



# Quarterly Report III/2010

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## Business Development

In the third quarter of 2010, the PCC Group generated consolidated sales revenues of €155 million. Cumulated consolidated sales as per September 30, 2010 thus reached about €425 million. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) improved by more than €5 million to + €9.1 million. However, another loss was recorded for Earnings before Tax (EBT) – mainly as a result of the continued high interest expenses. As of September 30, 2010 this figure reached - €12 million.

The PCC Group thus considerably improved its performance in the third quarter of 2010 compared with the previous two quarters, but in an overall perspective the results are still lower than we originally budgeted for the current fiscal year. For the fourth quarter of 2010 business performance can be expected to remain on the level of the third quarter of 2010. This means that the PCC Group will close fiscal 2010 with an overall loss.

PCC Group business continues to be dominated by the Chemicals Division, which significantly improved its sales performance as well as its financial results as compared to the first two quarters. This was essentially influenced by PCC Rokita SA based in Brzeg Dolny (Poland). Due to above-target orders for polyols in the third quarter of 2010, the regular maintenance period was postponed and partly shortened, which positively influenced the results of this business unit, as did the ongoing optimisation of the product portfolio. The Surfactants business unit also continued to work on a stable, profitable level. However, results were negatively influenced by the Chlorine business unit, caused by the decline in caustic soda prices and lye as well as temporary start-up problems at the new membrane electrolysis plant.

The positive trend in the nonyl phenol and docecyl phenol business of PCC Synteza S.A. in Kędzierzyn-Koźle (Poland) continued during the third quarter of 2010. The result of this subsidiary was slightly reduced in August and September due to losses in the bisphenol-A trading business that the company embarked upon in 2010, the reason being a temporary price decline for this product. On the other hand, results of PCC Chemax, Inc., Piedmont (USA) were positive throughout the third quarter and significantly above our original expectations.

The latter is also true for the PCC Group's two most important trading businesses, Petro Carbo Chem GmbH, Duisburg (Germany), and PCC Morava-Chem s.r.o., Český Těšín (Czech Republic), whose commodity trading was thriving on the continued good economic performance in the area of chemical commodities as well as foundry raw materials, coke, and anthracite. Both companies significantly improved their sales and financial results compared to the same period of the previous year.

In the Energy Division, the situation remained virtually unchanged in the third quarter. Only ZE-Blachownia Sp. z o.o., Kędzierzyn-Koźle, was able to add a substantial positive contribution to earnings.

This subsidiary significantly improved its sales and sales revenues as a result of above-plan demand from its customers due to the economic upswing, which positively affected ZE Blachownia's earnings. However, they were not high enough to overcompensate for the persisting losses of PCC Energie GmbH, Duisburg. All other subsidiaries belonging to this division are still in their development phases, which is why they remain without substantial influence on earnings.

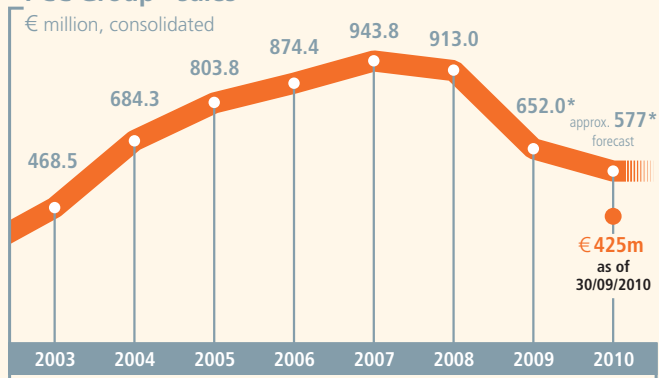
The Logistics Division broke even for the first time in the third quarter on an operating level; however, a slight loss was recorded on the earnings before tax level. Cumulative results of this division as of September 30, 2010 are still in the negative. On a positive note, order volumes of PCC Intermodal S.A., Gdynia (Poland) have been rising, and the company's capacities are now being utilised to a high extent. However, existing contracts with rather low margins, the majority of which will expire at the end of the year, will continue to impact negatively on this subsidiary's earnings in that time perspective.

PCC Autochem Sp. z o.o., Brzeg Dolny, increased the utilisation of its capacities in the third quarter of 2010 and intensified its cooperation with international forwarders. As a result, the company contributed positively to earnings as of September 30, 2010 at least on an operating level.

KiZWK Bukowa Góra S.A., Zagórze (Poland), belonging to the "Others" division and currently mainly selling road construction materials, was able to fully compensate for the seasonal losses incurred during the winter months, and has been recording rising profits ever since July 2010.

However, PCC SE will be reporting a loss in its non-consolidated financial statement for the whole year, as dividends received in 2010 and cost allocations will not suffice to completely cover interest expenses.

