UNITED POWER TECHNOLOGY

Generating Quality

ANNUAL REPORT 2013

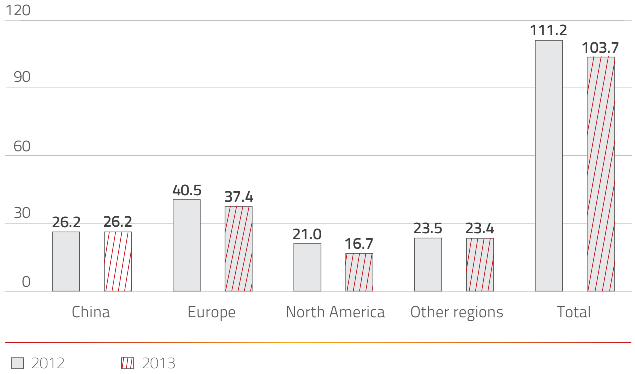
聯合動力
UNITEDPOWER

Key Financials

		2013	2012	+/– %
Revenues	EUR million	103.67	111.05	–6.65
Gross profit	EUR million	20.67	22.41	–7.76
Gross profit margin	%	19.94	20.18	–0.24 pp
EBIT	EUR million	13.88	15.26	–9.04
EBIT margin	%	13.39	13.74	–0.35 pp
Adjusted EBIT [1]	EUR million	13.88	16.50	–15.88
Adjusted EBIT margin [1]	%	13.39	14.86	–1.47 pp
Profit for the period	EUR million	10.00	12.59	–20.57
Adjusted profit for the period [1]	EUR million	10.00	13.83	–27.69
Adjusted profit for the period margin [1]	%	9.65	12.45	–2.80 pp
Earnings per share [2]	EUR	0.82	1.03	–20.39
Adjusted Earnings per share [1] [2]	EUR	0.82	1.12	–26.79

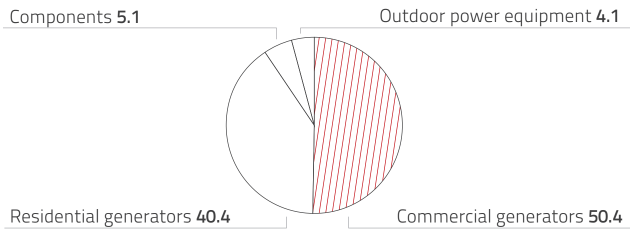
[1] Adjusted for non-recurring IPO expenses in 2012.
[2] EPS for 12 months 2012 and 2013 is based on the weighted average of shares (12.30 million shares).

REVENUE BY REGION* (in EUR million)



* Revenue split by end consumer

REVENUE BY BUSINESS SEGMENTS* (in %)



* Based on (non-consolidated) segment information as per the accounts, including inter-company sales.

United Power Technology Group

United Power Technology Group is a leading manufacturer of engine-driven power equipment in China. We design, develop, manufacture and sell an extensive range of generators, outdoor power equipment and components such as engines. Our major products comprise residential as well as commercial generators, which are currently delivered into close to 70 countries around the world.

Content

MEMBERS OF THE MANAGEMENT BOARD

Mr Xu WU

Chairman, Co-CEO

Co-founder and major indirect shareholder

Responsible for government and key domestic accounts relationships as well as Group strategy

Mr Oliver KUAN

CFO

Responsible for finance function of the Group

Mr Zhong Dong HUANG

Deputy Chairman, Co-CEO

Co-founder and major indirect shareholder

Responsible for strategy and general management of the Group

Dear Fellow Shareholders,

2013 was a challenging year for our company. We achieved group revenues of EUR 103.7 million. This represents a decline of 6.7 per cent compared to the previous year. The decrease affected both of our major product segments: revenues in the commercial generators segment fell by 8.0 per cent to 54.2 million Euros while residential generators segment was down by 6.2 per cent to 43.3 million Euros. Revenues in the outdoor power equipment segment showed a slight increase of 1.5 per cent to 4.4 million Euros. Despite the fact that these results are broadly in line with our revised guidance for the fiscal year 2013, in which the company announced revenue to decrease by 5 per cent, we are not satisfied with this performance.

What were the reasons for the development? Following a strong first half year of 2013, the second half was considerably weaker than the same period of the reference year. This was due to various reasons: In North America we recognized lower sales, due to the quiet hurricane season in 2013. In this region revenue decreased by 22.4 per cent to EUR 16.3 million by end customer based on an internal analysis. In Europe we faced the challenge of new technical requirements, especially in Western Europe. They temporarily make it more difficult for mainly non-EU players to sell generators until they are modified according to the new regulations. Furthermore we faced price competition in the Chinese market. We consider this a temporary phenomenon related to the ongoing consolidation within our industry in China. We expect that we emerge out of this consolidation in a stronger position. Nevertheless, all the aforementioned factors influenced our overall revenues negatively. Furthermore, the extraordinary hot summer in China affected our production due to power saving measures and adverse weather and flooding in Southern China affected some of our suppliers.

What does this mean for our short term strategy? Despite the fact that some of the factors which influenced our results can hardly be influenced by us, we are developing measures to counter other factors which affect us. To begin with we plan to stimulate sales through strengthening of our sales force. For this we developed regional sales strategies, which we will intensify in 2014. We are also channeling more resources into our R&D activities in order to accelerate new product development as well as modifications in order to meet new technical requirements imposed mainly in the EU. Therefore, in 2014 we expect that most of our products will meet the new technical requirements, which were introduced by the EU in 2013. We can withstand the price competition in the Chinese market with our already very efficient, vertically integrated and low cost operating model as well as with our high quality standards combined with competitive pricing across a wide product spectrum. Furthermore we are well financed for potential M&A transactions. Our capacity expansion for our third phase of our third factory, Gaoqi Industrial Park will lay the foundation for further growth which we expect once we have overcome the current temporary challenges.

How are we progressing on our overall strategy? In the past years we have seen that United Power was on the right track with its three-pronged strategy for further growth. First, through the up scaling of our product size we successfully expanded sales in the attractive commercial generator market. A recent example is our 10 kW silent diesel generator with intelligent control modules, which we successfully introduced to the market in 2013. Second, we invested in our R&D department with the goal to broadening of the range of engine-powered products. In 2013 we increased our R&D expenses by 6 per cent and we plan to invest even more into R&D this year and the years to come. In this context we developed a new T-generator with Automatic Voltage Regulator (AVR) technology to maintain a constant waveform more similar to the ones produced by city power especially for the American market. Third, we pushed the geographic expansion and penetration. In 2013 we expanded our customer base to more than 270 clients, located in close to 70 countries around the globe. Furthermore we recognized strong growth in branded sales in line with our strategy to strengthen our own brand United Power. Branded sales increased by 17.3 per cent to EUR 40.7 million in 2013. This makes us confident in respect of the future development of our company.

We continued to have good profitability and strong cash flow in 2013. We realised an operating result (EBIT) of EUR 13.9 million. EBIT margin of United Power was roughly in line with the guidance with a slight decrease from 13.7 per cent in 2012 to 13.4 per cent in 2013. Cash and cash equivalents significantly increased from 30.9 million Euros in 2012 to 38.8 million Euros in 2013, a plus of 25.4 per cent. Total equity grew by 7.8 per cent to 109.5 million Euros (2012: 101.5 million Euros), corresponding to a nearly stable equity ratio of 84.4 per cent (2012: 85.4 per cent).

Despite the background of still challenging economic and industry conditions the Management Board and Supervisory Board's confidence in our profitable growth prospects is evidenced by our decision to propose a dividend payment of EUR 0.08 per share for the financial year 2013 to the Annual General Meeting on 22 May 2014. Relative to the price at which United Power shares ended 2013, this equates to a dividend yield of 2.6 per cent. Furthermore, our dividend policy going forward will be to seek increasing our dividends each year for the foreseeable future based on our assumptions of further profitable growth in the years to come. We want you, our valued shareholders, to participate in the development our organization has achieved.

