AG and also the consolidated subsidiaries are prepared in accordance with uniform accounting and valuation principles. The accounting and valuation principles applied in the previous financial year have been retained unchanged.

Individual items of the consolidated balance sheet and the consolidated income statement have, in part, been aggregated in order to improve clarity of presentation versus previous year. The items are explained in the notes. Where necessary, the figures from the prior year have been reclassified to improve comparability. The total cost approach (classification of expenses by nature) has also been retained unchanged.

The closing date for preparation of the consolidated annual financial statements was December 31, 2006, coinciding with the closing date for the annual financial statements of PCC AG. The financial year of the Group corresponds to the calendar year.

2 Composition of the Group

Essentially, all material subsidiaries are included in the consolidated annual financial statements of PCC AG.

Subsidiaries not responsible for material business operations and regarded individually and in aggregate as being insignificant in terms of portraying a true and fair view of the net assets, financial position, results of operations and cash flow of the Group, have been omitted from the consolidation process and are therefore not reflected in the consolidated annual financial statements.

The scope of consolidation includes the following material subsidiaries which have been included in full:

Fully consolidated subsidiaries	Country	Share of voting rights in %
PCC Energie GmbH, Duisburg	Germany	100.00
C&C Coke and Coal Products GmbH, Duisburg	Germany	60.00
Petro Carbo Chem GmbH, Duisburg	Germany	100.00
PCC Capital GmbH, Duisburg	Germany	100.00
PCC Morava - Chem s.r.o. (Morava - Chem, spol. s r.o.), Český Těšín	Czech Republic	100.00
Zakład Energetyki - Blachownia Sp. z o.o., Kędzierzyn-Koźle	Republic of Poland	58.18
Petro Carbo Chem S.A., Gliwice	Republic of Poland	100.00
PCC Energy S.A., Chorzów	Republic of Poland	100.00
Petro Carbo Chem Oy, Helsinki	Republic of Finland	100.00
PCC Chemax Inc., Piedmont	USA	100.00
PCC Rokita SA, Brzeg Dolny	Republic of Poland	97.12
Kosmet-Rokita Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
Rokita-Agro S.A., Brzeg Dolny	Republic of Poland	86.31
PCT S.A., Brzeg Dolny	Republic of Poland	97.12
Energetyka-Rokita Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
Tensis Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
Ekologistyka Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
PCC Węglopochodne Sp. z o.o., Kędzierzyn-Koźle	Republic of Poland	100.00
PCC Synteza S.A., Kędzierzyn-Koźle	Republic of Poland	100.00
PCC Autochem Sp. z o.o., Brzeg Dolny	Republic of Poland	98.81
PCC RAIL S.A. (PCC Rail Szczakowa S.A.), Jaworzno	Republic of Poland	97.58
PCC Rail COALTRAN Sp. z o.o., Warsaw	Republic of Poland	97.58
PCC Cargo GmbH, Duisburg	Germany	97.58
PCC Cargo S.A., Sławków	Republic of Poland	97.58
PCC Spedkol Sp. z o.o., Kędzierzyn-Koźle	Republic of Poland	97.58
PCC Rail Containers Sp. z o.o., Jaworzno	Republic of Poland	97.58
PCC Rail Morava s r.o., Český Těšín	Czech Republic	97.58
PCC Kolchem Sp. z o.o., Brzeg Dolny	Republic of Poland	97.58
PCC Tabor Szczakowa Sp. z o.o., Jaworzno	Republic of Poland	97.58
PCC Śląskie Linie Kolejowe Sp. z o.o., Jaworzno	Republic of Poland	97.58
PIT Intechkop Sp. z o.o., Katowice	Republic of Poland	56.84
Kolej Nadwiślańska Sp. z o.o., Jaworzno	Republic of Poland	87.82
“Grid BH” d.o.o., Sarajevo	Bosnia and Herzegovina	57.00
Euro-Line GmbH, Duisburg	Germany	50.00

The following entities have not been included in the consolidated annual financial statements of PCC AG as these undertakings – individually and in their aggregation – are immaterial to the net assets, financial position, results of operations and cash flows of the Group.

