

## Dear Shareholders, Dear Ladies and Gentlemen

Due to the corona pandemic and its restrictions to public life in Austria and in line with the respective legislation, it was decided to defer the date of the Annual General Meeting of UCP Chemicals AG to the 10.9.2020. The invitation will follow in due course and details will be published as usual on our website at [www.ucpchemicals.com/en/investor-relations/annual-general-meeting](http://www.ucpchemicals.com/en/investor-relations/annual-general-meeting). In this shareholder letter I would like to inform you about the following topics:

- Corona pandemic: Actions taken and impact on our business
- Results 2019
- Results Q1/2020

### **Corona pandemic: Actions taken and impact on our business**

Currently the corona virus already is spreading around the world and the Russian authorities have implemented respective measures including restrictions of the public life. UCP Group's businesses are fully operating and management permanently evaluates the situation and the respective potential impact on the business. Hygienic and other preventive measures have been implemented for the safety of our people according to the recommendations from the authorities and beyond.

In Q1/2020 revenues came in around 5% below last year which was more than compensated with higher margins. Nevertheless, the overall decline in the Russian economy will certainly affect the financial performance of UCP Group over the next months throughout 2020 and probably also in 2021.

As of today, the financial impact of the pandemic cannot be exactly evaluated or quantified but – from today's perspective - we strongly believe that UCP Group is well placed to respond to this challenging business environment and to successfully continue our way to strengthen our position in the relevant markets.

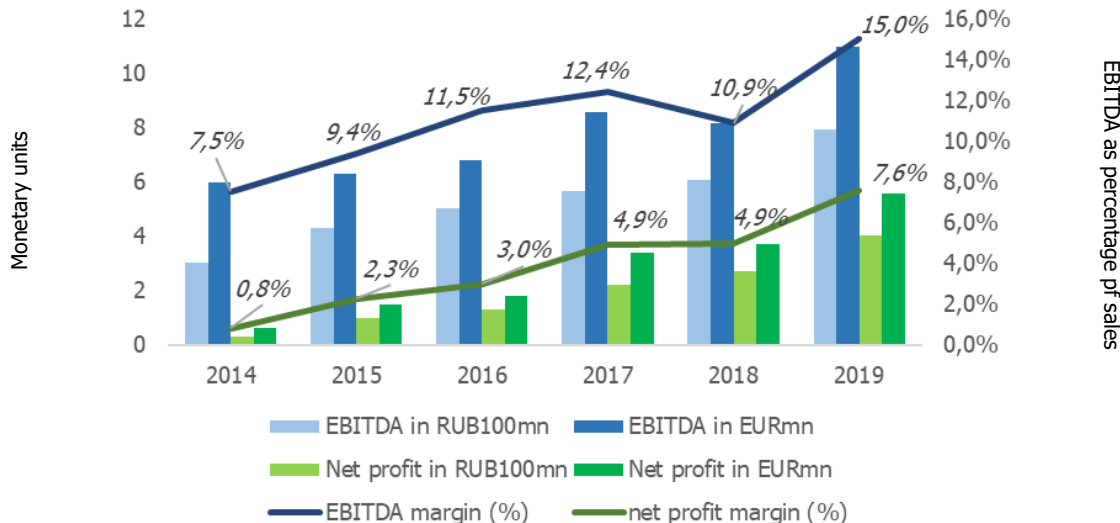
### **Results 2019**

In 2019 UCP Group continued its path of profitable growth in core business segments. We also achieved milestones such as the successful expansion of our product portfolio into the mining industry segment and the well-received launch of the new production line for chemicals for road construction and corrosion inhibitors for the oil and gas industry of our joint venture UCP-Amdor. Furthermore, we have implemented our plan to expand the production capacity of UCP-Amdor by approximately 60%.

Just as important, we are continuing our strategy to produce high quality products with growing efficiency.

