

Invest. Structure. Profit.

Annual Report 2010





| <b>Consolidated Income Statement</b> | <b>2010</b> | 2009    |
|--------------------------------------|-------------|---------|
| Sales                                | € 580 m     | € 652 m |
| Gross margin                         | € 89 m      | € 117 m |
| EBITDA*                              | € 14 m      | € 131 m |
| EBIT*                                | € 1 m       | € 107 m |
| EBT*                                 | -€ 15 m     | € 95 m  |

| <b>Consolidated Balance Sheet</b> | <b>2010</b> | 2009    |
|-----------------------------------|-------------|---------|
| Balance sheet total               | € 468 m     | € 447 m |
| Fixed assets                      | € 274 m     | € 237 m |
| Current assets                    | € 187 m     | € 207 m |
| Equity                            | € 112 m     | € 130 m |
| Liabilities                       | € 320 m     | € 294 m |

| <b>Key Financials of the PCC Group</b> | <b>2010</b> | 2009    |
|--|-------------|---------|
| Equity ratio*                          | 34 %        | 44 %    |
| ROCE*                                  | 0.3 %       | 30 %    |
| Gross cash flow                        | € 5 m       | -€ 28 m |
| Capital expenditures                   | € 53 m      | € 38 m  |
| Employees (average for the year)       | 2,174       | 3,914   |

| <b>Consolidated Sales by Division</b> | <b>2010</b> | 2009    |
|---------------------------------------|-------------|---------|
| Chemicals division                    | € 405 m     | € 340 m |
| Energy division                       | € 137 m     | € 211 m |
| Logistics division                    | € 30 m      | € 100 m |
| Other Shareholdings                   | € 8 m       | € 1 m   |
| Total                                 | € 580 m     | € 652 m |

| <b>Consolidated Sales by Region</b> | <b>2010</b> | 2009    |
|-------------------------------------|-------------|---------|
| Germany                             | € 237 m     | € 289 m |
| Poland                              | € 167 m     | € 213 m |
| Other EU member states              | € 96 m      | € 76 m  |
| Rest of Europe                      | € 35 m      | € 29 m  |
| USA, Asia and other regions (total) | € 45 m      | € 45 m  |

Rounding differences possible.

\* For explanations and definitions, please refer to page 9.

# 2010 at a Glance

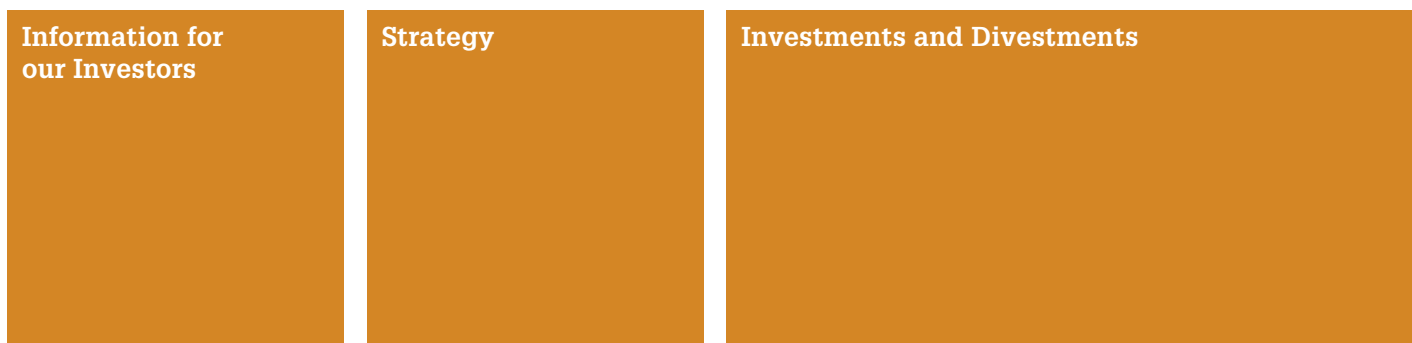
Generating value with an enduring strategy. Ever since it was established, the PCC Group has remained true to this credo. Ours is a strategy that demands engagement and committed effort from all our employees. A strategy which, through the efficient technical and economic management of our constituent entities, generates valuable returns for our investors. Hence, as a prudent business enterprise, we are primarily active in areas in which we can offer true expertise: Chemicals, Energy and Logistics.

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Annual Report 2010

Consolidated Financial Statements of PCC SE

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# Key Financials of the PCC Group

As an internationally active group of companies, PCC operates successfully in the chemicals, energy and logistics fields. It is managed by PCC SE, headquartered in Duisburg, Germany. Group sales generated in 2010 amounted to some € 580 million. Taken globally, the Group employs 2,174 people who, day in, day out, work to ensure that PCC continues to develop in a stable manner while remaining constantly viable as a future-aligned conglomerate.



# Key Financials of the PCC Group

| Figures in € m  | 2006         | 2007         | 2008          | 2009          | 2010         |
|---|--------------|--------------|---------------|---------------|--------------|
| <b>Sales</b>  | <b>874.4</b> | <b>943.8</b> | <b>913.0</b>  | <b>652.0</b>  | <b>580.1</b> |
| Chemicals (until 2007: Chemical Production) <sup>10</sup>       | 247.9        | 276.5        | 479.8         | 339.9         | 404.6        |
| Energy (until 2007: Trading) <sup>10</sup>                      | 537.6        | 575.0        | 176.9         | 211.1         | 136.6        |
| Logistics <sup>10</sup>   | 88.9         | 92.3         | 255.1         | 99.6          | 30.3         |
| Other Shareholdings <sup>10</sup>                               |              |              | 1.2           | 1.4           | 8.5          |
| <b>Gross margin</b>   | <b>124.4</b> | <b>131.3</b> | <b>207.9</b>  | <b>116.8</b>  | <b>89.4</b>  |
| <b>Net profit/loss</b>  | <b>3.7</b>   | <b>5.1</b>   | <b>-29.4</b>  | <b>90.1</b>   | <b>-17.7</b> |
| EBITDA <sup>1</sup>   | 33.3         | 38.4         | 28.7          | 130.8         | 14.5         |
| EBIT <sup>2</sup>   | 19.8         | 20.7         | -0.8          | 107.4         | 1.0          |
| EBT <sup>3</sup>  | 7.4          | 8.2          | -27.7         | 94.8          | -15.4        |
| Gross cash flow <sup>4</sup>                                    | 14.3         | 17.9         | 9.8           | -28.3         | 4.9          |
| <b>ROCE in %<sup>5</sup></b>                                    | <b>7.6 %</b> | <b>6.4 %</b> | <b>-0.2 %</b> | <b>30.2 %</b> | <b>0.3 %</b> |
| Net debt <sup>11</sup>  | 149.3        | 224.9        | 294.5         | 165.0         | 209.3        |
| Net debt / EBITDA <sup>12</sup>                                 | 4.5          | 5.9          | 10.3          | 1.3           | 14.4         |
| <b>Group equity<sup>7</sup></b>                                 | <b>121.6</b> | <b>138.3</b> | <b>95.6</b>   | <b>196.1</b>  | <b>160.0</b> |
| Equity ratio in % <sup>8</sup>                                  | 27.8 %       | 27.4 %       | 17.6 %        | 43.8 %        | 34.2 %       |
| Return on equity in % <sup>6</sup>                              | 6.7 %        | 7.9 %        | -57.7 %       | 112.9 %       | -14.6 %      |
| <b>Capital expenditures</b>                                     | <b>72.2</b>  | <b>137.8</b> | <b>133.4</b>  | <b>38.4</b>   | <b>53.2</b>  |
| <b>Number of employees (consolidated companies)<sup>9</sup></b> | <b>3,222</b> | <b>3,767</b> | <b>6,137</b>  | <b>3,914</b>  | <b>2,174</b> |
| Germany   | 130          | 138          | 189           | 201           | 217          |
| International   | 3,092        | 3,629        | 5,948         | 3,713         | 1,957        |

Rounding differences possible

- 1 EBITDA (Earnings before interest, taxes, depreciation and amortisation)
- 2 EBIT (Earnings before interest and taxes) = EBITDA – Depreciation and amortisation
- 3 EBT (Earnings before taxes) = EBIT – Financial items (Financial result)
- 4 Gross cash flow = Net profit for the year + Depreciation and amortisation – Additions to fixed assets
- 5 ROCE = Return on capital employed = EBIT ÷ (Average equity + Average interest-bearing debt capital including pension provisions)
- 6 Return on equity = Net profit ÷ Average Group equity (economic capital)
- 7 Economic capital includes Group equity and mezzanine capital with a term of more than one year
- 8 On the basis of the economic capital figure
- 9 Annual average
- 10 Divisions restructured as of January 1, 2008; until 2007, Other Shareholdings not separately disclosed
- 11 Net financial liabilities
- 12 Net financial liabilities expressed as a ratio of earnings before financial items, interest, tax, depreciation and amortisation

## Preface by the Chairman of the Administrative Board of PCC SE

**Waldemar Preussner**  
Chairman of the Administrative  
Board of PCC SE



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

I am delighted to present to you the 2010 annual report of PCC SE. For our Group, the past decade was initially characterised by an extended phase of development and continuous growth. While consolidated sales in 2000 amounted to just some € 277 million, almost exclusively generated by trading activities, by 2007/2008 we were nearing the billion euro mark. However, by this time, the production and logistics activities, which had been built up in the few intervening years, were contributing more than half our revenues and value-added.

### **2010: A YEAR OF TRANSITION FOR THE PCC GROUP**

The end of the decade then marked a turning-point for PCC: not only had we – like almost every other business – been affected by the consequences of one of the deepest financial

and economic crises in history, this period also marked the beginning of a strategic reorientation of the Group towards a more pro-active mode of asset and investment management. The divestments of the Pesticides business of PCC Rokita SA at the end of 2008 and our Polish goods transport activities (“PCC Logis-

tics”) around the middle of 2009, coupled with the first ever IPO of a PCC company, PCC Intermodal S.A., in December 2009, represent the initial milestones in this new approach. We have used the opportunities that offered themselves to realise value generated in past periods. Also a consequence of this policy, we have withdrawn from business areas unable to offer PCC sufficient development or income opportunities commensurate with the risks that they represented. Hence, we have gradually completed our exit from the energy wholesale business and are preparing our departure from the electricity and gas end-user supply business. Instead, we intend to invest the financial and personnel resources thus released in the development of our own production capacities in the highly promising field of renewable energies.

Within this realignment process, 2010 represents a year of transition, as reflected both in our sales performance and, particularly, by our earnings pattern. The decline in consolidated sales from € 652 million in fiscal 2009 to € 580 million in 2010 is, in the first instance, a consequence of the disposal of “PCC Logistics”. The fact that the PCC Group finished the year with a deficit of –€ 15.4 million (EBT) is certainly unsatisfactory, but was very much anticipated in our calculations. In 2009, we very successfully exploited the earnings potential that we had developed in our Logistics division, built up as a relatively stable source of earnings through to 2008. The disposal of a large part of this business means that this income stream will, of course, no longer be available to us in the future. As anticipated, we have not yet been able to close the resultant gap through development of the companies, businesses and projects on which we have since been focus-

ing our effort and investment resources. The Chemicals division with its two powerful pillars, PCC Rokita SA on the production side and Petro Carbo Chem GmbH on the trading side, was able to generate an appreciably positive earnings result, improving on the 2009 figure. However, the activities currently under development such as PCC Intermodal, PCC DEG Renewables or the logistics business in Russia have, as was very much expected, not yet been able to make any positive contribution to earnings and have therefore not been able to contribute to the continuing substantial interest payments for which the holding company is responsible.

Nevertheless, we were able to achieve an important success in the realignment of our Energy division towards the end of 2010. With the signing of the agreement for the sale of PCC Energie GmbH to Nexus Energía S.A., Barcelona, Spain, we were able to complete our withdrawal from the electricity and gas trading and distribution business. Although the PCC Group was able to generate appreciable income in this sector at the beginning of the decade, increasing transparency and competitive intensity on the national and international markets led to a drastic decline in margins accompanied by increasing risk. Following the acquisition by Nexus, completed in February 2011, PCC is now under the umbrella of a pure energy specialist capable of providing the company with new strategic momentum.

### **POSITIVE DEVELOPMENTS IN THE GROWTH AREAS OF THE THREE PCC DIVISIONS**

In our strongest division in terms of sales and earnings, Chemicals, we were able to con-

sistently promote the further development of all relevant core activities. The new ethoxylation plant of PCC Rokita SA, located in the immediate vicinity of the refinery operated by PKN Orlen in Plock, was completed at the end of the year and began production at the beginning of 2011. This € 15 million investment will enable PCC Rokita to increase its surfactants sales by almost 40 % and further expand its position as market leader in Poland. In the Polyols business unit, we have continued to drive forward the process of shifting the product portfolio towards more profitable specialities. Furthermore, in autumn 2010 we acquired PRODEX-SYSTEM Sp. z o.o., a company specialising in the development and manufacture of PUR-based chemicals which, added to our base provided by the polyols of PCC Rokita, provides us with access to a further stage in the value-adding process. The first phase of conversion of our chlorine production to environmentally friendly and energy-efficient membrane technology is almost completed; the new plant has been operating since March 2010. As announced, autumn 2010 saw us introduce the first wave of organisational changes which will enable us to divest selected operations of the "PCC Rokita" subgroup around the start/middle of 2012. We are also considering the alternative of an IPO on the Warsaw Securities Exchange (GPW).

PCC also made progress in the Logistics division in fiscal 2010. PCC Intermodal S.A. was able to increase its sales compared to the previous year by almost 70 % to around € 30 million. And in the final quarter, the company passed the operating profit threshold, moving into the black. We expect the current financial year to bring a continuation of this positive trend, with the commissioning of the container terminal in Kutno (Central Poland) – expected for the middle of the

year – providing additional growth momentum. Against the background of this highly promising development, we are planning to further strengthen the capital base of the company in 2011 through a second public offering of shares, thus creating the conditions for the stable financing of further growth. Fiscal 2010 also went very well for ZAO PCC Rail, Moscow, Russia, which focused its activities as of the middle of 2009 entirely on the leasing of railway wagons for the transportation of bulk goods. In the first full year following the realignment, we were already able to expand our own stock of wagons to 200. Sales tripled to almost € 3.5 million, and with a return on sales in excess of 9 %, the profit threshold has already been significantly exceeded. Moreover, the trend has continued unabated in 2011. In the first quarter of 2011 alone, we bought 50 additional wagons, and negotiations on further purchases are in progress. The enormous transportation volumes required by the Russian economy, which has now returned to growth, should open up some interesting developmental potential for us, both now and into the long term.

Having withdrawn from the energy trading segment, our Energy division has been able to focus even more thoroughly on project development work in the power plant sector, with the emphasis on renewable energies. 2010 saw us further pursue the development of our portfolio of small hydropower plants, primarily in Bulgaria and the Republic of Macedonia. We are confident that, by the middle of 2012, we will have built a further four to six such power plants and connected them to their respective grids.

Even though the historically high raw material prices have been giving us headaches in some areas of the chemicals business since the end of

last year, we are convinced that the PCC Group will return to profitability in fiscal 2011.

### **MANY THANKS**

To our employees, I would like on behalf of my Administrative Board colleagues and the Group management to extend our sincere thanks for your enormous efforts in the year under review. Your commitment and your creativity remain the key assets on which our business development depends.

My thanks go in equal measure to our many thousands of investors – the people and institutions who, over the last 13 years since the first issuance of a PCC security, have subscribed to our bonds and profit participation certificates, providing the Group with an important foundation for our financing framework. Your investments provide us with the means

to quickly seize market opportunities without recourse to the banks. Reliability will remain our priority as your partner going forward, and I would be delighted if you would continue to accompany us as we progress towards becoming a strong European chemicals, energy and logistics corporate group.

Duisburg, May 2011

Sincerely yours,



Waldemar Preussner  
Chairman of the Administrative Board of PCC SE



**Management of PCC SE** (from left to right):  
Dietmar Kessler, Waldemar Preussner, Ulrike Warnecke, Reinhard Quint, Dr. Alfred Pelzer

## Corporate Bodies

### ADMINISTRATIVE BOARD AND MANAGING DIRECTORS OF PCC SE

The Administrative Board of PCC SE (Societas Europaea) is made up of three members:

- Waldemar Preussner, Dipl.-Volkswirt (Chairman)
- Dr. rer. oec. (BY) Alfred Pelzer (Deputy Chairman)
- Reinhard Quint

PCC SE is headed by its two Managing Directors:

- Ulrike Warnecke
- Dr. Alfred Pelzer

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

# PCC. Direktinvest

## DIRECT INVESTMENTS IN PCC – OPPORTUNITIES FOR INVESTORS

The financing structure of the holding company, PCC SE, features a combination of equity funds and mezzanine and debt capital. The issuance of PCC securities constitutes our primary fund-raising instrument, facilitating as it does the fast and efficient exploitation of market and investment opportunities. It also enables

major company acquisitions and the operational growth of the Group to be independently and flexibly financed. Consequently, the issuance of bearer bonds – particularly to a wide circle of private investors – will remain a central component of PCC Group's financing strategy. In keeping with the conservative business philosophy of PCC, however, the security volumes will only be utilised to the extent necessary for our corporate development.

## SECURITIES IN CIRCULATION AS OF DECEMBER 31, 2010

### PCC SE CORPORATE BONDS

| ISIN         | Interest rate<br>p.a. in % | Issue date    | Maturity      | Listing   | Nominal<br>volume in € k |
|--------------|----------------------------|---------------|---------------|-----------|--------------------------|
| DE000A0JFJ90 | 7.00                       | May 1, 2006   | April 1, 2011 | Frankfurt | 27,544                   |
| DE000A0LRV96 | 6.50                       | March 1, 2007 | July 1, 2013  | Frankfurt | 9,165                    |
| DE000A0S8DY1 | 7.00                       | Oct. 1, 2007  | Oct. 1, 2012  | Frankfurt | 19,944                   |
| DE000A0WL5E5 | 7.25                       | Sep. 1, 2008  | April 1, 2014 | Frankfurt | 7,224                    |
| DE000A1A57W2 | 4.50                       | Oct. 1, 2009  | Oct. 1, 2011  | –         | 8,525                    |
| DE000A1EKZN7 | 6.00                       | July 1, 2010  | Oct. 1, 2014  | Frankfurt | 34,998                   |
| DE000A1EWB67 | 6.50                       | Oct. 1, 2010  | 2012 - 2016*  | –         | 5,203                    |

### PCC SE PROFIT PARTICIPATION CERTIFICATES

| ISIN         | Basic interest<br>rate p.a. in % | Issue date   | Maturity        | Listing   | Nominal<br>volume in € k |
|--------------|----------------------------------|--------------|-----------------|-----------|--------------------------|
| DE000A0MZC31 | 8.75                             | Oct. 1, 2007 | Indeterminate** | Frankfurt | 10,074                   |

\* This redeemable bond will be amortised from January 1, 2012 through to its maturity date on October 1, 2016 in regular quarterly instalments equating to 5% of the nominal value of the issue at 100%.

\*\* Redeemable with one year's notice, first date of redemption December 31, 2017, thereafter to the end of each quarter.

Since the first issuance on October 1, 1998, PCC has – as of May 1, 2011 – issued 28 bearer bonds of which 20 have already been redeemed, and one profit participation certificate.

#### PCC PROFIT PARTICIPATION CERTIFICATE: PAYOUT OF MAXIMUM DIVIDEND

The PCC profit participation certificate generated a total return of 10.75 % in 2009. Over and above the annual basic coupon of 8.75 %, on July 1, 2010, certificate subscribers received a dividend corresponding to the maximum profit participation level of 2.0 % for 2009 based on the excellent earnings generated in that year.

#### BOND REDEMPTIONS

- On July 1, 2010, PCC SE redeemed at maturity its 7.00% bond ISIN: DE000A0EY6Q4 issued five years previously. The redemption volume was around € 32 million.
- The 7.00% bond ISIN: DE000A0JFJ90, issued on May 1, 2006, was redeemed at maturity as of April 1, 2011, for approximately € 27.5 million.

#### CURRENT ISSUE VOLUME AS OF MAY 1, 2011

The current volume of corporate bonds and profit participation certificates issued by PCC SE and in circulation as of May 1, 2011 amounts to around € 118 million.

#### EXPANSION OF FINANCIAL PRODUCT PORTFOLIO THROUGH PROJECT-RELATED BONDS

Between July 2010 and April 2011, PCC SE

issued five new bonds. As is usually the case, all carry a quarterly coupon. They are denominated in certificates of € 1,000, and the investment is free of handling charges if acquired directly, subject to a minimum stake of € 5,000.

In order to enable investors to track the flow of funds, PCC has begun to specifically assign bonds and the subsidiaries involved to individual projects. This will enable investors to monitor more accurately the success of the investments made.

- **6.50% redemption bond\* “Railway Project, Russia”:**  
Our first project-related bond was the 6.50% redemption bond\* ISIN: DE000A1EWB67, issued on October 1, 2010. The proceeds from the issuance are to go exclusively to the PCC Railway Project in Russia, i. e. for new investments and the refinancing of investments already made in railway wagons of the Russian subsidiary ZAO PCC Rail, Moscow. The company will be receiving the corresponding funds in the form of loans from PCC SE.
- **6.50% redemption bond\* “Plastics Additives Project”:**  
On February 15, 2011, PCC SE issued a second project-related redemption bond\* (ISIN: DE000A1EWRT6). The proceeds from this 6.50% bond will be channelled into the expansion of the Phosphorus Chemistry business unit of PCC Rokita SA in Brzeg Dolny. The purpose here is to extend the product portfolio through the introduction of halogen-free plastics additives.
- **5.00% bond “PCC Consumer Products”:**  
As of March 1, 2011, PCC SE issued a further



project-related debt instrument in the form of a 5.00% bond (ISIN: DE000A1H3MS7). In this case, the proceeds have been earmarked for the promotion and expansion of a new business unit within the PCC Group, in which Group subsidiary Kosmet-Rokita Sp. z o.o., Brzeg Dolny, and likely future acquisitions are to be aggregated, with the focus on manufacturing private label products for retail chains.

Further project-related bond issuances – such as for the financing of PCC climate-protection projects in the renewable energies field – are currently in preparation.

### INVESTOR RELATIONS – CREATING TRUST THROUGH OPENNESS AND TRANSPARENCY

The certified consolidated financial statements of PCC SE are published each year in the form of an annual report. Interim quarterly reports

are likewise issued to PCC's investors. Current corporate news and financial data are posted on our websites at [www.pcc.eu](http://www.pcc.eu) and [www.pcc-finanzinformationen.de](http://www.pcc-finanzinformationen.de). All our reports and annual financial statements – going back to 2003 – can be found in an online archive available on those sites.

### COMMUNICATIONS WITH OUR INVESTORS

On the occasion of its traditional Investors' Day, each year PCC SE offers its investors the opportunity to visit the Group headquarters and gain first-hand information on the business performance and strategy of the corporation. In recent years, 1,000 to 1,500 investors have regularly taken this opportunity to put their questions directly to the Group management of PCC SE, headed by Board Chairman, Waldemar Preussner, accompanied by senior executives and project managers of the German Group companies.

#### NEW BONDS ISSUED IN 2010 / 2011 AT A GLANCE

| ISIN         | Interest rate<br>p.a. in % | Issue date    | Maturity      | Listing   | Issue volume<br>in € m |
|--------------|----------------------------|---------------|---------------|-----------|------------------------|
| DE000A1EKZN7 | 6.00                       | July 1, 2010  | Oct. 1, 2014  | Frankfurt | 35                     |
| DE000A1EWB67 | 6.50                       | Oct. 1, 2010  | 2012 - 2016*  | –         | 10                     |
| DE000A1EWRT6 | 6.50                       | Feb. 15, 2011 | 2012 - 2016*  | –         | 3                      |
| DE000A1H3H36 | 5.00                       | March 1, 2011 | April 1, 2013 | Frankfurt | 20                     |
| DE000A1H3MS7 | 6.875                      | April 1, 2011 | July 1, 2015  | Frankfurt | 30                     |

\* These redeemable bonds will be amortised from January 1, 2012 through to their maturity date on October 1, 2016 in regular quarterly instalments equating to 5% of the nominal value of the issue at 100%.



23,000 t speciality polyols  
produced



**Hervé Wuilay (46)**, chemical engineer, Technical Service Manager at PCC Rokita SA in Brzeg Dolny, Poland:

“Our business partners regularly ask us about the latest trends, because in the production of polyols we play in the same league as Bayer, BASF and Dow. We are delighted to be able to assist our customers in making their formulations of first-class foams more competitive – especially through our innovative iPoltec foam technology. And when required, we also go on site to provide direct support for the customer’s product development effort.”

Annual polyol production capacity at PCC Rokita SA in Brzeg Dolny, the PCC Group’s largest chemical production site, amounts to 70,000 metric tons. This business unit is concentrating increasingly on the production of speciality polyols, of which more than 23,000 metric tons were produced in 2010. These are in high demand from Europe’s largest foam manufacturers.

# Strategy

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Production plant of PCC Rokita SA in Brzeg Dolny for the manufacture of iPol polyols.

Specialisation and individual responsibility constitute the two primary focal points of PCC SE's strategy. Hence, PCC positions itself primarily within the submarkets and market niches of the high-growth economies of Eastern and South-East Europe. At the same time, the subsidiaries and affiliates managed by the holding company enjoy considerable scope for action, enabling them to operate with flexibility in the marketplace.

# Group Strategy

## SPECIALISATION IN MARKET NICHE BRINGS COMPETITIVE ADVANTAGES AND GROWTH POTENTIAL

Investment focal points remain the less competitive markets of Eastern and South-East Europe.

PCC is an internationally active group of companies under the management of the Duisburg-domiciled PCC SE. It operates a stable and future-aligned composite portfolio with the focus on the chemicals, energy and logistics sectors. Most of the Group's sites and company locations are in Europe.

In the course of its active portfolio management operations, PCC SE acquires new shareholdings, develops existing activities and capital projects, and also divests shareholdings where such action yields attractive earnings, using the funds thus obtained to invest in the expansion of other core operations. We concentrate primarily on positioning ourselves in less competitive submarkets and market niches. Our investment focus continues to be aligned predominantly to the dynamically expanding economies of Eastern and South-East Europe.

Moreover, the holding company also ensures that it disposes of shareholdings where these no longer promise satisfactory returns or no longer exhibit attractive development potential. The high degree of transparency that is now characteristic of many commodity markets means that it is becoming increasingly difficult for classic trading companies without their own value-adding manufacturing or processing base to generate sufficient margins. In the recent past, PCC drew its own conclusion from this state of affairs, ceasing certain activities such as

### STRATEGIC ALIGNMENT OF THE PCC GROUP BY DIVISION AND BUSINESS UNIT

|                | Chemicals division  | Energy division   | Logistics division   |
|----------------|---|---|--|
| Business units | <ul style="list-style-type: none"> <li>Production and conversion of chemical basestocks</li> <li>Trading in chemical commodities</li> <li>Trading with coke and anthracite</li> </ul> | <ul style="list-style-type: none"> <li>Development and operation of power plants, particularly in the renewable energies field</li> </ul> | <ul style="list-style-type: none"> <li>Intermodal transportation – scheduled all-container block train services and door-to-door deliveries</li> <li>Logistics services</li> <li>Road haulage</li> <li>Rail wagon leasing</li> </ul> |

trading with electricity and gas, and disposing of its Energy Supply business.

### MANAGEMENT PHILOSOPHY

Lean management structures with short decision-making paths, creativity and dynamism, together with direct access to the capital markets provide the basis for corporate and financial independence. They are both prerequisites for and the result of the business approach adopted by company founder and Chairman of the Administrative Board, Waldemar Preussner.

“As much central control as necessary, as much entrepreneurial freedom as possible.” This mission statement derives from PCC SE’s management philosophy and our conviction and experience that only extensive compliance with the principle of subsidiarity can promote entrepreneurial attitudes and close customer relations while also preventing suffocation by administrative structures and constraints.

The holding company provides the strategic guidance for the divisions and business units,

creating or enhancing the conditions for growth and promoting synergies through appropriate investment and communication activities. PCC SE manages the subsidiaries and affiliates of the PCC Group on the basis of a rolling three-year planning horizon augmented by a continuous financial control process. Aside from risk management and investment control, the central functions of PCC SE include management development, liquidity maintenance, mergers and acquisitions, optimisation of tax and financing matters, and advice and support for companies considering special projects.

Aside from organic expansion of the business units and Group companies, the focus for the future will also be on generating major growth impetus through targeted company acquisitions and project activities. Essential criteria governing the pursuit of such measures include relevance to our core competences, the prospect of reasonable returns, risk diversification, the realisation of Group synergies based on existing companies and business units, and financial feasibility.

Entrepreneurial independence, creativity and dynamism are among the key elements driving our business.



PCC Intermodal S.A. plans to commission Poland’s most advanced container cargo handling terminal – located in Kutno – around the middle of 2011. The site area measures more than 80,000 m<sup>2</sup>.

## Strategies of the Group Divisions

Strategic investments to secure leading market positions.