Non-consolidated entities	Country	Share of voting rights in %
PCC Technik GmbH, Duisburg	Germany	100.00
Petro Carbo Chem Ploiesti S.R.L., Ploiesti	Romania	100.00
ZAO "Petro Carbo Chem", Moscow	Russian Federation	100.00
Petromag-Kaliningrad, Kaliningrad	Russian Federation	50.00
PetroCarboChem-Mukachevo, Mukachevo	Ukraine	100.00
"Petro Carbo Chem", Dniepropetrovsk	Ukraine	100.00
ZAO "NOVOBALT Terminal", Kaliningrad	Russian Federation	100.00
PCC Energija d.o.o., Ljubljana	Republic of Slovenia	100.00
PCC ENERGIJA d.o.o., Belgrade	Serbia and Montenegro	100.00
PETRO CARBO CHEM ENERGIJA d.o.o., Zagreb	Republic of Croatia	100.00
Drefakt GmbH, Dresden	Germany	25.10
PCC Slovakia s.r.o., Košice	Republic of Slovenia	100.00
PCC Energie Kft, Miskolc	Republic of Hungary	100.00
PCC Energia OOD, Sofia	Republic of Bulgaria	100.00
Chemia Partners Sp. z o.o., Warsaw	Republic of Poland	100.00
PCC Utilities S.A., Warsaw	Republic of Poland	100.00
LabAnalityka Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
LabMatic Sp. z o.o., Brzeg Dolny	Republic of Poland	97,12
Apakor-Rokita Sp. z o.o., Brzeg Dolny	Republic of Poland	95.04
Technochem Sp. z o.o., Brzeg Dolny	Republic of Poland	83.33
CWB "Partner" Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
BiznesPark Rokita Sp. z o.o., Brzeg Dolny	Republic of Poland	97.12
P.U.E. "Envolt", Brzeg Dolny	Republic of Poland	97.12
Przedsiębiorstwo Kompleksowej Realizacji Budownictwa "Fabud" S.A., Siemianowice	Republic of Poland	0.73
Drobnica-Port Szczecin Sp. z o.o., Szczecin	Republic of Poland	1.09
Agencja Rozwoju Lokalnego S.A., Katowice	Republic of Poland	6.79
WFP Project Development Sp. z o.o., Jaworzno	Republic of Poland	100.00

The following associated companies have been accounted for on a proportionate basis using the at-equity method:

Associated companies	Country	Share of voting rights in %
PETROMAG Oy, Helsinki	Republic of Finland	50.00
PCC Rail Sea Sp. z o.o., Katowice	Republic of Poland	48.79
Inwest. Grupa Budowlano-Surowcowa S. A., Katowice	Republic of Poland	32.20
Telekomunikacja Kopalń Piasku S.A., Gliwice	Republic of Poland	28.30
Kopalnia Piasku Kotlarnia S. A., Kotlarnia	Republic of Poland	10.63
PUH Włodzimierz S. A., Katowice	Republic of Poland	13.69
Górnicze Zakłady Dolomitowe S. A., Siewierz	Republic of Poland	10.63
Wytwórnia Konstrukcji Betonowych, Siemanowice	Republic of Poland	8.05

Changes in the Group in the year under review can be summarised as follows:

Fully consolidated subsidiaries	31.12.2006	31.12.2005
Germany	5	6
Abroad	28	23
Total	**33**	**29**

The subsidiaries PCC Capital GmbH, Duisburg, PCC Chemax, Inc., Piedmont, GRID BH d.o.o., Sarajevo, and Zakład Energetyki - Blachownia Sp. z o.o., Kędzierzyn-Koźle, were consolidated for the first time as of December 31, 2006. In fiscal 2006, one consolidated company domiciled in Germany was merged into the Group parent.

3 Consolidation

The items of the annual financial statements of the consolidated companies have been incorporated unchanged within the consolidated financial statements, albeit on the basis of a reclassified structure.

Included in the consolidated annual financial statements of the PCC Group are all the material domestic and foreign subsidiaries over which PCC AG has, either directly or indirectly, the power to govern financial and operating policies.

The book value method is used for the consolidation of capital whereby the carrying value of the shares owned by the parent company is eliminated against the amount represented by these shares in the equity of the subsidiary undertaking. The book values of the shares owned by the parent company in the consolidated entity are eliminated against its equity on the basis of the ratios prevailing at the time of first-time inclusion in the consolidated financial statements. The positive and negative differences arising from this allocation are set off against reserves unless recognised in income or capitalised as goodwill.

All expenses and income, and also accounts receivable and payable between consolidated companies, are eliminated, as are intercompany profits where such are material.

The financial statements of PCC AG and also those of the subsidiaries included in the consolidation are prepared on the basis of uniform accounting and valuation principles.