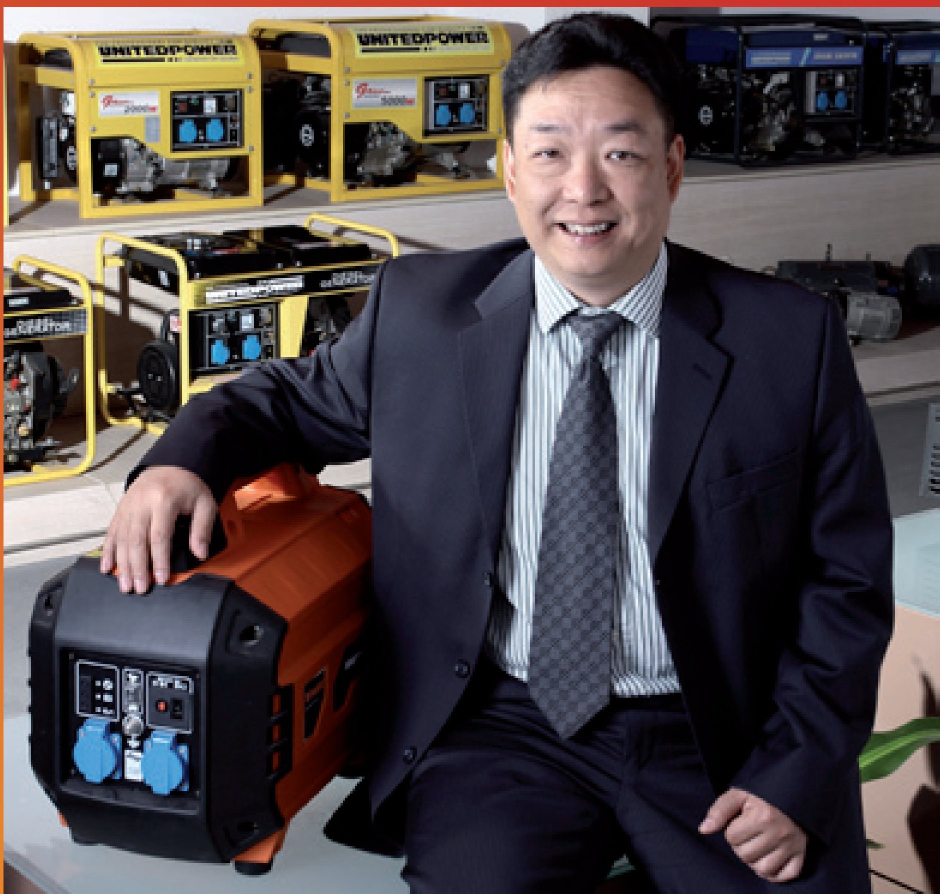
We expect the financial results in full year 2014 to be somewhat weaker than in 2013. We expect a slight decline in our group revenue for 2014 resulting from slightly lower revenues of our commercial generator segment and our residential generator segment. As far as our profitability is concerned we expect somewhat lower gross profit and EBIT margins compared to 2013 due to expected further RMB appreciation against the USD, higher fixed asset depreciation as well as a larger research and development budget.

On this note, I would like to thank you, our shareholders and business partners, for your trust and valued cooperation. Furthermore, we would like to express our gratitude to all our employees for their tireless commitment.

Kind regards,

Xu Wu
Chairman of the Management Board

Report of the Supervisory Board



Mr Wei SONG, Chairman of the Supervisory Board

In the financial year 2013, the Supervisory Board again conscientiously fulfilled the tasks incumbent upon it pursuant to law, the company articles and the rules of procedure. We continuously advised and supervised the Management Board in the management of the company. The Management Board regularly provided us with information on corporate planning, business operations, the strategic development as well as on the current state of the group. On the basis of the Management Board's reporting, we discussed the business development as well as the measures and business activities to be decided upon with the Management Board. As chairman of the Supervisory Board, I was furthermore in regular contact with the Management Board also in between the meetings of the Supervisory Board and sought information on the current development of the business situation and key business issues.

Topics of the Supervisory Board Meetings

In the financial year 2013, the Supervisory Board held meetings and passed resolutions on seven occasions, of which four resolutions were adopted in the frame of a telephone conference and/or per email:

In a resolution in the frame of a telephone conference and per email on 08 April 2013, the Supervisory Board dealt with the Management Board's remuneration and adopted an adjustment of the Management Board contracts.

During the Supervisory Board's balance sheet meeting held on 15 April 2013, in addition to the bonus requirements for the Management Board, the company's annual financial statement, the consolidated financial statement, the joint management report of the company and the group as well as the Supervisory Board's report, each for the financial year 2012, were dealt with. The Supervisory Board intensely discussed these documents in the presence of the auditor who reported on the final outcome of his audit and was available to answer questions. The Supervisory Board approved the Management Board's statements. The company's financial statement 2012 was thus adopted. During this meeting, the Supervisory Board furthermore adopted the Supervisory Board report.

In a resolution in the frame of a telephone conference and per email on 29 April 2013, we approved the company's draft invitation to its Annual General Meeting 2013 and passed the Supervisory Board's proposals for resolution regarding the agenda of the annual general meeting. On 02 May 2013, we approved per email the Supervisory Board's proposal for resolution on the appropriation of profits submitted to the annual general meeting.

During a Supervisory Board meeting held on 10 June 2013, the Management Board provided the Supervisory Board with detailed information on the business development, in particular on the sales figures and their forecast for the first half of 2014 as well as the order backlog at the beginning of June. We furthermore dealt with the latest results of the internal audits for the first five months of the year 2013 and the current risk management report.

During its meeting held on 17 September 2013, the Supervisory Board especially dealt with the sales figures of the months July and August as well as with the increase in productivity as compared to the previous year and the latest results of the internal audit as well as with the risk management report.

By a resolution on 29 November 2013 via telephone the Supervisory Board granted 51,660 stock options in accordance with the subscription conditions of the stock option plan 2012 to the Management Board member Oliver Kuan.

In the reporting year, all of the members of the Supervisory Board attended all meetings and participated in the passing of all resolutions of the Supervisory Board.

Corporate Governance

In addition to the topics mentioned above, we dealt with the standards of good corporate governance in the reporting year. Information on the corporate governance as well as a detailed report on the level and structure of the remuneration paid to the Supervisory and Management Boards are contained in the annual report 2013. Apart from expertise, an adequate diversity of the members is an important guarantor of an efficient cooperation between the Supervisory Board members. When dealing with proposals for the election of candidates to the Supervisory Board, we therefore pay attention to, inter alia, internationality and diversity. Considering the current members of the board, i.e. Hubertus Krossa, Brian Krolicki and Wei Song, we consider this diversity as ensured, especially in relation to nationality, ethnic origin and experience.

The Supervisory Board dealt with the contents of the German Corporate Governance Code. On 08 April 2013, we adopted the declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act. This declaration of conformity was made permanently available to the shareholders on the company's website. It is furthermore contained in the annual report 2013.

The members of the Supervisory Board are obliged to disclose to the entire board any conflicts of interest. In the reporting year, there were no indications of incidences of conflicts of interest.

Composition of the Supervisory Board

Mr. Brian Krolicki had been appointed a member of the Supervisory Board by the Local Court Frankfurt am Main until the end of the annual general meeting 2013. In the annual general meeting which was held on 11 June 2013, Mr. Krolicki was elected as a member of the Supervisory Board until the end of the annual general meeting in 2016.

Audit of the annual and consolidated financial statements 2013

The audit firm Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, has duly audited the company's annual financial statement and the consolidated financial statement for United Power Technology AG and the group for the business year 2013 and has provided each of these statements with an unqualified auditor's opinion.

During a meeting, which took place on 09 April 2014, the Supervisory Board reviewed the company's preliminary annual financial statement, consolidated financial statement and consolidated management report for the business year 2013. In addition to the documentation on the aforementioned financial statements, we had been provided with the preliminary auditor's reports of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft to prepare for this meeting. The Supervisory Board dealt with these documents in detail and intensely discussed them in the presence of the auditor who answered questions and provided information. On 11 April 2014, the Supervisory Board dealt with the finalized annual financial statement, consolidated financial statement and consolidated management report as well as with the finalized auditor's reports. It concurs with the findings of the audit. Based on the final outcome of our own review, no objections needed to be raised. We have approved the Management Board's statements. The annual financial statements were therefore adopted.

The Management Board proposed that the distributable profit be used for payment of a dividend of EUR 0.08 per share and the remaining profit be carried forward to new account. We agreed to this proposal on 11 April 2014.

On behalf of the Supervisory Board, I would like to thank all employees of the group's companies and the company's Management Board for their active commitment and achievements throughout the past financial year.

Fuzhou, 11 April 2014

On behalf of the Supervisory Board

Wei Song
Chairman of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD

Mr Hubertus Krossa

Deputy Chairman of the Supervisory Board

- Chairman of the Supervisory Board of Bauknecht Hausgeräte GmbH,Stuttgart/Germany (until June 2013)
- Non Executive Director Balfour Beatty Plc, London/Great Britain (until June 2013)
- Chairman of the Supervisory Board of Balfour Beatty Rail GmbH, Munich/Germany
- Chairman of the Supervisory Board of Eckelmann AG, Wiesbaden/Germany
- Member of the Supervisory Board of ALNO AG, Pfullendorf/Germany

Mr Wei Song

Chairman of the Supervisory Board

- Co-founder and major indirect share-holder
- Formerly member of the management of the Group

Mr Brian K. Krolicki

Member of the Supervisory Board

- Lieutenant Governor of the US state of Nevada, Zephyr Cove/USA


POWER®
ENERATOR
SILENT
50 Hz
LWA
84dB
G10000S

Greater output
higher reliability

In line with our strategic activities – scaling up our product's size – is the development of our new GG 10000S. This key product in our commercial generator segment combines two characteristics: being quieter and also easier to maintain. At the heart of the generator is the powerful and highly efficient 10kw (max) gasoline engine. It features advanced technology and lasts up to 800 hours. The product comes with an extended control module, low oil pressure alarm, ATS control, load-sensing adjustment, parameter display and security control. All in all, the product is more reliable, convenient, safer, and therefore demonstrates our on-going development efforts in order to meet the demand of the market's most sophisticated users.

United Power goes green

It is a breakthrough development: The output voltage is un-related to the rolling speed based on advanced control modules and auto-voltage controller. Compared with traditional generators, the IG-series is even more reliable and environmental friendly. We developed a special low emission engine with higher fuel efficiency and an exhaust emission-control system. With these characteristics it is specially designed to meet the demand of the European and North American market with the highest standards in this respect. Its auto-voltage controller achieves a wave distortion rate below 2.5%, therefore these generators are ideal for sensitive electrical equipment, such as, mobile phones or computers. The output of the product is more stable and therefore allows higher quality welding compared to conventional arc welding. To sum up, this product serves the increasing demand for low noise generation, is easy to maintain with stable tension -perfect for the end-user.