### CHEMICALS DIVISION

The strategy of our chemical production sites is geared to the stabilisation and expansion of our – in part – leading positions in areas of Central Europe. We focus on selected product segments including, in particular, polyols, surfactants and flame retardants. Priority is given to investments in our current sites. As much importance is attached to the modernisation of existing facilities with respect to future environmental and efficiency standards, as to expansion through the provision of additional core production capacity. The original core business of PCC, namely trading activities involving petrochemical and carbon-based commodities, was allocated to the Chemicals division at the beginning of 2008. One of the prime objectives of our trading business is to provide

support to our production companies. We intend both to strengthen sales in the western markets and to expand trading volumes with respect to the raw materials of particular importance for our production operations, in order to achieve cost degression benefits.

### ENERGY DIVISION

In view of increasing market transparency and the resultant pressure on margins, PCC completely ceased its trading and sales activities involving electricity and gas as of the end of 2010.

We also recently withdrew from the supply of electricity and gas to the German SME sector, as the margins achievable in this business for a pure trader would, in the long term, have become disproportionately low compared to

The new ethoxylation plant operated by PCC Exol in Plock has an annual capacity of 30,000 metric tons of ethoxylates (non-ionic surfactants).





the risks involved and the financial strength required. Against this background, PCC SE and Nexus Energía S.A. of Barcelona, Spain, signed an agreement at the end of 2010 for the sale of the energy utility PCC Energie GmbH, Duisburg, Germany. The closing of the transaction was on February 16, 2011.

In the energy sector, we are now concentrating on power plant construction, with a specific focus on the development, planning, implementation and also selling-on of projects in the renewable energies field. Operating within PCC DEG Renewables GmbH, Duisburg, a joint venture with KfW subsidiary DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, PCC is developing power plants in South-East Europe on the basis of regenerative energy sources – primarily hydroelectric power and wind energy. The first such PCC climate-protection project concluded in February 2009 with the grid link-up of the Mujada hydropower plant in Central Bosnia.

## LOGISTICS DIVISION

Among our special areas of growth are the expansion in container transport and the development of a corresponding infrastructure involving cargo handling terminals in Poland. PCC Intermodal S.A., Gdynia, provides container transport services within Poland and also from the major European ports of Rotterdam, Hamburg and Bremerhaven to and from Poland. This market in Poland and other Eastern European countries still offers enormous scope for development. PCC is also closely monitoring developments within the Russian logistics sector. Indeed, as liberalisation of this market began to take hold in Russia, PCC SE gained an initial foothold there with a niche operation. In the coming years, we intend to further promote our goods transport railway activities in Russia through the continuous expansion of our own fleet of wagons.

Expansion of the goods transportation business on Russia's railways.



The Russian PCC subsidiary, ZAO PCC Rail, already has a wholly owned fleet of around 250 gondola wagons, with numbers destined to continuously expand.



**200** different surfactants  
manufactured



**Marta Gratka (28)**, a masters graduate in chemistry and Sales Manager of the Surfactants business unit at PCC Rokita SA in Brzeg Dolny, Poland:

"We manufacture around 200 surfactant products for many applications and industries. Surfactants are widely used as ingredients in many products and we are regularly involved with our customers in the development of further surfactant applications."

The plant's capacity on the ethoxylates side now stands at 65,000 metric tons p. a., and on the sulphonates side it is 40,000 metric tons p. a. Production is performed in four facilities – located in Brzeg Dolny and in Plock. These non-ionic and anionic surfactants are used in household cleaners, in laundry and fabric care detergents, and also in cosmetics and similar personal care products.

# Investments and Divestments

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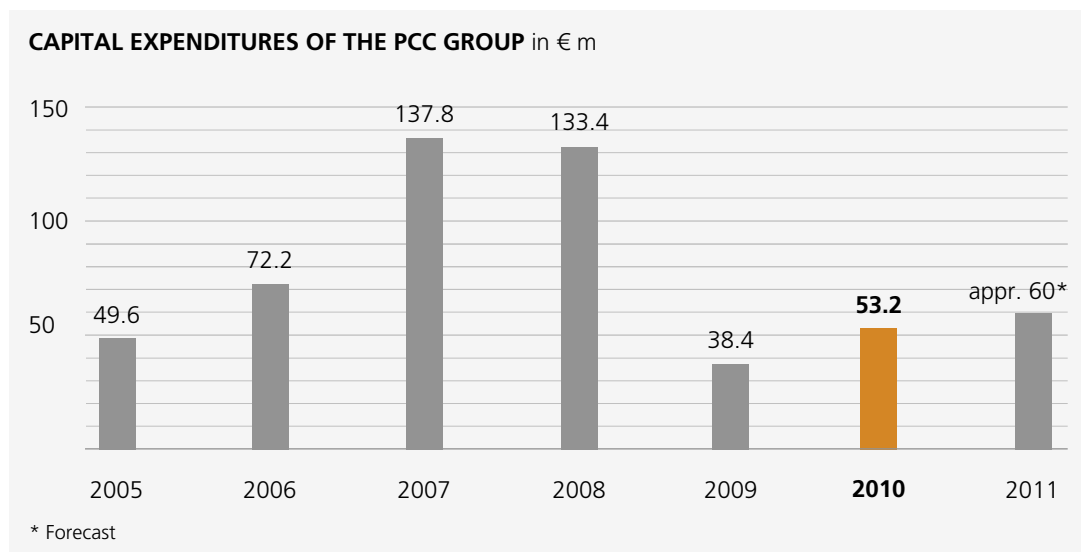


PCC Rokita SA remains the only surfactant manufacturer in Poland. And its position was further strengthened with the construction of a new ethoxylation plant in Plock. The operator of the new facility is PCC Exol.

Companies aligned to the profit motive tend to operate in a cycle of investment and divestment. Hence, we like to take on projects with growth potential, which can be further developed and with which an attractive selling price might be achievable at an appropriate time in the future. PCC SE also, of course, regularly takes action in order to optimise the Group architecture, disposing of participating interests that do not meet management and investor expectations.

## Investing in the Future

In fiscal 2010, PCC's capital expenditures amounted to € 53 million. Included in this investment sum were not just the cost of acquisitions, but also and in particular expenditures in the chemicals field where our work has concentrated on the continuation of current projects, the modernisation of existing production facilities and the construction of new plant. We have also made great progress in the logistics field with the construction of the first container handling terminal in Central Poland. In the Energy division, the focus remained on the construction of our own power plants within the renewable energies field. We plan to increase capital expenditures to € 60 million in 2011.



## Investments in the Chemicals Field

### **PCC ROKITA – CHLORINE BUSINESS UNIT: COMMISSIONING OF AN ENVIRONMENTALLY SOUND MEMBRANE ELECTROLYSIS PLANT**

The new, environmentally friendly membrane electrolysis facility for the Chlorine business unit of PCC Rokita SA, Brzeg Dolny, was completed at the beginning of 2010 and commissioned by the end of the following March. The new technology enables a reduction in energy consumption and thus also a decrease in CO<sub>2</sub> emissions. As a further advancement, mercury-containing effluent from the legacy electrolysis system can now be totally avoided by recycling. This modern electrolysis plant is currently being operated in parallel with the conventional amalgam process for the production of caustic soda and chlorine. Over the medium term, we plan to completely switch production to membrane technology.

### **FOLLOWING THE ACQUISITION OF FURTHER SHARES, PCC SE HAS BECOME THE SOLE SHAREHOLDER OF PCC ROKITA SA**

Effective April 1, 2010, PCC SE has become the sole shareholder of PCC Rokita SA following a successful squeeze-out process to acquire the minority-held shares. In the course of several years of successive share acquisitions, therefore, PCC SE has finally arrived at the point where it holds 100 % of the participating interest in this Lower Silesian chemicals complex. We acquired the first shares in the company in 2002 and

became its majority shareholder in 2003. PCC Rokita SA and its subsidiaries are particularly important to the PCC Group as its largest and most profitable affiliate.

### **COMMISSIONING OF A PRODUCTION PLANT FOR IPOL SPECIALITY POLYOLS**

Following successful conclusion of the commissioning phase, in April 2010 PCC Rokita SA was able to begin regular operations of its new production plant for the manufacture of iPol polyols. These speciality polyols enable implementation of the innovative iPol tech foam technology. "Rokopol iPol" is a special polymer polyol. Its processing enables cold-cure foams (also known as HR foams) to be manufactured with significantly greater cost efficiency and to a substantially higher quality. iPol foam is characterised by its exceptional resilience and excellent comfort characteristics. It is very durable, offers long-term elasticity and meets the most severe specifications governing the release of volatile organic compounds (VOC). Among the major customers for this technology are renowned European foam and mattress manufacturers.

PCC Rokita is still the only producer of polyether polyols in Poland. The total capacity of the Polyols business unit currently stands at 70,000 metric tons per year. With the completion of the fourth production line, this will increase by 30,000 to a total of 100,000 metric tons by the end of 2011.

### **NEW ACQUISITION OF A POLYURETHANE SYSTEM HOUSE**

In September 2010, PCC SE acquired 100 % of the shares of PRODEX-SYSTEM Sp. z o.o., Warsaw, Poland, a polyurethane system house that specialises in rigid and semi-rigid foam systems for thermal and sound insulation applications. With the take-over of this company, PCC SE has been able to strengthen its polyurethane business in Central and Eastern Europe including Poland, the Czech Republic, the Baltic States, Ukraine and other CIS countries.

There are synergies available, particularly with the Polyols business unit at the chemicals production site of PCC Rokita SA in Brzeg Dolny, whose current technology portfolio has now been effectively complemented by the range of technologies provided by PRODEX-SYSTEM.

### **PCC EXOL: CONSTRUCTION OF A NEW ETHOXYLATION PLANT**

The end of 2010 saw completion of the construction work on the new ethoxylation plant of PCC Exol S.A. in Płock (Poland). Due to adverse weather conditions, the hot start-up of the facility on the process side had to be postponed until January 2011. Following suc-

cessful completion of the commissioning phase, we were able to celebrate the official opening of the plant in May 2011. Its annual capacity lies at around 30,000 metric tons of ethoxylates (non-ionic surfactants), which are used as ingredients in household cleaning and laundry detergents. By constructing the new ethoxylation plant in Płock, just 100 kilometres north-west of Warsaw, the PCC Group has been able to secure for itself significant long-term location advantages. In order to manufacture surfactants such as the ethoxylates produced here, companies need two raw materials in particular: fatty alcohol, produced from palm oil, and ethylene oxide. With the plant being located in the immediate vicinity of the petrochemicals concern PKN Orlen, we have on our doorstep the only ethylene oxide source east of the Rhine and west of the Urals. In addition to the strategic advantages, this also has a favourable effect on transport costs.

With the existing ethoxylation plant on the factory site of PCC Rokita SA in Brzeg Dolny, Lower Silesia, the new facility means we have been able to increase our annual production capacity for non-ionic surfactants to a total of 65,000 metric tons. And PCC remains the only surfactant producer in Poland.



## Investments in the Renewable Energies Field

### HYDROELECTRIC POWER IN MACEDONIA

On March 31, 2010, PCC SE together with its subsidiary PCC HYDRO DOOEL Skopje and the State of Macedonia signed concession agreements covering four sites for small hydropower plants in the Republic of Macedonia. After several years of negotiations, we have now entered the planning and approval phase. The concessions were each awarded for periods of 20 years with optional extensions of a further 10 years. The aggregate capacity will be around 4 MW. These climate-protection projects (aligned to the demands of the Kyoto Protocol) will generate around 16 million kWh of electricity per year, thus avoiding the emission of some 15,000 metric tons of CO<sub>2</sub>. The Macedonian authorities had already issued the environmental permits for all four hydroelectric plants by the beginning of the fourth quarter of 2010. Three of four land development licences have also now been received. Building work on the power plants is scheduled to commence around the middle of 2011.

### HYDROELECTRIC POWER IN BULGARIA

Through the Bulgarian project management company Novi Energii OOD, Sofia, PCC is planning to construct two small hydropower plants in Bulgaria with an aggregate electricity generating capacity of 6.4 MW. The two projects will produce around 35 million kWh of electricity per year, avoiding the emission of some 30,000 metric tons of CO<sub>2</sub>. On November

23, 2010, Novi Energii OOD, a subsidiary of the German company PCC DEG Renewables GmbH, Duisburg, was awarded by the Bulgarian Minister for the Economy, Energy and Tourism in Sofia the status of "Class A Investor". The company is the second investor involved in hydroelectric power development in Bulgaria to have received such approval. Construction of the power plants is expected to commence in the third quarter of 2011.

### PCC WIND PARK IN BULGARIA

In addition to the hydropower plant projects, PCC is also planning the construction of a wind park in Bulgaria. Provision has been made for 10 wind turbines representing an aggregate electricity generating capacity of 30 MW. Since the middle of 2009, an 80 metre high measuring mast installed at the chosen site has been providing a continuous stream of data relating to wind speeds and directions. With the aid of this information, it is possible to reliably calculate the electricity generation potential. PCC Izvorsko EOOD, Sofia, a further subsidiary of PCC DEG Renewables GmbH, is responsible for the local development of this wind park. On July 1, 2010, this project management company was likewise recognised as a "Class A Investor" by the Bulgarian authorities. PCC Izvorsko EOOD is the fourteenth wind park investor in Bulgaria to receive this recognition which, in addition to a shortening of procedures, also affords the recipient benefits such as more favourable conditions for land purchase.

## Investments in the Logistics Field

### PCC INTERMODAL: CONTAINER TERMINAL IN KUTNO

With a transport volume of over 71,000 containers and almost 115,000 TEU (twenty-foot equivalent units, the standard unit of container measurement) per year, PCC Intermodal S.A. counts among the leading providers of intermodal container transport services in Poland. In order to significantly increase its handling volumes, this PCC subsidiary is planning the construction and commissioning of modern combined transport terminals throughout Poland. Work on the first of these terminals began in Kutno (Central Poland) at the end of March 2010. It will be the first modern container handling centre for intermodal transport to be located in the interior of the country. Completion is scheduled for the middle of 2011. This will enable goods from or for the entire Central Poland region to be transferred from truck to rail and vice versa, including onward carriage using the scheduled trains of PCC Intermodal or, in the other direction, local distribution by truck. Thanks to a handling area of over 80,000 m<sup>2</sup>, the site will be able to offer an annual turnover volume of up to 100,000 TEU. The concrete surfacing and the administrative building have now been completely finished, and civil engineering groundworks and railway bed substructure engineering are currently underway, in preparation for the rail connection. Once the embankment has been built up, PCC Intermodal will be able to start laying the tracks from the main line to the terminal site.

### PCC RAIL: RAILWAY PROJECT IN RUSSIA

Since commencement of market liberalisation in Russia's railway goods transport sector, PCC affiliate ZAO Petro Carbo Chem, Moscow – originally a chemical commodities, coal and iron trading company – has increasingly concentrated on the transport sector. Indeed, since 2009 it has been exclusively involved in goods transport and, as a consequence, has now been renamed ZAO PCC Rail. The company provides goods transport services with its own and, occasionally, leased wagons for a number of customers, primarily in Russia but also in other CIS states, offering all the associated support functions. It mainly transports metals, coal and construction materials. ZAO PCC Rail is also the main representative of the Polish subsidiary of Deutsche Bahn in Russia and the exclusive wagon operator serving the Gomel regional section of Belintertrans BTLC, the largest forwarding agent in Belarus. In 2010, our main capital expenditures in this area involved the acquisition of further wagons. The company currently has in excess of 250 units. Over the medium term, the intention is to steadily increase the wagon fleet to up to 2,000 units. This will place ZAO PCC Rail in a position to organise dedicated block trains of up to 50 wagons, enabling significantly higher freight rates to be achieved than with single wagons.

## Other Investments

### PCC SILICIUM: INVESTMENTS IN NEW EQUIPMENT

In September 2009, PCC acquired a majority holding in the Polish quartzite mine and the associated quartzite enrichment plant known at the time as KiZWK "Bukowa Góra" S.A. The company now trades under the name PCC Silicium S.A. The rationalisation measures and investments in modernising the mining and processing equipment, implemented in

2010, and particularly the purchase of mobile crushing and screening equipment, have already brought about a significant increase in productivity. Currently, the quartzite extracted from this mine is used primarily as a road construction material and for the production of ferrosilicon. Our long-term objective is to use part of the quartzite for the production of metallurgical silicon of a grade suitable for the manufacture of solar silicon.



The new crushing machine of PCC Silicium has brought about a significant increase in the productivity of the quartzite mine.

## Divestments to Optimise the Investment Portfolio

In the course of its asset portfolio management activities, PCC SE continuously examines possibilities not only for investing in promising capital projects and specific company acquisitions but also for sensible divestments. While the likelihood of generating significant disposal proceeds is a decisive factor, we will also shed participating interests and operations unable to provide satisfactory returns or with insufficient future potential.

In recent years, we have generated significant liquidity inflows through the sale of three major companies. The sale of "PCC Logistics" to Deutsche Bahn AG represents our greatest investment portfolio management success to date. Moving forward, we intend to continue to further develop individual operations and

projects of the PCC Group in order to be able to offer them for sale to strategic purchasers or perhaps financial investors at lucrative conditions. Through partial or complete divestment, asset values previously created by PCC SE and its companies can be duly realised to the benefit of cash flow.

## Overview of Divestments made between 2008 and 2010

### DECEMBER 2008: SALE OF ROKITA-AGRO TO AN ISRAELI PLANT PROTECTION PRODUCT MANUFACTURER

In December 2008, the Group's Polish affiliate PCC Rokita SA, Brzeg Dolny, sold its majority stake in Rokita-Agro S.A., Brzeg Dolny, to the Israeli company Makhteshim Agan Industries (MAIN), Tel Aviv, the world's largest producer of generic agrochemicals. The contracts were signed on December 11, 2008, and the trans-

action was closed at the beginning of 2009. At that time, Rokita-Agro – as a manufacturer of plant and crop protection agents, particularly the herbicide 2,4-D – was generating annual sales of around PLN 137 million (about € 35 million). For MAIN, the purchase provided a significant increase in that company's share of the Polish market, achieved through the strategically important position occupied by Rokita-Agro.

**JANUARY 2009: SALE OF “PCC LOGISTICS” TO DEUTSCHE BAHN**

With the contract signing on January 29, 2009, PCC SE sold a major part of its logistics activities, namely the Polish group of companies known as “PCC Logistics”, to the Deutsche Bahn Group (DB), Europe’s largest goods train operator. The transaction was completed in July 2009.

Following its entry into the logistics business resulting from the acquisition of its first transport company in 2000, PCC developed into the largest private goods train operator in Poland, partly as a result of internal growth but primarily due to a number of further successful acquisitions. By 2008, annual sales had risen to around € 350 million. At the time, PCC held a market share of about 8 %, with its fleet comprising some 400 locomotives and 7,700 wagons.

For Deutsche Bahn, the purchase of “PCC Logistics” was an important strategic step in pursuit of its expansion policy in Eastern Europe.

**DECEMBER 2010: SALE OF PCC ENERGIE GMBH TO NEXUS ENERGÍA (SPAIN)**

The agreement covering the sale of PCC Energie GmbH to Nexus Energía S.A., Barcelona, was signed on December 22, 2010. The transaction was completed in February 2011.

This sale completed the realignment of our Energy division. Moving away from our original energy trading business, the emphasis in the future will be on the development and operation of our own power plants, primarily in Eastern and South-East Europe. As a nationwide electricity and gas utility for industrial concerns and mid-sized enterprises, PCC Energie GmbH generated sales of around € 125 million in 2010, providing energy to some 6,500 commercial customers.

For the Spanish energy utility Nexus Energía, the acquisition of PCC Energie GmbH was a first step in its planned internationalisation policy.



8,400 t CO<sub>2</sub> saved



Michael Dickamp (35), masters graduate in structural engineering, Project Controller at PCC DEG Renewables GmbH in Duisburg:

"Small hydropower plants ideally combine minimal environmental impact with exceptional efficiency. The design can be adjusted to any set of flow characteristics, so an efficiency rating of 85 % is quite commonplace. By concentrating on sites in South-East Europe, we have gained a strong foothold in countries offering enormous potential for environmentally friendly hydroelectric power."

Since its establishment in 2007, PCC DEG Renewables GmbH has concluded agreements covering 10 small hydropower plants, representing a total capacity of around 16 MW. PCC's first climate-protection project, the Mujada hydropower plant in Central Bosnia, was connected to the grid in February 2009, enabling savings of more than 8,400 metric tons of CO<sub>2</sub> in 2010.

# Structures and Synergies

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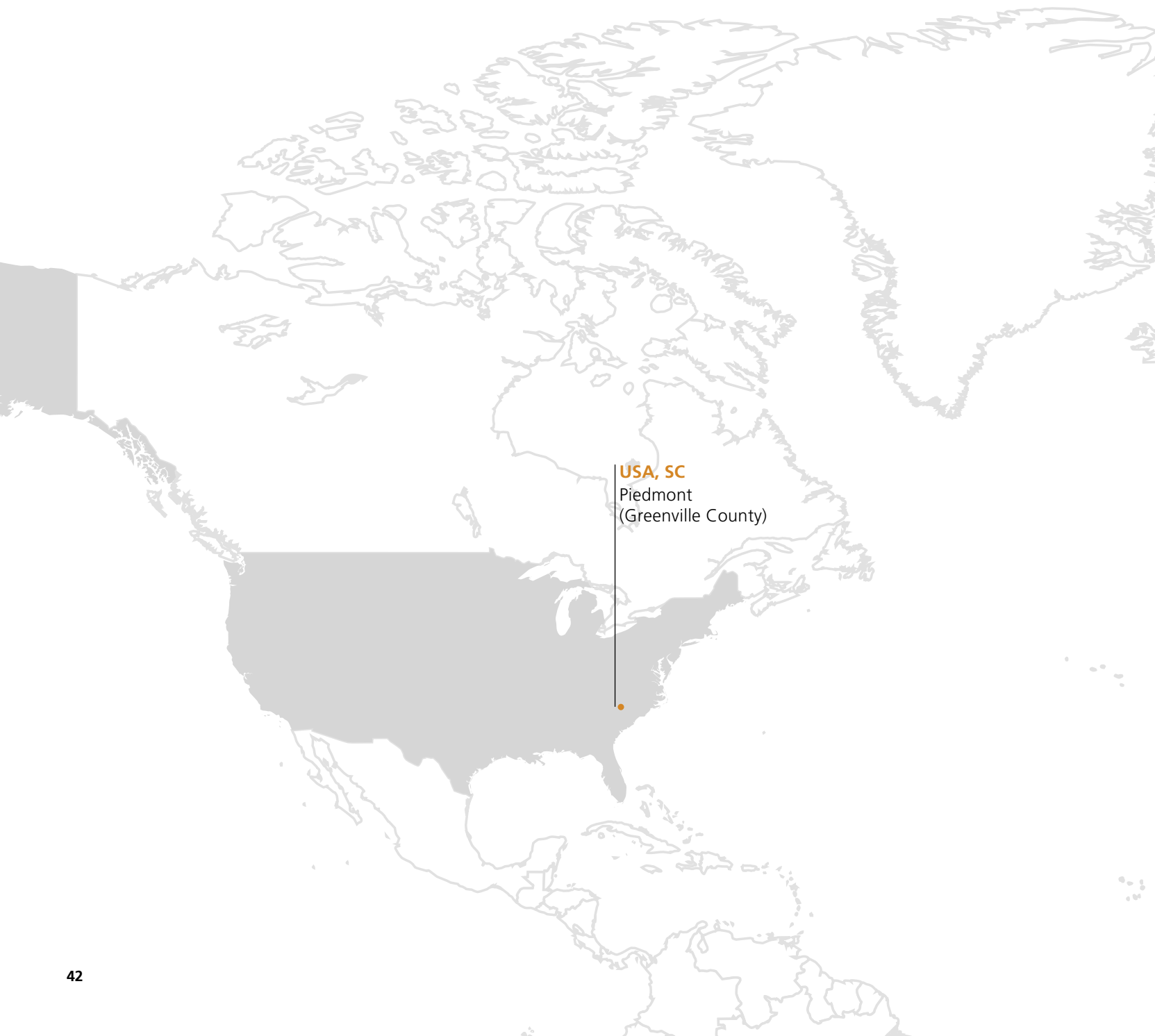




In 2010, the turbine of the first PCC small hydropower plant in Central Bosnia generated a total of 7,773,736 kWh of green electricity.

Synergy effects can only be achieved if you occupy the right positions along the value chain. Hence, for example, the PCC companies in our Chemicals division comprise both manufacturers and trading houses. In the Energy division, synergies are anticipated for the future through the combination of power plant development and the generation of clean energy. And in the Logistics division, we are endeavouring to co-ordinate, among others, our inter-modal transport and wagon leasing activities.

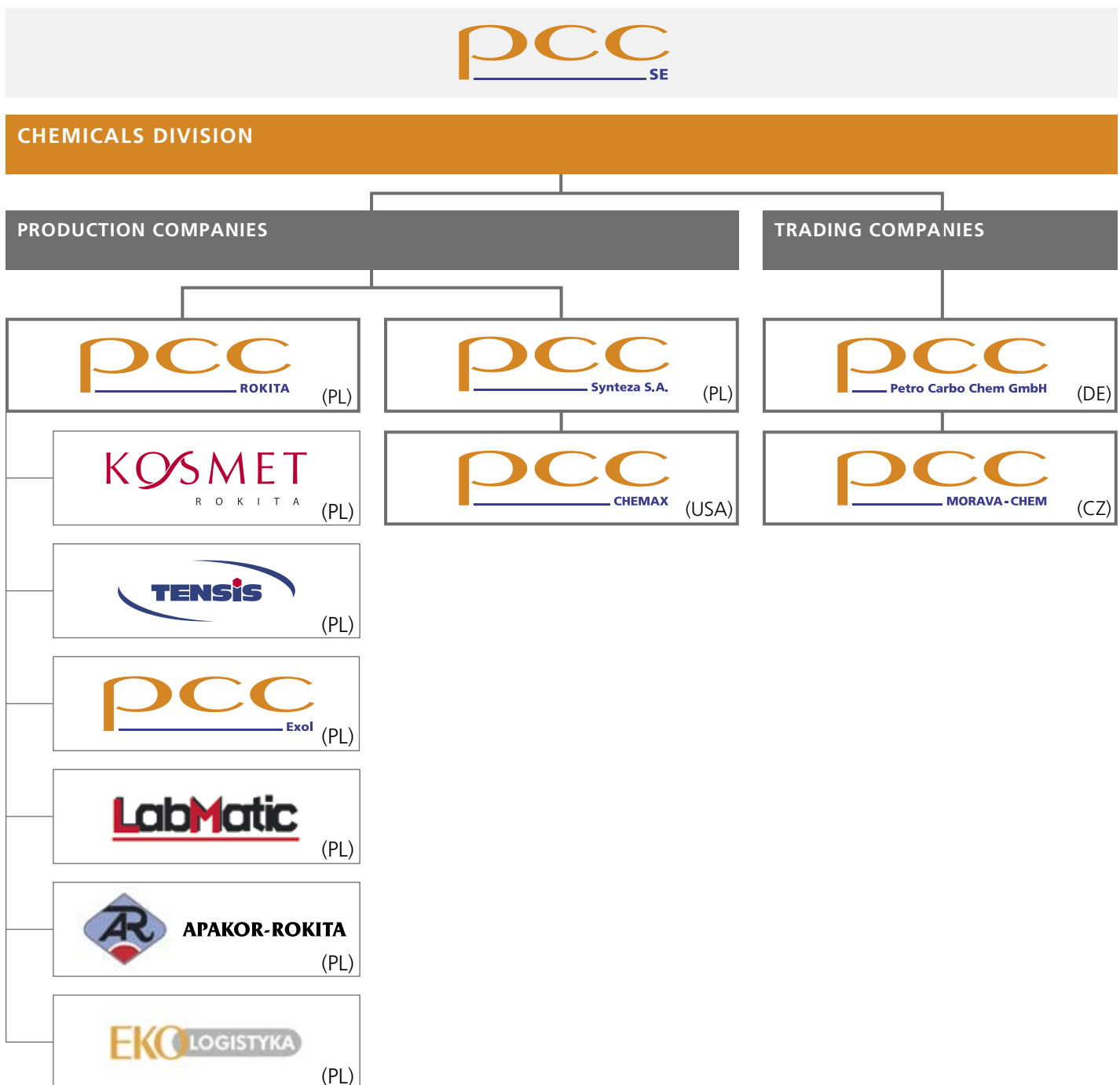
## Locations of the PCC Group



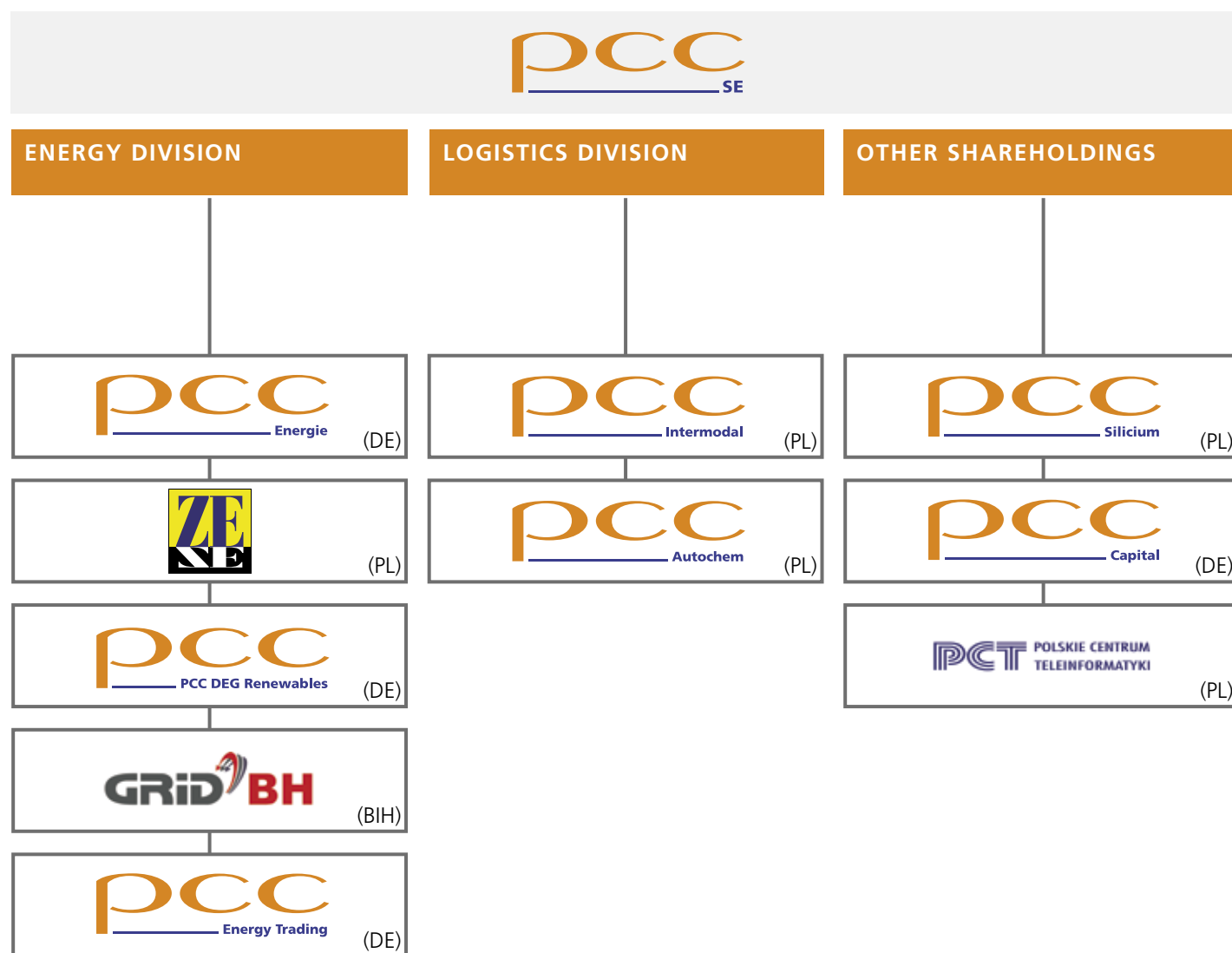
The PCC Group is represented by its subsidiaries, affiliates and shareholdings in 13 countries around the world. The majority of its sites are located in Europe. The Group headquarters of PCC SE are in Duisburg, Germany. With PCC Chemax, Inc., whose product portfolio complements that of the “PCC Rokita” subgroup, PCC is also represented in the USA.