Participating interests in associated companies are accounted for in the consolidated balance sheet by the at-equity method. Realised net earnings for the year are proportionately allocated using the equity value approach. The resulting difference is set off against reserves.

Developments in the equity value in the course of the year were as follows:

Figures in thousand €	
Equity value 31.12.2005	654
Dividends	–400
Proportionate net earnings/loss	–11
Equity value 31.12.2006	**243**

The reporting currency employed in the preparation of the consolidated annual financial statements is the euro. Unless otherwise indicated, all amounts are given in thousand euros (kEUR).

The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the mid rate ruling on the balance sheet date, while income and expenses are translated at weighted average rates for the year. Equity components of the subsidiaries are translated at the corresponding historic rate of exchange prevailing as of the date of their formation. The resultant currency translation differences are recognised as adjusting items for currency translation within accumulated other capital or minority interests as appropriate.

The exchange rates of the main currencies of the Group applied with respect to one euro are as follows:

	Closing rate		Average rate	
Currency exchange rate for 1 €	**31.12.2006**	**31.12.2005**	**2006**	**2005**
Czech koruna (CZK)	27.4350	27.4850	28.3420	29.7820
Polish złoty (PLN)	3.8310	3.8600	3.8959	4.0230
US dollar (USD)	1.3170	1.1797	1.2556	1.2441

4 Notes to accounting policies

Intangible and tangible fixed assets are capitalised at purchase or manufacturing cost and amortized or depreciated using the straight-line method on the basis of estimated useful economic lives. Self-constructed/self-manufactured tangible fixed assets are measured at individual cost plus directly attributable overheads incurred. Assets of low value are written off in full in the year of acquisition.

Shares in immaterial subsidiaries not consolidated and other participating interests and loans are recognised at the lower of cost or fair value.

Inventories are measured at the lower of cost or market.

Accounts receivable and other assets are disclosed at their face/nominal amount and individually measured. Identifiable credit or default risks are reflected by appropriate individual value allowances. Accounts receivable in foreign currencies in the financial statements of the subsidiaries are recognised at the exchange rate prevailing at the time of the transaction or, if lower, at the mid rate ruling at the reporting date.

Credit balances at banks and cash in hand are recognised at face value.

Deferred taxes arising in the individual financial statements of the subsidiaries included in the consolidation are accrued with respect to timing differences between the reporting date valuation of an asset or liability and its tax base, provided that a tax charge or benefit is probable in future periods. In addition, deferred tax assets and liabilities are reported where these result from consolidation measures affecting income. Deferred tax assets on tax-deductible loss carry-forwards allowable in the future are not capitalised. Prepaid expenses are recognised on the assets side of the balance sheet provided that they represent expenses pertaining to a period after that date. Deferred income is recognised on the liabilities side with respect to income received prior to the balance sheet date representing earnings attributable to a period after that date.

Provisions are recognised in an amount which, on prudent commercial assessment, is required to cover identifiable risks and uncertain liabilities. Provisions for pensions and similar obligations are accrued at the present value of vested benefits based on actuarial assessments.

Liabilities are reported at the higher of face or redemption value.

Within the PCC Group, derivative financial instruments are contracted in order to hedge currency risks and electricity trading transactions. These derivative financial instruments are exclusively measured at fair value.

5 Changes in disclosure and in the explanatory notes relating to past periods

For the 2006 financial year, certain items have been restated in order to better represent the net assets position and the results of operations of the Group. Accordingly, the information for the previous financial year has been reclassified in order to render it comparable, resulting in the following changes with respect to the consolidated annual financial statements of PCC AG as of December 31, 2005:

Sales

Hedging relationships resulting from the use of derivative financial instruments were assigned to the underlying transactions in fiscal 2006, and disclosed or netted, depending on the hedge type, in sales revenues and / or cost of purchased goods and services. The corresponding comparable figures for fiscal 2005 have been adjusted accordingly.

Other taxes

Unlike in the consolidated annual financial statements as of December 31, 2005, other taxes in the consolidated financial statements per December 31, 2006, have been allocated to other operating expenses. The figures for the comparable prior-year have been correspondingly restated. Other operating expenses have therefore increased by 6,592 kEUR above the amount disclosed in the consolidated financial statements as of December 31, 2005. The figure representing other taxes has decreased accordingly.