UNITEDPOWER
iG 3600S
3100
2800


MAINTAIN AIR CLEANER
Wash the air cleaner every 50 hours (if too dusty, every 10 hours) with clear and after dry it, dip it into clean machine oil. It can be used after superfluous oil is eliminated.
WARNING
IGNITION
UP170
7.0HP

Brilliant
surroundings

In line with our plan of broadening the range of engine-powered products, we are increasingly focusing on outdoor power equipment. The GPW 3000 is the latest example of a high pressure washer, designed for versatile usage: at home, commercial and outdoor cleaning. Its horizontal structure makes it highly convenient to use – it is simple with an elegant appearance. The rated pressure is 2000-3000 PSI with a flow of 2.6 GPM. In a nutshell – a fiercely competitive product in the international markets.

The Share

Market environment

Over the course of 2013 the stock market sentiment was largely optimistic. In the first half of the year uncertainties relating to the economic growth in Europe and emerging markets led to higher volatility in the capital markets. However, encouraging employment data from the US, a continued low interest environment for fixed income securities and the attractive valuation of shares helped to propel shares. This resulted in a positive development of key indices in Europe and the US, especially in the second half of 2013. As a result, the Dow Jones index rose by 26.5% for the full year and also the Nasdaq Composite showed a positive development with an increase of 38.3% over the course of 2013. German indices were also showed a positive development: despite short-term declines in April and June the SDAX increased by nearly 30% to 6,789 points on an annual basis.

The DAX subsector industrial showed a slightly lower performance compared to the SDAX. At the end of 2013 it closed at 421.39 points, a plus of 22.2% on an annual basis.

Share development

Starting at EUR 4.00 on 2 January 2013, our share reached its year-high already on 15 January with a price of EUR 4.19. After the publication of our annual report in April, the share price decreased significantly. Our share reached its year-low on 31 July 2013 at EUR 2.80. During the third quarter it recovered noticeably and recorded a significant increase in October. From November until the end of the year the United Power share again suffered from a decline, closing at EUR 3.11 on 30 December 2013. This represents a decline of 25.1% on an annual basis.

At the beginning of 2014 our share price development remained quite volatile. A significant increase of our stock in January up to EUR 3.33 was followed by a decline in February.

Dividend policy

Despite lower revenues of United Power Technology in 2013 compared to the previous year, the Management Board and Supervisory Board have jointly decided to propose dividend of EUR 0.08 per share for financial year 2013 to the Annual General Meeting on 22 May 2014. This represents a payout ratio of almost 9.9% of net income after non-controlling interests. Our dividend policy going forward will be to seek increasing our dividends each year for the foreseeable future based on our assumptions of further medium to long term profitable growth and taking the general economic conditions into account.

Designated sponsor and research coverage

United Power Technology has designated sponsorship and research coverage from the investment bank Kepler Cheuvreux, the lead manager of the Company's IPO in 2011. All latest research notes can be found on the Investor Relations website at www.unitedpower.de.com/en, once available.

In its latest research dated 11 November 2013 Kepler Cheuvreux has changed its recommendation from hold to reduce with a target price of EUR 3.00 due to the revised outlook of the company after weaker Q3 2013 figures. With respect to the valuation metrics, Kepler Cheuvreux still sees our stock as undervalued.

Transparent investor relations

United Power Technology is determined to provide a comprehensive and transparent communication vis-à-vis its shareholders. Therefore, the Company has attended investor conferences since its IPO, e.g. the DVFA Small Cap Conference (SCC) and the Equity Forum of the Deutsche Börse. Furthermore, the Company invites its shareholders periodically to investor presentations and meets up with investors on road shows all over Europe.

In the future, United Power will continue its transparent Investor Relations activities through further institutionalization and a continuous flow of information. Regular road shows, individual talks, telephone conferences as well as attendance at investors' and analysts' conferences follow our ambition to satisfy investors' information needs. An extensive range of information can be found on the Company's Investor Relations website www.unitedpower.de.com/en. All of these activities are geared towards an objective and fair assessment of the Company.

BASIC DATA

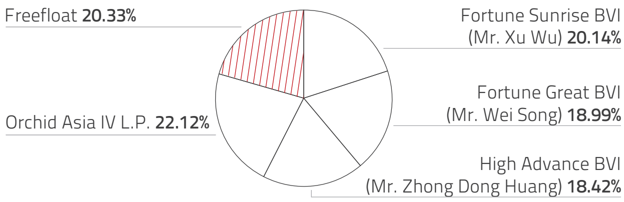
ISIN/WKN/Ticker/Reuters	DE000A1EMAK2/A1EMAK/UP7/UP7G.DE
Market Segment/Stock exchange	Regulated Market (Prime Standard)/Frankfurt Stock Exchange
First Trading Day	10 June 2011
Shares issued	12,300,000

as at 31 December 2013

SHARE KEY FACTS 2013

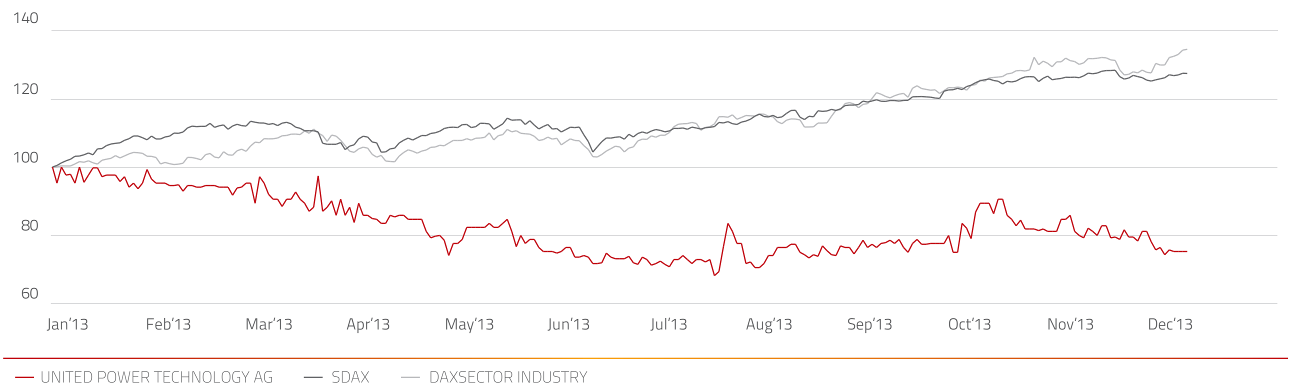
Year-end price (in EUR)	3.11
Share price high (EUR)	4.19
Share price low (EUR)	2.80
Earnings per share (EUR)	0.82
Market capitalization as at 30 December 2013 (EUR million)	**38.25**

SHAREHOLDER STRUCTURE (in %)



as at 31 December 2013

SHARE PERFORMANCE (January 2013 – December 2013)



Corporate Governance Report

Declaration of Conformity

The Management Board and the Supervisory Board of United Power Technology AG (the "**Company**") state pursuant to sec. 161 of the German Stock Corporation Act (AktG):

The Company has, since its last declaration of conformity on 8 April 2013, complied with the recommendations by the "Government Commission on the German Corporate Governance Code" in the version of the German Corporate Governance Code (the "**Code**") as of 15 May 2012, with the exceptions listed and justified therein.

The Company complies with the recommendations of the „Government Commission German Corporate Governance Code" in the version of the Code as of 13 May 2013 and will comply with them in the future, with the exception of the following recommendations:

In the D&O insurance for the Supervisory Board, a deductible up to a certain amount has been partially agreed (deviation from no. 3.8 para. 3 of the Code). Based on economic considerations and due to the comparatively low remuneration of the Supervisory Board, the Company has decided to introduce a fixed deductible in certain cases.

A general Management Board remuneration system has not yet been resolved (deviation from no. 4.2.2 para. 1 s. 3, no. 4.2.3 para. 6 and no. 4.2.5 para. 1 s. 2 of the Code). However, the Supervisory Board has taken the standards of a uniform remuneration system as basis for stipulating the respective remuneration of the current Management Board members; in particular regarding the division in fixed and variable remuneration elements.

When determining the total remuneration of the individual members of the Management Board, the relationship between the remuneration of the Management Board and that of senior management as well as the staff overall has not been taken into consideration yet (deviation from no. 4.2.2 para. 2 s. 3 of the Code). Since this recommendation has come into force on 10 June 2013 the total remuneration of the members of the Management Board has not been redetermined yet. However, the Supervisory Board will consider the implementation of this recommendation when determining the total remuneration in the future.

In connection with variable compensation components negative developments are not taken into account (deviation from no. 4.2.3 para. 2 s. 4 of the Code). In addition, with regard to the variable remuneration elements, subsequent amendments to the targets of success or to the comparison parameters are not excluded (deviation from no. 4.2.3 para. 2 s. 8 of the Code). Considering the relatively low performance remuneration for Management Board members, the Supervisory Board is of the opinion that neither such an exclusion nor the taking into account of negative developments is necessary

The remuneration of the Management Board is not limited by fixed caps regarding the long-term share-based variable payment and the overall remuneration of the Management Board (deviation from no. 4.2.3 para. 2 s. 6 GCGC). A retroactive amendment of agreements entered into with the members of the Management Board would be, in view of the principle of contractual fidelity, not appropriate, for the Company unilaterally not enforceable and is, in the Company's view, not demanded by the recommendation in no. 4.2.3 para. 2 s. 6 of the Code.