# Organisation of the PCC Group



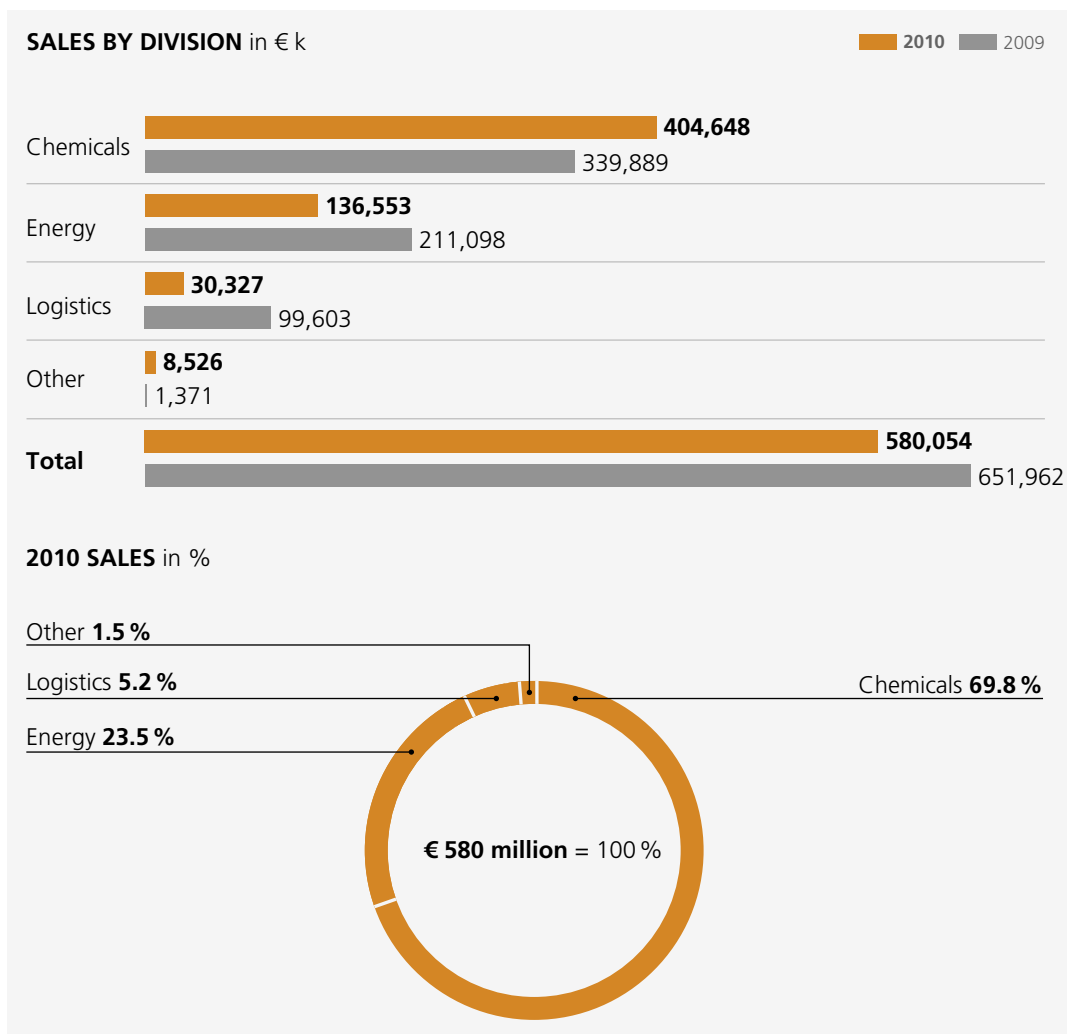
The PCC Group comprises a total of around 70 subsidiaries and affiliates. The main fully consolidated companies of the individual divisions (as of December 31, 2010) are shown on this double-page spread. A detailed list of the various shareholdings can be found under Note (33) in the consolidated financial statements at the back of this report.



## The Group Divisions of PCC

With divisional sales of € 405 million as of December 31, 2010, the Chemicals division accounted for almost 70 % of the Group's total consolidated sales of € 580.1 million. Once again, therefore, this division was the main revenue generator of the PCC Group, followed by the Energy division with around 24 % and the Logistics division with about 5 % of Group

sales. Germany remained the most important sales market of the PCC Group, accounting for a major portion of the trading revenues in both the commodities and the energy segments. Due to the strong presence of PCC in Poland, both in the chemicals industry and also in the logistics services sector, Poland is the second most important national market for the Group.



## Chemicals Division

PCC has established itself as one of the largest chemicals producers in Poland. In certain selected product segments such as polyether polyols and surfactants, we are the market leader in Poland and, in some cases, already a market leader throughout Central Europe.

Through the sale of products from our own manufacturing facilities, we are able to strengthen the international presence of the PCC Group in the trading sector where PCC began its business activities in 1994. Through targeted purchases of shares in Polish companies since the beginning of the new millennium, we have succeeded in achieving backward integration from a pure trading house for raw materials and commodities to the position of a major chemicals producer.

The most important production site of the PCC Group is located in the south-west region of Poland known as Dolny Śląsk (Lower Silesia) and specifically in Brzeg Dolny, some 40 kilo-

metres north-west of Wrocław. PCC Rokita SA, one of the largest chemical works in the country, manufactures products including polyether polyols, needed for the production of cold-cure foams (PUR foams). The PCC Group subsidiary is the only producer of these speciality polyols in Poland. The product portfolio of PCC Rokita also includes chlorine, chlorine compounds and alkalis, as well as surfactants, phosphorus derivatives and household chemicals.

Nonyl phenol and dodecyl phenol are manufactured at the production site of the Polish company PCC Synteza S.A. in Kędzierzyn-Koźle near Gliwice. And located overseas in Piedmont, the state of South Carolina, USA,

From trading house for raw materials and chemical commodities to chemicals manufacturer.



Tank farm of the modern sulphonation plant of PCC Rokita SA in Brzeg Dolny, with an anionic surfactant production capacity of 30,000 metric tons per year.

PCC Chemax, Inc. develops, manufactures and markets speciality surfactants.

Our Group affiliates primarily manufacture products from the following product groups:

**Polyols –  
manufactured by PCC Rokita SA**

Main products: Polyols – starting materials for the polyurethane industry

- Rokopol polyols for the manufacture of flexible foams, utilised primarily for the furniture industry (mattresses, upholstery), and for the production of foam sheeting, self-adhesive laminates, acoustic insulation materials, filter materials etc.
- Rokopol iPol polyols for the manufacture of highly flexible speciality foams for the upholstery and mattress industries, produced using innovative iPoltec technology to create tailored products with distinctive properties such as high flexibility, low odour, durability and exceptionally high resilience.
- Rokopol polyols for the manufacture of rigid foams for use as thermal and acoustic insulation materials for various building applications, for example outer wall insulation, laminated composites, door and window frames.
- Other Rokopol products for the production of adhesives, paints and coatings, polyurethane elastomers for flooring applications, as sealants and lubricants for compressors and for the manufacture of hydraulic fluids.

**Chlorine products –  
produced by PCC Rokita SA:**

Main products: Chlorine, chlorine compounds, alkalis

- Liquid chlorine: For use in the chemicals industry for chlorination, in the pulp and paper

industry as a bleaching agent, and for water treatment.

- Caustic soda, also known as sodium hydroxide: Widely used in the chemical, paper, household chemicals and textile industries; for example as a degreasing agent in metallurgy, and as a rinsing agent for bottles and apparatus in the food industry.
- Chlorobenzenes: Solvents, starting materials for chemical synthesis applications and for pesticides.

**Surfactants –  
manufactured by PCC Rokita SA:**

Main products: Surfactants (surface-active substances) for the household chemicals and cosmetics industries

- Non-ionic surfactants: Manufactured on the basis of nonyl phenol, alcohols and fatty acids; used in the production of various laundry and cleaning detergents and a range of special products.
- Anionic surfactants: Based on alkyl benzenes and ethoxylated fatty alcohols; used in the production of laundry detergent powders and liquid detergents, liquid soaps and shampoos.

**Phosphorus and naphthalene derivatives –  
manufactured by PCC Rokita SA:**

Main products: Range of commodities manufactured from phosphorus derivatives and naphthalene derivatives

- Phosphorus-based plasticisers, stabilisers, flame retardants for use in the plastics, paints and coatings industries.
- Inorganic phosphorus compounds: Intermediate products for use in chemical synthesis applications (e. g. in the pharmaceutical industry and agrochemicals manufacturing).
- Naphthalene sulphonates: Construction-



related chemicals such as concrete additives, admixtures for the manufacture of plaster-board.

#### Alkyl phenols – manufactured by PCC Synteza S.A.:

- Nonyl phenol: Used in the manufacture of surfactants for industrial cleaning solutions, for filling inkjet printer cartridges, for paper coating and as a rubber additive.
- Dodecyl phenol: Additive for hydraulic oils and lubricating greases.

#### EU STANDARDS AND ENVIRONMENTAL PROTECTION AT PCC ROKITA SA

PCC Rokita SA is certified to the following standards or participates in the following programmes:

- IPPC – Integrated Pollution Prevention and Control – integrated approvals since 2007



- EN ISO 14001 – European Environmental Management Standard – certification since 2001



- EN ISO 9001 – European Quality Management Standard – certification since 2000



- Responsible Care – member since 1999



#### SALES OF THE CHEMICALS DIVISION

The Chemicals division generated sales of € 405 million in fiscal 2010, representing an increase of 19.1 % compared to the prior-year figure of € 340 million. In all, the PCC companies in this division contributed 69.8 % (previous year: 52.1 %) to consolidated sales totalling € 580.1 million. The Chemicals division was therefore again the main revenue generator of the PCC Group in fiscal 2010.

As an annual average, the Chemicals division employed a total of 1,521 people (previous year: 1,587), corresponding to around 70.0 % of the aggregate Group workforce (previous year: 40.6 %).

The main companies of the Chemicals division and their fields of activity as of December 31, 2010 read as follows:

## PRODUCTION COMPANIES

### PCC Rokita SA subgroup, Brzeg Dolny (Poland)



|   |  |
|---|--|
| Sales contribution 2010                               | € 255.1 million (previous year: € 202.5 million)   |
| Employees 2010 (annual average)                       | 1,335 (previous year: 1,374)   |
| Year established or incorporated within the PCC Group | <ul style="list-style-type: none"> <li>▪ Incorporated within the PCC Group in 2002</li> <li>▪ Majority holding since 2003</li> <li>▪ Since April 2010, wholly owned by PCC SE</li> </ul>   |
| Business activities                                   | Production of polyols, chlorine (chlorine compounds, alkalis), surfactants, phosphorus and naphthalene derivatives, and household chemicals  |
| Major subsidiaries                                    | Brzeg Dolny site (Poland): <ul style="list-style-type: none"> <li>▪ Kosmet-Rokita Sp. z o.o., manufacturer of household cleaning products</li> <li>▪ Tensis Sp. z o.o., manufacturer of chemical blends</li> <li>▪ PCC Exol S.A., operator of the new ethoxylation plant in Płock</li> <li>▪ Ekologistyka Sp. z o.o., in-company service-provider for waste disposal and recycling</li> <li>▪ LabMatic Sp. z o.o., in-company service-provider for plant and equipment maintenance</li> <li>▪ Apakor-Rokita Sp. z o.o., in-company apparatus and vessel constructor, service-provider for repairs, anti-corrosion and rust protection measures etc.</li> </ul> |
| Further information                                   | PCC Rokita SA counts among Poland's biggest chemical plants and is the largest chemicals producer in Lower Silesia. PCC Rokita is the only manufacturer of polyether polyols, surfactants and monochlorobenzene (MCB) in Poland.   |

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



|   |  |
|---|--|
| Sales contribution 2010                               | € 27.2 million (previous year: € 28.3 million)   |
| Employees 2010 (annual average)                       | 85 (previous year: 109)  |
| Year established or incorporated within the PCC Group | Incorporated in the PCC Group in 1998  |
| Business activities                                   | Chemical production with the emphasis on nonyl phenol and dodecyl phenol (alkyl phenols) |

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



|   |   |
|---|---|
| Sales contribution 2010                               | € 17.3 million (previous year: € 13.4 million)  |
| Employees 2010 (annual average)                       | 30 (previous year: 29)  |
| Year established or incorporated within the PCC Group | Incorporated in the PCC Group in 2006   |
| Business activities                                   | Development and marketing of speciality chemicals (surfactants) for surface treatment |
| Further information                                   | PCC Chemax is PCC's first overseas acquisition.                                       |

**TRADING COMPANIES****Petro Carbo Chem GmbH, Duisburg (Germany)**

|   |   |
|---|---|
| Sales contribution 2010                               | € 130.3 million (previous year: € 97.4 million)   |
| Employees 2010 (annual average)                       | 45 (previous year: 46)  |
| Year established or incorporated within the PCC Group | Established in 1993   |
| Business activities                                   | <ul style="list-style-type: none"> <li>▪ Trading with solid fuels, primarily coke breeze, coke fines and small-nut anthracite</li> <li>▪ Trading with chemical commodities, primarily coking plant by-products such as crude tar and crude benzene, pure benzene, phenol, toluene, adipic acid and bisphenol-A</li> </ul> |
| Major subsidiaries                                    | <ul style="list-style-type: none"> <li>▪ Petro Carbo Chem, Dnipropetrovsk, Ukraine</li> <li>▪ ZAO Novobalt Terminal, Kaliningrad, Russia</li> </ul>   |
| Further information                                   | Founding company of the PCC Group from which the PCC SE of today was originally carved out in 1998  |

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

|   |   |
|---|---|
| Sales contribution 2010                               | € 28.3 million (previous year: € 15.7 million)  |
| Employees 2010 (annual average)                       | 20 (as in the previous year)  |
| Year established or incorporated within the PCC Group | Incorporated within the PCC Group in 1994   |
| Business activities                                   | Specialises in trading with chemical commodities, coal and coke, and also casting plant/foundry raw materials and products; railway and intermodal transportation services also part of the portfolio |



Environmentally friendly membrane electrolysis plant at PCC Rokita SA in Brzeg Dolny.

## Energy Division

Focusing on power plant construction in the renewable energies field.

In fiscal 2010, the Energy division encompassed two areas of activity: the development of power plant projects and the supply of electricity and gas to commercial SME customers.

In the power plant business, our objective is to generate value for the PCC Group through the identification and development of green-field projects and the acquisition of projects in different stages of development, investment in those projects and the long-term operation of the associated facilities. Currently, the project portfolio comprises industrial CHP (cogeneration) plants, conventional power plants and small hydropower plants, plus a wind park. These last two categories are managed in a joint venture with DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, a member of the KfW Group. There are currently several power plant projects in Germany, Poland and in South-East Europe in the planning, developmental or construction phase; two power plants have so far been commissioned.

The second field of business involving the supply of end customers from the SME and industrial sectors across Germany with electricity and natural gas was sold at the end of 2010 to the Spanish energy utility Nexus Energía S.A. of Barcelona. The transaction was completed in February 2011 with the result that the Duisburg-based PCC subsidiary PCC Energie GmbH

operating in this field was removed from the scope of consolidation of the PCC Group with retrospective effect from January 1, 2011. With the sale of PCC Energie, PCC SE has been able to optimise its investment portfolio, completing the realignment of the Energy division. Its focus is now primarily on the development and operation of its own power plants based on renewable energies in Eastern and South-East Europe.

### SALES OF THE ENERGY DIVISION

At € 137 million, divisional sales were 35.1 % below the prior-year level (€ 211.1 million). As a result, the Energy division's share of the 2010 consolidated sales (€ 580.1 million) fell from 32.4 % to 23.5 %.

As an average for the year, the Energy division had a workforce of 242 employees (previous year: 227), corresponding to around 11.1 % of the total Group payroll (previous year: 6 %).

The main companies that make up the Energy division as of December 31, 2010 and their fields of activity are indicated overleaf.

**PCC Energie GmbH, Duisburg (Germany)**

|   |   |
|---|---|
| Sales contribution 2010                               | € 125.2 million (previous year: € 143.4 million)  |
| Employees 2010 (annual average)                       | 113 (previous year: 95)   |
| Year established or incorporated within the PCC Group | Established 1999  |
| Business activities                                   | Electricity and gas supply to industry and mid-sized companies throughout Germany; power engineering and metering point operation   |
| Sale of the company                                   | All the shares in the company were sold at the end of December 2010 to Nexus Energía of Spain. As a result, the company left the PCC Group with retrospective effect as of January 1, 2011. |

**ZAKŁAD ENERGETYKI – BLACHOWNIA S.A. (abbreviated: ZE-Blachownia), Kędzierzyn-Koźle (Poland)**

|   |   |
|---|---|
| Sales contribution 2010                               | € 10.7 million (previous year: € 8.4 million)   |
| Employees 2010 (annual average)                       | 124 (previous year: 126)  |
| Year established or incorporated within the PCC Group | Incorporated within the PCC Group in 2006   |
| Business activities                                   | Trading and distribution of electricity, thermal energy and coke-oven gas, and the generation and supply of compressed air, industrial water, demineralised water and sanitary water. Further important business segments include sewage and waste treatment. |

**PCC Energy Trading GmbH, Duisburg (Germany)**

|   |   |
|---|---|
| Sales contribution 2010                               | € 9.1 million (previous year: € 84.8 million)       |
| Employees 2010 (annual average)                       | 0 (previous year: 2)                                |
| Year established or incorporated within the PCC Group | Established 2008                                    |
| Business activities                                   | Energy trading and trading with emission allowances |


**PCC DEG Renewables GmbH**, Duisburg (Germany)

|   |   |
|---|---|
| Sales contribution 2010                               | 0 (as in previous year)   |
| Employees 2010 (annual average)                       | 9 including employees of the subsidiaries listed below (as in previous year)  |
| Year established or incorporated within the PCC Group | Established 2008  |
| Business activities                                   | Holding company for operations aligned to the utilisation of renewable energy sources; business activities include the acquisition, financing, direct ownership and management of shareholdings and/or companies.   |
| Subsidiaries  | <ul style="list-style-type: none"> <li>▪ GRID BH d.o.o., Sarajevo (Bosnia-Herzegovina)</li> <li>▪ Novi Energii OOD, Sofia (Bulgaria)</li> <li>▪ PCC Izvorsko EOOD, Sofia (Bulgaria)</li> <li>▪ PCC HYDRO DOOEL Skopje, Skopje (Macedonia), since September 21, 2010; previously held by PCC SE</li> </ul> |
| Further information                                   | Joint venture between KfW banking group subsidiary DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH and PCC SE, in which PCC SE holds 60 % and DEG 40 % of the shares  |

**GRID BH d.o.o.**, Sarajevo (Bosnia-Herzegovina)


|   |  |
|---|--|
| Sales contribution 2010                               | € 0.4 million (previous year: € 0.3 million)   |
| Employees 2010 (annual average)                       | 4 (previous year: 3)   |
| Year established or incorporated within the PCC Group | Incorporated within the PCC Group in 2006  |
| Business activities                                   | Since February 2009, this project company has been operating the Mujada small hydropower plant in Bosnia-Herzegovina, the first climate-protection project of PCC to go on stream. |
| Further information                                   | In April 2010, PCC DEG Renewables GmbH increased its holding in this company to 85.62 % of the shares.   |

# Logistics Division

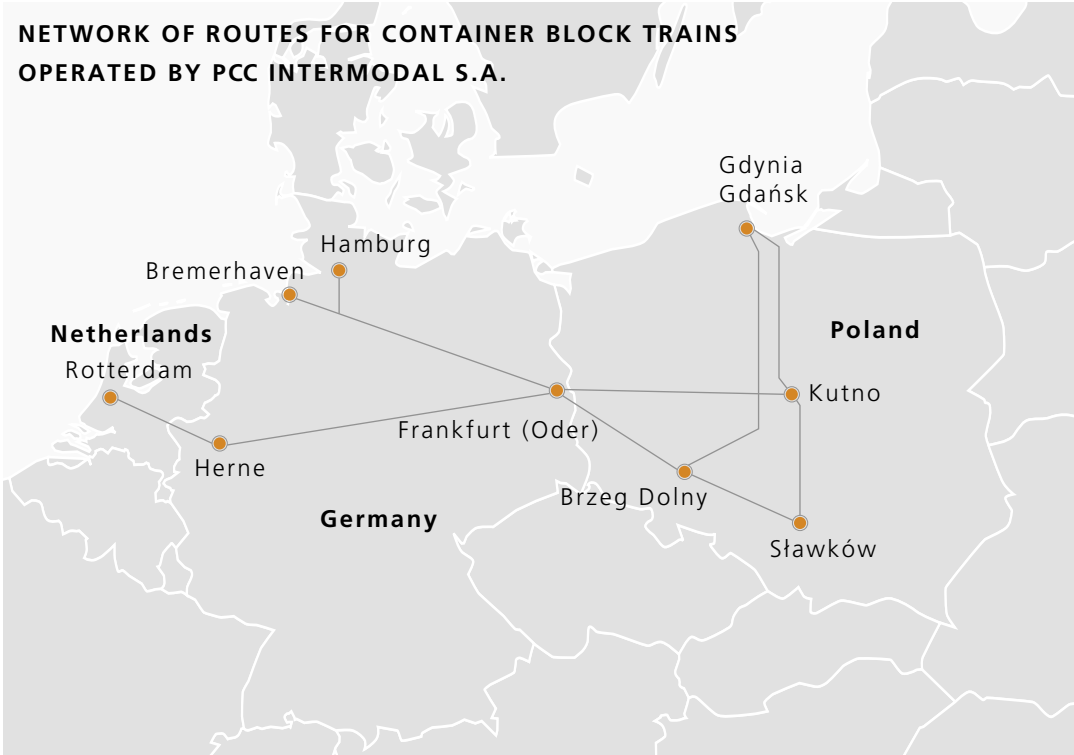
Following the sale of a major portion of PCC’s railway activities in the form of the “PCC Logistics” group of companies, since the middle of 2009 the Logistics division has encompassed the fields of intermodal transport, logistics services, road haulage and wagon leasing.

The demand for container transport services is steadily rising, particularly in Poland.

Each week, the Polish company PCC Intermodal S.A. offers over 30 rail links operated by scheduled all-container block trains – with the tendency rising. In the intermodal transportation of containerised goods, more than one type of vehicle is used, with final delivery to the customer being performed, for example, locally by truck. The network of routes has been constantly expanded – currently, PCC Intermodal offers services between the inland terminals in Sławków, Brzeg Dolny and Krzewie near Kutno

and the sea ports of Gdańsk, Gdynia, Hamburg, Bremerhaven and Rotterdam.

The capital expenditure programme of PCC Intermodal S.A. provides for the construction and commissioning of several modern combined transport terminals across Poland. These are to be built in Poland’s most important economic regions at the hubs of major communication routes. The construction of the first terminal in Kutno (Central Poland) began at the end of the



first quarter of 2010, with its commissioning scheduled for the middle of 2011.

### SALES OF THE LOGISTICS DIVISION

In fiscal 2010, consolidated revenues attributable to the Logistics division amounted to € 30 million, 69.9 % below the prior-year figure (€ 99.6 million) due to the sale of the "PCC Logistics" group of companies to Deutsche Bahn effective July 1, 2009. Overall, the PCC companies in this division contributed 5.2 %

to aggregate consolidated sales of € 580.1 million (previous year: 15.3 %).

As an annual average, the number of people employed at the Logistics division was 189 (previous year: 2,010), corresponding to 8.7 % of the Group's workforce.

The main companies of the Logistics division as of December 31, 2010 and their activities are indicated below:

#### PCC Intermodal S.A., Gdynia (Poland)



|   |   |
|---|---|
| Sales contribution 2010                               | € 29.8 million (previous year: € 17.3 million)  |
| Employees 2010 (annual average)                       | 121 (previous year: 99)   |
| Year established or incorporated within the PCC Group | Established 2005  |
| Business activities                                   | <ul style="list-style-type: none"> <li>▪ Intermodal container transport</li> <li>▪ Door-to-door deliveries</li> <li>▪ Cargo handling and storage services</li> <li>▪ Overseas transportation of goods</li> </ul> <p>In 2010, PCC Intermodal S.A. handled over 71,000 containers, corresponding to almost 115,000 TEU (twenty-foot equivalent units, standard unit of container measurement). PCC Intermodal handles a monthly schedule comprised of more than 120 block trains.</p> |
| Further information                                   | PCC Intermodal S.A. was the first company of the PCC Group to implement an IPO, placing 10 % of its shares on the Warsaw Securities Exchange (GPW) on December 18, 2009.  |

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



|   |  |
|---|--|
| Sales contribution 2010                               | € 5.3 million (previous year: € 4.9 million)   |
| Employees 2010 (annual average)                       | 68 (as in the previous year)   |
| Year established or incorporated within the PCC Group | Incorporated within the PCC Group in 2002; majority holding since 2003   |
| Business activities                                   | Road haulage and forwarding services; vehicle fleet includes around 50 company-owned road tankers; specialises in the transportation of hazardous materials and particularly the carriage of liquid chemicals; has a modern tank cleaning installation for road tankers and tank containers. |



## Other Shareholdings

The consolidated Group sales attributable to the Other Shareholdings in fiscal 2010 amounted to € 11 million, almost ten times the € 1.4 million generated in the previous year. The average annual workforce employed by the constituent companies totalled 168 people.

As of December 31, 2010, Other Shareholdings encompassed the following Group companies operating in such disparate areas as quartzite mining, factoring and information technology and telecommunications.