Deferred tax provisions

The deferred tax provisions arising from the individual financial statements of the companies included in the consolidation and disclosed under tax provisions (tax accruals) in the consolidated financial statements as of December 31, 2005, have been allocated to a separate item within provisions in the consolidated financial statements per December 31, 2006. For better comparability, this item is also shown separately from the tax provisions per December 31, 2005.

Extraordinary expenses

The amount of 201 kEUR shown as extraordinary expenses for the previous year has been reclassified as of December 31, 2005, and included in other operating expenses. Other operating expenses as of December 31, 2005, have changed accordingly.

Group assets

(a) Carry-forwards of historic costs of acquisition and accumulated depreciation / amortization have been restated under the assets heading.

(b) Heritable building rights (leasehold rights in perpetuity) amounting to 4,981 kEUR arising from the individual financial statements of the foreign subsidiaries included in the consolidation, have been eliminated. The amount for the previous year has been restated accordingly.

(c) Shares in consolidated affiliated companies in the amount of 40 kEUR were not consolidated as of December 31, 2005, so that the figures shown for financial assets and for equity were both 40 kEUR too high. The figure has been restated through equity.

Financial assets and also Group equity as of December 31, 2005, have been changed accordingly.

Group equity

The items under the Group equity heading have been restructured as of December 31, 2006, compared to the consolidated annual financial statements per December 31, 2005, with allocation to the following headings: Subscribed capital, Capital reserves, Consolidated retained earnings, Accumulated other capital and Minority interests.

The adjusting item of minority interests shown under equity in the consolidated annual financial statements was restated at 8,402 kEUR as of December 31, 2005. The correction was implemented within Group equity effective December 31, 2005. The share of consolidated net earnings attributable to minority interests as of December 31, 2005, has been changed accordingly.

6 Effects arising from first-time consolidation

Four companies were included in the scope of consolidation effective January 1, 2006, and duly recognised in the consolidated financial statements as of December 31, 2006. The first-time consolidation of PCC Capital GmbH, Duisburg, PCC Chemax, Inc., Piedmont, and GRID BH d.o.o., Sarajevo, did not lead to any major restrictions in the comparability of the net assets and results of operations of the PCC Group. However, if Zakład Energetyki - Blachownia Sp. z o.o., Kędzierzyn - Koźle, had been included in the scope of consolidation effective January 1, 2005, the effects on the consolidated annual financial statements for 2005 would have been as follows:

- Sales revenues: + 6 million EUR
- Earnings before interest, taxes and other financial items (EBIT): + 0.7 million EUR
- Income from ordinary business activity: + 0.6 million EUR
- Profit for the year: + 0.6 million EUR
- Total assets: + 5.2 million EUR

On first-time consolidation of the above-mentioned companies, asset-side and liabilities-side differences amounting to 1,206 kEUR were offset against revenue reserves included in consolidated retained earnings. In addition, other operating income includes a gain from first-time consolidation amounting to 2,086 kEUR. This results from the writing-back of a liabilities-side difference as part of the first-time consolidation process in respect of additional shares in consolidated companies acquired in fiscal 2006, due to the good earnings prospects attributable to them (lucky buy).

Of the average number of employees indicated in the consolidated annual financial statements as of December 31, 160 are attributable to the above-mentioned companies included in the Group for the first time.

Notes on the consolidated income statement

7 Sales

The sales generated in the individual divisions are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Trading	537,644	528,315
Production	247,892	218,271
Logistics	88,860	56,916
Other	12	312
Total sales	**874,408**	**803,814**

The following is an analysis of sales by geographic region:

Figures in thousand €	31.12.2006	31.12.2005
Germany	343,830	347,940
Poland	300,841	219,767
Other EU member states	144,331	144,605
Other Europe	47,144	56,371
USA	15,126	5,719
Asia	14,741	15,523
Other regions	8,395	13,889
Total sales	**874,408**	**803,814**

8 Other operating income

The other operating income breaks down as follows:

Figures in thousand €	31.12.2006	31.12.2005
Gains from the disposal of tangible fixed assets and financial assets	5,805	1,582
Foreign exchange gains	5,449	3,688
Gains from the release of provisions	2,506	1,311
Insurance payments	1,352	264
Rent and similar income	717	562
Gains from the writing-back of impairments on receivables	618	1,587
Sundry other operating income	5,481	4,987
Total other operating income	**21,928**	**13,981**

Gains from the disposal of tangible fixed assets and financial assets include income from the sale of securities amounting to 4,481 kEUR.