As far as pension schemes for members of the Management Board are concerned, the Supervisory Board has not yet established the level of provision aimed for in each case – also considering the length of time for which the individual has been a Management Board member – and has not taken into account the resulting annual and long-term expense for the Company (deviation from no. 4.2.3 para. 3 of the Code). Since 10 June 2013, with this recommendation coming into force, no pension commitment has been made vis-à-vis a member of the Management Board. The Supervisory Board will consider the implementation of this recommendation when making a pension commitment in the future

The Supervisory Board and the Management Board members have not stipulated how to proceed in case of a premature termination of the Management Board contract (deviation from no. 4.2.3 para. 4 of the Code). Therefore the provisions of law apply in this case. The Company is of the opinion that the provisions of law are sufficient regarding the respective interests when it comes to the resignation of a Management Board member and is thus an appropriate basis.

So far, abstract provisions requiring the approval of the Supervisory Board with regard to transactions of fundamental importance have not been specified (deviation from no. 4.3.4 s. 3 of the Code). However, an array of transactions of fundamental importance that are subject to prior approval are listed in the Management Board by-laws. The Company is of the opinion that it is easier for the Management Board to adhere to a specific catalogue than to abstract regulations. Furthermore, the Company is a holding company without operative business.

There is no general age limit for Management Board members (deviation from no. 5.1.2 para. 2 s. 3 of the Code) and for Supervisory Board members (deviation from no. 5.4.1 para. 2 s. 1 of the Code). However, the Management Board contracts contain an individual regulation stipulating that the employment ends automatically without notice by the end of the month in which the Management Board member turns 65 or – if he is born in 1947 or later – as soon as the regulation for pension annuity of the statutory pension insurance applying to him has become effective (sec. 25 SGB (German Social Security Code) VI). The Supervisory Board does not consider strict age limits as a rule appropriate. In the opinion of the Company, it is not plausible why qualified persons with comprehensive experience in career and life shall not be eligible for the Management Board or the Supervisory Board only because of their age.

The Supervisory Board has not established any committees (deviation from no. 5.2 para. 2 and no. 5.3 of the Code). Due to the fact that the Supervisory Board only consists of three members and thus has a small size, the Company does not consider the establishment of committees necessary and, beyond this, is of the opinion that all items falling within the scope of responsibilities of the Supervisory Board should be discussed and decided by the full Supervisory Board.

The Supervisory Board has not explicitly stipulated specific targets for its structure (deviation from no. 5.4.1 para. 2 and 3 of the Code). As recommended in no. 5.4.1 para. 2 of the Code, the Supervisory Board certainly takes the Company's situation, its international business activity, possible conflicts of interest and the number of independent Supervisory Board members within the meaning of no. 5.4.2 of the Code into consideration when it comes to its current and future structure. The Company has furthermore an open mind about female Supervisory Board members. At the moment and considering the small size of the Supervisory Board with only three members, the Company is of the opinion, however, that it is more appropriate to select candidates for the Supervisory Board according to the targets mentioned above but on a case-by-case basis instead of stipulating explicit regulations for the structure of the Supervisory Board in written form. The Company is of the opinion that the implementation of such regulations and continuous compliance with them would mean an inappropriately high effort at this point.

When proposing a person for election as supervisory board member to the Annual General Meeting, the Supervisory Board does not intend to disclose the private and business relationships of such a candidate with the Company, its representative bodies and any significant shareholder structure (deviation from no. 5.4.1 paras. 4 to 6 of the Code). In the Company's opinion, the recommendation of the Code does not specify clearly which relationships of a candidate to what extent must be disclosed in order to comply with the recommendation. In the interests of legal certainty with respect to future elections to the Supervisory Board, the Management Board and Supervisory Board have decided to declare a deviation from the recommendation. The Company is of the opinion that the disclosure requirements of the German Stock Corporation Act are sufficient to meet the informational needs of the shareholders.

Apart from regularly assessing the efficiency, the Supervisory Board does not carry out any other additional efficiency assessments on a regular basis (deviation from no. 5.6 of the Code) as the Company is convinced of its efficiency considering the size of the Supervisory Board and the size of the Company.

Last year, the Company has not met the deadline of 90 days after the end of the financial year for the publication of its consolidated financial statements (deviation from no. 7.1.2 s. 4 of the Code) and will probably not met this deadline this year either. As a young and international company, the Company places emphasis on applying utmost care in preparing its first consolidated financial statements as a listed company. Additionally, the required translations from Chinese make the preparations of the financial statements time-consuming. The public was and will be provided with the consolidated financial statement within the shortened legal deadline, namely within four months of the end of the financial year, whereby it is ensured that the public is promptly informed. Nevertheless, the Company strives to comply with the recommendation in the future.

Information on the practice of Corporate Governance: Principles of Corporate Governance and economic management

The management and governing bodies of United Power Technology AG are committed to the principles of good and responsible corporate governance. The Company's aim is to gain and maintain the trust of its shareholders, customers and employees by managing the Company in a transparent and responsible manner and through close and constructive co-operation between the Supervisory Board and Management Board. Our company serves a dual purpose of both generating substantial profits and growth and thus shareholder value and also playing a key role in the field of mobile generators.

The Company's system of internal control is designed to ensure the achievement of business objectives in operations, financial reporting integrity and compliance with applicable laws and regulations. The system of internal control is designed to manage, rather than completely eliminate, risks impacting the Company's ability to achieve its business objectives. Accordingly, the system can only provide reasonable but not absolute assurance that the financial statements do not contain a material misstatement or loss. The Company assists the Management Board with respect to its duty to identify, evaluate, and manage the significant risks faced by the Company. The Company implements the Management Board's policies and procedures to mitigate such risks by (i) identifying and assessing the risks the Company faces and (ii) designing, operating and monitoring a system of internal controls to mitigate and control such risks.

Our employee policies are described within the management report of the annual report. As a listed company, a reputable international auditor audits our accounts and we disclose significantly more information to our shareholders than required by law. Furthermore, we are using third-party experts to additionally advise and audit other parts of the business. We are consistently working on improve all aspects of our operations, including occupational health and safety, sales and distribution and our conduct as a corporate citizen.

Shareholders and Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting where they exercise their voting rights. The Annual General Meeting takes place within the first eight months of each fiscal year in accordance with the German Stock Corporation Act and with the Company's Articles of Association. All shares are pari passu equal to one vote at the Annual General Meeting. Shares with multiple voting rights or preference shares as well as maximum-voting rights do not exist. Shareholders have the option of exercising their voting rights at the Annual General Meeting in person, through a representative of their choice or through the Company's proxy representative. In the invitation to the Annual General Meeting, there are particular explanations about the conditions of participation, voting rules (also for assignees) and shareholder rights. The applicable reports and documents, including the annual report and agenda, which are legally required for the Annual General Meeting, are published under www.unitedpower.de.com/en. Subsequent to the Annual General Meeting, the attendance and voting results are published there as well.

Management Board and Supervisory Board

Management Board

In accordance with the laws for German stock corporations, United Power Technology AG has a dual board structure consisting of the Management Board and the Supervisory Board, each possessing its own competences. The system is characterised by a personnel separation between Management and Supervisory bodies. The Management Board is in charge of self-responsibly managing the Company, whereas the Supervisory Board is responsible for supervising and advising the Management Board. A member of the Management Board cannot be a Supervisory Board member at the same time and vice versa. The two boards work closely together in the best interest of the Company.

The Management Board of United Power Technology AG currently comprises three members, Mr Xu Wu, Mr Zhong Dong Huang and Mr Oliver Kuan, who are responsible for the management of certain areas of the Company such as the Company's strategy, negotiating key agreements, coordinating the daily operations as well as financial reporting, fund raising, investor relations and financial reporting to the Supervisory Board. The Company's key activities and financial performance are regularly circulated to the management team and the Supervisory Board. In addition, the General Management meets on a regular basis to discuss and make fundamental decisions. At these meetings, Mrs Fang Yu Wang, Financial Controller and Financial Manager, Mr Jia Yang Zhong, are present as well. The working relationship between the Management Board and the Supervisory Board is described in the report of the Supervisory Board within the annual report.

In accordance with the German Corporate Governance Code, United Power Technology AG presents the remuneration of the members of the Management Board individually in the remuneration report, which is part of the management report.

Supervisory Board

The Supervisory Board of United Power Technology AG comprises three members, Mr Wei Song, Mr Hubertus Krossa and Mr Brian Krolicki. The Supervisory Board is responsible for supervising and advising the Management Board as well as for the election of the members of the Management Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. The Chairman of the Supervisory Board maintains frequent contact with the members of the Management Board to discuss issues of particular importance.

In particular, the Supervisory Board looked into the financial reporting process, the effectiveness of the internal risk management system (RMS) and internal control systems (ICS), the effectiveness of internal audit systems and the auditing process and conducted interviews with key personnel in the finance department. The close and confident working relationship between the Management Board and the Supervisory Board is described in detail in the report of the Supervisory Board within the annual report.

Directors' dealings

Pursuant to section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board, other key employees as well as related people, must immediately declare any purchase or disposal of shares in United Power Technology AG to the Federal Financial Supervisory Authority (BaFin) as long as the total consideration is larger than EUR 5,000 within one calendar year. In 2013, such a purchase or disposal of shares in the Company did not occur and, hence, where not declared to the Federal Financial Supervisory Authority.

