



Quarterly Report IV/2008

Business Development

Business development during the fourth quarter of 2008 was strongly influenced by the emerging global financial and economic crisis, with a rapid and drastic decline of commodity prices being one of its consequences. For example, the contract price of pure benzene (ICIS quote) slumped from €900 per metric ton in August 2008 to €185 per metric ton in December 2008. The contract price for phenol halved during the same period. At the same time new orders were on the decline, particularly in the Chemicals division, with clients trying to postpone already placed orders to the first quarter of 2009 or to cancel them altogether. Consequently, we were unable to reach our target of increasing consolidated sales revenues of the PCC Group above the threshold of €1 billion. With a quarterly turnover of €190 million, consolidated sales revenues as at December 31, 2008 amounted to roughly €910 million. Earnings before interest, tax, depreciation and amortization (EBITDA) continued to rise in the fourth quarter of 2008, meaning that last year's result of +€38 million was most probably maintained. When it comes to final consolidated earnings, some valuation issues remain to be finally solved. However, this had to be postponed as the final stage of the contract negotiations concerning the sale of PCC Logistics absorbed substantial human resources in December 2008 and January 2009.

In the development of the individual business divisions, the fourth quarter was characterized by the following trends:

In the Chemicals division, turnover was down to €104 million in the fourth quarter, following €141 million in the third quarter. Consolidated sales revenues for the division added up to nearly €505 million. This revenue drop was caused both by the above-mentioned commodity price slump and the postponement or cancellation of existing contracts by clients. The latter problem particularly affected our trading business with clients from the steel and metalworking industries. Another factor adding to this situation was the weakness of the Polish zloty, which shed more than 20 % of its value against the euro between October and December 2008. However, the slump in commodities as well as energy prices had positive effects from a buyer's perspective and allowed for a further improvement of the Chemicals division's operating results in the fourth quarter of 2008.

The Energy division closed 2008 with a consolidated division turnover of €181 million, €31 million of which was generated in the fourth quarter of 2008. In line with earlier forecasts, the division continued to be loss-making in the reporting period. Having successfully entered the thermal coal trade in the fourth quarter of 2008, PCC Energy Trading GmbH was the division's only company that managed to maintain its results at least at the previous quarter's level. At ZE-Blachownia Sp. z o.o., crisis-related production stoppage at one of the company's largest clients adversely impacted the bottom line, but still that subsidiary was the only company in this division that closed 2008 with an overall profit.

In the Logistics division, consolidated division turnover amounted to €64 million in the fourth quarter, compared to €74 million in the

previous quarter. Overall turnover for the 2008 business year thus came in at €270 million. Sales revenues were lower than in the previous quarter due to a decline in container transport (PCC Intermodal S.A.) and road transport volumes (PCC Autochem Sp. z o.o.) as a result of the economic downturn. Another reason for this trend was the development of the exchange rate of the Polish zloty against the euro.

The PCC Rail and PCC Rybnik Groups - the latter specializing in thermal coal transports - both registered high capacity utilization rates in the fourth quarter of 2008, which could not be said for the two subsidiaries mentioned earlier. Still, the Logistic division finished the fourth quarter of 2008 slightly in the red owing to exchange rate losses and specific allowances for doubtful accounts, to name but some of the reasons. However, operating income (EBITDA) for all of 2008 was still showing clearly positive values.

PCC Group - consolidated sales revenues



PCC implements active portfolio management

PCC SE sells the major part of its Logistics division to Deutsche Bahn - PCC Rokita sells subsidiary to chemical giant from Israel

PCC SE sold the major part of its logistics activities - "PCC Logistics" - to Deutsche Bahn Group (DB). Contracts were signed on 29 January 2009; they are expected to be fulfilled by mid-2009 subject to approval of antitrust authorities. DB's supervisory board announced its approval in mid-February. Selling its logistics division PCC successfully implements its strategy of an active portfolio management. A first step in this direction was taken at the end of last year when PCC Rokita sold 90 % of the shares of its subsidiary Rokita Agro, a producer of plant protection chemicals, to one of the world market leaders in the production of generic agrochemicals. The contract with Israel's Makhteshim Agan Industries (MAIN) was signed on December 11. The transaction is expected to close in the first quarter of 2009.