9 Purchased goods and services

The breakdown of purchased goods and services is as follows:

Figures in thousand €	31.12.2006	31.12.2005
Cost of raw materials, supplies and merchandise	649,389	600,583
Cost of external services	63,627	60,021
Transport and warehouse costs	44,499	40,886
Total purchased goods and services	**757,515**	**701,490**

10 Personnel expenses

The personnel expenses are comprised as follows:

Figures in thousand €	31.12.2006	31.12.2005
Wages and salaries	35,914	30,455
Social security contributions	7,457	6,460
Pension costs	902	881
Total personnel expenses	**44,273**	**37,796**

The average number of employees within the PCC Group was as follows:

	31.12.2006	31.12.2005
Salaried employees	1,299	941
Waged employees	1,923	1,844
Total employees	**3,222**	**2,785**

11 Depreciation and amortization

The depreciation and amortization figures are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Amortization of intangible fixed assets	1,118	780
Depreciation of tangible fixed assets	12,399	9,306
Total depreciation and amortization	**13,517**	**10,086**

12 Other operating expenses

The items under other operating expenses are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Maintenance and repairs	12,796	4,624
Other taxes	7,167	6,592
Legal and consultancy costs	6,259	4,558
General business costs	18,348	9,537
Rent and similar expenses	4,959	4,269
Selling costs	2,762	1,774
Foreign exchange losses	3,510	3,274
Travel and hospitality costs	2,021	2,852
Increase in value allowances on receivables	1,918	3,873
Insurance costs	1,284	1,151
Losses on disposal of tangible fixed assets	1,228	178
Sundry other operating expenses	6,473	6,633
Total other operating expenses	**68,725**	**49,315**

13 Other net financial items

The headings incorporated in other net financial items are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Income from associated companies	539	9
Income from participating interests	295	10
Total income from participations	**834**	**19**
Write-downs of financial assets	–1,150	–207
Write-downs of marketable securities	–9	–8
Income from financial loans	61	0
Total other net financial items	**–264**	**–196**

14 Taxes on income

The taxes on income include the income taxes paid or owed in the individual countries and also deferred taxes recognised in earnings. Taxes on income are comprised of municipal trade and corporate income tax, the solidarity surcharge and the corresponding foreign taxes on income. There were no deferred taxes arising out of consolidation measures.

The breakdown of taxes on income by origin reads as follows:

Figures in thousand €	31.12.2006	31.12.2005
Current taxes on income in Germany	–133	567
Current taxes on income abroad	4,006	4,364
Deferred taxes abroad	–109	0
Total taxes on income	**3,764**	**4,931**

Notes to the consolidated balance sheet

15 Inventories

The breakdown of inventories is as follows:

Figures in thousand €	31.12.2006	31.12.2005
Raw materials and supplies	11,577	12,133
Work in process	5,628	686
Finished products and merchandise	20,879	18,063
Payments on account	4,653	8,789
Total inventories	**42,737**	**39,671**

16 Trade accounts receivable

The analysis of the trade accounts receivable is as follows:

Figures in thousand €	31.12.2006	31.12.2005
Trade accounts receivable	108,802	97,114
Individual value allowances	–5,710	–4,411
Total trade accounts receivable	**103,092**	**92,703**

Trade accounts receivable as of December 31, 2006, all have a remaining term of up to one year.

17 Accounts receivable from affiliated companies

Accounts receivable from affiliated companies as of December 31, 2006, all have a remaining term of up to one year.

18 Accounts receivable from enterprises in which participating interests are held

Accounts receivable from enterprises in which participating interests are held as of December 31, 2006, all have a remaining term of up to one year.

19 Other assets

The items under the other assets heading are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Claims for refunds of VAT and other dues and levies	10,315	0
Income tax claims	1,765	0
Surety and deposits	920	0
Compensation claims	134	0
Sundry other assets	9,356	16,900
Total other assets	**22,490**	**16,900**

Other assets as of December 31, 2006, all have a remaining term of up to one year.

20 Prepaid expenses

Prepaid expenses include a debt discount amounting to 934 kEUR (previous year: 679 kEUR).

21 Equity

Changes in consolidated equity is shown in the separate statement of movements in Group equity.

The subscribed capital of PCC AG as of December 31, 2006, amounts to 5,000 kEUR and is fully paid up. It is divided into 5,000,000 individual share certificates with a par value of 1 euro per share.