As at the date of preparation of this report the members of the Management Board directly or indirectly hold 38.56% and taking into consideration the imputation regulations pursuant to WpHG in total 57.55% of the shares and voting rights in United Power Technology AG. At this date, the members of the Supervisory Board directly or indirectly hold in total 19.03% and taking into consideration the imputation regulations pursuant to WpHG in total 57.58% of the shares in United Power Technology AG.

Accounting and auditing

The annual consolidated financial statements of United Power Technology AG are prepared pursuant to the International Financial Reporting Standards (IFRS) and the individual financial statements of United Power Technology AG are prepared according to the German accounting rules and the German Commercial Code (HGB). Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft was appointed by the Annual General Meeting as auditor and has audited the consolidated and individual financial statements. The auditors attended the Supervisory Board's meeting, when the individual and consolidated financial statements were approved, and reported on the main results of their audit.

Corporate Compliance

Compliance with the relevant statutory provisions for its operations and internal company policies (hereinafter also referred to as 'Corporate Compliance') is an essential part of United Power Technology AG's corporate governance and it is one of the key duties of all business areas to ensure the compliance with the prevailing policies in the individual areas of responsibility.

The Company has adopted a code of business conduct and ethics (the "Code of Conduct"), which provides guidance about doing business with integrity and professionalism. The Code of Conduct addresses issues that include fraud, conflicts of interest, corporate opportunities, protection of intellectual property, transactions in the Company's securities, use of the Company's assets, and relationships with customers and third parties. Any violation of the Code of Conduct is reported to the management team, which will subsequently report such violation to the Audit Committee.

In addition to the Code of Conduct, the Company has employee manuals/policies, which are communicated to all employees. All employees are required to sign an agreement on compliance with the Group's Code of Conduct and ethics when they join the Group. Departures from the Group's approved policies and procedures are prohibited and sanction will be imposed for non-compliance.

All business activities in China are carried out in strict compliance with Chinese laws and international conventions.

Risk Management

United Power Technology AG's risk management policies are described in detail in the chapter 'Risk Report'. They are designed in accordance with statutory provisions to detect significant risks early, so that appropriate measures can be taken in order to minimise, diversify, transfer or avoid risks thus ensuring the continuity of the Group. The risk management process is supported through the controlling and auditing functions.

Avoiding conflicts of interest

In the year under review, conflicts of interest of Management Board members or Supervisory Board members were not reported to the Supervisory Board, which is responsible in this case.

Transparency

Shareholders and other interested parties can obtain information about United Power Technology AG's standing and business development through financial reports (business and interim reports), press conferences on financial statements, analyst and press interviews, press releases and/or ad hoc announcements and through attending the Annual General Meeting. Current information is permanently available and may be obtained from the Company's webpage under www.unitedpower.de.com/en, providing all relevant information both in German and English. Apart from extensive information about the United Power Technology AG Group and regarding the United Power Technology AG share, the webpage contains the Company calendar providing an overview about all-important events.

Eschborn, 11 April 2014

United Power Technology AG

Supervisory Board **Management Board**

Group Management Report

GROUP MANAGEMENT REPORT

Management Report

Group structure and business operations

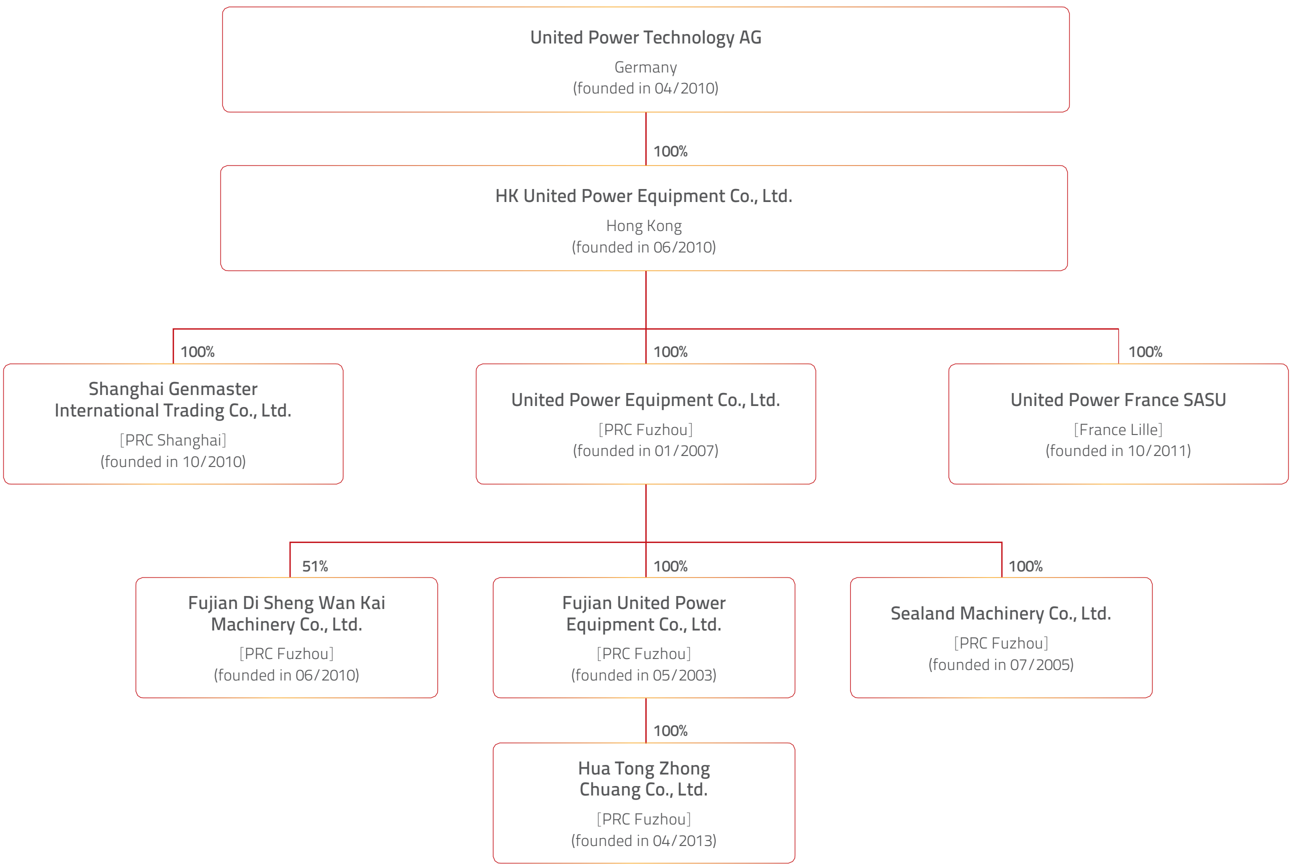
Legal group structure

United Power Technology AG is the ultimate holding company of United Power Technology Group. The economic development of the holding is basically depended on the development of the respective subsidiaries abroad. The holding company and all subsidiaries are included in the consolidated financial statements where United Power Technology AG has direct or indirect control.

The number of consolidated companies has changed compared with last year. There is a new wholly owned subsidiary company called Hua Tong Zhong Chuang, Co. Ltd underneath Fujian United Power Equipment Co., Ltd. founded in April 2013. This new subsidiary has been set up for producing injection moulded plastic parts required for the products of United Power Technology AG. Through the establishment of our new company we have been able to further increase our degree of vertical integration as we previously have been purchasing these parts.

United Power Technology AG is a public limited company under German law. The Company is registered with the Commercial Register of Frankfurt/Main, Germany under HRB 88245. The Company has been listed on the regulated market of the Frankfurt Stock Exchange since 10 June 2011.

UP GROUP STRUCTURE



The intermediate holding company United Power Equipment Co., Ltd. ("UP HK-Holding") is located in Hong Kong. The operating companies, United Power Equipment Co., Ltd. ("UPEC"), Fujian United Power Equipment Co., Ltd. ("FUPEC"), Sealand Machinery Co., Ltd. ("SMC"), Fujian Di Sheng Wan Kai Machinery Co., Ltd. ("DWC"), Shanghai Genmaster International Trading Co., Ltd. ("Genmaster Shanghai"), Hua Tong Zhong Chuang Co., Ltd ("HTZC") and United Power France SASU are located in Fuzhou, Shanghai and Lille, France. All companies are subsidiaries and are included in the consolidated financial statements of United Power Technology AG.

Business segments and organisational structure

United Power Technology Group designs, develops, manufactures and sells an extensive range of engine-driven power equipment, including generators, outdoor power equipment and components such as engines. Business segments can be divided into portable generators, outdoor power equipment and components. Business segments are supported by the holding function of United Power Technology AG. The production facilities of the Group are located in Fuzhou, China. Our major products comprise residential as well as commercial generators, which are currently delivered to our customers in close to 70 countries around the world. Our main markets are the "home" market (China) and overseas markets, in particular North America and Europe. Furthermore we sell our products to other overseas markets.

In selected markets such as China, Canada, Africa (Kenya, Libya, South Africa), Malaysia, Philippines, Papua New Guinea, Europe (Italy, Spain, Greece) or Russia we sell our own branded products. In the other markets our products are usually developed and manufactured by United Power and branded by third parties. United Power is a leading Original Design Manufacturer (ODM) which develops and produces its products for leading Original Equipment Manufacturers (OEMs), wholesalers and retailers such as Metro, GMC, B&Q and Hornbach.

