

Letter to shareholders

Vienna, May 2008



Dear Shareholders,
Dear Ladies and Gentlemen,

The first quarter 2008 was a busy one for UCP Chemicals with important strategic decisions being taken by the executive board.

Hit by the international financial crisis main share indices in Europe fell by almost 19 percent. Caused by this international turbulence we decided in mutual consent with our investment banking advisors to stop the preparation of an IPO for the time being. Currently we are following a dual track strategy, which means that we are prepared to restart the IPO process as soon as the financial markets offer a reliable and reasonable window but at the same time we are in close talks with private equity funds to carry out the necessary capital increase.

In any way we are working hard to find the best solution to finance our growth strategy. With regard to our "Methanol project" we already initiated the construction of a 600,000 tons/pa Methanol plant. Despite the delays in the financing we are confident that we will start methanol production in 2011. This will be an important strategic step for UCP Chemicals into the higher margin gas-to-liquid market.

The first months of 2008 were also characterised by the execution of our overall strategy to strengthen our position as a synthetic resins producer. In early May we announced that OAO Uralchimplast started the production of Resin Coated Proppants (RCP).

This product is based on ceramics and phenolic resins and is used by the oil- and gas exploration industry to keep open the cracks formed under pressure and to maintain the permeability of the oil and gas containing formations.

With this investment we use our close proximity to Russian oil- and gas fields and expand our

product portfolio in this important and promising market segment.

This is another strategic step of UCP Chemicals AG to participate in the booming market of the Russian oil- and gas service industry.

Having a brief look at our key financials you will see that UCP Chemicals AG delivered a turnover of EUR 26.6 million in Q1 2008 which is close to our turnover level of EUR 26.9 million in Q1 2007. Gross profit increased from EUR 4.7 million in Q1 2007 to EUR 6.3 million in Q1 2008, still EBITDA fell from EUR 1.4 million in Q1 2007 to EUR 0.7 million in Q1 2008 as of aperiodic and one-off expenses. Net debt increased from EUR 18.4 million per end 2007 to EUR 22.9 million in Q1 2008 due to a partly redemption of our 500 Mio. RUR bond and the ongoing implementation of our investment plan. Discounting one-off expenses we proofed a solid operational performance which should convince you of UCP Chemical's substantial strength and our potential for the future.

Finally I would like to thank you for the trust you have shown in us. We are well positioned to deliver again reasonable results in the year 2008 and will continue improving our operational performance in the months ahead.

Yours sincerely,

Heinz G. Kaiser, MBA
Chief Executive Officer

Key figures in EUR

	2006	Δ %	2007	Δ %	Q1 2007	Q1 2008	Δ %
Turnover	97.7	19.4	120.9	23.8	26.9	26.6	-1.2
EBITDA	8.8	-6.7	10.5	19.1	1.4	0.7	-51.2
EBITA-Margin (%)	9.0	-21.9	8.7	-3.8	5.1	2.5	-50.6
Gross Profit	21.3	15.9	24.1	13.2	4.7	6.3	34.4
EBIT	7.2	-6.8	7.9	9.7	0.7	0.2	-73.0
EBIT-Margin (%)	7.4	-21.9	6.5	-11.4	2.5	0.7	-72.7
Net Profit*	3.8	-28.9	3.5	-8.0	-0.1	-0.4	-537.7
Balance Sheet Total	75.5	69.4	83.3	10.4	73.4	75.1	2.4
Equity	38.4	165.0	41.0	6.8	38.2	39.7	3.8
Equity Ratio (%)	50.9	56.5	49.2	-3.2	52.1	52.8	1.4
Net Debt	0.2	-98.9	18.4	>1000.0	4.7	22.9	389.8
Investments	4.3	253.7	8.2	92.2	2.0	1.7	-16.4
Employees	2406	-0.8	2280	-5.2	2356	2266	-3.8

Because of formatting to EUR millions, there could be rounding differences.

* After minority interests