The consolidated retained earnings are comprised of the unappropriated profits realised in the period under review by the subsidiaries included in the consolidated annual financial statements. The share of the consolidated net earnings for the previous year attributable to the Group, amounting to 4,461 kEUR, has been recognised as profit brought forward within consolidated retained earnings.

The items included under consolidated retained earnings as of December 31, 2006, are as follows:

Figures in thousand €	31.12.2006	31.12.2005
Revenue reserves and profit/loss carried forward attributable to consolidated companies	24,371	19,910
Allocated differences arising from consolidation measures	15,422	14,216
Share of profit for the year attributable to Group	2,951	4,461
Total consolidated retained earnings	**42,744**	**38,587**

Accumulated other capital contains the adjusting items resulting from currency translation.

Participating interests in the PCC Group are held by German and foreign minority shareholders. The minority shareholders participate in the Group capital and the consolidated profit for the year.

22 Provisions

Figures in thousand €	01.01.2006	Currency effects	Released	Allocated	31.12.2006
Provisions for pensions and similar obligations	2,511	27	–340	679	2,877
Provisions for taxes on income	1,400	3	–876	–110	417
Deferred tax provisions	1,450	14	–44	–1,177	243
Other provisions	9,090	64	–1,246	3,369	11,277
Total provisions	**14,451**	**108**	**–2,506**	**2,761**	**14,814**

Provisions for pensions and similar obligations are due in full to obligations of consolidated companies abroad (Poland). An interest rate of 4 % has been applied as the basis of the actuarial assumptions used for the evaluation of these obligations.

23 Liabilities

The maturity structure of the liabilities as of December 31, 2006, reads as follows:

Figures in thousand €	RT* up to 1 yr	RT* 1 to 5 yrs	RT* more than 5 years	31.12.2006
Participation certificates	35	18,000	48,000	66,035
Liabilities from bonds	61,277	67,578	0	128,855
Bank liabilities	38,906	15,905	0	54,811
Advance payments for received orders	1,719	0	0	1,719
Trade accounts payable	80,687	9	0	80,696
Accounts payable to affiliated companies	633	0	0	633
Accounts payable to enterprises in which participating interests are held	21	0	0	21
Other liabilities	31,581	2,004	0	33,585
Total liabilities	**214,859**	**103,496**	**48,000**	**366,355**

* RT = Remaining term

As of December 31, 2006, other liabilities arising from taxes amounted to 7,421 kEUR (previous year: 10,134 kEUR) and those arising from social security amounted to 2,054 kEUR (previous year: 1,211 kEUR).

Other liabilities include derivative financial instruments recognised at fair value of 4,968 kEUR (previous year: 11,103 kEUR). These result from the effect of variation margins on open positions.

24 Derivative financial instruments

Owing to its business activities in the energy trading sector, the PCC Group is exposed to particular financial risks arising from price changes in the national and international energy markets. Fluctuations in income and cash flow result from these risks. In order to limit or eliminate such exposure, the PCC Group utilises derivative financial instruments in the form of exchange-listed electricity futures and options contracts. The resultant open positions are measured as of the reporting date according to daily exchange-quoted settlement prices as published by the clearing service. Initial margins paid are disclosed under other assets. Variation margins paid or received during the period under review are disclosed under other liabilities or other assets.

25 Contingent liabilities

The contingent liabilities as of December 31, 2006, were as follows:

Figures in thousand €	31.12.2006	31.12.2005
Liabilities arising from guarantee agreements	11,458	0
Liabilities arising from warranty	815	5
Bills and notes discounted	57	3,476
Other contingent liabilities	4,266	6,750
Total contingent liabilities	**16,596**	**10,231**

26 Corporate bodies

The corporate bodies of PCC AG, parent company of the PCC Group, as of fiscal 2006, were as follows:

Executive Board:

- Waldemar Preussner, Chairman/CEO until October 10, 2006
- Dr. rer. oec. (BY) Alfred Pelzer
- Ulrike Warnecke

Supervisory Board:

- Waldemar Preussner, Chairman from October 11, 2006
- Dr. Jürgen W. Stadelhofer, Chairman until October 10, 2006
- Reinhardt Quint
- Gisbert Rühl, until April 3, 2006
- Dr. Franz Josef Kruger, from April 4, 2006, until October 10, 2006

In fiscal 2006, Supervisory Board emoluments amounted to 209 kEUR (previous year: 440 kEUR).