Internal control system

We have developed an internal control system, which combines strategic planning with value-based management geared towards sustainable profitable growth in the medium to long term. Our goal is to achieve continuous improvement relative to the market and our competitors. Our key performance indicators are of financial and quantitative nature and support the management decision-making processes. We define revenue growth and profitability as our main performance indicators.

We see the development of our revenue growth as an essential indicator for measuring United Power's success. For purpose of measuring, monthly revenue performance is segmented by products, geographies we operate in and branded versus ODM sales.

Our key profitability performance indicators include both gross profit as well as EBIT margin on group level. The gross profit margin was added in 2013 as an additional key profitability indicator to have more granularity in our analysis. Gross profit margins are reviewed and analyzed on a regular monthly basis according to the same segmentations as the ones listed above. Gross margins include all direct cost of goods sold such as raw materials, labour, fixed asset depreciation factory level overheads etc. and are therefore useful indicators of each of the segment's absolute as well as performance relative to each other and overtime. As our overhead costs are comparatively low our EBIT margins are reviewed and analyzed on at least a quarterly basis. Overhead costs are in any case subject to close ongoing scrutiny. Also on at least a quarterly basis we review other financial and qualitative metrics such as liquidity, working capital as well as productivity figures. In addition our sales department provides regular rolling sales projections, which are being reviewed and analyzed by the finance department and senior management. The purpose is to analyse deviations from the estimate of the previous quarter as well as from the overall plan, and to take corrective action if needed.

Our Company is managed through regular discussions by the Management Board and by the managers of the business segments. The Management Board is informed on a monthly basis as to the development of key financial ratios and early operating indicators for both the Group and the business segments, with the primary focus on revenue, costs, earnings, personnel, investment and other key ratios.

Key elements of our internal control system comprise the following measures:

- Annual strategic planning meetings to decide on investment and innovation targets
- Regular meetings of the Management Board to review strategic goals and performance
- Monthly reporting of the business segments
- Regular review of key financial performance indicators by management
- Risk and opportunity management
- Regular reporting to the Supervisory Board

The continuous involvement of all business segments in risk management and the internal control system guarantees the fast response to changes in all areas and at all decision levels of United Power Group. Management and the Management Board are notified immediately of any significant changes that are relevant to earnings within an individual area of the business.

Research and development

Our aim is to become a leading manufacturer of engine-driven power equipment globally. Therefore we are continuously spending substantial efforts to improving and enhancing our existing product range as well as developing new products to meet the diverse requirements of the global market place. One of our key pillars for future growth is the continuous development and the strengthening of our Research and Development (R&D) capabilities. We therefore are seeking to allocate more resources towards this goal. This has also been reflected in a higher R&D budget for 2013. For the full year 2013 we invested EUR 1.06 million (2012: EUR 1.00 million). This is a year-on-year increase of 6%.

We have a strong in-house R&D team currently consisting of 57 members. They are dedicated to quality improvements and innovation. In addition we are closely cooperating with the Fuzhou Institute of Technology and Tianjin Internal Combustion Engine Research Institute especially in design and patent issues.

Our R&D department worked on 21 new products in 2013. From those we were able to successfully complete 14 new products including testing. The new products span all our four segments.

In the segments of residential and commercial generators, our R&D team completed the development and testing of our vertical axis generator, which is compact and convenient to move, and is mainly aimed at the Russian and Australian markets. Also, a new series of United Power branded residential generators with an intelligent control module has been developed. Mainly for the American market we developed the new T Generator with Automatic Voltage Regulator (AVR) technology to maintain a constant waveform more similar to the ones produced by city power. We further launched the new low cost 1–6 kW GM series (Economy series) that is specially designed for the South East Asian, African and Middle Eastern markets. Mainly for the Russian and South East Asian markets we developed a 5 kW gasoline welding generator with inverter technology. The product combines both generator and welding functions. The output of the product is more stable and therefore allows higher quality welding compared to conventional arc welding. We launched two new 5 kW and 10 kW silent diesel generators with intelligent control modules and are currently developing an ultra silent 10 kW diesel generator.

In the segment of outdoor power equipment, we have launched two high pressure water pumps, one with a vertical axis and one with a horizontal axis. Both have rated pressure of 2000–3000 PSI for a water flow of 2.5 Gallons per Minute (GPM). We are also in the process of developing a new 4000 PSI high pressure water pump.

In addition, we strengthened our core engine competency by developing six new engines. The new engines are an improvement over existing models due to their higher efficiency, lower cost and/or compliance to new environmental or other quality standards and requirements to meet the high standards of North America and Europe.

Economical report

Economic and business environment

Economic environment

In the second half of 2013 global activity strengthened. According to the update of the World Economic Outlook issued in January 2014 by the International Monetary Fund (IMF) global growth for 2013 was 3.0% and therefore slightly slower growth than in 2012 (2012: 3.1%). Growth in industrialized countries is estimated to have grown by 1.3% in 2013 (prior year: 1.4%), and growth in emerging economies has been, where growth is estimated at 4.7% in 2013 (prior year: 4.9%). The IMF estimates GDP growth in the US of 1.9% in 2013 (2012: 2.8%). Compared to the prior year this was a significant decrease.

According to IMF GDP growth in Europe has been estimated at –0.4%. This was a slight improvement after –0.7% in 2012. Economic indicators suggest the peripheral states are close to stabilizing their economies, though growth there is still restricted by restrictive lending policies for the time being. In core euro zone economies, on the other hand, the recovery is largely already underway.

The economy in Germany notably benefited from exports and low inflation. The IMF predicts 0.5% GDP growth for 2013 after 0.9% in 2012. Despite the decrease it was still the highest estimated projected growth rate for any of Europe's core economies in reporting period.

The emerging economies estimated to have grown at a rate of 4.7% in 2013, slightly lower than in 2012. According to the IMF, emerging markets are facing the challenge of reconciling deceleration both with the difficult global financial situation and, in many cases, with recently falling currencies and rising inflation.

As in the prior years, Chinese growth remained the highest amongst major of the emerging markets. The IMF estimated a growth rate of 7.7% which is a stable GDP growth compared to 2012.

Industry environment

For 2013 there was no comprehensive market research covering all our market segments. According to a study of SBI Energy the value of the worldwide market for commercial generators was estimated at nearly USD 8.61 billion (Basis 2012). Global demand is driven by factors such as supply uncertainties and disruptions due to aging grids (particularly in North America), failing grids due to natural disasters and underdeveloped grids particularly in emerging markets. The American Society of Civil Engineers (ASCE) evaluated and graded the U.S. electrical grid with a D+. Since 1990 the demand for electrical power has increased 400% faster than the transmission capacity.

According to the North American Electrical Reliability Council, or NERC, 30% to 50% of the transmission and distribution network in the United States is 40 to 50 years old. Thus there is an increasing demand for generators for backup power in residential, commercial and industrial applications.

Especially the North American market was characterized by fewer natural disasters and the quiet hurricane season in 2013, which also had a negative impact on our industry.

In emerging markets such as Brazil, Russia, India and China, the power infrastructure is generally not as developed as in developed markets, and the majority of generators sold in these markets are designed for use in extended power outages or as a substitute for utility power. In developed markets such as the United States, generators are primarily sold for emergency standby purposes such as electrical generation, transmission and distribution in these markets is generally more mature. In addition, in many international markets diesel generators represent a more significant percentage of the market than they do in the United States providing an opportunity for increased revenues from diesel generators. Compared to the North American and European market, the Chinese generator industry is more fragmented. However, similar to what has already happened in developed markets the Chinese generator industry is also undergoing a consolidation process. We believe partly because of the challenging global industry environment over the last few years, the consolidation process in the Chinese generator market has been intensifying in 2013. We have already experienced increased price competition last year as some of the less competitive players are fighting for survival. As United Power is focusing on branded sales in our "home" market China and as we seek to build a brand with a reputation for quality and reliability we have not participated in such price competition. Given our core strength in product development, sales and distribution, economies of scale and strong financial position, we believe that United Power will emerge from this as a stronger player in China and globally.

In the generator market in Western Europe we experience continued weakness in consumer demand. In addition, we see the introduction of new technical and environmental requirements, which temporarily make it more difficult for non-EU players until products are suitably modified. This has impacted our sales in the European market in 2013 despite good sales development in markets such as Russia and Eastern Europe.

Also in 2013 we made further inroads in growth markets such as Latin America and South-East Asia where we have been able to acquire new customers and sales channels.

Legal and economic factors impacting on the business
United Power Group has to follow different national and international statutory provisions. Apart from general statutory provisions industrial safety regulation and healthy protection are of particular relevance for the Group.

Land ownership in China, our country of origin, is basically reserved for the government. Therefore United Power is operating its business on property leased over the long term.

Due to foreign exchange control, in China the RMB is not completely freely convertible. In many cases payments to foreign countries must be approved by the authorities.

In terms of economic influencing factors, energy and raw material costs as well as the development of the RMB, EUR US Dollar exchange rate is of particular importance. While energy and raw material costs have been relatively stable during 2013, we have seen the exchange rates impacting on our performance. Further appreciation of the RMB against the USD put pressure on the margins of our products, which are sold in USD as our cost base, is predominately RMB based. Also, we saw a strengthening of the EUR against the RMB particularly in the latter half of 2013. While a persistently stronger EUR should lead to higher demand for our products from Europe in the medium and longer term, in the short term a stronger EUR means that our revenues which are earned in RMB and USD amount to less in EUR terms.

