

Letter to shareholders

Vienna, August 2009



Dear Shareholders,
Dear Ladies and Gentlemen,

Positive facts first: After the dramatic slump at the end of 2008, the chemical industry has reached the trough of recession: Since February 2009 the production of basic chemicals – this is a central indicator for business trends – has been improving slightly but steadily. Therefore looking ahead there is a glimmer of light amid dark clouds. Production has stabilized over recent months, even though at a very low level. Most international chemical companies are now expecting chemical business to pick up slightly in the second half 2009.

Nevertheless in the 1st half 2009 the chemical industry was hit hard by the global economic crisis. The weak demand from industrial customers at home and abroad heavily impacted the balance sheets of chemical companies: Chemical production dropped dramatically and was roughly back to the level of 2003. Capacity utilization fell to another low of only 60 percent, which is 10 percent below long term average. For the year 2009 on the whole, experts foresee a significant decrease in chemical production worldwide. According to market statistics by the European Phenolic Resins Association (EPRA), production in the European foundry industry decreased by almost 42 % in the first half of 2009.

As announced in our first letter this year the management of UCP Chemicals AG reacted very early and with decisive steps to re-organise our company according to these new market conditions.

To mention only a few nevertheless important steps we are very pleased to announce that we have been able to recruit several experienced managers with international background for our operative unit OAO Uralchimplast. Mr. Alexander Zvonov joined recently as our new Managing Director and Mr. Dimitry Vorobyev started earlier this year as new CFO of OAO Uralchimplast.

To complete this remoulding we also recruited a new Marketing Director, Dmitry Stankovsky, who started at OAO Uralchimplast recently. Based on our restructuring program, which we started to implement in autumn last year already, and together with our new management board in OAO Uralchimplast we decided to further reduce workforce significantly over the next 12 months. This is again a decisive step which will improve margins significantly.

Having a brief look at our key financials of first half 2009 you will see that UCP Chemicals AG delivered a turnover of EUR 25.6 million (EUR 52.8 million in first half 2008). Gross profit decreased from EUR 12.5 million to EUR 5.7 million in first half 2009. EBITDA subsequently fell from EUR 3.6 million in first half 2008 to EUR -0.9 million in first half 2009. Net Profit decreased from EUR 0.8 million to EUR -2.1 million in first half 2009.

Summarizing these figures we have to state that our first half year is heavily affected by the international economical crisis but we do recognize a positive stabilization. In fact our management measures show positive effects already. In the second quarter 2009 key margins improved already. For example, our EBITDA reached EUR 1.1 million in the second quarter, coming from EUR -2.0 in the first quarter of 2009. Also Net Profit increased slightly to EUR 0.3 million in the second quarter 2009.

Main topics for the very next months are strengthening our marketing efforts and maintaining focus on our liquidity management.

Yours sincerely,

Heinz G. Kaiser, MBA
Chief Executive Officer

Key figures in EUR millions	2007	Δ %	2008	Δ %	1st HY 2008	1st HY 2009	Δ %
Turnover	120.9	23.8	95.4	-21.1	52.8	25.6	-51.5
EBITDA	10.5	19.1	1.9	-81.6	3.6	-0.9	-124.0
EBITA-Margin (%)	8.7	-3.8	2.0	-76.7	6.7	-3.3	-149.6
Gross Profit	24.1	13.2	22.7	-5.6	12.5	5.7	-54.4
EBIT	7.9	9.7	-0.3	-103.5	2.6	-1.9	-173.6
EBIT-Margin (%)	6.5	-11.4	-0.3	-104.5	4.9	-7.4	-251.7
Net Profit *)	3.5	-8.0	-1.3	-137.5	0.8	-2.1	-366.3
Balance Sheet Total	83.3	10.4	80.9	-2.9	78.9	76.5	-3.0
Equity	41.0	6.8	35.6	-13.2	41.0	40.5	-1.2
Equity Ratio (%)	49.2	-3.2	44.0	-10.6	52.0	53.0	1.9
Net Debt	18.4	>1000,0	28.7	56.4	24.7	27.5	11.5
Investments	8.2	92.2	11.7	42.4	4.8	3.7	-23.6
Employees	2280	-5.2	2069	-9.3	2230	1830	-17.9

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

*) After minority interests