### **PCC Silicium S.A. (formerly: KiZWK "Bukowa Góra" S.A.), Zagórze (Poland)**



|   |   |
|---|---|
| Sales contribution 2010                               | € 7.3 million (previous year: no contribution to sales as first-time consolidation effective Jan. 1, 2010)  |
| Employees 2010 (annual average)                       | 136 (previous year: 155)  |
| Year established or incorporated within the PCC Group | Majority holding since September 2009   |
| Business activities                                   | The company operates a quartzite mine and the associated quartzite enrichment facilities. The quartzite extracted from this mine is currently used primarily as road construction material and for the production of ferrosilicon. The long-term objective is to use a portion of the quartzite for the production of metallurgical silicon of a grade suitable for the manufacture of solar silicon. |

### **PCC Capital GmbH, Duisburg (Germany)**



|   |  |
|---|--|
| Sales contribution 2010                               | € 1.4 million (previous year: € 1.9 million)                         |
| Employees 2010 (annual average)                       | 3 (as in the previous year)  |
| Year established or incorporated within the PCC Group | Established 2005   |
| Business activities                                   | Factoring for the companies of the PCC Group and third-party clients |
| Subsidiary  | Drefakt GmbH, Dresden (Germany)                                      |

### **Polskie Centrum Teleinformatyki S.A. (abbreviated: PCT S.A.), Brzeg Dolny (Poland)**



|   |   |
|---|---|
| Sales contribution 2010                               | € 2.3 million (previous year: € 2.2 million)  |
| Employees 2010 (annual average)                       | 29 (previous year: 35)  |
| Year established or incorporated within the PCC Group | Incorporated within the PCC Group in 2002; majority holding since 2003                    |
| Business activities                                   | IT and telecommunication services, particularly for the Polish companies of the PCC Group |



**71,000** containers transported



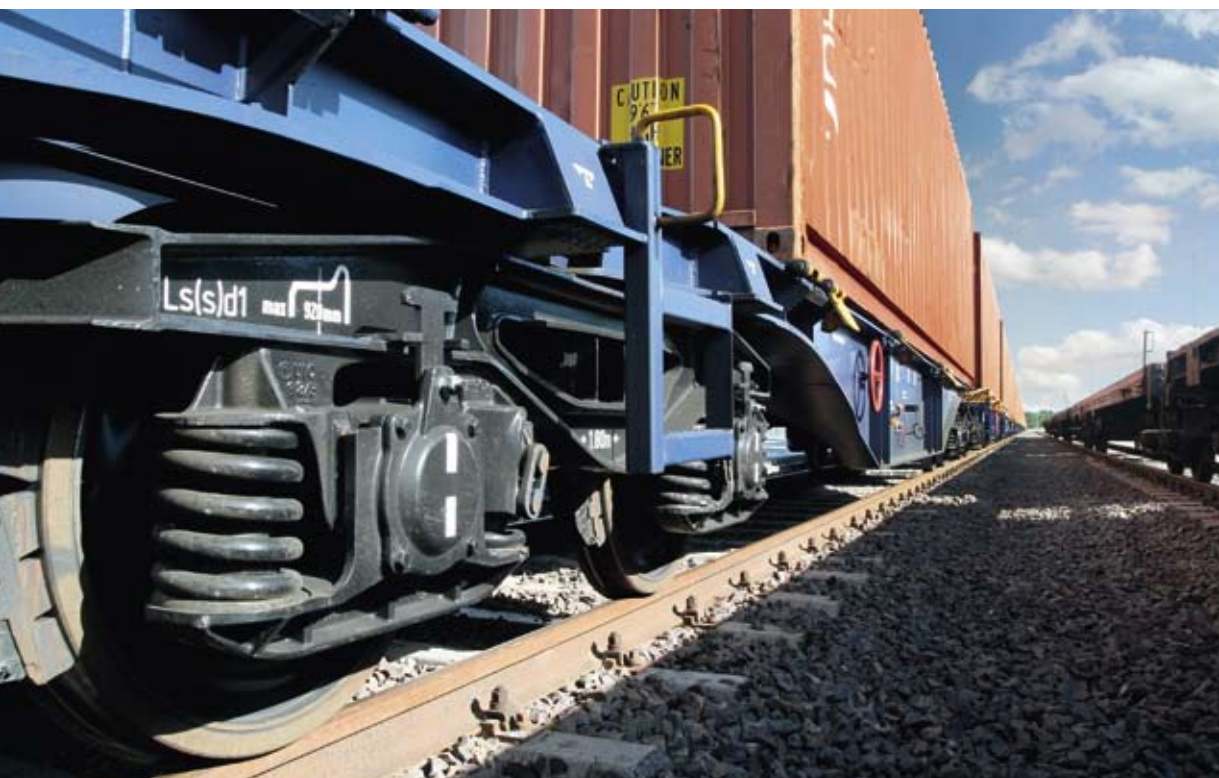
**Kamil Maliszewski (28)**, Logistics Specialist at PCC Intermodal S.A., Gdynia (Poland) – Technology and Truck Transport Department:

“The Truck Transport Department at the Brzeg Dolny container terminal arranges container transportation to customers in a radius of up to 150 km. Our well organised work processes and experienced team ensure that, day in, day out, all the containers arrive punctually with our customers.”

With a transport volume in 2010 totalling more than 71,000 containers, PCC Intermodal S.A. is a leading provider of intermodal transportation in Poland. The company already offers over 30 scheduled rail links per week involving all-container block trains. With intermodal transportation, the containers are delivered to the customer primarily using the road-rail combination.

# Group Management Report

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With annual sales of € 29.8 million, PCC Intermodal S.A., headquartered in Gdynia, dominates the Logistics division of the PCC Group. The company regularly organises all-container block trains from the Polish inland terminals in Sławków, Brzeg Dolny and Krzewie near Kutno to the sea ports of Gdańsk, Gdynia, via Frankfurt (Oder) to Hamburg and Bremerhaven, and also via Herne to Rotterdam.

To stand still means to go backwards. 2010 saw the PCC Group generate consolidated sales of € 580 million. As planned and with the good of our investors very much in mind, we continue to drive forward the strategic realignment of the Group to facilitate an enhanced asset management approach. Going forward, the Group structure is expected to remain as it is now, subdivided into the Chemicals, Energy and Logistics divisions.

## Core Business Activities

The realignment of the PCC Group continued successfully through 2010.

In fiscal 2010, the organisational structure of the PCC Group remained unchanged and therefore continued to comprise the following four divisions:

### **Chemicals – Energy – Logistics – Other**

Consolidated Group sales across all the divisions amounted to € 580 million for the financial year. Compared to the corresponding prior-year figure of € 652 million, this represents a decrease of 11 %. The main reason for this decline is the absence of “PCC Logistics” from the scope of consolidation of the PCC Group effective mid-2009, following the sale of these holdings to Deutsche Bahn AG.

After the divestment of the Pesticides business of PCC Rokita SA, Brzeg Dolny, in fiscal 2008, this sale of “PCC Logistics” in 2009 constituted a further milestone in the strategic realignment of the PCC Group, which entails placing an ever stronger focus on asset and investment portfolio management. This shift in emphasis within the PCC Group gathered further momentum in the year under review with the sale of PCC Energie GmbH in December 2010.

Business performance in the individual divisions during 2010 was extremely mixed. Not all the Group companies were able to benefit right from the start of the year from the continuing economic recovery. Furthermore, planned investments which had initially been postponed in part or in whole during the global financial and economic crisis in 2009 were – for various reasons – not always implemented within the revised timeframe, so that the envisaged positive influence on earnings only took place, or will only take place, with some delay. Right from the onset of 2010, moreover, price increases – quite disproportionate in some cases – relating to the raw materials used in chemical production led to additional burdens on income.



Again, in 2010, the Chemicals division was the main revenue generator of the PCC Group. Taking the annual average, this division had a workforce of 1,521 employees, most of whom work at the site of PCC Rokita SA in Brzeg Dolny, Lower Silesia, Poland.

The performance of the individual Group divisions can be summarised as follows:

## CHEMICALS

The Chemicals division comprises the following production and commodity trading companies\*:

### Production companies:

- PCC Rokita SA, Brzeg Dolny (Poland)
- PCC Synteza S.A., Kędzierzyn-Koźle (Poland)
- Węglpochodne Sp. z o.o., Kędzierzyn-Koźle (Poland)
- PCC Chemax, Inc., Piedmont, SC (USA)
- S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea (Romania) (shareholding 58.72 %)

### Commodity trading companies:

- Petro Carbo Chem GmbH, Duisburg (Germany)
- PCC Morava-Chem s.r.o., Český Těšín (Czech Republic)
- C&C Coke and Coal Products GmbH, Duisburg (Germany) (shareholding 60 %).

With consolidated divisional sales amounting to € 405 million in fiscal 2010 (previous year: € 340 million), the Chemicals division was again the main revenue generator within the PCC Group. Operating profit (EBITDA) amounted to some € 30 million, up 10 % on the corresponding prior-year figure of € 27 million. This increase was predominantly due to the significant improvement in the performance of the two largest trading companies of the PCC Group: Petro Carbo Chem GmbH, Duisburg, and PCC Morava-Chem s.r.o., Český Těšín. In the course of the year under review, the average workforce attributable to the Chemicals division was 1,521 employees.

Again in fiscal 2010, the main sales and earnings generator within the Chemicals division was PCC Rokita SA and its subsidiaries. Effective April 1, 2010, PCC SE became the sole shareholder of PCC Rokita SA, having acquired 100 % of its shares through a squeeze-out of the remaining minority shareholders.

\* Major fully consolidated subsidiaries; shareholding 100 % unless otherwise indicated.

Positions strengthened through capacity expansion and newly commissioned plant facilities.

PCC Rokita SA holds – in part – leading positions within Central Europe in product segments such as polyols, surfactants and phosphorus derivatives (flame retardants, plasticisers). With the commissioning of the iPol production plant for the manufacture of speciality polyols, and the start-up of the new ethoxylation plant, this position was further strengthened in 2010. And as a result of PCC SE's 100 % acquisition of the polyurethane system house PRODEX-SYSTEM Sp. z o.o., the Group was able to further extend its value chain in the field of polyols and polyurethanes. Both the Polyols unit and the Surfactants business made positive contributions to the overall earnings position of PCC Rokita SA in fiscal 2010. A further major business of PCC Rokita SA is that of chlorine electrolysis. However, performance here in 2010 was significantly below the level of the previous year. In the crisis year of 2009, PCC Rokita SA was initially able to benefit from the countercyclical price

developments encountered with respect to the by-products – predominantly caustic soda – of this electrolysis process. However, this trend completely reversed in fiscal 2010, and this is one of the reasons for the poorer results posted by the Chlorine business in the year under review. Nevertheless, the completion of the first phase of conversion of the chlorine production process to environmentally friendly and energy efficient membrane electrolysis technology in 2010 has provided the foundation for further positive development of this product group going forward. The subsidiary Kosmet-Rokita Sp. z o.o. also ended the reporting period with sales and profits below prior-year. Towards the end of 2010 in particular, the disproportionate rise in raw material prices added to the burden on results, the only options being a delayed increase in prices to customers or full absorption in manufacturing cost. Overall, therefore, the operating profits of the "PCC Rokita" subgroup fell below the level of the previous year.

In March 2010, PCC Rokita SA commissioned its new membrane electrolysis plant. This facility corresponds to the latest state of the art, offering enhanced energy efficiency and environmental compatibility.





By contrast, PCC Synteza S.A., Kędzierzyn-Koźle, ended the 2010 financial year in a significantly better position than in the previous year. Since the closure at the end of 2009 of its bisphenol-A production operation, frequently a loss-maker in the past, this subsidiary has concentrated on the manufacture of nonyl phenol and dodecyl phenol. Work is also underway on the development of a new product segment, with initial tests having already been successfully completed. PCC Chemax, Inc., which predominantly focuses on the formulation of surfactants, was able to benefit from the incipient recovery of the US economy, almost doubling its earnings compared to the previous year.

2010 also saw a continuation of the wind-up process involving the production company Węglpochodne Sp. z o.o., Kędzierzyn-Koźle, which ceased operations in 2009. PCC SE initially adopted a waiting position in 2010 with respect to its involvement in the Romanian companies S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea, a Group subsidiary, and S.C. Oltchim S.A., in which PCC SE has a strategic minority holding. Both investments had been subjected to a precautionary impairment charge in 2009 in response to the continuing loss situation in

the case of the former, and uncertain realisation prospects for the investment in a production plant for TDI (toluene diisocyanate) originally planned by S.C. Euro-Urethane in 2008.

The two largest trading companies in the Chemicals division, namely Petro Carbo Chem GmbH, Duisburg, and PCC Morava-Chem s.r.o., Český Těšín, benefited in fiscal 2010 from the positive economic upturn, enabling them to generate significantly better earnings than in 2009. The business performance of C&C Coke and Coal Products GmbH, in which PCC SE has a 60 % stake, declined further in 2010 due to lack of sufficient coverage of its demand for Polish coke by its Polish shareholder. In view of this development and also as a consequence of the planned IPO on the Warsaw Securities Exchange (GPW) of the company group owned by the Polish joint shareholder of C&C Coke and Coal Products GmbH, it was unanimously agreed that the latter company should be wound up as of October 1, 2010. The trading business of the PCC Group will therefore be limited to the two subsidiaries mentioned above, and – in compliance with the newly aligned Group strategy – will only be pursued within its existing framework.

Realignment and new developments generate success.

PCC Energie was successfully sold to Nexus Energía S.A.

## ENERGY

The Energy division encompasses the following subsidiaries involved in energy supply and power plant construction:

- PCC Energie GmbH, Duisburg (Germany)
- ZE-Blachownia Sp. z o.o., Kędzierzyn-Koźle (Poland) (shareholding 84.46 %)
- PCC DEG Renewables GmbH, Duisburg (Germany) (shareholding 60 %)

plus a further entity involved primarily in trading with energy and certificates:

- PCC Energy Trading GmbH, Duisburg (Germany)

Aggregating the results of the above companies together, the Energy division generated consolidated divisional sales of some € 137 million in fiscal 2010 (previous year: € 211 million). The EBITDA of this division was, as expected, once again negative at –€ 1 million. The workforce of the Energy division averaged 242 employees in 2010.

The trading business of PCC Energy Trading GmbH in the year under review remained limited to procurement on behalf of PCC Energie GmbH and the sale of surplus CO<sub>2</sub> certificates held by PCC Rokita SA. Spot trades with certificates were reduced to virtually zero in order to minimise risk, leading to a substantial decline in the overall revenue figure of the Energy division.

The energy supply company PCC Energie GmbH, Duisburg, was again a major contributor to the loss incurred by the division. Although the comprehensive restructuring measures introduced in 2009 began to slowly

take effect, the company was ultimately still unable to cover its overheads in fiscal 2010. Sales activities were again expanded in 2010, accompanied by further process optimisation measures and the automation of administrative tasks. Negotiations were concurrently held with various potential investors considering a strategic participation in PCC Energie GmbH or alternatively the complete take-over of this company. This latter alternative was successfully achieved as of the end of 2010 with the signing of a purchase agreement with the Spanish energy utility Nexus Energía S.A., Barcelona. The transaction was completed around mid-February 2011, leading to PCC Energie GmbH being removed from the scope of consolidation of the PCC Group with retrospective effect as of January 1, 2011. With this divestment, PCC SE was able to continue the process of optimising its investment portfolio and realigning its Energy division, turning its attention towards the development and operation of its own power plants based on regenerative energy, particularly in Eastern and South-East Europe.

ZE-Blachownia Sp. z o.o., Kędzierzyn-Koźle, another company active in the energy and heat supply business, initially benefited from the rather severe winter conditions prevailing at the beginning of 2010, and then – in a substantially more sustained manner – from the continuing economic recovery, in the wake of which consumption levels of its customers increased appreciably. Following the losses made in fiscal 2009, the company again returned to profitability, making a positive contribution to Group earnings in 2010.

The activities of PCC DEG Renewables GmbH, Duisburg, which operates in the field of regenerative energy and in which the KfW



## LOGISTICS

The main business activities of the Logistics division have, since the middle of 2009, been in the field of intermodal transport, under the auspices of

- PCC Intermodal S.A., Gdynia (Poland)  
(shareholding 71.04%)

The Logistics division also encompasses the road haulage company:

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

Consolidated divisional sales amounted to € 30 million, significantly below the corresponding

prior-year figure of some € 100 million. This is primarily due to the elimination of the “PCC Logistics” companies from the scope of consolidation of the PCC Group as of the middle of 2009 following the sale of this investment to Deutsche Bahn AG. At –€ 1.5 million, the division’s operating profit (EBITDA) came in just below break-even (previous year: +€ 9 million). The average number of employees at the division in 2010 was 189.

The Logistics division is currently dominated by PCC Intermodal S.A., Gdynia, the portfolio of which encompasses combined transport services both within Poland and on international routes. Initially, this company was only able to slowly recover from the effects of the global financial and economic crisis, which caused its

PCC Autochem, which specialises particularly in the transportation of liquid chemicals, has a fleet of around 50 tankers.



transport business to slump by around 60%. In some cases, it was only possible to attract new long-term contracts by accepting considerable pressures on margins, as a result of which the earnings of PCC Intermodal S.A. were heavily burdened throughout fiscal 2010. The situation was further exacerbated by regular, in some cases weather-related, delays in the construction of the new container cargo handling terminal owned by this company in Kutno (Poland). Only once this terminal is completed will the current bottleneck in handling capacities be relieved, with further growth potential for PCC Intermodal S.A. finally beginning to be realised. The company is planning a further sale of shares on the Warsaw Securities Exchange (GPW) around the middle of 2011. The liquidity generated by this capital increase is to be invested in, among other things, the construction of further container terminals in Poland in order to promote business on the Polish market for container transport, for which strong long-term growth is still anticipated, and also to assist in the expansion of other international routes.

PCC Autochem Sp. z o.o., Brzeg Dolny, which operates in the road haulage sector, continued to be of rather minor importance for the business development of the Group.

#### OTHER

In addition to the three core business sectors covered by the PCC Group, we also have activities in factoring (PCC Capital GmbH, Duisburg) and in the IT and telecommunications field (PCT Polskie Centrum Teleinformatyki S.A.,

Brzeg Dolny). In fiscal 2010, PCT S.A. once more made a positive contribution to Group profits. The earnings of PCC Capital GmbH again suffered from an exceptional charge due to a case of factoring fraud, but thanks to PCC SE waiving a debt in favour of this investment, it was able to register a slightly positive result. The total sales of this Group division in the 2010 financial year amounted to around € 9 million, representing a significant increase compared to the previous year. The average number of employees in this division also rose, from 90 in 2009 to 222 in 2010. Both increases are attributable to the first-time consolidation of PCC Silicium S.A. (formerly KiZWK "Bukowa Gora" S.A.), Zagórze.

This quartzite mine, consolidated for the first time in the year under review but a member of the PCC Group since 2009, with the PCC SE stake at 90.25%, continued to focus on mining quartzite for road construction in fiscal 2010. Due to the enormous expansion in infrastructure taking place in the run-up to the European Football Championships of 2012 in Poland, this business is experiencing a tremendous boom, a situation that is, moreover, expected to continue beyond the end of 2011/beginning of 2012. As a result, PCC Silicium S.A. was able to make an appreciably positive contribution to Group earnings in 2010. The long-term goal, however, is to see a portion of the quartzite output being used for the manufacture of the semiconductor material silicon. Development of a corresponding project was launched in 2010.

Capital increase planned for PCC Intermodal S.A. in 2011.

## Business Development and Financial Performance

Overall, the PCC Group ended fiscal 2010 with an operating profit (EBITDA) of € 14.5 million, substantially below the level of the previous year (€ 130.8 million). The main cause for this significant difference is the sale of the "PCC Logistics" group of companies to Deutsche Bahn AG in 2009, and the gain resulting from this divestment, as a consequence of which other operating income rose to a total of € 155.8 million at the Group level in 2009.

By contrast, other operating income generated within the Group in fiscal 2010 amounted to € 18.3 million. In terms of operating profit, the Chemicals division was the biggest earnings generator within the PCC Group for reasons already explained above. Although the results registered by the PCC Rokita SA subgroup for fiscal 2010 were below those of the previous year, this was more than offset by the positive earnings performance posted by the two other production companies PCC Chemax, Inc. and PCC Synteza S.A., and also the two trading companies, Petro Carbo Chem GmbH and PCC Morava-Chem s.r.o.

The effect of the divestment in 2009 is also reflected in the comparison of earnings before taxes (EBT). Following a plus of around € 94.8 million in 2009, we made a loss in 2010 of some –€ 15.4 million. The positive results of the Chemicals division alone in this financial year were not enough to countervail the deficits of the Energy and Logistics divisions, combined with the high capital service costs incurred within the Group, particularly by PCC SE.

These latter costs resulted from the unchanged mezzanine debt attributable to PCC SE amounting to € 66.0 million and also the bearer bond

liabilities, which rose from € 105.9 million to € 112.9 million. While PCC SE redeemed from existing liquidity a bond emitted five years before (ISIN: DE000A0EY6Q4) in the amount of € 32 million at final maturity as of July 1, 2010, the follow-up bond (ISIN: DE000A1EKZN7) with a volume of € 35 million was fully placed as of December 31, 2010. In addition, a further bond (ISIN: DE000A1EWB67) was issued as of October 1, 2010, the proceeds of which are to be used exclusively for new investments or the refinancing of investments already made in relation to the PCC railway project in Russia (ZAO PCC Rail, Moscow). Of this bond, around € 5 million had also already been placed by the end of the year.

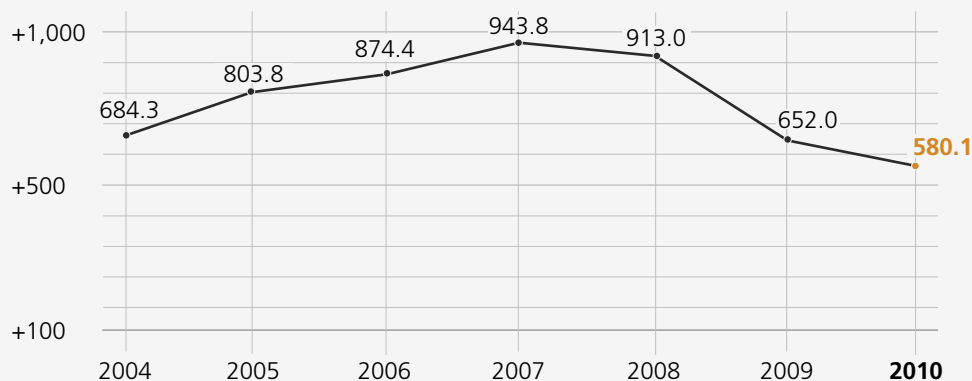
The Group's bank liabilities also increased, from € 59.4 million as of December 31, 2009, to around € 76.9 million at December 31, 2010. The main reason for this rise lies in the first-time consolidation of PCC Exol S.A., Brzeg Dolny. This company operates the new ethoxylation plant at our Plock site, of which the investment volume amounting to some € 15 million is 50 % debt financed. At € 50.0 million, trade accounts receivable remained at the level of the previous year. In all, therefore, the Group's liabilities rose by around € 26

million, from € 294.1 million in 2009 to € 320.0 million in 2010. Together with the rise in provisions from € 18.0 million to € 24.2 million and the decrease in equity from € 130.0 million to around € 111.9 million as a consequence of the loss made in 2010, this resulted in an increase in the balance sheet total from € 447.2 million to € 468.2 million.

On the assets side, property, plant and equipment rose in value from € 236.9 million to € 273.6 million as a result of the first-time consolidation of PCC Exol S.A., Brzeg Dolny, and ongoing capital expenditures at the "PCC Rokita" subgroup. At the same time, current assets decreased from € 206.8 million to € 186.6 million, with the total for trade accounts receivable remaining at the level of the previous year. Inventories rose, however, from € 26.5 million to € 44.4 million. This was accompanied by a decrease in other current assets, from

€ 51.3 million to € 32.9 million, and also a fall in cash, cash equivalents and marketable securities, from € 66.6 million to € 46.9 million. The former is essentially due to a reduction in the collateral corresponding to part of the purchase price for "PCC Logistics" deposited in a notarial escrow account: 60 % of the amount was paid out in 2010. The decrease in cash and cash equivalents is primarily attributable to a corresponding decline at PCC SE resulting, among other things, from further loans granted to its subsidiaries. The above-mentioned increase in the balance sheet total together with the reduction in equity led to a deterioration in the economic Group equity ratio from 43.8 % to 34.2 %. The economic equity of the Group contains, in addition to the capitalised Group equity, all mezzanine capital with a minimum term of more than one year. Related to the capitalised equity of € 111.9 million, the equity ratio deteriorated from 29.1 % to 23.9 %.

**SALES REVENUES OF THE PCC GROUP** in € m



## Risks to Future Development

Aside from the general economic risks that lie outside our control, the PCC Group is exposed in its operating business to the risk of price changes and credit or default risks. We endeavour to eliminate the latter as far as possible by taking out appropriate commercial credit insurance policies. Price change risks are minimised through the conclusion of back-to-back transactions, price formulae and/or hedging instruments.

In addition, the operating companies and the holding company are exposed to the risk of changes in interest rates and foreign exchange parities. However, these can be at least partially eliminated by hedging. The foreign exchange rate and foreign currency risks affecting the Group will be significantly reduced with Poland's introduction of the euro as its official currency.

The Chemicals division is, moreover, particularly susceptible to the risk of rising environmental protection charges in the wake of increasingly stringent pan-European waste, effluent and other environmental regulations. Investment requirements resulting from these could, in the future, have a negative effect on the earnings position of this division and of the Group as a whole. The same applies to additional expenditures which may arise in connection with the EU's REACH regulation (European legislation on the registration, evaluation, authorisation and restriction of chemicals) which came into force on June 1, 2007. The utilisation of further potential for savings may, however, compensate to some extent for any additional costs incurred.

In 2009, a subsidiary of PCC SE acquired emission certificates on which VAT was charged. However, the selling company failed to meet its obligation to pay the VAT resulting from these transactions to the competent tax authorities. The subsidiary claimed the input VAT from these emission trade transactions in its VAT declaration submitted to the competent tax authorities. In May 2010, the public prosecution authority of Düsseldorf instituted preliminary court proceedings in relation to the aforesaid emission trading transactions, and this process was still ongoing through the turn of the year 2010/2011. Essentially, the public prosecution authority accuses the subsidiary of having received unjustified tax benefits by claiming the said input VAT. These investigations relate to individuals rather than the subsidiary itself. PCC SE is convinced that the people involved have acted within the law and that the charges will be completely rebutted. The tax authority is also considering clawing back the input tax claimed by the subsidiary in relation to these emission trading transactions. For reasons of commercial prudence, a provision in the low single-digit million euro range has been made in order to cover the costs to the subsidiary that such an action, if successful, would represent.

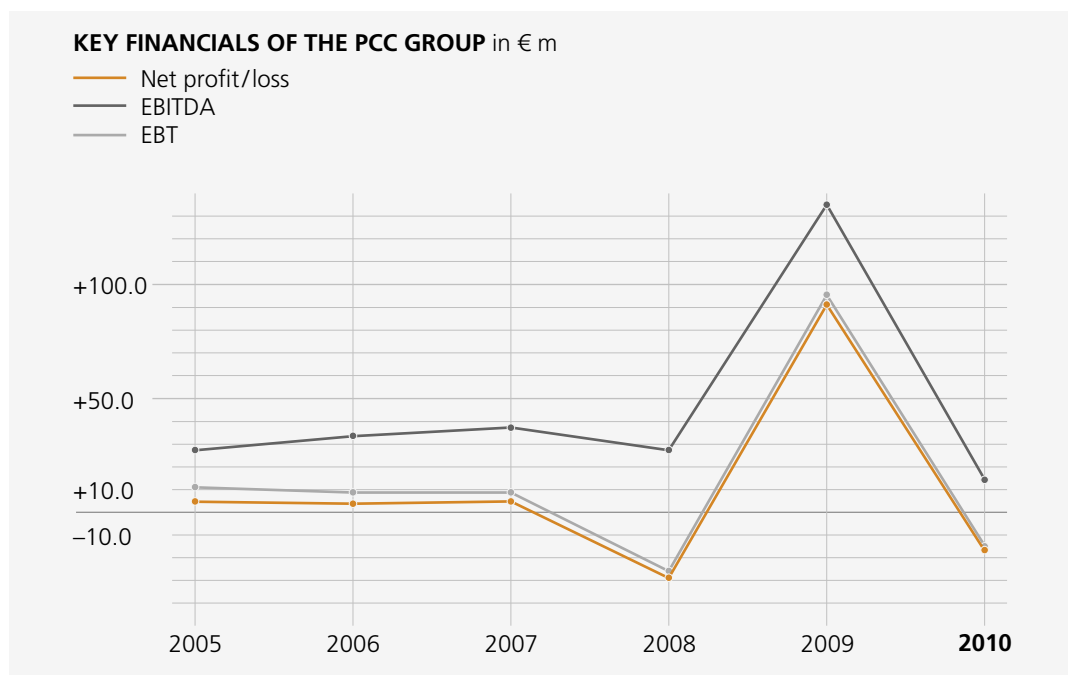


## Events After the Balance Sheet Date

The transfer of shares relating to the purchase agreement concluded in December 2010 with the Spanish energy utility Nexus Energía S.A., Barcelona, pertaining to 100 % of the stake in PCC Energie GmbH, Duisburg, was completed on February 16, 2011. As a consequence, PCC Energie GmbH was retrospectively eliminated

in its entirety from the scope of consolidation of the PCC Group with effect from January 1, 2011.

As of April 1, 2011, PCC SE redeemed a five-year bond (ISIN: DE000A0JFJ90) at maturity, paying out € 27.6 million from its existing liquidity.



## Outlook for 2011 and 2012

The focus of the PCC Group in 2011 will be on strengthening its existing asset portfolio, gearing investments towards generating further growth in the core activities of the Group and securing its enduring competitiveness.

Moreover, the strategy of proactive asset and investment portfolio management is expected to gain further significance in 2011 and the years following.