Statement of the Management Board on business development in 2013

Against the background of the economic environment discussed above, our revenues decreased by 6.65% in 2013 compared with 2012. In total, United Power Group generated revenue of EUR 103.67 million in the reporting period. Following a strong first half year of 2013 the second half was considerable weaker than the same period of the reference year. This was mainly caused by lower sales in North America due to reduced sales volume because of the quiet hurricane season 2013, price competition in the Chinese market as well as an extraordinary hot summer in China affecting the production due to power saving measures. The ongoing economic recovery in the developed markets did not compensate the revenue fluctuations due to climate or weather related reasons, which have an influence on the generator market. During 2013, United Power focused in particular on increasing its branded sales as a proportion of overall sales.

For most part, the United Power Group has no long-term agreements on fixed pricing and quantities. Disclosure of the order levels for United Power Group and its business areas is therefore not a relevant key performance indicator for evaluating short and medium-term earnings potential.

Our EBIT decreased by 9.04% to 13.88 million. The EBIT margin was stable at 13.39% compared to 13.74% in 2012.

In 2013 we invested EUR 15.03 million, mainly for land preparation, capacity expansion and R&D activities. The total number of staff was 638 as at 31 December 2013. A year-on-year decrease of 9.5% compared to the previous year. This was mainly due to adjustments of our production personnel and administrative personnel as a result of streamlining and continued automation.

Comparison of actual business development versus guidance

Revenue guidance

With our third quarter results in November 2013, we revised our previous revenue guidance from a year-on-year increase of 8% to a decrease of 5%. Our revenue of EUR 103.67 million constitutes a 6.65% decrease from 2012 and is slightly below our revised guidance. On segment level we expected for 2013 that our commercial generator segment would continue to grow at a rate exceeding that of the residential generator segment over 2013. Also we expected our outdoor power segment to grow disproportionately faster within the reporting period. Unfortunately in line with the group development, revenue in the commercial generators segment fell by 8.01% to EUR 54.23 million and the residential generators segment decreased by 6.17% to EUR 43.35 million. Despite the fact that our commercial generator segment remained the largest segment, we could not achieve our expected performance. Encouragingly, we were able to slightly grow our outdoor power equipment segment, which increased by 1.50% to EUR 4.42 million. Our North American business suffered from the quiet hurricane season last year (22.38% decrease in revenue compared to last year). In our "home" market in China our market position stabilized. However, due to the industry consolidation and intense competition our sales decreased by 3.19%. Sales in Europe were lower due to new technical requirements in Western Europe, which temporarily make it more difficult for non-EU players until products are suitably modified.

EBIT guidance

For 2013 we expected our EBIT margin to be in line with our EBIT margin of 2012 (13.74%). In 2013 we achieved an EBIT margin of 13.39%. This means a slight decrease of 0.35 percentage points in 2013 and we are therefore roughly in line with our guidance in terms of profitability.

Revenues and earnings position

The table below shows the consolidated income statement for the 2013 compared to 2012.

in EUR million	2013	2012	+/–%
Revenue	**103.67**	**111.05**	**–6.65**
Cost of sales	–83.00	–88.64	–6.36
Gross profit	20.67	22.41	–7.76
Other income	1.23	1.15	+6.96
Distribution and selling expenses	–1.30	–1.36	–4.41
Administrative expenses	–3.75	–4.13	–9.20
Research and development	–1.06	–1.00	+6.00
Other expenses	–1.91	–1.81	+5.52
including expenses as a result of the IPO	0	1.24	n,z,
Profit from operations (EBIT)	**13.88**	**15.26**	**–9.04**
Interest income	0.47	0.17	+176.47
Interest expense	–0.25	–0.28	–10.71
Profit before tax	**14.10**	**15.15**	**–6.93**
Income taxes[1]	–4.10	–2.56	+60.16
Profit for the period	**10.00**	**12.59**	**–20.57**
Earnings per share*	0.82	1.03	–20.39
Adjusted[2] EBIT	**13.88**	**16.50**	**–15.88**
Adjusted[2] net income for the period	**10.00**	**13.83**	**–27.69**
Adjusted[2] earnings per share* (EUR)	**0.82**	**1.12**	**–26.79**

* EPS for 12 months 2012 and 2013 is based on the weighted average of 12.30 million shares.

[1] Includes EUR 1.58 million withholding tax in relation to inter-company dividend payments

[2] Adjusted for extraordinary non-recurring expenses in relation to the IPO in 2012

Revenue

United Power's revenue decreased from EUR 111.05 million in 2012 by 6.65% to EUR 103.67 million in 2013. Our development particularly suffered from the decline in North America of 22.38% mainly due to relatively fewer natural disasters such as hurricanes in 2013. In total North America contributed EUR 16.26 million to the total revenue in the reporting period.

Following a strong first half year, our second half year was weaker than the same period last year which was due to a variety of factors including the mentioned development in North America, a period of intense price competition in our "home" market, which we believe is temporary and related to continuous consolidation in our industry in China, an unusually hot summer in China and particularly Fuzhou which affected our production due to power saving measures and new technical requirements in the EU. Our performance was also influenced by a combination of a strengthening Euro and weakening USD versus our domestic currency RMB. In the course of converting to the Company's currency, the stronger Euro created a negative effect on our sales in RMB and USD. A weakening USD will mean that the gross profit margin on our USD denominate sales will be compressed as our cost of sales is predominately determined in RMB.

Both our commercial generator and residential generator segments suffered due to the aforementioned factors through lower sales volumes in both segments. A positive development was our strong growth in branded sales in line with our strategy to strengthen our brand.

Cost of sales

Our cost of sales declined from EUR 88.64 million in 2012 by 6.36% to EUR 83.00 million for the comparable period of 2013. This was mainly due to the revenue decline, mainly due to lower sales volume. Cost of sales constitutes materials (e. g. copper, aluminium, steel), parts, factory level overheads and labour costs as well as fixed asset depreciation and is therefore affected by currency appreciation, investments as well as domestic wage inflation and commodities prices.

Gross profit

Gross profit decreased from EUR 22.41 million for 2012 by 7.76% to EUR 20.67 million for 2013.

United Power's gross profit margin decreased slightly by 0.24 percentage points to 19.94% in 2013 despite RMB appreciation, higher fixed assets depreciation and lower utilization all factors which put pressure on our gross margin. We were able to counter margin pressure through a higher share of branded sales as well as a continuous geographic and product portfolio rebalancing towards higher margin regions and products.

Other income

Other operating income increased from EUR 1.15 million for 2012 by 6.96% to EUR 1.23 million for 2013. It mainly consists of government grants and rental income. The increase was caused by higher government grants in respect of our achievements in new product developments and environmental protection.

Distribution and selling expenses

Our distribution and selling expenses slightly declined from EUR 1.36 million for 2012 by 4.41% to EUR 1.30 million for 2013. The decrease is mainly due to lower distribution and transportation costs.

As a percentage of revenues, distribution and selling expenses slightly increased to 1.25% in 2013 from 1.22% for 2012.

Administrative expenses

Our administrative expenses decreased from EUR 4.13 million for 2012 by 9.20% to EUR 3.75 million for 2013. The decrease is mainly due to lower consulting fees.

As a percentage of revenues, administrative expenses decreased by 0.10 percentage points to 3.62% for 2013.

Research and development expenses

For 2013 research and development costs amounted to EUR 1.06 million compared to EUR 1.00 million for the comparable period of 2012. This was a year-on-year increase of 6.00%. In RMB terms research and development expenses increased by 7.27% for this the period.

As percentage of revenues, research and development expenses have increased from 0.90% in 2012 to 1.02% in 2013. The increase in research and development expenses is due to continued emphasis in strengthening the companies R&D capabilities.

Other expenses

Other expenses increased from EUR 1.81 million in 2012 by 5.52% to EUR 1.91 million for 2013. The increase was caused in particular by depreciation in fixed assets of EUR 0.68 million and from losses incurred in currency exchange of EUR 0.40 million, which cannot be compared to any comparable items from the previous year. Offsetting this were expenses in the previous year in connection with the IPO of EUR 1.24 million that did not have any comparable items in 2013.

As a percentage of revenues, other expenses have increased from 1.63% in 2012 to 1.84% in 2013. Other expenses include various government taxes and levies and bank charges.

Profit from operations (EBIT)

Our EBIT for 2013 decreased by 9.04% to EUR 13.88 million year-on-year mainly due to the lower revenues.

As a percentage of revenues, EBIT decreased from 13.74% in 2012 to 13.39% in 2013.

In the financial year 2012 the company realized one-off IPO related expenses. Adjusted EBIT (adjusted for non-recurring one-off IPO related expenses) decreased from EUR 16.50 million for 2012 by 15.88% to EUR 13.88 million in the comparable period of 2013. Since these were non-recurrent expenses, an adjustment in the 2013 financial year was not necessary.

The adjusted EBIT margin decreased from 14.86% for the full year of 2012 to 13.39% in the comparable period in 2013.

Interest income

Interest income increased due to higher cash balances and improved cash management from EUR 0.17 million in 2012 to EUR 0.47 million in 2013.

As a percentage of revenues, interest income in the reporting period 2013 amounted to 0.45 %.

Interest expense

Interest expense of United Power decreased from EUR 0.28 million for 2012 by 10.71% to EUR 0.25 million for the comparable period of 2013.