### PCC Group - sales



\* The sales decrease is mainly caused by the sale of "PCC Logistics" to Deutsche Bahn AG in July 2009. The sales of this group of companies were consolidated until the end of the first half of 2009.



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## **PCC SE acquires a polyurethanes system house in Poland**

PCC SE strengthens its Polyurethane business in Central and Eastern Europe having acquired Warsaw-based Prodex System Sp. z o.o. in September 2010. This Polish polyurethanes system house focuses primarily on rigid and semi-rigid foam systems for thermal and acoustic insulation. Above all, this expansion step is intended to broaden the already extensive technology portfolio of the Polyurethanes business unit of PCC Rokita SA. It will serve to further enhance the offer of innovative, tailored solutions for target markets such as Poland, the Czech Republic, the Baltic states, the Ukraine, and other CIS countries.

## **New ethoxylation plant to be launched at the end of 2010**

PCC Exol S.A., Brzeg Dolny, a wholly-owned subsidiary of PCC Rokita S.A., continued to make progress on the construction of the new ethoxylation plant in Plock (Poland) in the third quarter of 2010. Currently final installation works are under way on the plant's measurement equipment. Insulation works on piping and appliances will be completed shortly. The process control system has been readily installed. The plant will shortly be connected to its final power source. The other media, such as nitrogen, instrument air and steam, are already available. The processing line start-up and the production of the first batch are scheduled for the end of 2010.

## **Macedonian authorities issue environmental permits for all four hydropower plants**

The competent authorities of Macedonia have now issued all environmental permits for the four sites in the Republic of Macedonia where PCC is planning to erect small hydropower plants with an overall capacity of 4,000 kW.

In August 2010 PCC's local special purpose vehicle PCC HYDRO DOOEL Skopje, a subsidiary of Duisburg-based PCC DEG Renewables GmbH, submitted the reports required to obtain the environmental permits. The reports were prepared by an internationally renowned environmental expert. As early as three months later all environmental permits for the Patiška, Galičnik 3, Brajčino 2 and Gradečka sites were issued. Construction of the power plant is expected to be launched in the first half of 2011.

## **PCC's wind power project distinguished by the Bulgarian Government**

PCC Izvorsko EOOD (Sofia), which is developing a wind farm in Bulgaria, was awarded a "Class A Investor" certificate by the Bulgarian Government on July 1, 2010. This certificate for first-class investors was presented to the subsidiary of PCC DEG Renewables GmbH by the Ministry of Economy and Energy. Apart from speedier procedures, this title allows for preferential land purchase conditions and other benefits. PCC Izvorsko EOOD thus became the fourteenth wind farm investor in Bulgaria to be issued such a certificate.

Currently wind speeds and directions are recorded by various measuring devices mounted on an 80-meter-high met mast. These data make it possible to exactly calculate potential energy production, which in turn facilitates a final assessment of the project's economic efficiency.

## **Transport capacity of PCC Autochem expanded**

Due to the full utilisation of its own fleet – each of the company's 47 road tankers now reaches more than 9,000 load kilometres per month – PCC Autochem Sp. z o.o. has additionally entered into cooperation with subcontractors (see also page 1). This allows for an additional increase in transport volumes, accommodating the continuous rise in demand. In the medium term, the transport range of this PCC subsidiary is to be extended to the Urals through the use of intermodal tank container transports.

## **Traceability through project-related issues:**

### **6.50% bond issued for railway project in Russia**

Wishing to give investors an opportunity to keep track of the flow of their funds, PCC will be offering targeted securities issues for selected projects or subsidiaries involved in these projects. This will ensure traceability of the economic success of the investments made.

The first project-related bond was issued by PCC SE on October 1, 2010. Defining the purpose of this bond it was clearly stated that PCC SE will use the proceeds solely for PCC's railway project in Russia, i.e. for new investments or the refinancing of investments already undertaken in rail wagons for the Russian subsidiary ZAO PCC Rail, Moscow. PCC SE will make these funds available to the company in the shape of loans. This new bond was issued as a "sinking-fund bond" (ISIN DE000A1EWB67). It carries a fixed coupon of 6.5% p.a. which will be paid quarterly as usual. Following a grace period, 100% of the sinking-fund bond's nominal value will be redeemed in equal quarterly instalments of 5% starting from January 1, 2012. The last redemption instalment will be paid on October 1, 2016. Issue volume is €10 million.

Further project-related securities issues – e.g. for financing PCC's activities in the area of renewable energies – will be prepared and offered once the respective projects have a sufficiently good chance to be implemented.

## **Bond redemption on July 1, 2010**

On July 1, 2010, PCC SE redeemed at final maturity its 7.00% bond issued five years ago (ISIN DE000A0EY6Q4). The redemption sum amounted to nearly €32 million.