These achievements and a favorable development of raw material prices resulted in a net profit growth of 51,4% for the full year 2019 compared to full year 2018, as shown in the graph and tables below:

## UCP Group: EBITDA and Net profit development



## UCP Group: Key data – Income Statement in Ruble and Euro

Key Data - Income Statement (in RUB Mio)	12M/2015	12M/2016	12M/2017	12M/2018	12M/2019	Delta (%) 2019 vs 2018
<b>Turnover</b>	<b>4555,7</b>	<b>4377,7</b>	<b>4548,0</b>	<b>5555,0</b>	<b>5298,7</b>	-4,6%
<b>Gross Profit</b>	<b>1074,0</b>	<b>1082,3</b>	<b>1169,5</b>	<b>1309,1</b>	<b>1469,4</b>	12,2%
<i>Gross Profit-Margin</i>	23,6%	24,7%	25,7%	23,6%	27,7%	17,2%
<b>EBITDA</b>	<b>427,0</b>	<b>502,0</b>	<b>565,3</b>	<b>604,6</b>	<b>794,7</b>	31,4%
<i>EBITDA-Margin (%)</i>	9,4%	11,5%	12,4%	10,9%	15,0%	37,0%
<b>Net Result</b>	<b>103,9</b>	<b>130,4</b>	<b>224,6</b>	<b>272,8</b>	<b>404,3</b>	48,2%
<i>Net profit-Margin (%)</i>	2,3%	3,0%	4,9%	4,9%	7,6%	53,8%

Key Data - Income Statement (in EUR Mio)	12M/2015	12M/2016	12M/2017	12M/2018	12M/2019	Delta (%) 2019 vs 2018
<b>Turnover</b>	<b>67,2</b>	<b>59,0</b>	<b>69,0</b>	<b>74,9</b>	<b>73,1</b>	-2,4%
<b>Gross Profit</b>	<b>15,8</b>	<b>14,6</b>	<b>17,7</b>	<b>17,7</b>	<b>20,3</b>	14,7%
<i>Gross Profit-Margin</i>	23,6%	24,7%	25,7%	23,6%	27,7%	17,2%
<b>EBITDA</b>	<b>6,3</b>	<b>6,8</b>	<b>8,6</b>	<b>8,2</b>	<b>11,0</b>	34,1%
<i>EBITDA-Margin (%)</i>	9,4%	11,5%	12,4%	10,9%	15,0%	37,0%
<b>Net Result</b>	<b>1,5</b>	<b>1,8</b>	<b>3,4</b>	<b>3,7</b>	<b>5,6</b>	51,4%
<i>Net profit-Margin (%)</i>	2,3%	3,0%	4,9%	4,9%	7,6%	53,8%

Source: consolidated financial statements under IFRS, audited and convenience translation to Russian Rubles.

### Note:

Inflation rate in Russia 2019 (YOY): 3,0%

Average currency appreciation RUB/EUR 2019 vs 2018: 2,2%

Currency appreciation RUB/EUR between balance sheet dates 31.12.2019 and 31.12.2018: 15,0%

We continued the structural shift from voluminous, low margin product groups to upgraded and specialized solutions with increased customer benefits, prices and margins. Thus, sales volumes reduced by 9,0% to 95 thousand tons while turnover decreased only by 2,4% to EUR 73,1 million.

On a fully consolidated level including our joint venture companies total revenues in Euro increased by 2,3%.

EBITDA surged to EUR 11,0 million, up 34,1% from EUR 8,2 million in 2018 (including a EUR 0,5 million increase due to the change in lease accounting under IFRS), driving the EBITDA margin as percentage of sales from 10,9% to 15,0%. Consolidated net profit grew in 2019 by 51,4% to EUR 5,6 million from EUR 3,7 million compared to the previous year.

The borrowing ratio (non-current financial liabilities and short term loans / total assets) of UCP Chemicals Group has been reduced to 20,6% as of 31 December 2019 from 23,6% as of 31 December 2018 and also the debt-to-EBITDA-ratio improved to 1,5 compared to 2,0, respectively. More details are included in the Annual Report 2019 which is published on our website at [www.ucpchemicals.com/en/investor-relations/reports-publications](http://www.ucpchemicals.com/en/investor-relations/reports-publications).