Allowing for the absence of revenues from the divested PCC Energie GmbH, it is expected that Group sales will remain constant overall in fiscal 2011. Sales increases are anticipated from the main companies consolidated within the PCC Group, due not only to the continuing economic upturn but also as a consequence of investments either completed or scheduled for completion in 2011 – such as the new ethoxylation plant of PCC Rokita SA and the container cargo handling terminal of PCC Intermodal S.A. in Kutno. In addition, three further companies will be joining the scope of consolidation of PCC SE, contributing additional revenues and earnings. These are the polyurethane system house PRODEX-SYSTEM Sp. z o.o. in the Chemicals division and ZAO PCC Rail, Moscow, in the Logistics division. The latter company is already successfully operating a total of around 250 of its own railway wagons in Russia, with this number expected to increase to 500 in 2011, therefore assuming significance for the Group. And the Other division is to be complemented in the field of IT and telecommunications services by the company

Datacenter 3Services Factory S.A., Katowice, which was newly formed in 2010. PCC SE owns a total of 51 % of the shares in this company, while the remaining 49 % are held by TKP S.A., a Polish telecommunications network provider and operator, in which PCC SE likewise holds around 43 % of the shares. The latter companies constitute the core for the development of an investment portfolio in the telecommunications services segment, which PCC SE intends to sell to an investor in the medium term. PCC SE is also planning the development of a consumer products business within the Group for which Kosmet-Rokita Sp. z o.o., a company involved among other things in the production of cleansing products, is to provide the central operating capability. Although currently still at the start of its development, this project also underscores the realignment of the Group strategy towards proactive asset and investment portfolio management combined with a willingness to examine further new acquisitions in order to sustain the process of competence-related diversification into new market segments.

It is expected that the subsidiaries and affiliates of the Chemicals, Energy and Logistics divisions will post significant improvements in operating profit compared to 2010, provided that eco-

conomic development remains positive. Both the EBITDA and the EBT figures are therefore expected to show an improvement compared to the 2010 levels. However, due to the increasing level of depreciation and amortisation resulting from the investments made in 2010 and those planned for 2011, as well as the continued high interest burden within the Group, earnings will remain depressed with only a slightly positive EBT figure likely to be achievable.

Based on current planning, we expect 2012 and the following years to yield further significant increases in operating profit, resulting from completed new investments in the Chemicals division and in the container transport segment. The first new batch of fully productive small hydropower plants in South-East Europe

will, subject to adherence to established schedules, further support this positive trend. Overall, therefore, it is expected that 2012 will produce positive EBT and net earnings (consolidated profit) results, with further increases expected in the following years.

In addition to the bond redeemed as of April 1, 2011, PCC SE is due to redeem debt instruments amounting to around € 74 million in 2011 and 2012. The funds for this will be taken in part from Group liquidity, supplemented by the cash flows arising both from the planned sale of another tranche of shares in PCC Intermodal S.A. and the IPO of a further subsidiary on the Warsaw Securities Exchange (GPW). PCC SE is also planning certain divestments and the issuance of new bonds.

Duisburg, April 29, 2011  
PCC SE



Ulrike Warnecke  
Managing Director



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

# Consolidated Financial Statements

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PCC Rokita SA is still Poland's only producer of polyether polyols. The total capacity of the polyol plant currently stands at around 70,000 metric tons per year, but will increase by the end of 2011 to around 100,000 metric tons once the fourth production line has been completed and come on stream.

Fiscal 2010 in figures. The following consolidated financial statements have been prepared in accordance with the requirements of Germany's Commercial Code [HGB] and Joint Stock Corporation Act [AktG]. The main charts of accounts presented include the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of movements in Group equity.

# Auditor's Report

We have audited the consolidated financial statements prepared by PCC SE, Duisburg, Germany, comprising the balance sheet, income statement, notes to the consolidated financial statements, the cash flow statement and the statement of movements in equity, and the group management report, for the financial year from January 1 to December 31, 2010. 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 (Commercial Code) 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 and rule infringements 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 individual 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 SE, Duisburg, Germany, for the financial year from January 1 to December 31, 2010 comply with the legal requirements of German commercial law and 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, essentially provides an accurate view of the group's position and suitably presents the opportunities and risks associated with the group's future development.

Düsseldorf, May 16, 2011

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

|                            |                            |
|----------------------------|----------------------------|
| Häger                      | Krichel                    |
| Wirtschaftsprüfer          | Wirtschaftsprüfer          |
| (Certified Public Auditor) | (Certified Public Auditor) |

## Consolidated Income Statement

| Figures in € k  | (Note) | <b>01/01/ - 31/12/2010</b> | 01/01/ - 31/12/2009 |
|---|--------|----------------------------|---------------------|
| <b>Sales</b>  | (4)    | <b>580,054</b>             | 651,962             |
| Change in inventories   |        | -202                       | 1,964               |
| Other internal costs capitalised  | (5)    | 321                        | 156                 |
| Other operating income  | (6)    | 18,295                     | 155,836             |
| Purchased goods and services  | (7)    | 490,758                    | 537,286             |
| Personnel expenses  | (8)    | 40,050                     | 62,852              |
| Other operating expenses  | (10)   | 53,165                     | 78,965              |
| <b>EBITDA (Earnings before interest, taxes, depreciation and amortisation)</b>  |        | <b>14,495</b>              | 130,816             |
| Depreciation and amortisation   | (9)    | 13,459                     | 23,436              |
| <b>EBIT (Earnings before interest, taxes and other financial items)</b>         |        | <b>1,036</b>               | 107,380             |
| Dividend income and income from investments                                     | (11)   | 947                        | 2,487               |
| Interest and similar income   |        | 1,966                      | 8,102               |
| Amortisation and impairment of financial fixed assets and marketable securities | (11)   | 11                         | 4,522               |
| Interest and similar expenses   | (12)   | 19,366                     | 18,638              |
| <b>EBT (Earnings before taxes)</b>  |        | <b>-15,427</b>             | 94,808              |
| Taxes on income   | (13)   | 2,247                      | 4,668               |
| <b>Profit/loss for the year</b>   |        | <b>-17,674</b>             | 90,140              |
| Result attributable to PCC SE Group   |        | -16,833                    | 90,161              |
| Result attributable to minority interests                                       |        | -841                       | -20                 |

## Consolidated Balance Sheet

| Assets in € k  | (Note) | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--|--------|----------------------|---------------|
| <b>Fixed assets</b>  |        | <b>273,567</b>       | 236,953       |
| Intangible assets  |        | 10,310               | 5,364         |
| Tangible assets  |        | 228,314              | 201,054       |
| Financial assets   |        | 34,943               | 30,534        |
| <b>Current assets</b>  |        | <b>186,606</b>       | 206,857       |
| Inventories  | (15)   | 44,442               | 26,468        |
| Trade accounts receivable  | (16)   | 51,106               | 54,876        |
| Accounts receivable from affiliated companies                                  | (17)   | 9,785                | 7,616         |
| Accounts receivable from enterprises in which participating interests are held | (18)   | 1,446                | 20            |
| Other assets   | (19)   | 32,860               | 51,312        |
| Marketable securities  |        | 1,143                | 2,000         |
| Cash and cash equivalents  |        | 45,824               | 64,565        |
| <b>Prepaid expenses and deferred charges</b>                                   | (20)   | <b>3,959</b>         | 2,710         |
| <b>Deferred tax assets</b>   | (27)   | <b>4,003</b>         | 703           |
| <b>Total assets</b>  |        | <b>468,135</b>       | 447,223       |



| <b>Equity and liabilities</b> in € k                                    | (Note) | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|---|--------|----------------------|---------------|
| <b>Equity</b>   | (21)   | <b>111,972</b>       | 130,067       |
| Subscribed capital  |        | 5,000                | 5,000         |
| Capital reserve   |        | 56                   | 56            |
| Consolidated retained earnings  |        | 85,159               | 109,833       |
| Accumulated other capital   |        | 7,511                | 2,529         |
| Minority interests  |        | 14,246               | 12,649        |
| <b>Special reserve for emission allowances received free of charge</b>  | (22)   | <b>11,711</b>        | 0             |
| <b>Provisions</b>   | (23)   | <b>24,202</b>        | 18,086        |
| Provisions for pensions and similar obligations                         |        | 431                  | 348           |
| Tax provisions  |        | 111                  | 15            |
| Provisions for deferred tax liabilities                                 |        | 0                    | 429           |
| Other provisions  |        | 23,660               | 17,294        |
| <b>Liabilities</b>  | (24)   | <b>320,057</b>       | 294,121       |
| Mezzanine capital   |        | 66,000               | 66,000        |
| Liabilities from bearer bonds   | (25)   | 112,902              | 105,946       |
| Bank liabilities  |        | 76,889               | 59,440        |
| Advance payments for orders received                                    |        | 647                  | 42            |
| Trade accounts payable  |        | 50,076               | 51,236        |
| Accounts payable to affiliated companies                                |        | 1,461                | 1,589         |
| Accounts payable to companies in which participating interests are held |        | 0                    | 0             |
| Other liabilities   | (26)   | 12,082               | 9,868         |
| <b>Deferred income</b>  |        | <b>194</b>           | 4,949         |
| <b>Total equity and liabilities</b>                                     |        | <b>468,135</b>       | 447,223       |

## Consolidated Cash Flow Statement

| Figures in € k  | (Note) | 01/01/ - 31/12/2010 | 01/01/ - 31/12/2009 |
|---|--------|---------------------|---------------------|
| <b>Profit/loss for the year</b>   |        | <b>-17,674</b>      | 90,140              |
| Depreciation, amortisation and impairment of tangible and intangible fixed assets       |        | 13,459              | 23,436              |
| Amortisation and impairment of financial fixed assets                                   |        | 11                  | 4,511               |
| Change in provisions  |        | 5,721               | -7,729              |
| Increase (+), decrease (-) in allowances for receivables and other assets               |        | 3,760               | 4,554               |
| Gains (-), losses (+) on disposal of fixed assets                                       |        | 225                 | -7,020              |
| Other non-cash gains (-), expenses (+)  |        | -629                | -136,182            |
| <b>Gross cash flow</b>  |        | <b>4,873</b>        | -28,291             |
| Increase (-), decrease (+) in inventories   |        | -16,959             | 11,298              |
| Increase (-), decrease (+) in trade accounts receivable                                 |        | 1,502               | 9,003               |
| Increase (-), decrease (+) in receivables from affiliated companies                     |        | -2,114              | -10,857             |
| Increase (-), decrease (+) in other assets  |        | 13,676              | -34,302             |
| Increase (+), decrease (-) in trade accounts payable                                    |        | -2,581              | -28,966             |
| Increase (+), decrease (-) in payables to affiliated companies                          |        | -165                | 29,901              |
| Increase (+), decrease (-) in other liabilities   |        | 8,436               | -7,489              |
| Other changes   |        | 0                   | 1,989               |
| <b>Cash flow from operating activities</b>  |        | <b>6,669</b>        | -57,713             |
| Inflows from disposal of intangible fixed assets  |        | 148                 | 0                   |
| Inflows from disposal of tangible fixed assets  |        | 4,129               | 9,558               |
| Inflows from disposal of financial fixed assets   |        | 249                 | 5,267               |
| Inflows from disposal of consolidated companies and other operations                    |        | -75                 | 173,233             |
| Capital expenditures for acquisitions of consolidated companies and other operations    |        | -4,401              | 0                   |
| Capital expenditures for purchases of intangible fixed assets                           |        | -2,254              | -1,017              |
| Capital expenditures for purchases of tangible fixed assets                             |        | -41,424             | -30,332             |
| Capital expenditures for purchases of financial fixed assets                            |        | -9,503              | -16,265             |
| Changes in consolidation scope  |        | 0                   | -1,588              |
| <b>Cash flow from investing activities</b>  |        | <b>-53,130</b>      | 138,857             |
| Proceeds from capital contributions   |        | 0                   | 0                   |
| Dividends paid to shareholder and owner   |        | -5,000              | 0                   |
| Inflows (+), outflows (-) from issuance/redemption of mezzanine capital notes           |        | 0                   | 0                   |
| Inflows (+), outflows (-) from issuance/redemption of profit participation certificates |        | 868                 | 3,188               |
| Inflows (+), outflows (-) from issuance/redemption of bearer bonds                      |        | 6,956               | 1,807               |
| Inflows (+), outflows (-) from assumption/amortisation of other financial liabilities   |        | 15,471              | -44,414             |
| <b>Cash flow from financing activities</b>  |        | <b>18,295</b>       | -39,418             |
| Changes in cash due to cash transactions  |        | -28,165             | 41,725              |
| Changes in cash due to foreign exchange rates   |        | -1,106              | -656                |
| Changes in cash due to revaluation  |        | 10,530              | 0                   |
| Cash at beginning of period   |        | 64,565              | 23,496              |
| <b>Cash at end of period</b>  | (30)   | <b>45,824</b>       | 64,565              |

## Consolidated Statement of Movements in Group Equity

|   | Subscribed capital | Capital reserve | Consolidated retained earnings | Accumulated other capital                   |  | Consolidated equity less minority interests | Minority interests | Group equity   |
|---|--------------------|-----------------|--------------------------------|---|--|---|--------------------|----------------|
|   |                    |                 |                                | Amounts due to foreign currency translation | Capital from profit participation certificates |   |                    |                |
| Figures in € k  |                    |                 |                                |   |  |   |                    |                |
| <b>As per Dec. 31, 2009</b>   | <b>5,000</b>       | <b>56</b>       | <b>109,833</b>                 | <b>-6,677</b>                               | <b>9,206</b>                                   | <b>117,417</b>                              | <b>12,649</b>      | <b>130,067</b> |
| Profit/loss as per Dec. 31, 2010  | 0                  | 0               | -16,833                        | 0   | 0  | -16,833                                     | -841               | -17,674        |
| Additions to capital from the issuance of profit participation certificates | 0                  | 0               | 0                              | 0   | 868  | 868   | 0                  | 868            |
| Dividends paid to shareholder and owner                                     | 0                  | 0               | -5,000                         | 0   | 0  | -5,000                                      | -23                | -5,023         |
| Consolidation effects   | 0                  | 0               | -2,511                         | 1,221                                       | 0  | -1,290                                      | 2,405              | 1,115          |
| Foreign currency translation differences                                    | 0                  | 0               | -330                           | 2,893                                       | 0  | 2,562                                       | 56                 | 2,619          |
| <b>As per Dec. 31, 2010</b>   | <b>5,000</b>       | <b>56</b>       | <b>85,159</b>                  | <b>-2,564</b>                               | <b>10,074</b>                                  | <b>97,725</b>                               | <b>14,246</b>      | <b>111,972</b> |

## Consolidated Statement of Changes in Fixed Assets

| Figures in € k   | (Note) | Historical cost |                                |               |               |                   |                              | Dec. 31, 2010  |
|--|--------|-----------------|--------------------------------|---------------|---------------|-------------------|------------------------------|----------------|
|  |        | Jan. 1, 2010    | Changes in consolidation scope | Additions     | Disposals     | Reclassifications | Foreign currency translation |                |
| <b>Intangible assets</b>                                       |        | <b>11,100</b>   | <b>6,412</b>                   | <b>2,254</b>  | <b>2,997</b>  | <b>0</b>          | <b>315</b>                   | <b>17,084</b>  |
| Intellectual property and similar rights                       |        | 8,474           | 2,621                          | 672           | 2,997         | 1,137             | 166                          | 10,072         |
| Goodwill   |        | 1,834           | 3,790                          | 0             | 0             | 0                 | 123                          | 5,748          |
| Advance payments   |        | 792             | 0                              | 1,582         | 0             | -1,137            | 26                           | 1,263          |
| <b>Tangible assets</b>   |        | <b>316,800</b>  | <b>4,632</b>                   | <b>41,424</b> | <b>6,747</b>  | <b>-606</b>       | <b>9,811</b>                 | <b>365,315</b> |
| Land, land rights and buildings                                |        | 35,549          | 2,273                          | 4,667         | 1,755         | 7,775             | 1,362                        | 49,871         |
| Technical plant and machinery                                  |        | 126,795         | 2,138                          | 1,524         | 1,801         | 25,238            | 4,250                        | 158,144        |
| Other plant, operating and office equipment                    |        | 74,881          | 125                            | 2,907         | 725           | 10,702            | 2,212                        | 90,102         |
| Advance payments and construction in progress                  |        | 79,575          | 96                             | 32,327        | 2,465         | -44,320           | 1,986                        | 67,198         |
| <b>Financial assets</b>  |        | <b>38,199</b>   | <b>-6,342</b>                  | <b>9,503</b>  | <b>674</b>    | <b>606</b>        | <b>223</b>                   | <b>41,515</b>  |
| Shares in affiliated companies                                 |        | 13,986          | -6,342                         | 7,329         | 19            | 606               | 183                          | 15,744         |
| Loans to affiliated companies                                  |        | 3,717           | 0                              | 1,147         | 679           | 0                 | 0                            | 4,185          |
| Shares in associated companies (2)                             |        | 10,316          | 0                              | 1,027         | -25           | 0                 | 0                            | 11,369         |
| Other investments  |        | 405             | 0                              | 0             | 1             | 0                 | 9                            | 412            |
| Loans to enterprises in which participating interests are held |        | 710             | 0                              | 0             | 0             | 0                 | 0                            | 710            |
| Securities   |        | 8,147           | 0                              | 0             | 0             | 0                 | 1                            | 8,147          |
| Other loans  |        | 918             | 0                              | 0             | 0             | 0                 | 30                           | 948            |
| Advance payments   |        | 0               | 0                              | 0             | 0             | 0                 | 0                            | 0              |
| <b>Fixed assets</b>  |        | <b>366,100</b>  | <b>4,701</b>                   | <b>53,181</b> | <b>10,417</b> | <b>0</b>          | <b>10,349</b>                | <b>423,914</b> |

|  | Accumulated depreciation and amortisation |                                |               |              |                   |                              | Net book value |                |                                |                |
|--|---|--------------------------------|---------------|--------------|-------------------|------------------------------|----------------|----------------|--------------------------------|----------------|
|  | Jan. 1, 2010                              | Changes in consolidation scope | Additions     | Disposals    | Reclassifications | Foreign currency translation | Dec. 31, 2010  | Dec. 31, 2009  | Changes in at-equity valuation | Dec. 31, 2010  |
|  | <b>5,736</b>                              | <b>2,613</b>                   | <b>1,118</b>  | <b>2,853</b> | <b>0</b>          | <b>160</b>                   | <b>6,774</b>   | <b>5,364</b>   | <b>0</b>                       | <b>10,310</b>  |
|  | 5,247                                     | 2,613                          | 453           | 2,853        | 0                 | 128                          | 5,588          | 3,227          | 0                              | 4,484          |
|  | 489                                       | 0                              | 665           | 0            | 0                 | 32                           | 1,186          | 1,346          | 0                              | 4,563          |
|  | 0   | 0                              | 0             | 0            | 0                 | 0                            | 0              | 792            | 0                              | 1,263          |
|  | <b>115,746</b>                            | <b>7,312</b>                   | <b>12,341</b> | <b>2,386</b> | <b>0</b>          | <b>3,987</b>                 | <b>137,000</b> | <b>201,054</b> | <b>0</b>                       | <b>228,314</b> |
|  | 11,707                                    | 2,045                          | 994           | 457          | -58               | 481                          | 14,712         | 23,842         | 0                              | 35,159         |
|  | 71,212                                    | 3,407                          | 7,555         | 1,366        |                   | 2,462                        | 83,269         | 55,583         | 0                              | 74,875         |
|  | 29,932                                    | 3,149                          | 3,660         | 465          | 58                | 949                          | 37,283         | 44,950         | 0                              | 52,819         |
|  | 2,895                                     | -1,288                         | 132           | 99           | 0                 | 95                           | 1,736          | 76,680         | 0                              | 65,462         |
|  | <b>8,384</b>                              | <b>0</b>                       | <b>11</b>     | <b>426</b>   | <b>0</b>          | <b>137</b>                   | <b>8,106</b>   | <b>29,816</b>  | <b>1,534</b>                   | <b>34,943</b>  |
|  | 2,254                                     | 0                              | 10            | 0            | 0                 | 98                           | 2,362          | 11,732         | 0                              | 13,381         |
|  | 512                                       | 0                              | 0             | 426          | 0                 | 0                            | 86             | 3,205          | 0                              | 4,099          |
|  | 367                                       | 0                              | 0             | 0            | 0                 | 0                            | 367            | 9,950          | 1,534                          | 12,536         |
|  | 266                                       | 0                              | 0             | 0            | 0                 | 9                            | 275            | 139            | 0                              | 138            |
|  | 0   | 0                              | 0             | 0            | 0                 | 0                            | 0              | 710            | 0                              | 710            |
|  | 4,066                                     | 0                              | 1             | 0            | 0                 | 0                            | 4,067          | 4,080          | 0                              | 4,080          |
|  | 918                                       | 0                              | 0             | 0            | 0                 | 30                           | 948            | 0              | 0                              | 0              |
|  | 0   | 0                              | 0             | 0            | 0                 | 0                            | 0              | 0              | 0                              | 0              |
|  | <b>129,866</b>                            | <b>9,925</b>                   | <b>13,470</b> | <b>5,665</b> | <b>0</b>          | <b>4,284</b>                 | <b>151,880</b> | <b>236,234</b> | <b>1,534</b>                   | <b>273,567</b> |

# Notes to the Consolidated Financial Statements for Fiscal 2010

## GENERAL PRINCIPLES AND METHODS

The consolidated financial statements and also the management report of PCC Societas Europaea (PCC SE), Duisburg, Germany as of December 31, 2010 have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) as amended on May 29, 2009 through adoption of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) (amended HGB), and in supplementary accordance with the German Joint Stock Corporation Act (Aktiengesetz, AktG). The amended regulations have been applied for the first time to the 2010 financial statements. The prior-year figures have not been restated. The consolidated financial statements of PCC SE comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of movements in Group equity and the notes to the consolidated financial statements.

The closing date for preparation of the consolidated financial statements was December 31, 2010, coinciding with the closing date for the annual financial statements of PCC SE. The financial year of the Group corresponds to the calendar year.

The annual and subgroup financial statements of the subsidiaries included in the consolidation have likewise been prepared to this closing date.

The financial statements of PCC SE and the consolidated subsidiaries are prepared in accordance with uniform accounting and valuation principles. The accounting and valuation principles applied to fiscal 2009 (previous year) have been retained where not superseded by regulations arising from the newly applicable German Accounting Law Modernisation Act (BilMoG).

Individual items of the consolidated balance sheet and the consolidated income statement have, in part, been aggregated in order to improve clarity of presentation. These items are explained in the notes. The total cost approach (classification of expenses by nature) has also been retained unchanged in the consolidated income statement.

The currency employed in the preparation of the consolidated financial statements is the euro. The reporting currency is the euro. Unless otherwise indicated, all amounts are given in thousand euros (€k). Rounding differences may be encountered in the total sum lines.

PCC SE is a non-listed European joint stock company (Societas Europaea). PCC SE is the parent company of the PCC Group.

### (1) Scope of consolidation

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

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 flows of the Group, have been omitted from the consolidation process and are therefore not reflected in the consolidated financial statements. The subsidiaries included in the consolidation either in full or on a proportionate basis are as follows:

| <b>Fully consolidated subsidiaries</b>                         | <b>Division</b> | <b>Country</b>     | <b>Participation interest in %</b> |
|--|-----------------|--------------------|------------------------------------|
| Apakor-Rokita Sp. z o.o., Brzeg Dolny                          | Chemicals       | Poland             | 99.42                              |
| C&C Coke and Coal Products GmbH i.L., Duisburg                 | Chemicals       | Germany            | 60.00                              |
| Ekologistyka Sp. z o.o., Brzeg Dolny                           | Chemicals       | Poland             | 100.00                             |
| Kosmet-Rokita Sp. z o.o., Brzeg Dolny                          | Chemicals       | Poland             | 100.00                             |
| LabMatic Sp. z o.o., Brzeg Dolny                               | Chemicals       | Poland             | 99.74                              |
| PCC Chemax, Inc., Piedmont                                     | Chemicals       | USA                | 100.00                             |
| PCC Exol S.A., Brzeg Dolny                                     | Chemicals       | Poland             | 100.00                             |
| PCC MORAVA-CHEM s.r.o., Český Těšín                            | Chemicals       | Czech Republic     | 100.00                             |
| PCC Rokita SA, Brzeg Dolny                                     | Chemicals       | Poland             | 100.00                             |
| PCC Synteza S.A., Kędzierzyn-Koźle                             | Chemicals       | Poland             | 100.00                             |
| Węglpochodne Sp. z o.o., Kędzierzyn-Koźle                      | Chemicals       | Poland             | 100.00                             |
| Petro Carbo Chem GmbH, Duisburg                                | Chemicals       | Germany            | 100.00                             |
| S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea                      | Chemicals       | Romania            | 58.72                              |
| Tensis Sp. z o.o., Brzeg Dolny                                 | Chemicals       | Poland             | 100.00                             |
| GRID BH d.o.o., Sarajevo                                       | Energy          | Bosnia-Herzegovina | 51.37                              |
| PCC DEG Renewables GmbH, Duisburg                              | Energy          | Germany            | 60.00                              |
| PCC Energie GmbH, Duisburg                                     | Energy          | Germany            | 100.00                             |
| PCC Energy Trading GmbH, Duisburg                              | Energy          | Germany            | 100.00                             |
| Zakład Energetyki-Blachownia Sp. z o.o., Kędzierzyn-Koźle      | Energy          | Poland             | 84.46                              |
| PCC Autochem Sp. z o.o., Brzeg Dolny                           | Logistics       | Poland             | 100.00                             |
| PCC Intermodal S.A., Gdynia                                    | Logistics       | Poland             | 71.04                              |
| PCC Capital GmbH, Duisburg                                     | Other           | Germany            | 100.00                             |
| PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.), Zagórze | Other           | Poland             | 90.25                              |
| PCT Polskie Centrum Teleinformatyki S.A., Brzeg Dolny          | Other           | Poland             | 100.00                             |

The scope of consolidation underwent no material change compared to the situation prevailing in the previous year (2009).

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

| <b>Associated companies</b>                           | <b>Division</b> | <b>Country</b> | <b>Participation interest in %</b> |
|---|-----------------|----------------|------------------------------------|
| Górnictwo Zakłady Dolomitowe S.A., Siewierz           | Other           | Poland         | <b>10.89</b>                       |
| Inwestycyjna Grupa Budowlano-Surowcowa S.A., Katowice | Other           | Poland         | <b>33.00</b>                       |
| Kopalnia Piasku Kotlarnia S.A., Kotlarnia             | Other           | Poland         | <b>10.89</b>                       |
| PUH Włodzimierz S.A., Katowice                        | Other           | Poland         | <b>14.03</b>                       |
| Telekomunikacja Kopalń Piasku S.A., Gliwice           | Other           | Poland         | <b>42.73</b>                       |

The following entities have not been included in the consolidated financial statements of PCC SE 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.



| <b>Non-consolidated companies</b>                           | <b>Division</b> | <b>Country</b>        | <b>Participation interest in %</b> |
|---|-----------------|-----------------------|------------------------------------|
| BiznesPark Rokita Sp. z o.o., Brzeg Dolny                   | Chemicals       | Poland                | 99.95                              |
| ChemiPark Technologiczny Sp. z o.o., Brzeg Dolny            | Chemicals       | Poland                | 86.98                              |
| CWB Partner Sp. z o.o., Brzeg Dolny                         | Chemicals       | Poland                | 97.50                              |
| GEKON Sp. z o.o., Brzeg Dolny                               | Chemicals       | Poland                | 100.00                             |
| LabAnalytika Sp. z o.o., Brzeg Dolny                        | Chemicals       | Poland                | 99.89                              |
| MCAA SE, Brzeg Dolny  | Chemicals       | Poland                | 100.00                             |
| OOO PCC BelPol, Mogilev                                     | Chemicals       | Belarus               | 100.00                             |
| PCC Chlor Alkali Sp. z o.o., Brzeg Dolny                    | Chemicals       | Poland                | 100.00                             |
| TzOW Petro Carbo Chem, Lviv                                 | Chemicals       | Ukraine               | 92.32                              |
| PCC P4 Sp. z o.o., Brzeg Dolny                              | Chemicals       | Poland                | 100.00                             |
| PCC Polyurethane Sp. z o.o., Brzeg Dolny                    | Chemicals       | Poland                | 100.00                             |
| PCC Slovakia s.r.o., Košice                                 | Chemicals       | Slovakia              | 100.00                             |
| Petro Carbo Chem, Dnipropetrovsk                            | Chemicals       | Ukraine               | 100.00                             |
| PRODEX-SYSTEM Sp. z o.o., Warsaw                            | Chemicals       | Poland                | 100.00                             |
| Technochem Sp. z o.o., Brzeg Dolny                          | Chemicals       | Poland                | 85.80                              |
| ZAO NOVOBALT Terminal, Kaliningrad                          | Chemicals       | Russia                | 100.00                             |
| Novi Energii OOD, Sofia                                     | Energy          | Bulgaria              | 36.00                              |
| PCC Development Sp. z o.o., Warsaw                          | Energy          | Poland                | 100.00                             |
| PCC Energia EOOD, Sofia                                     | Energy          | Bulgaria              | 100.00                             |
| PCC Energija d.o.o. u likvidaciji, Zagreb                   | Energy          | Croatia               | 100.00                             |
| PCC Envolt Sp. z o.o., Brzeg Dolny                          | Energy          | Poland                | 100.00                             |
| PCC HYDRO DOOEL Skopje, Skopje                              | Energy          | Republic of Macedonia | 60.00                              |
| PCC Izvorsko EOOD, Sofia                                    | Energy          | Bulgaria              | 100.00                             |
| PCC Power Gubin S.A., Warsaw                                | Energy          | Poland                | 100.00                             |
| PCC Power Sp. z o.o., Brzeg Dolny                           | Energy          | Poland                | 100.00                             |
| PCC Utilities S.A., Brzeg Dolny                             | Energy          | Poland                | 100.00                             |
| Agencja Rozwoju Lokalnego S.A., Katowice                    | Logistics       | Poland                | 6.96                               |
| PCC Locomotives Sp. z o.o., Brzeg Dolny                     | Logistics       | Poland                | 100.00                             |
| TRANSGAZ S.A., Rybnik                                       | Logistics       | Poland                | 9.64                               |
| WFP Project Development Sp. z o.o., Jaworzno                | Logistics       | Poland                | 100.00                             |
| ZAO PCC Rail (formerly ZAO Petro Carbo Chem Moscow), Moscow | Logistics       | Russia                | 100.00                             |
| 3Services Factory S.A., Katowice                            | Other           | Poland                | 71.94                              |
| 3S Sp. z o.o., Gliwice                                      | Other           | Poland                | 42.73                              |
| 4VOD Sp. z o.o., Kraków                                     | Other           | Poland                | 5.13                               |
| Drefakt GmbH, Dresden                                       | Other           | Germany               | 25.50                              |
| F&K Customer Care GmbH, Velbert                             | Other           | Germany               | 51.00                              |
| Maktel Sp. z o.o., Katowice                                 | Other           | Poland                | 17.09                              |
| PCC Direktinvest GmbH, Duisburg                             | Other           | Germany               | 100.00                             |
| SGT S.A., Gliwice   | Other           | Poland                | 10.64                              |
| TEC artec valves GmbH & Co. KG, Oranienburg                 | Other           | Germany               | 68.85                              |
| Wytwórnia Konstrukcji Betonowych S.A., Siemanowice          | Other           | Poland                | 2.16                               |

For a detailed schedule of shareholdings, please refer to Note (33).

