

Letter to shareholders

Vienna, August 2008



Dear Shareholders,
Dear Ladies and Gentlemen,

Until mid 2008 the global economy continues to be affected by the financial and property crisis, which has a negative impact also on several countries in the European Union. Surging energy and food prices are unsettling consumers, accelerating inflation worldwide and reducing purchasing power. In the first half of 2008 the global gross domestic product grew significantly slower at 2.8% (2007: 3.5%). The U.S. economy has slowed down considerably and the economies in Europe have cooled off. Global industrial production growth also declined to 3,9% in the first half of 2008 (2007: 4.5%). Industrial activity, in particular outside of Asia, has dampened. Russian economy, which is our home and main market, still shows solid GDP growth and consumption rates and we see that Russia is less affected by the international financial turmoil. The stock market in Moscow declined heavily during last weeks as international investors are taking out money because of the conflict in Georgia. We have to wait and see if and how this will affect the Russian economy.

The second quarter of 2008 was characterized by our endeavour to push our methanol project forward. The executive board met several potential private equity investors and we are happy to announce that we have signed a term sheet and are leading final talks with well-known investors ready to acquire a new issue of shares. This is an important step forward to conduct the financing of our methanol project. As we put all our effort into this project we do expect significant steps forward within the third quarter of 2008.

Looking at our production facility in Nizhny Tagil we see good progress regarding our new formaldehyde plant. We expect the construction being finalised within the next two month. With this new plant we will be able to produce high-quality formalin with high cost effectiveness. Also our new resin coated proppants plant entered a new innovation circle through testing innovative resins in close cooperation with our main customers.

Having a brief look at our key financials for the first half year 2008 you will see that UCP Chemicals AG delivered a turnover of EUR 52.8 million (EUR 55.1 million in first half year 2007). Gross profit increased from EUR 10.4 million to EUR 12.5 million in first half year 2008, mainly due to the fact that some of costs that were formerly shown in COGS were shifted to Selling and G&A, EBITDA subsequently fell from EUR 4.1 million in first half year 2007 to 3.6 million in 2008. Net Profit declined slightly from 1.0 million to EUR 0.8 million in first half year 2008. Summarizing these figures we have to state that our second quarter 2008 has been in line with second quarter of 2007 but we still suffer from our weak first quarter 2008.

As we have seen in all last years the second half of the year usually improves and therefore we are still confident that we will deliver appealing results for the whole year 2008.

Yours

Heinz G. Kaiser, MBA
Chief Executive Officer

Key figures in million EUR

	FY 2007	First half 2007	First half 2008	Δ %
Turnover	120.9	55.1	52.8	-4.1
EBITDA	10.5	4.1	3.6	-12.6
EBITA-Margin (%)	8.7	7.4	6.7	-8.8
Gross Profit	24.1	10.4	12.5	19.9
EBIT	7.9	2.7	2.6	-4.2
EBIT-Margin (%)	6.5	4.9	4.9	-0.1
Net Profit*	3.5	1.0	0.8	-19.6
Balance Sheet Total	83.3	67.0	78.9	17.9
Equity	41.0	39.3	41.0	4.4
Equity Ratio (%)	49.2	58.7	52.0	-11.5
Net Debt	18.4	5.7	24.7	330.2
Investments	8.2	2.6	4.8	84.5
Employees	2280	2349	2230	-5.1

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

* After minority interests