Based on increased profits and the solid financial position of UCP Group, the joint proposal of the UCP Management and Supervisory Boards is to increase the dividend per share to €0,19 in 2020 from €0,17 in 2019 (amounts rounded).

## Results Q1/2020

As mentioned above, the impact of the corona crisis on the financial performance of UCP Group in the first months of 2020 is limited. All UCP Group companies are maintaining operations in full compliance with hygienic and sanitary measures to protect our people. While so far most key customers are also fully operating, UCP Group expects revenue reductions starting from May 2020 with a subsequent recovery phase, which may last until 2021. At this point of time we are not able to forecast more exactly how our business will be impacted by the pandemic.

As such, the financial performance for Q1 2020 does not yet reflect the impact of the corona crisis but continues the trend from 2019 with a steep growth in profitability. While such performance will not be representative for the subsequent months in 2020, UCP Group accumulated in the first three months of 2020 a buffer in retained earnings and available cash ahead of the – certainly challenging - remaining months of this year.

### Consolidated (at equity) financial performance for Q1 2020

Key Data - Income Statement (in RUB mln)	3M/2019 Actual	3M/2020 Actual	Delta (%)	Key Data - Income Statement (in € mln)	3M/2019 Actual	3M/2020 Actual	Delta (%)
<b>Turnover</b>	<b>1220,2</b>	<b>1132,7</b>	-7,2%	<b>Turnover</b>	<b>16,2</b>	<b>15,5</b>	-4,7%
<b>Gross Profit</b>	<b>313,1</b>	<b>319,4</b>	2,0%	<b>Gross Profit</b>	<b>4,2</b>	<b>4,4</b>	4,7%
<i>Gross Profit-Margin</i>	<i>25,7%</i>	<i>28,2%</i>	9,9%	<i>Gross Profit-Margin</i>	<i>25,7%</i>	<i>28,2%</i>	9,9%
<b>EBITDA</b>	<b>132,1</b>	<b>181,8</b>	37,6%	<b>EBITDA</b>	<b>1,8</b>	<b>2,5</b>	41,2%
<i>EBITDA-Margin (%)</i>	<i>10,8%</i>	<i>16,1%</i>	48,2%	<i>EBITDA-Margin (%)</i>	<i>10,8%</i>	<i>16,1%</i>	48,2%
<b>Net Result</b>	<b>57,1</b>	<b>108,1</b>	89,1%	<b>Net Result</b>	<b>0,8</b>	<b>1,5</b>	94,1%
<i>Net Profit-Margin (%)</i>	<i>4,7%</i>	<i>9,5%</i>	103,7%	<i>Net Profit-Margin (%)</i>	<i>4,7%</i>	<i>9,5%</i>	103,7%
<b>Volume (tn)</b>	<b>22 925</b>	<b>22 506</b>	-2%	<b>Volume (tn)</b>	<b>22 925</b>	<b>22 506</b>	-2%

Source: Consolidated Group Accounts IFRS (unaudited), convenience translation to RUB

An additional relevant factor for UCP Group's business is the recent devaluation of the Ruble following the erosion of the global oil prices with a direct impact on the cost of imported raw materials. However, expectations see a very slow appreciation trend for the Ruble towards the end of the year.

Predictions for GDP development in Russia range between a contraction in 2020 by 4% to 7% YoY depending also on the further oil price development. In any case, UCP Group has worked out a set of measures to respond to the further development promptly and adequately. It is also based on its experience gained during previous challenging periods in the macro-economic environment.

In these challenging times I would like to thank all our co-workers, shareholders and stakeholders for their support, loyalty and efforts to keep our business development on track.

Yours sincerely,

Norbert Wieser  
Chief Executive Officer