Letter to Shareholders

Vienna, August 2020

Dear Shareholders,
Dear Ladies and Gentlemen

The corona virus has been spreading across Russia's regions in geographically different waves. The Sverdlovsk Region, where the UCP Group companies are located, was hit only in July 2020 while the peak of infections in Moscow was recorded already in May 2020. Russia has implemented similar social distancing rules as other countries.

Additional hygienic and complementary protection measures have been implemented for all persons in our Chempark Tagil in March 2020. As of today we report only four infections within our own medical staff which could be contained and did not spread further. Administrative staff has been working from home office wherever and whenever appropriate. People living in housing blocks where infections arose have been quarantined for two weeks. So far, all UCP Group companies have maintained operations without interruption.

Overall industrial output in Russia demonstrated a decline by 9,4% YOY as of June 2020. Inflation stood at 3,2% YOY in June 2020 and is expected to increase to 3,7%–4,2% for the full year 2020. Predictions for GDP 2020 development in Russia range between a contraction of 5% to 9% and will depend mainly on the further development of the oil price and the corona crisis impact.

Support measures by the Russian government focus on direct support for the population and for large infrastructure projects. In addition the Central Bank has repeatedly reduced the key rate over the last months to currently 4,25%, a record low within the last decade. The Ruble/Euro rate plummeted in March 2020 to 88,33 compared to 69,34 as of 1.1.2020. Since then it has remained at this comparatively low level mirroring the trend of the global oil price. This drop of approximately 27% has overcompensated the whole profit growth in Ruble terms as shown in the table below.

In this highly volatile environment UCP Group continues to follow its strategy to focus on its profitable core segments which was complemented by an even stronger focus on value creation. Until April 2020 UCP Group companies saw a comparably high demand as some customers had been piling up stocks in view of expected general restrictions in production and logistics. In May and June 2020 some customers then temporarily have shut down their operations. This resulted in a decrease in revenue in H1 2020 compared to H1 2019. However, profitability in Ruble terms increased strongly as product prices could be kept stable based on our quality product portfolio from local production. In addition production costs could be reduced mainly due to lower raw material costs.

At the level of EBITDA the consolidated profitability for H1 2020 is reduced by EUR2,7mn from FX losses (compared to EUR0,9mn in H1 2019) caused by the weak Ruble rate in comparison to our reporting currency in Euro. At the level of stand-alone reporting of the Group companies in Russia such FX-losses are not recorded as their functional currency is the Ruble. As such they consistently present significant growth of their net results - in line with the improvement in their operating performance.

Consolidated (at equity) financial performance

in RUB'mn

Key Data - Income Statement (in RUB mln)	6M/2019	6M/2020	*Delta (%)*
Turnover	**2578,9**	**2234,2**	*-13,4%*
Gross Profit	**650,1**	**697,9**	*7,4%*
Gross Profit-Margin	*25,2%*	*31,2%*	*23,9%*
EBITDA before FX-loss	**383,4**	**495,2**	*29,2%*
Exchange rate expenses	**-68,9**	**-210,0**	*204,7%*
EBITDA	**314,4**	**285,2**	*-9,3%*
EBITDA-Margin (%)	*12,2%*	*12,8%*	*4,7%*
Net Result	**131,8**	**123,2**	*-6,5%*
Net Profit-Margin (%)	*5,1%*	*5,5%*	*7,9%*

in EUR'mn

Key Data - Income Statement (in € mln)	6M/2019	6M/2020	*Delta (%)*
Turnover	**34,8**	**29,2**	*-16,0%*
Gross Profit	**8,8**	**9,1**	*4,1%*
Gross Profit-Margin	*25,2%*	*31,2%*	*23,9%*
EBITDA before FX-loss	**5,2**	**6,5**	*25,2%*
Exchange rate expenses	**-0,9**	**-2,7**	*195,4%*
EBITDA	**4,2**	**3,7**	*-12,1%*
EBITDA-Margin (%)	*12,2%*	*12,8%*	*4,7%*
Net Result	**1,8**	**1,6**	*-9,4%*
Net Profit-Margin (%)	*5,1%*	*5,5%*	*7,9%*
average FX rate for the period	*74,10*	*76,44*	

Source: Consolidated IFRS accounts (joint ventures at equity), unaudited, convenience translation to Rubel

Management remains alert to act quickly in view of the very volatile macroeconomic developments and an expectedly delayed corona impact on industrial markets in the second half of 2020. It is still too early to comprehensively evaluate the overall financial impact of the corona crisis for the full year 2020. The experience of the recent years indicates that UCP Group’s strategy to increase the share of local production of high quality goods combined with upgrading of the product portfolio is instrumental in softening the negative impacts of our volatile trading environment.

Yours sincerely,

Norbert Wieser
Chief Executive Officer