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In the future PCC will continue to pursue its strategy of converting into money values generated in own projects and group companies by partial or complete divestitures.

Not least due to the fact that the chemical and logistics companies now sold are holding important strategic positions, PCC was able to achieve attractive sales prices, which will enable PCC to report consolidated earnings before tax (EBT) for 2009 in the three-digit million euro range. The first plans are to use these funds for the repayment of debts and strengthening of our subsidiaries' equity basis. Apart from that we will continue to invest in projects that are under preparation in the "Chemicals" and "Energy" divisions. Those investments are mainly focused on power generation from renewable sources and the expansion of our chemical business. While development of PCC Rokita in Poland will continue, we are assessing both acquisition opportunities and greenfield projects outside of Europe. In the logistics business, PCC will invest in the container and intermodal transport segment, focusing on the expansion of existing and the construction of new container terminals.

PCC Intermodal carries more containers

Despite the downturn in the fourth quarter, PCC Intermodal S.A. increased its container transport volume by more than 200 % to a total of 47,600 containers (approx. 81,200 TEU**) in 2008. This compares to just 15,300 containers (22,400 TEU) in 2007. Increasing demand for intermodal transport is reflected in the number of train connections. Currently PCC Intermodal offers approximately 30 weekly train connections. Demand is highest for the routes between Lower and Upper Silesia and the ports in Gdynia and Gdańsk. The new route from Kutno in Central Poland to Rotterdam, which was only created in mid-2008, is also finding more and more new clients. The securities prospectus for the planned IPO of PCC Intermodal, which we reported on earlier, was approved by the Financial Markets Authority KNF (Komisja Nadzoru Finansowego) in mid-February. However, considering the bad shape of stock exchanges, PCC Intermodal has not made a final decision about the timing of its debut on the Warsaw Stock Exchange (WSE).

PCC commissions first hydropower plant

PCC's first small hydropower plant in Bosnia and Herzegovina, which was scheduled to be completed by the end of 2008, was put into operation at the beginning of February. Connecting the small hydropower plant "Mujada" to the grid on February 4, PCC implemented its first climate protection project. Having a power generation capacity of 1.2 MW, the power plant will help the country to avoid CO₂ emissions of 7,200 metric tons annually. The official opening ceremony is scheduled for the beginning of April.

Environmental Fund supports PCC Rokita

PCC Rokita received a loan of PLN 50 million (approx. €10 million) from the Environmental Fund of the Lower Silesia Voivodeship for the

completion of the modernization of its electrolysis plant. The overall value of the investment will be PLN 100 million (€20 million), its completion is scheduled for 2009 as was reported earlier. The Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Wrocław decided to support this PCC Rokita investment due to its substantial ecological advantages.

Consolidation at PCC Rokita

Mergers and consolidation measures help to cut costs within the PCC Rokita Group. Following the merger of PCC Rokita with the group's internal energy supply company Energetyka-Rokita - which commissioned the modern heat power plant EC3 on the premises of PCC Rokita last November - PCC Rokita will save PLN 2 million (approx. €400,000) annually. Without the merger the company would have had to spend this amount on certificates for being an "external" energy consumer. Apart from that the merger will allow for the abolition of job positions existing in both companies, helping to reduce payroll costs.

PCC Energie offers 4-year price guarantee for business clients

Introducing its new product "PCC Ice", PCC's subsidiary PCC Energie GmbH offers business clients a price guarantee for up to four years. This price stability protects PCC Energie's clients - most of them medium-sized enterprises - from further energy price hikes, giving them planning security. The company secures the energy purchases in a long-term perspective through the Energy Exchange in Leipzig and bilateral trading partners.

PCC's current securities issues

Presently direct orders can be placed via PCC SE at no charge for three PCC securities:

- 3-month PCC investment at 6.50% - bearer bond redeemable on a quarterly basis, minimum investment €50,000
- PCC bearer bond at 7.25%, redeemable on April 1, 2014, minimum investment €5,000
- PCC profit participation certificate at 8.75%, minimum investment €5,000

Interest on all securities is paid quarterly.

Terms and conditions as well as securities prospectuses can be ordered without commitment by telephone on 02066 / 908090 or e-mail at directinvest@pcc.de. All documents are available for download on the Internet at www.pcc.eu.