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

| <b>Fully consolidated subsidiaries</b>            | <b>Domestic</b> | <b>Abroad</b> |
|---|-----------------|---------------|
| Jan. 1, 2009                                      | 7               | 37            |
| Additions   | 0               | 0             |
| Disposals/Mergers                                 | 0               | 21            |
| Dec. 31, 2009                                     | 7               | 16            |
| Additions   | 0               | 2             |
| Disposals/Mergers                                 | 1               | 0             |
| <b>Consolidated companies as of Dec. 31, 2010</b> | <b>6</b>        | <b>18</b>     |

Two foreign companies were added to the scope of consolidation in fiscal 2010:

|   |          |
|---|----------|
| PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.), Zagórze (Poland) | Addition |
| PCC Exol S.A., Brzeg Dolny (Poland)                                     | Addition |

Conversely, Euro-Line GmbH, Duisburg, ceased business operations. The company was removed from the scope of consolidation as of December 31, 2010. C&C Coke and Coal Products GmbH (C&C), Duisburg, has been in liquidation since October 1, 2010. This process is expected to be concluded in the course of fiscal 2011, with C&C then likewise being removed from the scope of consolidation. Its business activities have been transferred to Petro Carbo Chem GmbH and will continue to be pursued under the stewardship of this company.

The changes in fiscal 2010 with respect to the affiliated and non-consolidated entities were as follows:

|   |                   |
|---|-------------------|
| TEC artec valves GmbH & Co. KG, Oranienburg (Germany) | Acquisition       |
| PCC Direktinvest GmbH, Duisburg (Germany)             | Newly established |
| PRODEX-SYSTEM Sp. z o.o., Warsaw (Poland)             | Acquisition       |
| PCC Polyurethane Sp. z o.o., Brzeg Dolny (Poland)     | Newly established |
| PCC Chlor Alkali Sp. z o.o., Brzeg Dolny (Poland)     | Newly established |
| PCC P4 Sp. z o.o., Brzeg Dolny (Poland)               | Newly established |
| 3Services Factory S.A., Katowice (Poland)             | Newly established |
| OOO PCC BelPol, Mogilev (Belarus)                     | Newly established |

All the entities listed above have not been included in the consolidated financial statements of PCC SE as in the year under review these undertakings – individually and in their aggregation – were immaterial to the net assets, financial position, results of operations and cash flows of the Group. The companies PRODEX-SYSTEM Sp. z o.o., Warsaw (Poland), and 3Services Factory S.A., Katowice (Poland), will be included in the scope of consolidation of PCC SE effective as from fiscal 2011, as they are either just starting or rapidly expanding their business activities.

The Russian subsidiary ZAO PCC Rail, Moscow, will also be included in the scope of consolidation of PCC SE from fiscal 2011 as its activities and investments in the expansion of the wagon leasing and transport business within Russia is gaining further in significance and materiality.

## **(2) Consolidation methods**

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

In the case of subsidiaries that were already subsidiaries of PCC SE before January 1, 2010, the book value method continues to be applied for the consolidation of capital, whereby the carrying value of the shares owned by the parent company is eliminated against the amount represented by the 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.

The purchase method is applied for the consolidation of entities acquired since January 1, 2010. This involves recording the acquired assets and liabilities at fair value as of the date of their first-time consolidation. Any excess of the purchase price over this value is recorded as goodwill, which is then amortised over time. Further explanations can be found in Note (14). Any goodwill arising is subjected to an impairment test performed at least once a year.

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

The financial statements of PCC SE and the consolidated subsidiaries are prepared in accordance with uniform accounting and valuation principles.

Participating interests in associated companies are accounted for in the consolidated balance sheet by the at-equity method. As in the previous year, the companies IGBS S.A., Katowice (Poland), and TKP S.A., Gliwice (Poland), were consolidated at Group level by the at-equity method in fiscal 2010. Realised net earnings for the year are proportionately allocated using the equity value approach. The dividends already received in fiscal 2010 have been deducted in the equity value calculation.

| Figures in € k                       | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--------------------------------------|----------------------|---------------|
| Equity value at beginning of period  | <b>9,952</b>         | 0             |
| Additions/Disposals                  | <b>58</b>            | 9,233         |
| Dividends                            | <b>0</b>             | -43           |
| Proportionate net earnings/loss      | <b>815</b>           | 762           |
| <b>Equity value at end of period</b> | <b>10,826</b>        | <b>9,952</b>  |

The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the mean spot rate ruling on the balance sheet date, while income and expenses are translated into euros at average rates for the year in question. 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 amounts due to 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:

| Currency exchange rate for 1 € | Closing rate         |               | Average rate   |         |
|--------------------------------|----------------------|---------------|----------------|---------|
|                                | <b>Dec. 31, 2010</b> | Dec. 31, 2009 | <b>2010</b>    | 2009    |
| Czech koruna (CZK)             | <b>25.0610</b>       | 26.4370       | <b>25.2840</b> | 26.4350 |
| Polish złoty (PLN)             | <b>3.9750</b>        | 4.1045        | <b>3.9947</b>  | 4.3276  |
| US dollar (USD)                | <b>1.3362</b>        | 1.4406        | <b>1.3257</b>  | 1.3948  |
| Romanian leu (RON)             | <b>4.2620</b>        | 4.2363        | <b>4.2122</b>  | 4.2399  |
| Bosnian convertible mark (BAM) | <b>1.9558</b>        | 1.9558        | <b>1.9558</b>  | 1.9558  |

### (3) Accounting and valuation policies

Intangible and tangible fixed assets are capitalised at purchase or manufacturing cost and amortised 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. Interest on borrowings is included in full in the manufacturing cost where the associated debt capital has been used for the manufacture of an asset and the interest relates to the period during which that asset was manufactured. Assets of a value below € 150 are written off in full in the year of acquisition, while assets of a value between € 150 and € 1,000 are written down as a collective item under fixed assets over a period of five years.

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 allowances for bad debts. Accounts receivable in foreign currencies with a term of less than one year are recognised in the financial statements of the subsidiaries at the mean spot rate ruling on the balance sheet date. Accounts receivable in foreign currencies with a term of more than one year are recognised at the rate ruling at the time the claim arises or, if lower, at the mean spot rate ruling on the balance sheet 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. Where intercompany profits are eliminated, deferred taxes are charged to the supplying company. Deferred tax assets relating to tax-deductible losses allowable in the future are capitalised. With the adoption of the German Accounting Law Modernisation Act (BilMoG), deferred tax assets and liabilities are offset and disclosed as a net balance at Group level. This change has not resulted in any major difference versus the previous year in the presentation of the net assets of the PCC Group.

Prepaid expenses and deferred charges are recognised on the assets side of the balance sheet, provided that they represent expenses pertaining to a period after the closing date. Deferred income is recognised on the liabilities side with respect to income received prior to the balance sheet date and 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 contingent liabilities. Provisions for pensions and similar obligations are accrued at the present value of the vested benefits based on actuarial assessments. Provisions allocated after January 1, 2010 and with a remaining term of more than one year, are discounted over that remaining term at the average market interest rate prevailing during the previous seven financial years. The discount rate applied is calculated on the basis of a statutory instrument and announced by the German central bank (Deutsche Bundesbank).

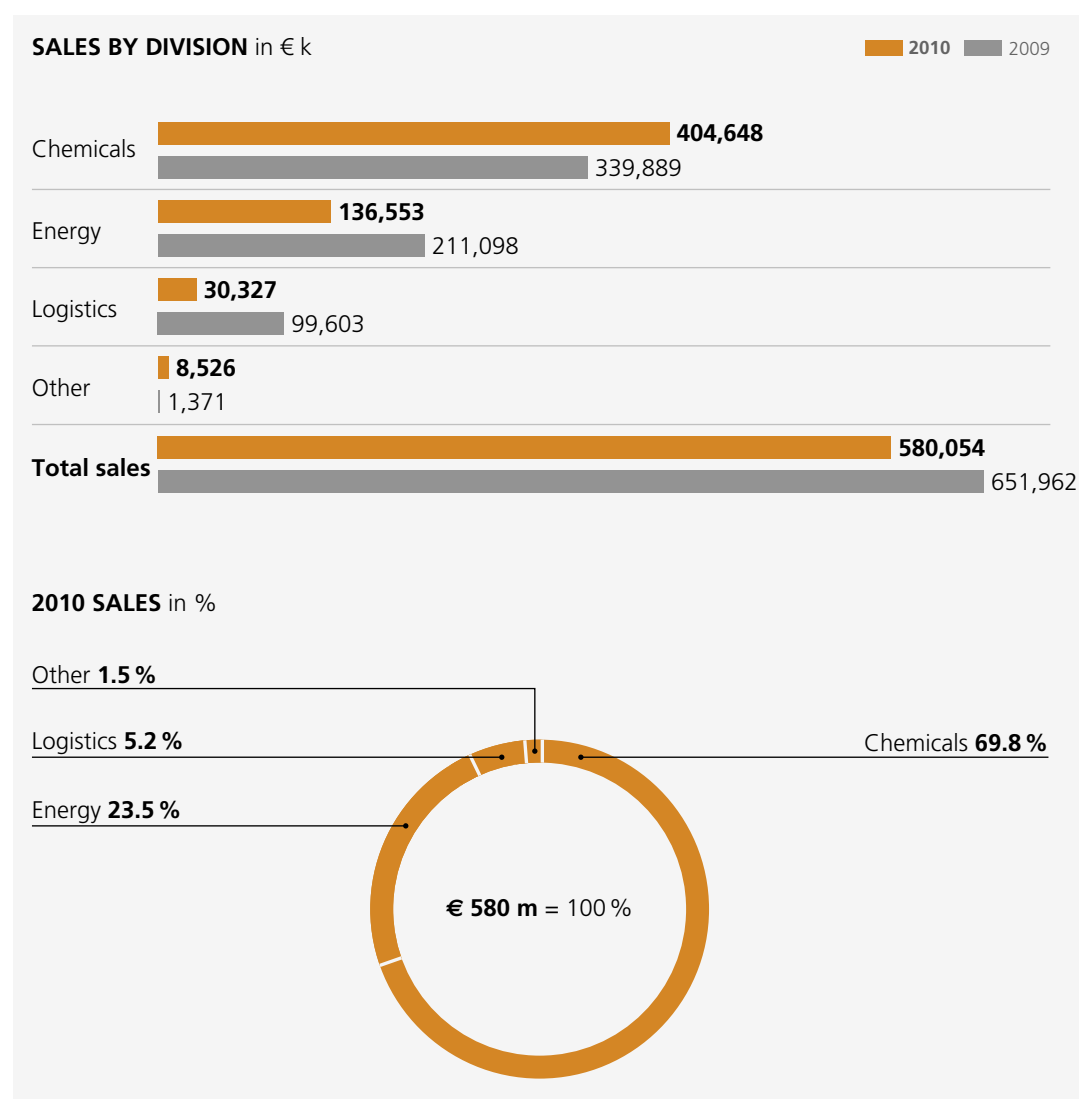
Liabilities are reported at the higher of face or redemption value. Liabilities denominated in a foreign currency and with a term of up to one year are valued at the mean spot rate ruling on the balance sheet date.

Within the PCC Group, derivative financial instruments are contracted in order to hedge price, foreign currency and interest rate risks. These derivative financial instruments are exclusively valued at fair value.

There are subsidiaries within the PCC Group that have been allocated emission certificates free of charge. These emission certificates are measured at their fair value as of the balance sheet date and recognised under current assets. Certificates used for the production process are disclosed under inventories, and certificates held for trading purposes are recognised under other assets. Income resulting from measurement to fair value is disclosed on the liabilities side between equity and provisions as a special reserve for emission allowances received free of charge.

**NOTES TO THE INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT****(4) Sales**

The sales generated by the individual divisions of the Group in fiscal 2010 were as follows:



At € 580 million, total sales were around 11 % below the level of the previous year. Due to the generally more positive economic situation prevailing in 2010 and the associated increase in market prices and demand, the Chemicals division was able to post a substantial improvement in revenues (+19.1 %) compared to 2009.

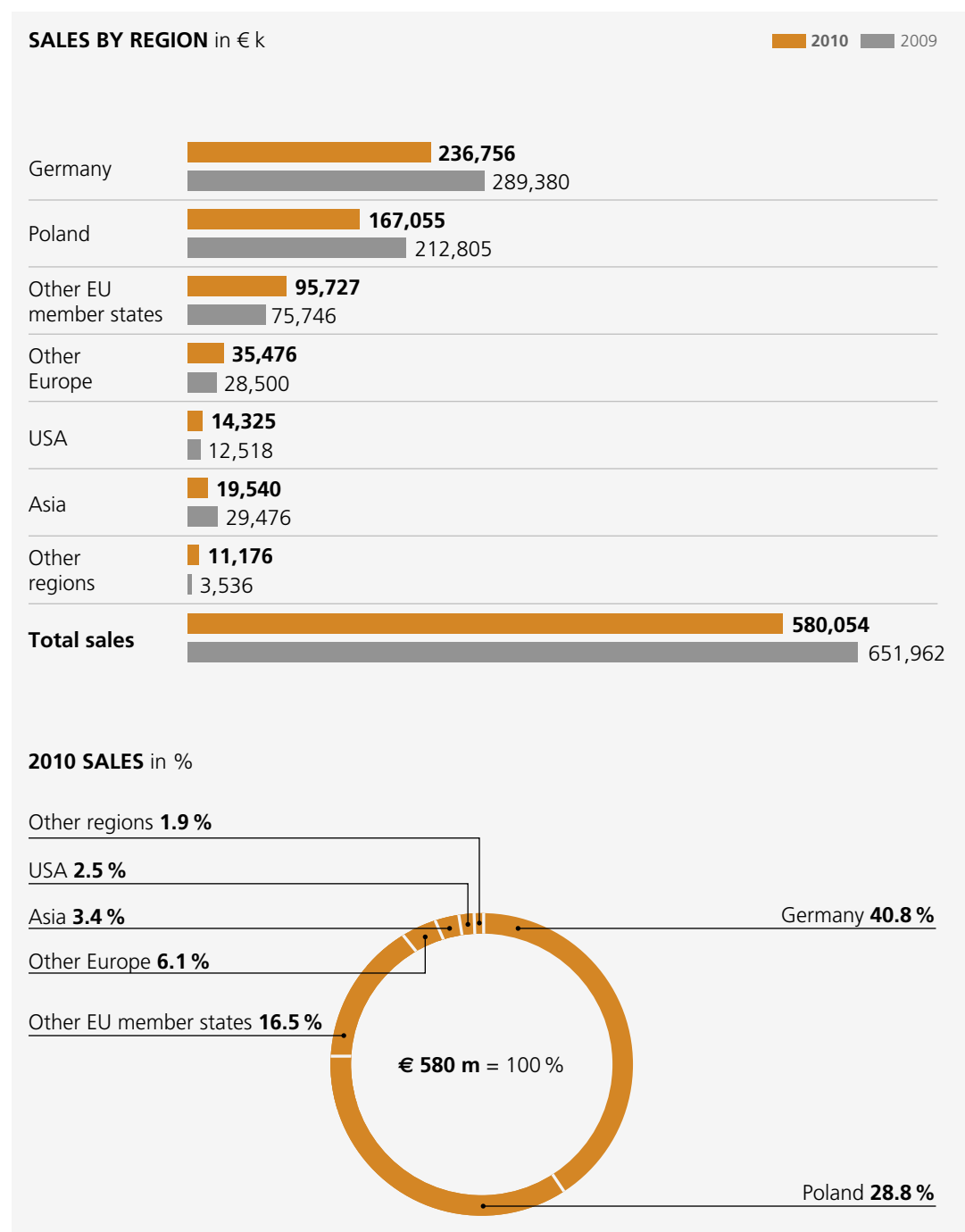
The decline in the Energy division resulted primarily from the cessation of trade in CO<sub>2</sub> certificates versus the volumes still being handled in 2009.

The substantial reduction in the sales of the Logistics division is due to the disposal in 2009 of the "PCC Logistics" group of companies, which had remained consolidated for the first half of that year.

The increase in the Other division is attributable to the first-time consolidation of PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.), Zagórze.



The sales breakdown by geographic region reads as follows:



**(5) Other internal costs capitalised**

The total for other internal costs capitalised essentially derives from the capitalisation of interest on borrowings directly assignable to the long-term investment programme and apportionable to the manufacturing period.

**(6) Other operating income**

Other operating income in fiscal 2010 breaks down as follows:

| Figures in € k   | <b>Dec. 31, 2010</b> | Dec. 31, 2009  |
|--|----------------------|----------------|
| Foreign exchange rate gains  | <b>9,937</b>         | 5,970          |
| Income from the reversal of provisions                             | <b>2,850</b>         | 1,649          |
| Gains from bad debts recovered                                     | <b>921</b>           | 1,190          |
| Rent and similar income  | <b>860</b>           | 688            |
| Insurance reimbursements   | <b>662</b>           | 773            |
| Gains from disposal of assets                                      | <b>446</b>           | 139,593        |
| Foreign exchange rate gains on current receivables and liabilities | <b>306</b>           | 0              |
| Income from costs recharged  | <b>132</b>           | 0              |
| Sundry other operating income                                      | <b>2,181</b>         | 5,974          |
| <b>Total other operating income</b>                                | <b>18,295</b>        | <b>155,836</b> |

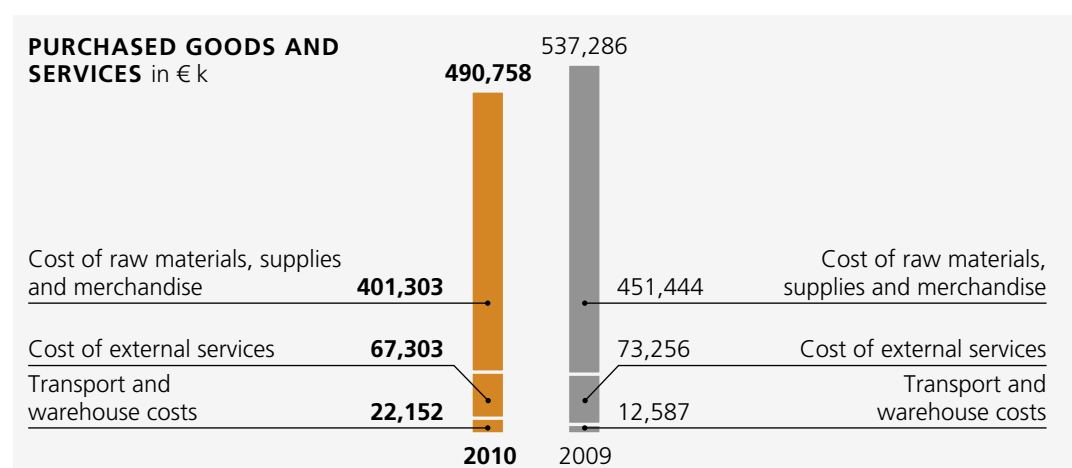
The main absentee from this overview is the income from the sale of the “PCC Logistics” group of companies which was still consolidated in 2009, and recorded under gains from disposal of financial assets.

Foreign exchange gains need to be considered in conjunction with the foreign exchange losses disclosed under other operating expenses, which losses were outweighed in the year under review, as they were in the previous year, leading to a positive effect on earnings. With the adoption of the German Accounting Law Modernisation Act (BilMoG), unrealised foreign currency gains on accounts receivable and payable with a term of less than one year are also disclosed as a separate item.

All remaining items under other operating income have remained essentially unchanged compared to the prior-year period.

**(7) Purchased goods and services**

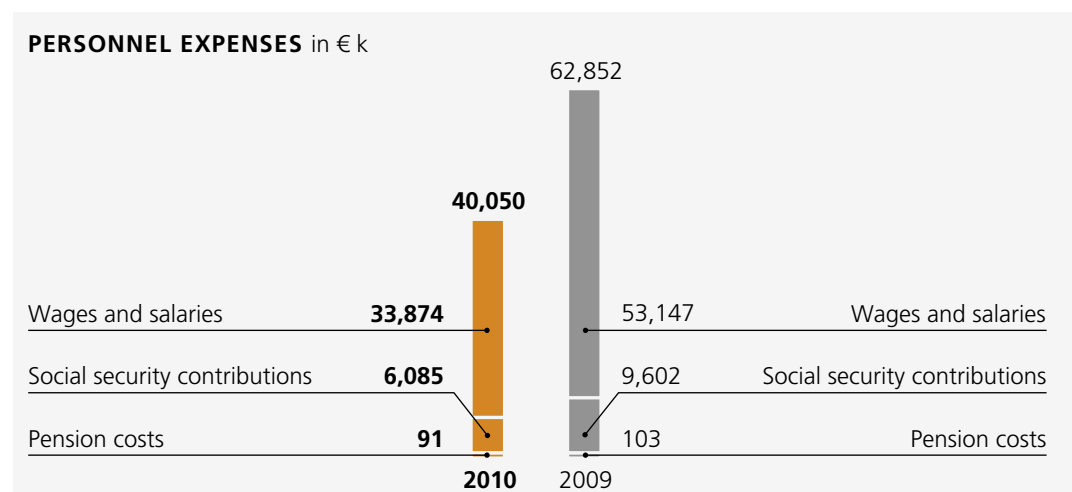
The cost of goods and services purchased in fiscal 2010 breaks down as follows:



The cost of purchased goods and services decreased by € 47 million (approx. 9 %) compared to the previous year. While expenditures on goods and services rose in the fourth quarter of 2010 in the "PCC Rokita" subgroup as a result of the increase in sales and rising raw material prices, the contraction in the emission certificates trading business and the effect of the removal of the "PCC Logistics" group of companies from the scope of consolidation as of the start of fiscal 2010 had a countervailing effect, leading to an overall decline in the purchased goods and services total.

**(8) Personnel expenses**

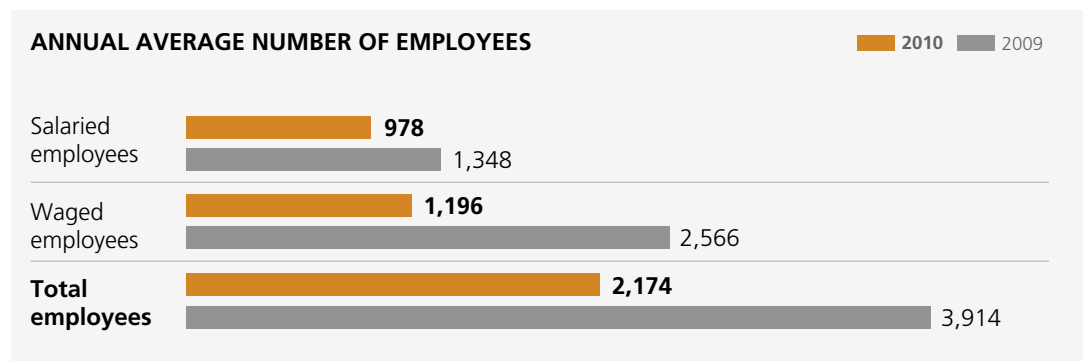
The personnel expenses for fiscal 2010 are comprised as follows:



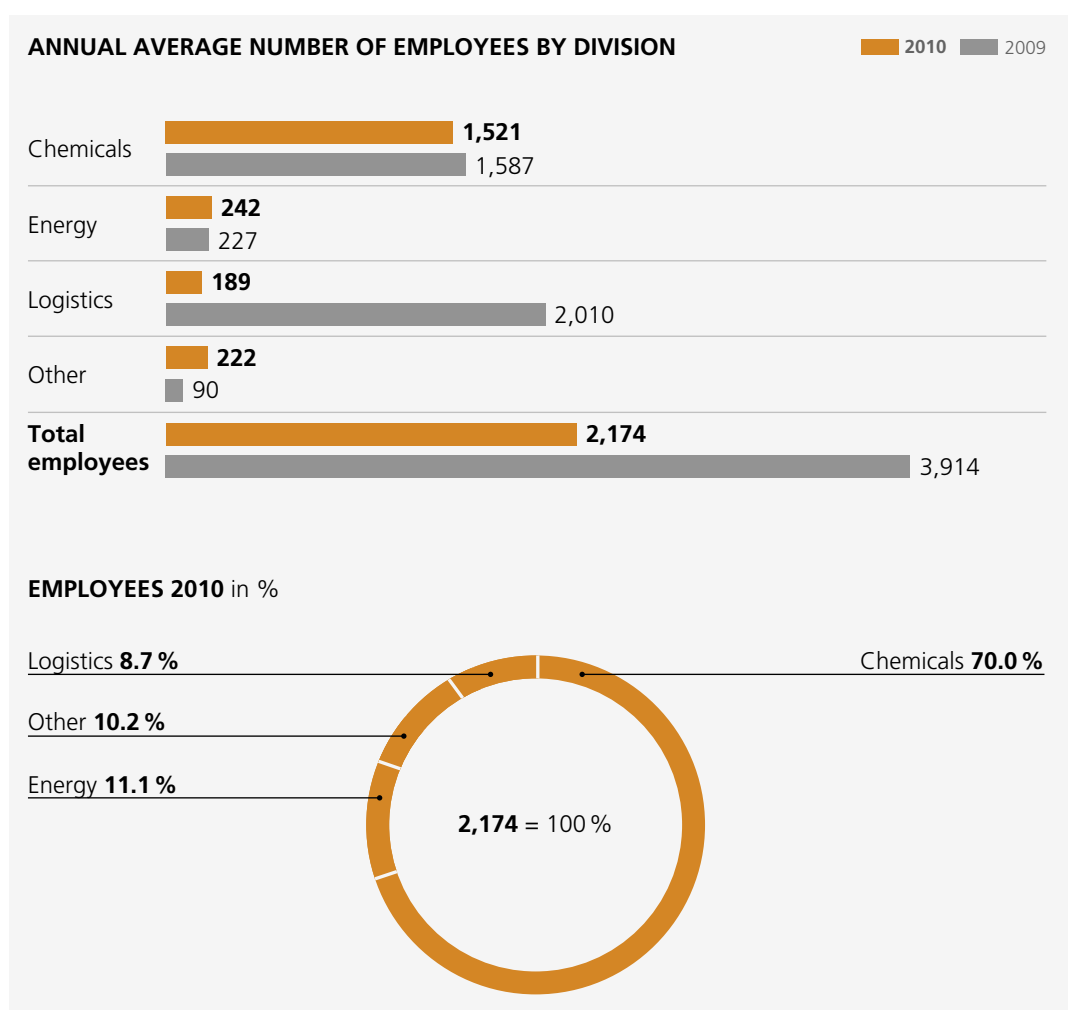
The substantial decrease in payroll costs compared to the previous year is the result of the removal from the scope of consolidation of the "PCC Logistics" group of companies that remained consolidated for the first half of 2009. Compared to the previous year, this alone accounts for a decrease of around € 23 million in personnel expenses recognised in the consolidated financial statements.

However, this effect was offset by the first-time consolidation of PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.) and PCC Exol S.A. combined with increases in wage and salary costs following collective negotiations at the "PCC Rokita" subgroup.