Name and head office of company	Currency	Exchange rate 31.12.2006 1 EUR =	PCC AG participating interest in %			Nominal capital in local currency ('000)
			Direct	Indirect	Total	
I. Parent company						
PCC AG, Duisburg, D						
II. Subsidiaries **A. Fully consolidated subsidiaries**						
PCC Energie GmbH, Duisburg, D	EUR	—	100.00	—	100.00	2,000
C&C Coke and Coal Products GmbH, Duisburg, D	EUR	—	60.00	—	60.00	800
Petro Carbo Chem GmbH, Duisburg, D	EUR	—	100.00	—	100.00	3,000
PCC Capital GmbH, Duisburg, D	EUR	—	100.00	—	100.00	100
PCC Morava-Chem s.r.o. (Morava-Chem, spol. s r.o.) Český Těšín, CZ	CZK	27.4350	98.00	2.00	100.00	100,000
Zakład Energetyki-Blachownia Sp. z o.o., Kędzierzyn-Koźle, PL	PLN	3.8310	58.18	—	58.18	12,612
"Grid BH" d.o.o., Sarajevo, BH	BAM	1.9558	57.00	—	57.00	157
PCC S.A., Gliwice, PL	PLN	3.8310	100.00	—	100.00	8,000
PCC Energy S.A., Chorzów, PL	PLN	3.8310	100.00	—	100.00	1,992
PCC Oy, Helsinki, FIN	EUR	—	100.00	—	100.00	20
PCC Chemax Inc., Piedmont, USA	USD	1.3170	100.00	—	100.00	0.001
PCC Rokita SA, Brzeg Dolny, PL	PLN	3.8310	97.12	—	97.12	15,295
Kosmet-Rokita Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	4,983
Rokita-Agro S.A., Brzeg Dolny, PL	PLN	3.8310	—	86.31	86.31	24,027
PCT S.A., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	6,000
Energetyka-Rokita Sp. z.o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	27,588
Tensis Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	50
Ekologistyka Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	26,912
PCC Węglopochodne Sp. z o.o., Kędzierzyn-Koźle, PL	PLN	3.8310	100.00	—	100.00	3,600
PCC Synteza S.A., Kędzierzyn-Koźle, PL	PLN	3.8310	100.00	—	100.00	2,500
PCC Autochem Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	58.85	39.96	98.81	3,399
PCC RAIL S.A. (PCC Rail Szczakowa S.A.), Jaworzno, PL	PLN	3.8310	97.58	—	97.58	5,722
PCC Rail COALTRAN Sp. z o.o., Warsaw, PL	PLN	3.8310	—	97.58	97.58	11,140
PCC Cargo GmbH, Duisburg, D	EUR	—	—	97.58	97.58	193
PCC Cargo S.A., Sławków, PL	PLN	3.8310	—	97.58	97.58	1,987
PCC Spedkol Sp. z o.o., Kędzierzyn-Koźle, PL	PLN	3.8310	—	97.58	97.58	2,264
PCC Rail Containers Sp. z o.o., Jaworzno, PL	PLN	3.8310	—	97.58	97.58	3,709
PCC Rail Morava s r.o., Český Těšín, CZ	CZK	27.435	—	97.58	97.58	28
PCC Kolchem Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.58	97.58	5,564
PCC Tabor Szczakowa Sp. z o.o., Jaworzno, PL	PLN	3.8310	—	97.58	97.58	1,187
PCC Śląskie Linie Kolejowe Sp. z o.o., Jaworzno, PL	PLN	3.8310	—	97.58	97.58	200
PIT Intechkop Sp. z o.o., Katowice, PL	PLN	3.8310	—	56.84	56.84	200
Kolej Nadwiślańska Sp. z o.o., Jaworzno, PL	PLN	3.8310	—	87.82	87.82	50
Euro-Line GmbH, Duisburg, D	EUR	—	50.00	—	50.00	50

