

# Letter to shareholders

Vienna, November 2009



Dear Shareholders,  
Dear Ladies and Gentlemen,

As mentioned in our last report the chemicals industry seems to have reached the bottom, after a deep fall. At present some early signs of improvement are beginning to appear, for example the reopening of plants and production lines. It seems that the phase of de-stocking is over now and a rebound led by restocking should give a stimulus at all levels of the supply chain.

Most chemical sub-sectors will show an upward trend but it is estimated that it will take some years before production returns to the pre-crisis level. Looking ahead, the pattern of recovery remains uncertain, as underlying demand is still very weak and production will remain low compared with the pre-crisis level.

Another thread for a sustainable recovery is the increasing raw material costs which the chemical industry might not be able to pass on to its customers. This scenario means another pressure on margins.

Russia remains in a deep recession but first signs of stabilization are visible despite the fact that the anti-crisis program of the government is proceeding more slowly than planned. Retail sales started to recover recently and consumer confidence is increasing.

Latest figures of OAO Uralchimplast are encouraging us that the mentioned stabilisation is sustainable. Looking at the monthly financial figures of October 2009 we see the best month of this year. Therefore we do expect the fourth quarter to become the best quarter in 2009. The main sales driver is the Russian construction sector which seems to recover fast, while

the foundry business with the automotive sector behind, which is a very important business segment, does not show any sign of recovery for the time being.

During the third quarter of 2009 we recognised a spirit of optimism and change generated by the new management team. We have approached the market very aggressively and increased our market share in important business sectors like the Wood Processing and Insulation Materials Industry. We are also happy to announce that our joint venture with "Kronospan" finally went into operation. This joint venture will increase our sales of urea related products in Western Russia.

Having a brief look at our key financials for the first three quarters of 2009 you will see that UCP Chemicals AG delivered a turnover of EUR 40.2 million compared to EUR 77.4 million in the same period of 2008. This decrease resulted from a reduction of sold product per unit (23 Mio), but also from a sharp devaluation of the Rubel against the Euro (14 Mio). Gross profit declined from EUR 17.8 million to EUR 9.0 million. EBITDA subsequently declined from EUR 4.9 million in the first three quarters of 2008 to EUR -0.2 million in 2009. Net Profit declined from plus 1.3 million in 2008 to minus 2.1 million in 2009.

What do we expect for 2010?

Our restructuring and optimization program is well under way and we do expect significant improvements during the next year. First developments are encouraging. Also earnings are expected to increase step by step but coming from a very low level.

Heinz G. Kaiser, MBA  
Chief Executive Officer

Key figures in EUR millions	2007	Δ %	2008	Δ %	Q3 2008	Q3 2009	Δ %
Turnover	120.9	23.8	95.4	-21.1	77.4	40.2	-48.0
EBITDA	10.5	19.1	1.9	-81.6	4.9	-0.2	-104.9
EBITA-Margin (%)	8.7	-3.8	2.0	-76.7	6.4	-0.6	-109.4
Gross Profit	24.1	13.2	22.7	-5.6	17.8	9.0	-49.4
EBIT	7.9	9.7	-0.3	-103.5	3.4	-1.8	-152.3
EBIT-Margin (%)	6.5	-11.4	-0.3	-104.5	4.3	-4.4	-200.5
Net Profit *)	3.5	-8.0	-1.3	-137.5	1.3	-2.1	-255.5
Balance Sheet Total	83.3	10.4	80.9	-2.9	87.7	77.2	-12.0
Equity	41.0	6.8	35.6	-13.2	42.1	40.3	-4.1
Equity Ratio (%)	49.2	-3.2	44.0	-10.6	48.0	52.2	9.0
Net Debt	18.4	>1000,0	28.7	56.4	29.4	27.4	-6.7
Investments	8.2	92.2	11.7	42.4	8.8	6.0	-31.8
Employees	2280	-5.2	2069	-9.3	2202	1672	-24.1

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

\*) After minority interests