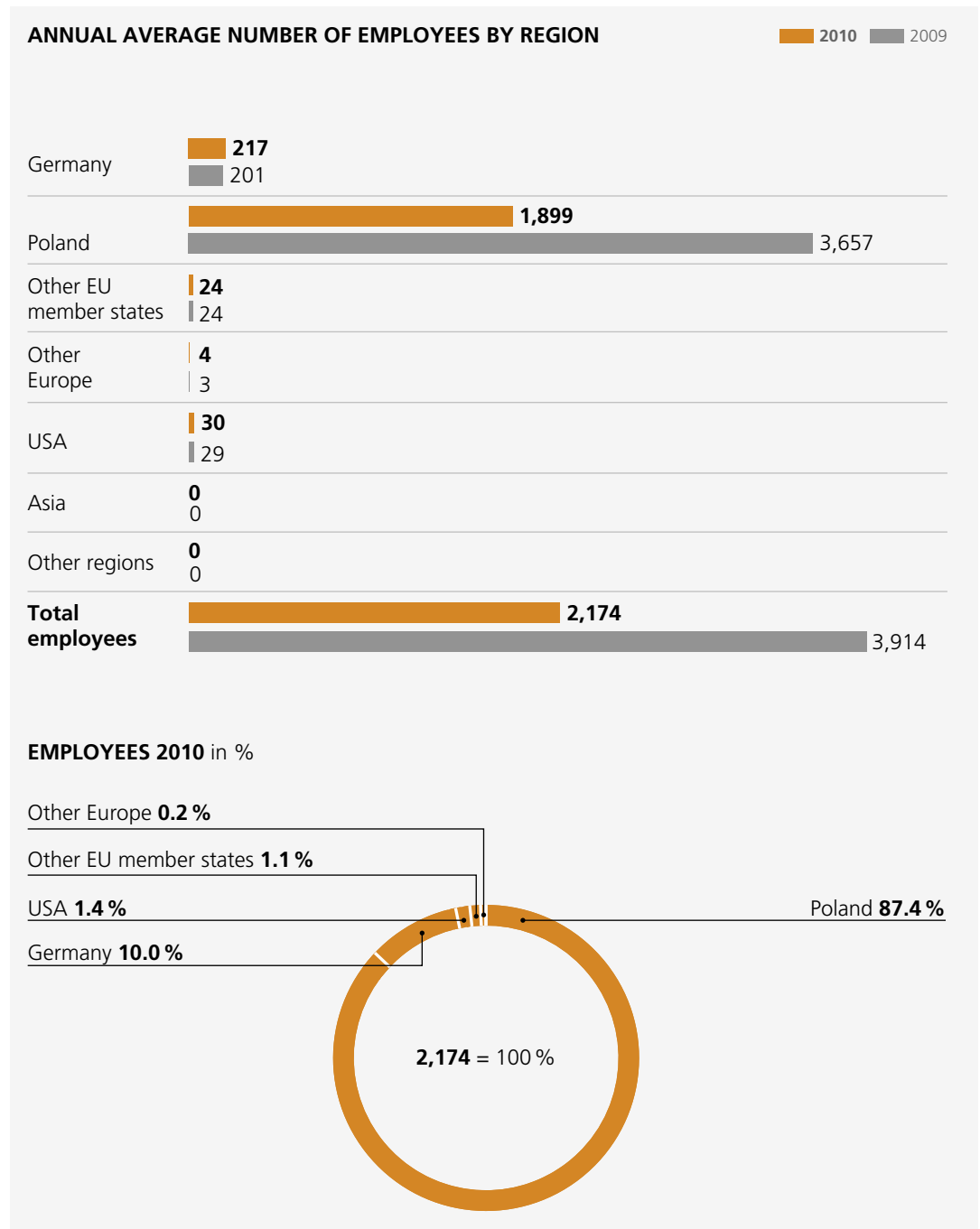
The following graph shows the changes that took place with respect to average employee numbers in the PCC Group in 2010.



The following graph showing the workforce breakdown by division illustrates clearly the decrease in employee numbers in the Logistics division arising from the sale of the "PCC Logistics" group of companies. The increase in the Other division is attributable to the first-time consolidation of PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.).

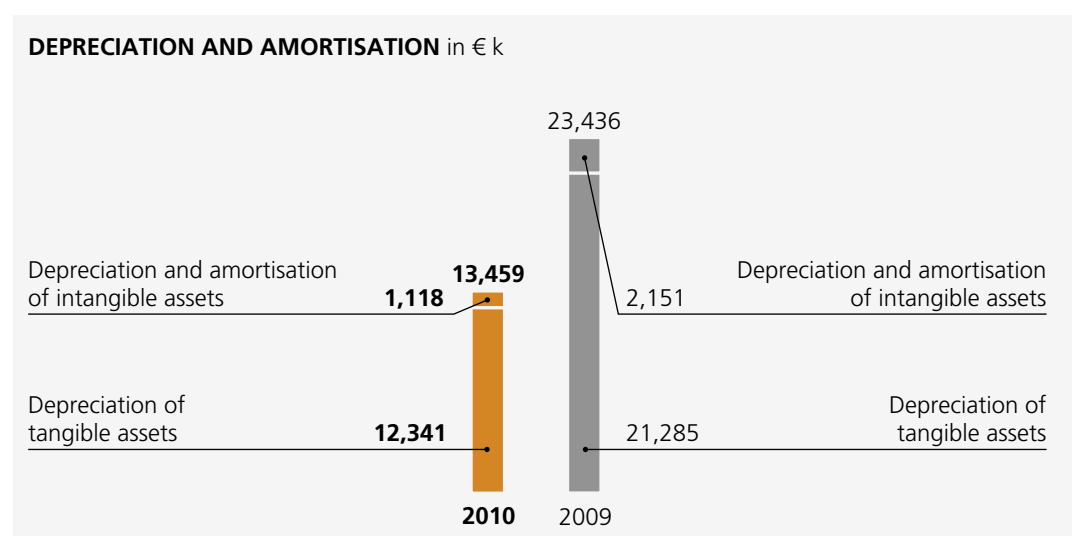


Broken down by geographic region, annual average employee numbers developed as follows:



**(9) Depreciation and amortisation**

Depreciation and amortisation for fiscal 2010 break down as follows:



Due to the absence of the "PCC Logistics" group of companies, which was sold in 2009 but remained consolidated until June 30, 2009, depreciation and amortisation in 2010 came in at around € 7 million less than the prior-year figure.

Around € 474k of the total for amortisation of intangible assets is attributable to a write-down of goodwill in PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.), Zagórze. For further details in this regard, please refer to Note (14).

**(10) Other operating expenses**

The other operating expenses incurred in fiscal 2010 were as follows:

| Figures in € k                              | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|---|----------------------|---------------|
| Other taxes                                 | 7,301                | 7,660         |
| Legal and consultancy costs                 | 6,309                | 18,500        |
| Foreign exchange rate losses                | 5,371                | 3,641         |
| Selling costs                               | 3,439                | 1,470         |
| Rent, lease and similar expenses            | 2,837                | 7,350         |
| Maintenance and repairs                     | 2,824                | 6,419         |
| Travel and hospitality costs                | 2,731                | 2,164         |
| General business costs                      | 2,686                | 4,230         |
| Additions to other provisions               | 2,590                | 6,022         |
| Other employee benefit costs                | 1,954                | 1,176         |
| Insurance costs                             | 1,737                | 2,211         |
| Increase in value allowances on receivables | 1,303                | 2,151         |
| Losses on disposal of tangible fixed assets | 672                  | 359           |
| Sundry other operating expenses             | 11,411               | 15,612        |
| <b>Total other operating expenses</b>       | <b>53,165</b>        | <b>78,965</b> |

Although still one of the biggest items, legal and consultancy costs in 2010 were relatively low compared to the figure for 2009 when this heading dominated. Included in the 2009 total are consultancy costs relating to the sale of the "PCC Logistics" group of companies.

The largest single item is that of other taxes, which aggregates all tax expenses other than income tax. This is separately disclosed and explained under Note (13).

The increase in selling costs is partly due to higher expenditures at PCC SE incurred from the placement of bearer bonds. A further major cause is the reclassification of around € 1.5 million from general business costs to selling costs. In this case it only became possible in fiscal 2010 to accurately record and classify the costs concerned.

The reduction in rent, lease and similar expenses is due to the disposal of the "PCC Logistics" group of companies, which leased part of its fleet of locomotives and wagons.



The other reductions in the areas of maintenance and repairs, other taxes and sundry other operating expenses are attributable to the disposal of the "PCC Logistics" companies that were still consolidated during the first half of 2009.

Included in other operating expenses are additions of € 1,931k to individual allowances for bad debts.

### (11) Other financial items

The headings and their corresponding amounts included in other financial items are as follows:

| Figures in € k                          | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|---|----------------------|---------------|
| Income from associated companies        | 815                  | 2,469         |
| Income from participating interests     | 132                  | 17            |
| <b>Total income from participations</b> | <b>947</b>           | <b>2,487</b>  |
| Write-downs of financial assets         | 1                    | -4,522        |
| Write-downs of marketable securities    | 10                   | 0             |
| Income from financial loans             | 0                    | 0             |
| <b>Total other financial items</b>      | <b>958</b>           | <b>-2,035</b> |

An impairment charge on financial assets and participating interests such as that made in 2009 was not necessary in 2010.

The income from associated companies and participating interests breaks down as follows:

| Figures in € k                             | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--|----------------------|---------------|
| TKP S.A.                                   | 652                  | 458           |
| IGBS S.A.                                  | 163                  | 304           |
| "PCC Logistics" group                      | 0                    | 1,708         |
| <b>Income from associated companies</b>    | <b>815</b>           | <b>2,469</b>  |
| BiznesPark Rokita Sp. z o.o.               | 115                  | 0             |
| CWB Partner Sp. z o.o.                     | 17                   | 17            |
| <b>Income from participating interests</b> | <b>132</b>           | <b>17</b>     |
| <b>Total income from participations</b>    | <b>947</b>           | <b>2,487</b>  |

**(12) Interest and similar expenses**

This item comprises interest on loans, interest arising from the issuance of bearer bonds and participation certificates, and expenses arising from derivative financial instruments. The breakdown reads as follows:

| Figures in € k   | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--|----------------------|---------------|
| Interest on loans  | <b>4,777</b>         | 4,759         |
| Interests on bearer bonds and participation certificates | <b>13,802</b>        | 13,567        |
| Discounting of long-term provisions                      | <b>438</b>           | 0             |
| Derivatives  | <b>349</b>           | 313           |
| <b>Interest and similar expenses</b>                     | <b>19,366</b>        | <b>18,638</b> |

Compared to fiscal 2009, bank liabilities rose by around € 17 million (30 %). However, loan interest expense remained constant in the year-on-year comparison. This results from the capitalisation of the borrowing costs directly attributable to capital expenditures. The increase in bank liabilities is primarily due to the "PCC Rokita" subgroup, which accounts for € 18.5 million, of which € 8 million alone is attributable to the first-time consolidation of PCC Exol S.A.

With the adoption of the German Accounting Law Modernisation Act (BilMoG), from fiscal 2010 a separate heading has been introduced to disclose interest expenses arising from the discounting of long-term provisions allocated as from the 2010 financial year. This figure amounts to around € 438k.

**(13) 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. Also included are deferred taxes arising from consolidation measures. These amount to around € 400k and are disclosed as part of the deferred taxes balance.

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

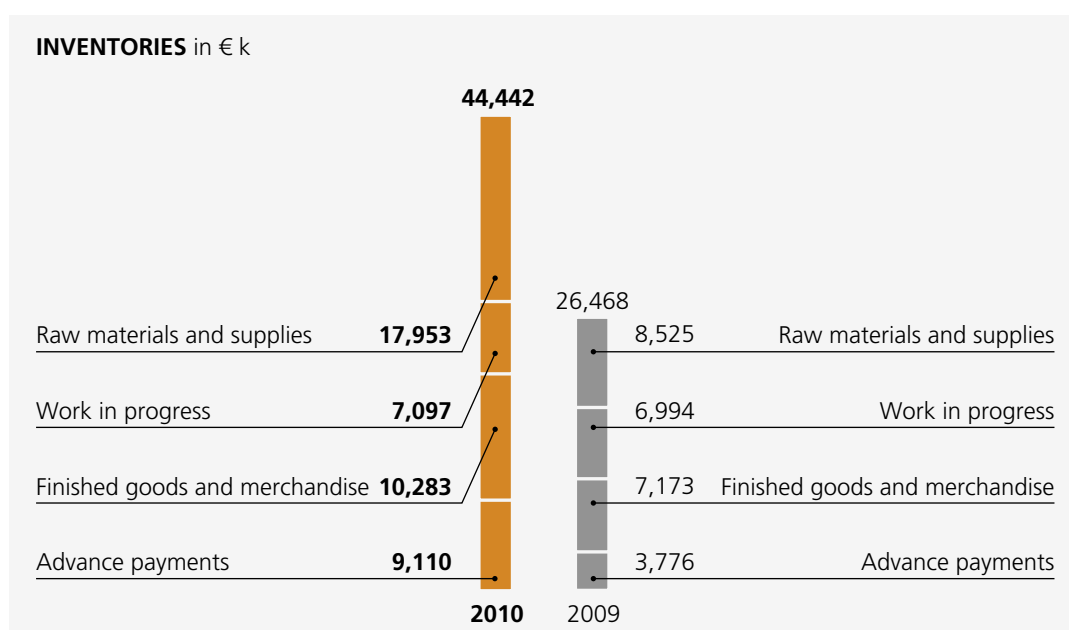
| Figures in € k                    | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|-----------------------------------|----------------------|---------------|
| Current taxes on income, domestic | 82                   | 63            |
| Current taxes on income, abroad   | 2,767                | 3,175         |
| Deferred taxes                    | -603                 | 1,431         |
| <b>Total taxes on income</b>      | <b>2,246</b>         | <b>4,668</b>  |

**NOTES TO THE INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET****(14) Goodwill**

The purchase price excess arising from the first-time consolidation of PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.) as of January 1, 2010 has been capitalised as goodwill in the consolidated balance sheet and will be subjected to scheduled straight-line amortisation over eight years. The amortisation term has been selected on the basis of the period that the company is expected to remain an affiliated entity and the extant development potential of this business as already analysed and projected by Group Project Development through the application of various models and concepts. For more information in this regard, please refer to the Group Management Report contained herein.

(15) Inventories

The breakdown of inventories as of December 31, 2010 is as follows:



Compared to the previous year, inventories increased by around 68 %. However, included in the total for the first time is € 7.4 million as the fair value of emission certificates assigned to the production processes of subsidiaries within the Chemicals division. The resultant income is recognised as a special reserve item on the balance sheet.

(16) Trade accounts receivable

The analysis of the trade accounts receivable as of December 31, 2010 reads as follows:

| Figures in € k                         | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--|----------------------|---------------|
| Trade accounts receivable              | <b>60,965</b>        | 62,715        |
| Individual allowances for bad debts    | <b>-9,858</b>        | -7,839        |
| <b>Total trade accounts receivable</b> | <b>51,106</b>        | <b>54,876</b> |

Trade accounts receivable as of December 31, 2010 all have a remaining term of up to one year.

**(17) Accounts receivable from affiliated companies**

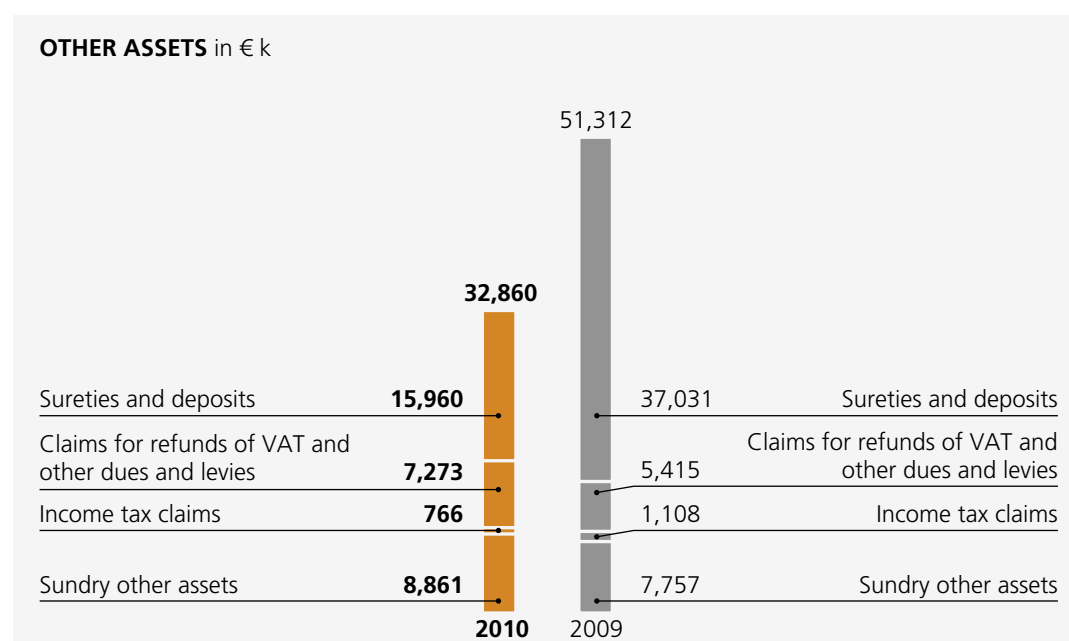
Accounts receivable from affiliated companies as of December 31, 2010 all have a remaining term of up to one year. They are comprised of accounts receivable from affiliated, non-consolidated companies. They primarily take the form of loans made to project companies in the renewable energies field which are still in the developmental stage.

**(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, 2010 all have a remaining term of up to one year.

**(19) Other assets**

The items under the other assets heading as of December 31, 2010 are as follows:



Included under sureties and deposits is a claim arising from the escrow account. The decrease in this item compared to the previous year is the result of the partial winding-down of the escrow account balance following the sale concluded in 2009 of the "PCC Logistics" companies to Deutsche Bahn AG. The sundry other assets have a remaining term of up to one year and contain an account receivable from the sole shareholder of PCC SE in the amount of € 37k.

**(20) Prepaid expenses and deferred charges**

Prepaid expenses and deferred charges include a disagio amounting to € 296k (previous year: € 456k).

**(21) Equity**

The subscribed capital of PCC SE as of December 31, 2010 amounts to € 5 million and is fully paid up. It is divided into 5,000,000 individual share certificates with a par value of € 1 per share.

The items included under consolidated retained earnings as of December 31, 2010 are as follows:

| Figures in € k  | <b>Dec. 31, 2010</b> | Dec. 31, 2009  |
|---|----------------------|----------------|
| Revenue reserves and profit/loss carried forward attributable to consolidated companies | <b>98,431</b>        | 8,331          |
| Allocated differences arising from consolidation measures                               | <b>3,561</b>         | 11,342         |
| Share of profit/loss for the year attributable to Group                                 | <b>-16,833</b>       | 90,161         |
| <b>Total consolidated retained earnings</b>   | <b>85,159</b>        | <b>109,833</b> |

For further detailed information on this item, please refer to the Consolidated Statement of Movements in Group Equity which forms part of the consolidated financial statements contained herein.

The consolidated retained earnings are comprised of the unappropriated profits/losses realised in the period under review by the subsidiaries included in the consolidated financial statements. The share of the consolidated net profit for the previous year attributable to the PCC Group, amounting to € 90,161k, has been brought forward and recognised within consolidated retained earnings.

Accumulated other capital includes the adjustment amount arising from foreign currency translation. This came in at –€ 2.6 million in the consolidated financial statements for 2010, compared to –€ 6.6 million in the previous year.

In fiscal 2010, the sole shareholder of PCC SE was paid from the net profit for 2009 a dividend in the amount of € 5 million (previous year: € 0).

Also recognised within accumulated other capital is capital from profit participation certificates. This item includes additions to retained earnings as of December 31, 2010 arising from the issuance of a subordinated profit participation certificate by PCC SE in the amount of € 10,001k, this figure corresponding to the repayment obligation. The profit participation certificate was issued in October 2007 in the amount of € 20,000k in certificate denominations of € 1,000, the minimum investment being € 5,000. It offers a basic coupon of 8.75 % per annum on the face value, plus

an additional share of profits amounting to between 0.5 % and 2.0 % per annum, depending on consolidated profit for the year. Where losses have been incurred during the term of the profit participation certificates, participation in such losses occurs as of the date of redemption. The term of the profit participation certificate is indeterminate. Amounts received exceeding the nominal value of the participatory right (agio) arising from the issuance of the participation certificate, totalling € 73k (previous year: € 67k), are likewise disclosed within accumulated other capital.

Shares in companies of the PCC Group are also held by German and foreign minority shareholders. The minority shareholders participate in the Group equity and the consolidated profit/loss for the year. The share of Group equity attributable to minority shareholders in 2010 amounted to € 14.2 million, representing an increase of € 1.6 million compared to year-end 2009.

## (22) Special reserve for emission allowances received free of charge

PCC Rokita SA, the largest production company in the Chemicals division, was issued emission allowances (rights) free of charge. In accordance with the German Accounting Law Modernisation Act (BilMoG), these were measured at their fair value as of the balance sheet date. The income arising has been neutralised and separately disclosed in the balance sheet under the item heading indicated above. The amount attributable in fiscal 2010 is € 11.7 million (previous year: € 0).

## (23) Provisions

The change in provisions during fiscal 2010 was as follows:

| Figures in € k                                  | Jan. 1, 2010  | Currency effects | Released     | Other changes | Dec. 31, 2010 |
|---|---------------|------------------|--------------|---------------|---------------|
| Provisions for pensions and similar obligations | 348           | 14               | 9            | 77            | 431           |
| Provisions for taxes on income                  | 15            | 0                | 1            | 97            | 111           |
| Deferred tax provisions                         | 429           | 16               | 0            | -445          | 0             |
| Other provisions                                | 17,294        | 111              | 3,364        | 9,619         | 23,660        |
| <b>Provisions</b>                               | <b>18,086</b> | <b>141</b>       | <b>3,374</b> | <b>9,348</b>  | <b>24,202</b> |

Other changes are reflected in the balance between amounts utilised, amounts added, reclassifications and changes in the scope of consolidation. Effective January 1, 2010, this column also contains changes arising from the discounting of long-term (non-current) provisions allocated since January 1, 2010. As of December 31, 2010 the amount attributable to this item was € 236k. The share emanating from changes in the scope of consolidation as of December 31, 2010 amounted

to around € 253k, this being the balance arising from the first-time consolidation of PCC Silicium S.A./PCC Exol S.A. and the removal from the scope of consolidation of Euro-Line GmbH. Under other provisions, a particularly large share is attributable to accrued expenses for payment obligations.

Provisions for pensions and similar obligations are entirely due to obligations of consolidated companies abroad (Poland). An interest rate of 4 % (previous year: 4 %) has been applied for the actuarial valuation of these obligations, for which purpose the projected unit credit method is applied. Increases in wages and salaries have also been taken into account within a range between 1.5 % and 6.3 % p.a. The pension obligations are derived from the relevant retirement age applicable in each case. In all, provisions for pensions and similar obligations have been allocated for 1,239 people in the PCC Group.

The long-term (non-current) provisions with a term of more than one year that have been allocated since January 1, 2010, are discounted over their remaining life using the applicable average seven-year market interest rate announced by the German central bank (Deutsche Bundesbank).

Other provisions and accruals as of December 31, 2010 break down as follows:

| Figures in € k   | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|--|----------------------|---------------|
| Provisions for anticipated losses                      | 5,331                | 6,716         |
| Accrued expenses for payment obligations               | 5,228                | 4,780         |
| Accruals for personnel costs                           | 2,209                | 3,483         |
| Provisions for obligations to customers                | 274                  | 714           |
| Accruals for audit and other legal or consulting costs | 203                  | 198           |
| Accrued costs for restructuring programme              | 54                   | 478           |
| Accruals for risk of litigations                       | 38                   | 81            |
| Accruals for order commitments                         | 16                   | 0             |
| Other accruals   | 10,308               | 843           |
| <b>Total other provisions/accruals</b>                 | <b>23,660</b>        | <b>17,294</b> |

Accrued expenses for payment obligations rose slightly as of the balance sheet date versus prior-year. There was a further reduction in provisions for anticipated losses compared to the previous year. As of the balance sheet date, this item relates to negatively valued derivative contracts taken out to hedge currency and interest rate risks. Also included in this item is a provision for risks arising from the winding-up of subsidiaries and for the usual commercial guarantees that may possibly arise in future periods in relation to Group companies already divested.

Within other accruals is a site recultivation obligation of a subsidiary of the "PCC Rokita" subgroup amounting to around € 8 million. This is a multi-year obligation arising from local regulations and will remain in place until 2026.



The remaining amount of the provisions allocated in 2007 for foreseeable future excess obligations arising from pending purchase agreements in the energy trading sector was utilised in full in 2010. No further additions were necessary.

## (24) Liabilities

The maturity structure of the liabilities as of December 31, 2010 reads as follows:

| Figures in € k  | Remaining<br>term<br>up to 1 yr | Remaining<br>term<br>1 to 5 yrs | Remaining<br>term more<br>than 5 yrs | <b>Dec. 31,<br/>2010</b> |
|---|---------------------------------|---------------------------------|--------------------------------------|--------------------------|
| Mezzanine capital   | 18,000                          | 48,000                          | 0                                    | <b>66,000</b>            |
| Liabilities from bearer bonds   | 36,069                          | 76,833                          | 0                                    | <b>112,902</b>           |
| Bank liabilities  | 18,732                          | 44,464                          | 13,693                               | <b>76,889</b>            |
| Advance payments for orders received                                      | 647                             | 0                               | 0                                    | <b>647</b>               |
| Trade accounts payable  | 49,993                          | 83                              | 0                                    | <b>50,076</b>            |
| Accounts payable to affiliated companies                                  | 1,461                           | 0                               | 0                                    | <b>1,461</b>             |
| Accounts payable to enterprises in which participating interests are held | 0                               | 0                               | 0                                    | <b>0</b>                 |
| Other liabilities   | 12,005                          | 65                              | 12                                   | <b>12,082</b>            |
| <b>Total liabilities</b>  | <b>136,907</b>                  | <b>169,444</b>                  | <b>13,705</b>                        | <b>320,057</b>           |

The mezzanine capital exclusively comprises subordinate loans, held at the same level as in the previous year, bearing a fixed interest rate between 7.27 % and 7.9 % per annum and, in part, providing an additional, earnings-related distribution depending on consolidated profit for the year. The total amount is split into € 18 million with a remaining term of up to one year, and € 48 million with a remaining term of up to five years.

Bank liabilities rose from € 59 million in the previous year to € 77 million in the year under review. A major portion of this increase is attributable to the medium-term and long-term liabilities of the "PCC Rokita" subgroup. PCC Exol S.A., which was consolidated for the first time as of January 1, 2010 and has been allocated to this subgroup, predominantly financed its new ethoxylation plant with debt capital, which has likewise resulted in an increase arising from changes to the scope of consolidation.

The loans disclosed under bank liabilities amounting to around € 46.9 million are all secured by mortgages or similar liens. A further amount of € 11.5 million is secured by chattel mortgages on mobile property, plant and equipment or inventories. Bank liabilities recognised in the consolidated balance sheet are further secured by assignment of claims in the amount of € 5.0 million.

(25) Liabilities from bearer bonds

Liabilities from bearer bonds arise from the issuance of bonds by PCC SE. PCC SE bonds carry a fixed coupon of between 4.50 % and 7.25 % per annum. The following table provides an analysis of the bonds involved.