Name and head office of company	Currency	Exchange rate 31.12.2006 1 EUR =	PCC AG participating interest in %			Nominal capital in local currency ('000)
			Direct	Indirect	Total	
B. Non-consolidated companies						
PCC Technik GmbH, Duisburg, D	EUR	—	—	100.00	100.00	300
Petro Carbo Chem Ploiesti S.R.L., Ploiesti, RO	RON	3.3835	—	100.00	100.00	136
ZAO "Petro Carbo Chem", Moscow, RUS	RUB	34.68	—	100.00	100.00	130
Petromag-Kaliningrad, Kaliningrad, RUS	RUB	34.68	—	50.00	50.00	10
Petro Carbo Chem-Mukachevo, Mukachevo, UA	UAH	6.9395	—	100.00	100.00	11,190
"Petro Carbo Chem", Dniepropetrovsk, UA	UAH	6.9395	—	100.00	100.00	244
ZAO "NOVOBALT Terminal", Kaliningrad, RUS	RUB	34.68	—	100.00	100.00	4,000
PCC Energija d.o.o., Ljubljana, SI	SIT	239.77	—	100.00	100.00	5,003
PCC ENERGIJA d.o.o., Belgrade, SCG	RSD	81.8515	—	100.00	100.00	840
PETRO CARBO CHEM ENERGIJA d.o.o., Zagreb, HR	HRK	7.3504	—	100.00	100.00	100
Drefakt GmbH, Dresden, D	EUR	—	—	25.10	25.10	500
PCC Slovakia s.r.o., Košice, SK	SKK	34.385	—	100.00	100.00	1,000
PCC Energie Kft, Miskolc, HU	HUF	251.77	—	100.00	100.00	50,000
PCC Energia EOOD, Sofia, BG	BGN	1.9558	—	100.00	100.00	100
Chemia Partners Sp. z o.o., Warsaw, PL	PLN	3.8310	100.00	—	100.00	210
PCC Utilities S.A., Warsaw, PL	PLN	3.8310	100.00	—	100.00	500
LabAnalityka Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	365
LabMatic Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	185
Apakor-Rokita Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	95.04	95.04	391
Technochem Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	83.33	83.33	50
CWB "Partner" Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	100
BiznesPark Rokita Sp. z o.o., Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	1,004
P.U.E. "Envolt", Brzeg Dolny, PL	PLN	3.8310	—	97.12	97.12	51
Przedsiębiorstwo Kompleksowej Realizacji Budownictwa "Fabud" S.A., Siemianowice, PL	PLN	3.8310	—	0.73	0.73	3,337
Drobnica-Port Szczecin Sp. z o.o., Szczecin, PL	PLN	3.8310	—	1.09	1.09	880
Agencja Rozwoju Lokalnego S.A., Katowice, PL	PLN	3.8310	—	6.79	6.79	575
WFP Project Development Sp. z o.o., Jaworzno, PL	PLN	3.8310	—	100.00	100.00	50
III. Associated companies						
PETROMAG Oy, Helsinki, FIN	EUR	—	50.00	—	50.00	250
PCC Rail Sea Sp. z o.o., Katowice, PL	PLN	3.8310	—	48.79	48.79	300
Inwest. Grupa Budowlano-Surowcowa S.A., Katowice, PL	PLN	3.8310	—	32.20	32.20	10,000
Telekomunikacja Kopalń Piasku S.A., Gliwice, PL	PLN	3.8310	—	28.30	28.30	500
Kopalnia Piasku Kotlarnia S.A., Kotlarnia, PL	PLN	3.8310	—	10.63	10.63	4,736
PUH Włodzimierz S.A., Katowice, PL	PLN	3.8310	—	13.69	13.69	10,116
Górnicze Zakłady Dolomitowe S.A., Siewierz, PL	PLN	3.8310	—	10.63	10.63	2,231
Wytwórnia Konstrukcji Betonowych, Siemanowice, PL	PLN	3.8310	—	8.05	8.05	2,000

Auditors' Report

on the consolidated financial statements and group management report of PCC Aktiengesellschaft, Duisburg, Germany, for the financial year from January 1 to December 31, 2006.

We have audited the consolidated financial statements prepared by PCC Aktiengesellschaft, Duisburg, Germany, comprising the balance sheet, income statement, notes to the consolidated financial statements, cash flow statement and statement of movements in equity – taking into account the group's accounting records and the group management report for the financial year from January 1, to December 31, 2006. The preparation of the consolidated financial statements and the group management report according to German commercial law is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements prepared in accordance with the applicable financial reporting framework, and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and of the economic and legal environment in which the PCC Group operates and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PCC Aktiengesellschaft, Duisburg, Germany, comply with the legal requirements of German commercial law give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks associated with the Group's future development.

Düsseldorf, July 23, 2007

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Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer (Auditor)	Wirtschaftsprüfer (Auditor)

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