

Letter to shareholders

Vienna, November 2008



Dear Shareholders,
Dear Ladies and Gentlemen,

The financial crisis reached a new pitch in the third quarter 2008. The worldwide collapse of major banks sent another shock wave through international markets including stock markets and financing of projects is becoming increasingly difficult. The chemical industry, known to be cyclically sensitive, also experienced enormous pressure in the reporting period, and UCP is no exception. Looking to our main markets we recognised a significant slow down of GDP growth in Russia. Demand in the automotive and construction sectors decreased. We assume that these sectors will continue to weaken and the global decline in consumer spending is likely to have a dampening effect on our markets. We expect global chemicals production for the full year 2008 to be below 2007. The prospects for key customer industries, most notably the construction and automotive sectors, are not very promising for the near future. As a consequence of the slow down of the economy raw materials prices dropped, in some cases dramatically, in the 4th quarter 2008 and we expect low levels also for the beginning of 2009.

On October 31st our company celebrated its 70th anniversary in Nizhny Tagil.

We are satisfied with our successful history and we are pleased that management and employees of the company among other congratulations received a government telegram signed by the Deputy Chairman of the Government of the Russian Federation Mr. Sechin I.I. and the Major of Moscow Mr. Luzhkov Y.M. We are looking forward to another 70 years of successful development of UCP Chemicals.

Looking at our key financials, turnover decreased by 11% to EUR 77.4 million in the third quarter 2008 compared to the third quarter 2007. Gross profit increased from EUR 16.9 million to 17.8 million and EBITDA decreased from EUR 7.2 million to EUR 4.9 million. Also Net Profit decreased from EUR 2.3 million to EUR 1.3 million.

The decline in turnover is caused especially by a significant slow down of Russian GDP growth, falling demand of wood processing and foundry industry and a change in stock-keeping policy of our customers. Currently customers are delaying new orders speculating for dropping raw material costs and chemical product costs. Our key financials are also affected by an increase of our distribution costs as Russian railways increased transportation tariffs. Still being below Western European prices Russia is coming closer to price levels in our geographic area, also trying to satisfy the requirements of the international community for a membership in the WTO.

UCP is taking a proactive approach to the challenges ahead of us caused by a steadily weakening economy. This includes managing capacity utilization actively, implementing our ongoing efficiency strategy and pushing forward the development of new and innovative products.

Yours sincerely,

Heinz G. Kaiser, MBA
Chief Executive Officer

Key figures in EUR Million

	2006	Δ %	2007	Δ %	Q3 2007	Q3 2008	Δ %
Turnover	97.7	19.4	120.9	23.8	87.0	77.4	-11.1
EBITDA	8.8	-6.7	10.5	19.1	7.2	4.9	-31.7
EBITA-Margin (%)	9.0	-21.9	8.7	-3.8	8.3	6.4	-23.2
Gross Profit	21.3	15.9	24.1	13.2	16.9	17.8	5.1
EBIT	7.2	-6.8	7.9	9.7	5.4	3.4	-38.1
EBIT-Margin (%)	7.4	-21.9	6.5	-11.4	6.2	4.3	-30.3
Net Profit*	3.8	-28.9	3.5	-8.0	2.3	1.3	-41.8
Balance Sheet Total	75.5	69.4	83.3	10.4	72.1	87.7	21.7
Equity	38.4	165.0	41.0	6.8	40.2	42.1	4.7
Equity Ratio (%)	50.9	56.5	49.2	-3.2	55.8	48.0	-14.0
Net Debt	0.2	-98.9	18.4	>1000.0	14.8	29.4**	98.8
Investments	4.3	253.7	8.2	92.2	4.3	8.8	-103.3
Employees	2406	-0.8	2280	-5.2	2171	2202	1.4

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

* After minority interests

** Net Debt includes capital increase of EUR 14.4 million in UMG, out of which UMG has EUR 9.4 million net cash left