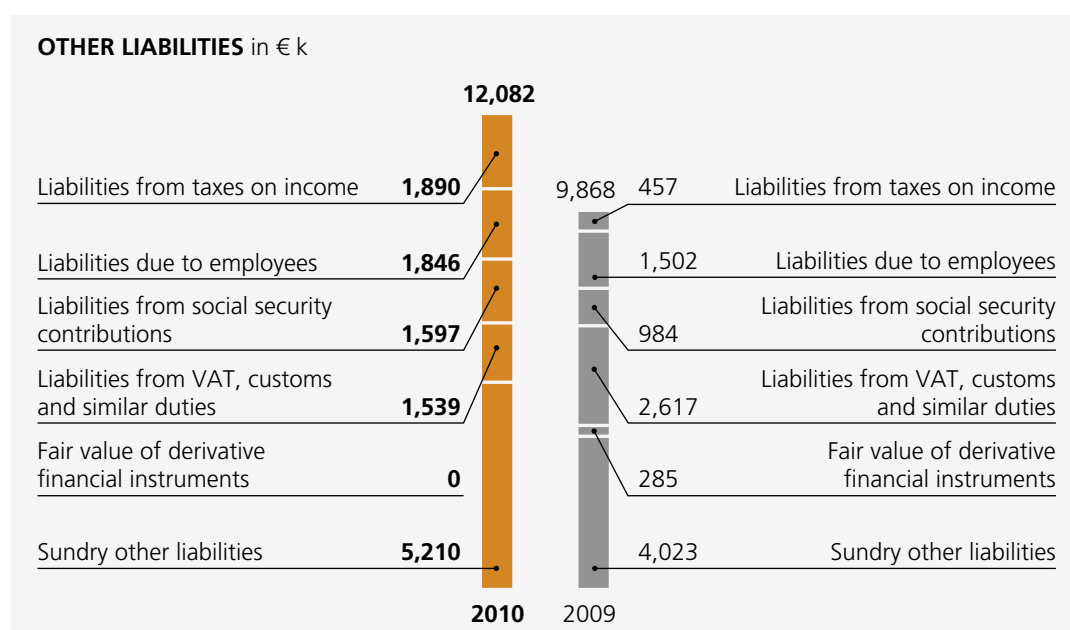
| Figures in € k                | Dec. 31, 2010  | Dec. 31, 2009  |
|-------------------------------|----------------|----------------|
| <b>Bonds in EUR</b>           | <b>112,603</b> | <b>105,946</b> |
| DE000A1EKZN7                  | 34,998         | 0              |
| DE000A0JFJ90                  | 27,544         | 27,645         |
| DE000A0S8DY1                  | 19,944         | 19,950         |
| DE000A0LRV96                  | 9,165          | 9,165          |
| DE000A1A57W2                  | 8,525          | 10,000         |
| DE000A0WL5E5                  | 7,224          | 7,224          |
| DE000A1EWB67                  | 5,203          | 0              |
| DE000A0EY6Q4                  | 0              | 31,962         |
| <b>Bonds in PLN</b>           | <b>1,188</b>   | <b>0</b>       |
| via the "PCC Rokita" subgroup | 1,188          | 0              |

The due dates of the bond liabilities of the PCC Group are indicated in the following table:

| Figures in € k | Total   | Due in 2010 | Due in 2011 | Due in 2012 | Due in 2013 | Due in 2014 | Due in 2015 | Due after 2015 |
|----------------|---------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Dec. 31, 2010  | 112,902 | –           | 36,069      | 19,944      | 9,165       | 42,521      | 0           | 5,203          |
| Dec. 31, 2009  | 105,946 | 31,962      | 37,645      | 19,950      | 9,165       | 7,224       | 0           | 0              |

**(26) Other liabilities**

The items aggregated under other liabilities as of December 31, 2010 are as follows:



The value of other liabilities increased from € 9.9 million in 2009 to € 12.1 million in fiscal 2010.

**(27) Deferred taxes**

According to the German Accounting Law Modernisation Act (BilMoG), deferred taxes must be recognised on temporary differences between the carrying values of assets, liabilities and accruals in the balance sheet and their tax base. For German subsidiaries, the tax rate applied here is a uniform 30 %. For foreign subsidiaries, the relevant national tax rates are applied as follows:

|                |      |
|----------------|------|
| Poland         | 19 % |
| Czech Republic | 19 % |
| USA            | 34 % |
| Romania        | 16 % |

The distribution of deferred taxes among the various balance sheet items is shown in the following table. Within the PCC Group, deferred tax assets and liabilities are offset and disclosed as netted balances. For fiscal 2010, this produced a surplus on the asset side of € 4,003k.

| Figures in € k                          | <b>Deferred<br/>tax assets</b> | <b>Deferred<br/>tax liabilities</b> |
|---|--------------------------------|-------------------------------------|
| Intangible assets                       | 3                              | 0                                   |
| Tangible fixed assets                   | 2                              | 88                                  |
| Financial fixed assets                  | 0                              | 0                                   |
| Inventories                             | 518                            | 0                                   |
| Receivables                             | 72                             | 1                                   |
| Securities                              | 0                              | 0                                   |
| Other assets                            | 6                              | 0                                   |
| Provisions for pensions                 | 44                             | 0                                   |
| Other provisions and accruals           | 114                            | 0                                   |
| Liabilities                             | 48                             | 5                                   |
| Other liabilities                       | 44                             | 0                                   |
| Losses carried forward                  | 23                             | 0                                   |
| Miscellaneous other provisions/accruals | 3,235                          | 12                                  |
| <b>Total deferred taxes</b>             | <b>4,109</b>                   | <b>106</b>                          |

Deferred taxes arising from consolidation measures amounted to around € 400k, due primarily to eliminated intercompany profits.

The largest item within the deferred tax assets total is due to anticipated future tax benefits, disclosed under miscellaneous other provisions/accruals, attributable to the "PCC Rokita" subgroup, whose production sites are located in an area designated as a special economic zone.

#### (28) 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.

The subsidiary PCC Energie GmbH, Duisburg, which is active in this field of business, enters into futures contracts both on the EEX and with electricity and gas wholesalers in order to hedge the prices of electricity and gas supplies destined for end customers. Such hedges usually extend over terms ranging from one to four years. As back-to-back hedging transactions are not economically viable due to the low volumes of electricity and gas usually purchased by end customers, open

positions can arise in the course of the portfolio management process. These may be extended through individual trading activities separately pursued by the company. However, open positions are closed at the latest as delivery and settlement become due. Open positions are measured at fair value and disclosed under other assets (19) or other liabilities (26).

As a result of the sale of PCC Energie GmbH, Duisburg, completed in February 2011, to the Spanish energy utility Nexus Energía S.A., Barcelona, this hedging item will no longer appear as from fiscal 2011.

| Figures in € k                   | Nominal value | Fair value    |
|----------------------------------|---------------|---------------|
| <b>Electricity futures</b>       | <b>29,352</b> | <b>26,091</b> |
| Buy                              | 100,790       | 97,748        |
| Sell                             | 71,438        | 71,656        |
| <b>Gas futures</b>               | <b>3,205</b>  | <b>3,454</b>  |
| Buy                              | 3,819         | 4,176         |
| Sell                             | 614           | 722           |
| <b>Total as of Dec. 31, 2010</b> | <b>32,557</b> | <b>29,545</b> |

With growing globalisation and the expansion in international trade, companies of the PCC Group are increasingly exposed to foreign currency and interest rate risks. Derivative financial instruments are used to minimise this exposure. These are disclosed in the balance sheet and valued as of the reporting date. The difference thus determined is recognised in income, with losses from currency derivatives being recognised under operating expenses, and losses from interest rate derivatives being recognised under financial items. The items are separately explained in the relevant sections. Negative fair values as of the valuation date are disclosed as provisions for anticipated losses. The fair values of the financial instruments employed are shown in the following table:

| Figures in € k                     | Nominal value | Fair value |
|------------------------------------|---------------|------------|
| <b>FX forwards</b>                 |               |            |
| Buy                                | 0             | 0          |
| Sell                               | 3,563         | -22        |
| <b>FX options</b>                  |               |            |
| Buy                                | 0             | 0          |
| Sell                               | 0             | 0          |
| Cross-currency interest rate swaps | 13,685        | -305       |
| Interest rate swaps                | 0             | 0          |
| Other derivatives                  | 0             | 0          |

**(29) Contingent liabilities and other financial liabilities**

As of December 31, 2010, there were no contingent liabilities. This, of course, represents a decrease of 100 % compared to the level of the previous year. The contingent liabilities arising from guarantee agreements that remained in force in the previous year were partly attributable to the since divested "PCC Logistics" group of companies and to a bank guarantee in the energy trading sector which was no longer required and was therefore cancelled.

| Figures in € k                                | <b>Dec. 31, 2010</b> | Dec. 31, 2009 |
|---|----------------------|---------------|
| Liabilities arising from guarantee agreements | 0                    | 6,575         |
| Liabilities arising from warranties           | 0                    | 0             |
| Bills and notes discounted                    | 0                    | 0             |
| Other contingent liabilities                  | 0                    | 0             |
| <b>Total contingent liabilities</b>           | <b>0</b>             | <b>6,575</b>  |

The other financial commitments as of December 31, 2010 were as follows:

| Figures in € k                                  | Remaining term up to 1 yr | Remaining term 1 to 5 yrs | Remaining term more than 5 yrs | <b>Dec. 31, 2010</b> |
|---|---------------------------|---------------------------|--------------------------------|----------------------|
| Financial commitments for rent and leasing      | 2,242                     | 993                       | 0                              | <b>3,234</b>         |
| Other commitments (including onerous contracts) | 843                       | 5,041                     | 4,750                          | <b>10,634</b>        |
| <b>Total financial commitments</b>              | <b>3,085</b>              | <b>6,033</b>              | <b>4,750</b>                   | <b>13,868</b>        |

**NOTES TO THE INDIVIDUAL ITEMS OF THE CASH FLOW STATEMENT****(30) Cash flow statement**

The cash flow statement shows the changes in cash and cash equivalents that took place in the year under review and is drawn up in accordance with German accounting standard DRS 2.

The cash flows are broken down according to the headings "Cash flow from operating activities", "Cash flow from investing activities" and "Cash flow from financing activities".

The financial funds equate to the total of cash and cash equivalents (cash in hand, credit balances at banks and cheques) shown in the balance sheet. In the event of changes in the scope of consolidation arising from the purchase or sale of companies, the purchase price paid or received (excluding debt assumed or sold), less the financial funds acquired or sold, is recognised as a cash flow from investing activities. The remaining accounting effects of the purchase or sale are distributed between the respective items within the three categories. In the event that the acquisition or disposal of shares in a company takes place without a change in the control relationship (loss or gain of domination), such transactions are disclosed as investing activities.

In fiscal 2010, included under capital expenditures for acquisitions of consolidated companies and other operations is the purchase of PCC Silicium S.A. (formerly KiZWK "Bukowa Góra" S.A.). The cash inflow from the disposal of consolidated companies relates to the divestment of Euro-Line GmbH.

Dividends paid fall under financing activities. Dividends paid within the Group out of prior-year earnings are eliminated. Payments to the sole shareholder of PCC SE are indicated in cash flow from financing activities.

### (31) Corporate bodies

The corporate bodies of PCC SE are as follows:

#### Managing Directors

- Ulrike Warnecke
- Dr. rer. oec. (BY) Alfred Pelzer

The Managing Directors received remunerations amounting to € 410k in fiscal 2010 (previous year: € 3,570k).

#### Administrative Board

- Waldemar Preussner, Dipl.-Volkswirt, Chairman
- Dr. rer. oec. (BY) Alfred Pelzer, Vice Chairman, Managing Director of PCC SE
- Reinhard Quint, Member, Member of the Supervisory Board of RMM Metallhandel GmbH

The Members of the Board received remunerations amounting to € 132k in fiscal 2010 (previous year: € 132k).

#### Annual General Meeting

The Annual General Meeting of PCC SE took place on June 7, 2010. The consolidated financial statements and the Group management report for 2009 were both approved as were the actions of the Managing Directors and the Administrative Board of PCC SE. Further, Warth & Klein Grant Thornton AG, Düsseldorf, was reappointed as auditor for fiscal 2010.

### (32) Miscellaneous

The PCC Group and the individual German companies were audited by Warth & Klein Grant Thornton AG, Düsseldorf, and each given an unqualified opinion. The audit fee for these companies and the Group amounted to € 108k.

Duisburg, April 29, 2011

PCC SE



Ulrike Warnecke  
Managing Director



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



**(33) Schedule of shareholdings**

| Name and head office of company                                | Division  | Currency | Exchange rate as of Dec. 31, 2010<br>1 euro = | PCC SE participating interest in % |          |        |
|--|-----------|----------|---|------------------------------------|----------|--------|
|  |           |          |   | Direct                             | Indirect | Total  |
| <b>Parent company</b>  |           |          |   |                                    |          |        |
| PCC SE, Duisburg   | Other     | EUR      | 1.0000  | –                                  | –        | –      |
| <b>Subsidiaries</b>  |           |          |   |                                    |          |        |
| Apakor-Rokita Sp. z o.o., Brzeg Dolny                          | Chemicals | PLN      | 3.9750  | –                                  | 99.42    | 99.42  |
| C&C Coke and Coal Products GmbH i.L., Duisburg                 | Chemicals | EUR      | 1.0000  | 60.00                              | –        | 60.00  |
| Ekologistyka Sp. z o.o., Brzeg Dolny                           | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | 100.00 |
| Kosmet-Rokita Sp. z o.o., Brzeg Dolny                          | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | 100.00 |
| LabMatic Sp. z o.o., Brzeg Dolny                               | Chemicals | PLN      | 3.9750  | –                                  | 99.74    | 99.74  |
| PCC Chemax, Inc., Piedmont                                     | Chemicals | USD      | 1.3362  | 100.00                             | –        | 100.00 |
| PCC Exol S.A., Brzeg Dolny                                     | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | 100.00 |
| PCC MORAVA-CHEM s.r.o., Český Těšín                            | Chemicals | CZK      | 25.0610                                       | 98.00                              | 2.00     | 100.00 |
| PCC Rokita SA, Brzeg Dolny                                     | Chemicals | PLN      | 3.9750  | 100.00                             | –        | 100.00 |
| PCC Synteza S.A., Kędzierzyn-Koźle                             | Chemicals | PLN      | 3.9750  | 100.00                             | –        | 100.00 |
| Petro Carbo Chem GmbH, Duisburg                                | Chemicals | EUR      | 1.0000  | 100.00                             | –        | 100.00 |
| S.C. Euro-Urethane S.R.L., Râmnicu Vâlcea                      | Chemicals | RON      | 4.2620  | 58.72                              | –        | 58.72  |
| Tensis Sp. z o.o., Brzeg Dolny                                 | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | 100.00 |
| Węglpochodne Sp. z o.o., Kędzierzyn-Koźle                      | Chemicals | PLN      | 3.9750  | 100.00                             | –        | 100.00 |
| GRID BH d.o.o., Sarajevo                                       | Energy    | BAM      | 1.9558  | –                                  | 51.37    | 51.37  |
| PCC DEG Renewables GmbH, Duisburg                              | Energy    | EUR      | 1.0000  | 60.00                              | –        | 60.00  |
| PCC Energie GmbH, Duisburg                                     | Energy    | EUR      | 1.0000  | 100.00                             | –        | 100.00 |
| PCC Energy Trading GmbH, Duisburg                              | Energy    | EUR      | 1.0000  | 100.00                             | –        | 100.00 |
| Zakład Energetyki – Blachownia Sp. z o.o., Kędzierzyn-Koźle    | Energy    | PLN      | 3.9750  | 84.46                              | –        | 84.46  |
| PCC Autochem Sp. z o.o., Brzeg Dolny                           | Logistics | PLN      | 3.9750  | 51.30                              | 48.70    | 100.00 |
| PCC Intermodal S.A., Gdynia                                    | Logistics | PLN      | 3.9750  | 71.04                              | –        | 71.04  |
| PCC Capital GmbH, Duisburg                                     | Other     | EUR      | 1.0000  | 100.00                             | –        | 100.00 |
| PCC Silicium S.A. (formerly KIZWK "Bukowa Góra" S.A.), Zagórze | Other     | PLN      | 3.9750  | 90.25                              | –        | 90.25  |
| PCT Polskie Centrum Teleinformatyki S.A., Brzeg Dolny          | Other     | PLN      | 3.9750  | 100.00                             | –        | 100.00 |

| Name and head office of company                       | Division | Currency | Exchange rate as of Dec. 31, 2010<br>1 euro = | PCC SE participating interest in % |          | Total |
|---|----------|----------|---|------------------------------------|----------|-------|
|   |          |          |   | Direct                             | Indirect |       |
| <b>Associated companies</b>                           |          |          |   |                                    |          |       |
| Górnice Zakłady Dolomitowe S.A., Siewierz             | Other    | PLN      | 3.9750  | –                                  | 10.89    | 10.89 |
| Inwestycyjna Grupa Budowlano-Surowcowa S.A., Katowice | Other    | PLN      | 3.9750  | 33.00                              | –        | 33.00 |
| Kopalnia Piasku Kotlarnia S.A., Kotlarnia             | Other    | PLN      | 3.9750  | –                                  | 10.89    | 10.89 |
| PUH Włodzimierz S.A., Katowice                        | Other    | PLN      | 3.9750  | –                                  | 14.03    | 14.03 |
| Telekomunikacja Kopalń Piasku S.A., Gliwice           | Other    | PLN      | 3.9750  | 42.73                              | –        | 42.73 |

| Name and head office of company                             | Division  | Currency | Exchange rate as of Dec. 31, 2010<br>1 euro = | PCC SE participating interest in % |          |               | Equity in local currency ('000) | Net result in local currency ('000) |
|---|-----------|----------|---|------------------------------------|----------|---------------|---------------------------------|-------------------------------------|
|   |           |          |   | Direct                             | Indirect | Total         |                                 |                                     |
| <b>Non-consolidated companies</b>                           |           |          |   |                                    |          |               |                                 |                                     |
| BiznesPark Rokita Sp. z o.o., Brzeg Dolny                   | Chemicals | PLN      | 3.9750  | –                                  | 99.95    | <b>99.95</b>  | 1,569.4                         | 145.3                               |
| ChemiPark Technologiczny Sp. z o.o., Brzeg Dolny            | Chemicals | PLN      | 3.9750  | –                                  | 86.98    | <b>86.98</b>  | 3,622.0                         | –448.6                              |
| CWB Partner Sp. z o.o., Brzeg Dolny                         | Chemicals | PLN      | 3.9750  | –                                  | 97.50    | <b>97.50</b>  | 235.3                           | 23.6                                |
| GEKON Sp. z o.o., Brzeg Dolny                               | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | <b>100.00</b> | 0.0                             | 0.0                                 |
| LabAnalytika Sp. z o.o., Brzeg Dolny                        | Chemicals | PLN      | 3.9750  | –                                  | 99.89    | <b>99.89</b>  | –147.9                          | 377.1                               |
| MCAA SE, Brzeg Dolny  | Chemicals | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 362.0                           | –46.4                               |
| OOO PCC BelPol, Mogilev                                     | Chemicals | BYR      | 3,924.56                                      | 50.00                              | 50.00    | <b>100.00</b> | 58.0                            | –2.0                                |
| PCC Chlor Alkali Sp. z o.o., Brzeg Dolny                    | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | <b>100.00</b> | 45.4                            | –4.6                                |
| TzOW Petro Carbo Chem, Lviv                                 | Chemicals | UAH      | 10.5731                                       | 92.32                              | –        | <b>92.32</b>  | 1,554.8                         | –109.8                              |
| PCC P4 Sp. z o.o., Brzeg Dolny                              | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | <b>100.00</b> | 50.0                            | 0.0                                 |
| PCC Polyurethane Sp. z o.o., Brzeg Dolny                    | Chemicals | PLN      | 3.9750  | –                                  | 100.00   | <b>100.00</b> | 45.4                            | –4.6                                |
| PCC Slovakia s.r.o., Košice                                 | Chemicals | EUR      | 1.0000  | –                                  | 100.00   | <b>100.00</b> | 26.9                            | –7.8                                |
| Petro Carbo Chem, Dnipropetrovsk                            | Chemicals | UAH      | 10.5731                                       | –                                  | 100.00   | <b>100.00</b> | 344.0                           | –544.0                              |
| PRODEX-SYSTEM Sp. z o.o., Warsaw                            | Chemicals | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 6,512.3                         | 64.5                                |
| Technochem Sp. z o.o., Brzeg Dolny                          | Chemicals | PLN      | 3.9750  | –                                  | 85.80    | <b>85.80</b>  | –2.3                            | 4.4                                 |
| ZAO NOVOBALT Terminal, Kaliningrad                          | Chemicals | RUB      | 40.8200                                       | –                                  | 100.00   | <b>100.00</b> | 18,682.8                        | 33,750.8                            |
| Novi Energii OOD, Sofia                                     | Energy    | BGN      | 1.9558  | –                                  | 36.00    | <b>36.00</b>  | –204.0                          | –387.0                              |
| PCC Development Sp. z o.o., Warsaw                          | Energy    | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 33.5                            | 27.3                                |
| PCC Energia EOOD, Sofia                                     | Energy    | BGN      | 1.9558  | 100.00                             | –        | <b>100.00</b> | –155.0                          | –116.0                              |
| PCC Energija d.o.o., Zagreb                                 | Energy    | HRK      | 7.3852  | –                                  | 100.00   | <b>100.00</b> | 100.0                           | 0.0                                 |
| PCC Envolt Sp. z o.o., Brzeg Dolny                          | Energy    | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 256.3                           | –359.6                              |
| PCC HYDRO DOOEL Skopje, Skopje                              | Energy    | MKD      | 61.5050                                       | –                                  | 60.00    | <b>60.00</b>  | –35.3                           | –17.0                               |
| PCC Izvorsko EOOD, Sofia                                    | Energy    | BGN      | 1.9558  | –                                  | 60.00    | <b>60.00</b>  | –414.0                          | –256.0                              |
| PCC Power Gubin S.A., Warsaw                                | Energy    | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 2,633.8                         | –55.3                               |
| PCC Power Sp. z o.o., Brzeg Dolny                           | Energy    | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 19.7                            | –30.3                               |
| PCC Utilities S.A., Brzeg Dolny                             | Energy    | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 308.0                           | –38.3                               |
| Agencja Rozwoju Lokalnego S.A., Katowice                    | Logistics | PLN      | 3.9750  | 6.96                               | –        | <b>6.96</b>   | n.a.                            | n.a.                                |
| PCC Locomotives Sp. z o.o., Brzeg Dolny                     | Logistics | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 38.1                            | –8.1                                |
| TRANSGAZ S.A., Rybnik                                       | Logistics | PLN      | 3.9750  | 9.64                               | –        | <b>9.64</b>   | n.a.                            | n.a.                                |
| WFP Project Development Sp. z o.o., Warsaw                  | Logistics | PLN      | 3.9750  | 100.00                             | –        | <b>100.00</b> | 365.3                           | –9.8                                |
| ZAO PCC Rail (formerly ZAO Petro Carbo Chem Moscow), Moscow | Logistics | RUB      | 40.8200                                       | 100.00                             | –        | <b>100.00</b> | 103,342.2                       | 5,373.9                             |
| 3Services Factory S.A., Katowice                            | Other     | PLN      | 3.9750  | 51.00                              | 20.94    | <b>71.94</b>  | 8,639.2                         | –360.8                              |
| 3S Sp. z o.o., Gliwice                                      | Other     | PLN      | 3.9750  | –                                  | 42.73    | <b>42.73</b>  | 305.3                           | –44.7                               |
| 4VOD Sp. z o.o., Kraków                                     | Other     | PLN      | 3.9750  | –                                  | 5.13     | <b>5.13</b>   | 45.0                            | 40.0                                |
| Drefakt GmbH, Dresden                                       | Other     | EUR      | 1.0000  | –                                  | 25.50    | <b>25.50</b>  | 597.0                           | 36.0                                |
| F&K Customer Care GmbH, Velbert                             | Other     | EUR      | 1.0000  | 51.00                              | –        | <b>51.00</b>  | –284.1                          | –181.8                              |
| Maktel Sp. z o.o., Katowice                                 | Other     | PLN      | 3.9750  | –                                  | 17.09    | <b>17.09</b>  | –195.9                          | 50.0                                |
| PCC Direktinvest GmbH, Duisburg                             | Other     | EUR      | 1.0000  | 100.00                             | –        | <b>100.00</b> | 49.1                            | –0.9                                |
| SGT S.A., Gliwice   | Other     | PLN      | 3.9750  | 9.66                               | 0.98     | <b>10.64</b>  | –1,190.8                        | –392.6                              |
| TEC artec valves GmbH & Co. KG, Oranienburg                 | Other     | EUR      | 1.0000  | 68.85                              | –        | <b>68.85</b>  | n.a.                            | n.a.                                |
| Wytwórnia Konstrukcji Betonowych S.A., Siemanowice          | Other     | PLN      | 3.9750  | –                                  | 2.16     | <b>2.16</b>   | n.a.                            | n.a.                                |

n.a.: not available

# Glossary

## Additives

Additives are substances which, incorporated in formulations in very small quantities, optimise the properties and performance profile of products such as paints and plastics and/or facilitate their manufacture and processing.

## BilMoG

German Accounting Law Modernisation Act. Extensive revision and amendment of the German Commercial Code (Handelsgesetzbuch/HGB). Entered into German law on May 29, 2009 and applicable as from fiscal 2010.

## CHP

Combined Heat and Power – used in reference to power plant designed to supply both electrical and thermal energy in a process known as “cogeneration”. Also known as cogeneration plant. More fuel-efficient due to utilisation of otherwise wasted heat. Produces less CO<sub>2</sub> (greenhouse gas) per unit energy output, therefore regarded as more climate-friendly.

## Climate-protection project

In keeping with the provisions of the Kyoto Protocol, a climate-protection project contributes to the reduction of greenhouse gases. Through adoption of a “clean development mechanism”, participating developing countries are also to be assisted not only in reducing their emissions but also generally in their pursuit of a sustainable mode of development. The small hydro-power plant projects being implemented by PCC in the Balkans constitute an example of this kind of assistance.

## EBIT

Earnings Before Interest and Taxes; †EBITDA less depreciation and amortisation.

## EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation.

## EBT

Earnings Before Taxes; †EBIT less interest and other financial items.

## Ethoxylation

Process for the manufacture of non-ionic surfactants (ethoxylates; surface active substances), which are major constituents of, in particular, detergents and cleaning products.

## Futures

A futures or forward contract is a standardised contract, traded on a futures exchange, to buy or sell a certain underlying instrument at a certain date in the future and at a specified price. The future date is called the delivery date or final settlement date. The pre-set price is called the futures price. The price of the underlying asset on the delivery date is called the settlement price.

## Hedge

A hedge is an investment that is taken out specifically to reduce or cancel out the risk in another investment or open position. Hedging is a strategy designed to minimise exposure to an unwanted business risk, while still allowing the business to profit from an investment activity.

## HR foams

High-Resilience foams – suitable for applications involving elevated levels of stress, wear and tear and/or in which repeated cyclical shape recovery is required.

## Intermodal transportation

Conveyance of goods, primarily in containers carried by more than one mode of transport: rail, truck or ship. The modal switch facilitates transport efficiency and local delivery to the customer.

## IPPC

Integrated Pollution Prevention and Control introduced as an EC directive.

## Kyoto Protocol

The Kyoto Protocol was agreed in 1997 as a consequence of a conference in Kyoto, Japan, adding binding requirements to the United Nations Framework Convention on Climate Change (UNFCCC). Its underlying aim is to protect the earth’s climate. For the first time, the Protocol established mandatory limits governing the emission of greenhouse gases in the countries of the industrialised world, such gases being regarded as the primary cause of global warming.

**Mezzanine capital**

General term covering forms of finance which, due to their legal and economic make-up, represent a mix of equity and debt capital.

**MW (megawatt)**

Unit of measurement for electric power:

1 Megawatt =  $10^3$  kilowatts

1 Gigawatt =  $10^6$  kilowatts

1 Terawatt =  $10^9$  kilowatts

**Phosphorus derivatives**

Substances manufactured from phosphorus, such as flame retardants and plasticisers.

**PUR foams**

PUR is the abbreviation for polyurethane (also abbreviated PU), of which polyols are a major constituent.

**REACH**

European regulation governing the registration, evaluation, authorisation and restriction of chemicals.

**Renewable energy**

Also known as regenerative energy; term given to energy from sustainable sources such as solar energy, biomass, hydroelectric power and wind power.

**ROCE**

Return On Capital Employed;  $\uparrow\text{EBIT} \div \text{Average equity} + \text{Average interest-bearing debt capital incl. pension provisions}$ .

**SE**

Latin abbreviation: Societas Europaea; English: European Company.

**Sulphonation**

Process for the manufacture of anionic surfactants (sulphonates; surface-active substances) which, because of their dermatological compatibility, are widely used in cosmetics and laundry/home care detergents.

**Surfactant**

Surface-active substance; ingredient in cosmetics, detergents, cleaning and cleansing products ( $\uparrow$ Ethoxylation,  $\uparrow$ Sulphonation).

**Swap**

A swap is a derivative in which two counterparties agree to exchange one stream of cash flows for another stream.

**TDI**

Toluene diisocyanate; one of the more important isocyanates and an intermediate substance used in the manufacture of products such as adhesives and foams (polyurethane).

**TEU**

Twenty-foot Equivalent Unit – unit of measurement for ISO standard containers.

**Value chain**

The sequential set of primary and support activities in a production process that an enterprise performs to turn inputs, e.g. raw materials, into value-added outputs, e.g. finished products, for its external customers.

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All versions can be downloaded from [www.pcc.eu](http://www.pcc.eu).

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## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements which are based on the current estimates and assumptions made by the management with respect to future developments. The accuracy of such statements is subject to risks and uncertainties that lie outside the control and forecasting capability of PCC SE. Examples include changes in the market environment and underlying economic conditions, the behaviour of other market participants, the success with which new acquisitions can be integrated, the realisation of anticipated synergy effects and the actions of governmental agencies. Should such factors of uncertainty or imponderables come into play, or if the assumptions upon which these statements are based, prove to be incorrect, the ensuing events could differ materially from those explicitly indicated, implied in or inferred from these statements. PCC SE neither plans nor undertakes to update any forward-looking statements in respect of developments or events occurring in the future.

## TECHNICAL DISCREPANCIES

For technical reasons (e. g. arising from the conversion of electronic formats), differences may occur between the information provided in this annual report and that contained in the accounting documents submitted for publication in the Federal electronic gazette (Bundesanzeiger). In such cases, the version appearing in the Federal electronic gazette is authoritative.

## PCC on the Internet

[www.pcc.eu](http://www.pcc.eu)  
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[www.pcc-finanzinformationen.de](http://www.pcc-finanzinformationen.de)

### **PCC. Direktinvest**

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[www.pcc-anleihe.de](http://www.pcc-anleihe.de)

### **Chemicals**

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### **Energy**

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### **Logistics**

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### **Other**

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