As a percentage of revenues finance expenses amounted to 0.24% in 2013.

Income taxes

In 2013 income tax increased from EUR 2.56 million for 2012 by 60.16% to EUR 4.10 million. The income tax includes withholding tax for intra-group dividend payments of EUR 1.58 million. The withholding tax is in respect to a dividend payment from a Chinese subsidiary to the Hong Kong holding of EUR 15.78 million. Without the withholding tax, the corporate tax at group level represents a tax rate of 18%.

Our main PRC operating company UPEC (which accounts for approximately 90% of group revenues) enjoys a favourable corporate tax rate of 15% in 2013 as we have been certified as a high technology company in China. This compares to a tax rate of 12.5% in 2012, which was a result of the entity being a foreign invested company. We expect to enjoy a continued favourable corporate tax rate of 15% from 2014 onwards. Our group level income tax rate is expected to continue to exceed our nominal corporate tax rate due to non tax-deductible expenses incurred outside the PRC.

Profit for the period and EPS

United Power's profit for the period decreased from EUR 12.59 million in 2012 by 20.57% to EUR 10.00 million in the comparable period of 2013.

As a percentage of revenues, profit for the period decreased from 11.34% in 2012 to 9.65% in 2013.

The earnings per share (EPS) in 2013 were EUR 0.82, a decrease of 20.39% year-on-year. The reason for the decrease in profit and EPS was mainly due to lower revenues and the withholding tax payment due to the intra-group dividend payments.

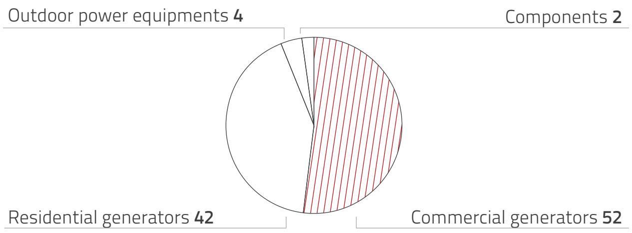
Adjusted profit for the period (adjusted for non-recurring one-off related IPO expenses amounting to EUR 1.24 million in 2012) decreased from EUR 13.83 million in 2012 by 27.69% to EUR 10.00 million for the comparable period of 2013.

We would like to point out here that given the dividend payment of United Power Technology AG scheduled in 2014, major Group internal profit distributions had to be issued in 2013. These distribution resulted in withholding tax in the amount of EUR 1.58 million. Withholding tax in this magnitude are not expected to be incurred for future profit distributions, since the once existing losses carried forward at the holding level in 2013 were offset.

The adjusted profit for the period margin decreased from 12.45% in 2012 to 9.65% in 2013. The decrease in adjusted profit margin compared to 2012 is mainly because of the decreased gross profit margin for the reasons explained above. The adjusted EPS for the full year of 2013 is equivalent to the non-adjusted EPS and was EUR 0.82.

Segment information

REVENUE BY BUSINESS SEGMENTS (in %)



Residential generators

Revenues in our Residential generators segment have decreased by 6.17% in 2013. For 2013 they were EUR 43.35 million compared to EUR 46.20 million in the corresponding period 2012. This is partly a reflection of the lower sales to North American (mainly due to a quieter natural disaster season) and Western European markets (mainly due to new technical requirements) into which we historically have been selling disproportionately more residential generators.

Commercial generators

Revenues in our largest segment Commercial generators decreased by 8.01% from EUR 58.95 million for 2012 to EUR 54.23 million for 2013. This was mainly a result of the temporary price competition and consolidation in our home market. As United Power is building a brand, which stands for quality and reliability, we have refrained from seeking to lower prices to unsustainable levels.

Outdoor power equipments

The outdoor power equipment segment comprises industrial equipments such as water pumps as well as landscaping machines such as high pressure washers. Revenue generated from this segment for 2013 was EUR 4.42 million, a slight increase compared to last year's comparable period of EUR 4.36 million. The increase in this segment is in line with our overall strategy to strengthen our outdoor power equipment segment in the coming years.

Components

The components segment composes of engine as well as engine is currently not a strategic sector for the Company, but rather taking advantage of opportunities in the market place. Revenue was stable, with EUR 1.67 million for full year 2013 mainly due to an effort to rationalize our inventory of parts. This segment represents less than 1.61% of the Company's total revenue.

Assets and liabilities position

The following table shows the consolidated balance sheet as at 31 December 2013 compared to the consolidated balance sheet as at 31 December 2012.

in EUR million	31. December 2013	31. December 2012
Current assets	61.57	59.03
Non-current assets	68.12	59.84
Total assets	**129.69**	**118.87**
Current Liabilities	18.46	15.44
Non-current liabilities	1.74	1.88
Total liabilities	**20.20**	**17.33**
Total equity	**109.49**	**101.54**
Total liabilities and equity	**129.69**	**118.87**

Current Assets

Inventories

Inventories include raw materials, work in progress and finished goods. Inventories increased by 8.37% from EUR 4.66 million as at 31 December 2012 to EUR 5.05 million as at 31 December 2013. The increase was mainly due to the fact that the 2014 Chinese New Year holiday period occurred early in 2014 and as a result there was increased production at the end of 2013 in the lead up to the Chinese New Year holiday. In 2013 the Chinese New Year holiday was later therefore the production surge at the end of the calendar year wasn't required.

The average volatility on basis of cost of sale corresponds to 22 days in 2013 compared with 25 days in the previous year.

Trade and other receivables

Trade and other receivables decreased from EUR 20.78 million at year-end 2012 to EUR 13.58 million as at 31 December 2013 due to decreased sales particularly to customers with longer payment terms. Trade receivable days decreased from 66 days for the full year 2012 to 60 days for the same period in 2013.

Receivables due from related parties

Receivables due from related parties was EUR 0.59 million as at 31 December 2013 (2012: EUR 0.00 million). This was due to pre-financing of supplies from our subsidiary Fujian Di Sheng Wan Kai Machinery Co. Ltd. at the related company Fuzhou Wankai Machinery Co. Ltd.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 38.80 million as at 31 December 2013 which represented an increase of 25.40% from EUR 30.94 million (including EUR 3.47 million pledged bank deposit) as at 31 December 2012. The net cash and cash equivalents were primarily increased by cash generated from operations (EUR 17.86 million) and new short-term borrowings (EUR 7.18 million), which more than offset the cash used for investment (EUR 14.56 million).

Cash and cash equivalents comprise bank balances mainly held in RMB at international commercial banks in China with some balances in Hong Kong and Germany.

Non-current assets

Property, plant and equipment

Property, plant and equipment increased by 5.13% from EUR 56.09 million as at 31 December 2012 to EUR 58.97 million as at 31 December 2013. Property, plant and equipment is mainly located in Fuzhou, China and comprises buildings (EUR 34.65 million), plant and equipment (EUR 22.57 million), motor vehicles and office equipment (EUR 0.67 million) and construction in progress (EUR 1.08 million). The asset depreciation rate in 2013 is 8.32% (2012: 11.95%).

Other assets

As at 31 December 2013, other assets increased by 258.41% from EUR 2.14 million in the previous year to EUR 7.67 million primarily due to lease prepayments made for the land on which the third factory will be built.

Liabilities

Trade and other payables

Trade and other payables decreased by 21.68% from EUR 11.90 million as at 31 December 2012 to EUR 9.32 million as at 31 December 2013. Account payable days increased from 44 days for the full year 2012 to 46 days for the comparable period in 2013. The payable days increase is mainly due to lower purchasing activity over the last months of 2013 compared to the same period of the previous year.

Borrowings and amount due to shareholders

Borrowings at the end of 2013 increased to EUR 7.02 million from EUR 2.40 million as of 31 December 2012 representing an increase of 192.50%. This was due to several new short-term borrowing facilities from China Merchants Bank with maximum one-year maturity and interest rate ranging from about 4% to 8%. The borrowing is used to fund working capital.

There are no unutilised lines of credit at the balance sheet date.

Equity to total assets ratio

The total equity increased from EUR 101.54 million by 7.83% to EUR 109.49 million as at 31 December 2013 mainly due to the consolidated profit for the period.

Non-current assets are completely covered by equity capital.

The equity to total assets ratio decreased slightly from 85.43% as at 31 December 2012 to 84.42% as at 31 December 2013.

Liquidity and capital resources

Cash flows

Overall cash amounted to EUR 38.8 million as at 31 December 2013 compared to the figure from 31 December 2012 of EUR 30.94 million. Overall, the cash generated from our operations and net borrowing exceeded the cash flow from investing activities thereby increasing our overall cash position.

in EUR million	2013	2012
Operating cash flow before working capital changes	19.92	19.41
Cash generated from operations before interest and taxes	20.97	20.73
Cash generated from operating activities	17.86	17.80
Cash flow from investing activities	–14.56	–9.25
Cash flow from financing activities	4.59	–3.98
Net increase in cash and cash equivalents	**7.89**	**4.57**
Cash at beginning of year	30.94	27.00
Effect of exchange rate changes	–0.03	–0.63
Cash and bank balances at end of the period	**38.80**	**30.94**

Cash generated from operations before tax and interest

Cash generated from operations increased slightly by EUR 0.24 million to EUR 20.97 million at the end of the reporting period 2013.

Cash flow from investing activities

The investment of the company in property, plant and equipment for capacity and production expansion is reflected in the cash flow from investing activities. For 2013, the company invested EUR 15.03 million. This investments mainly resulted in negative cash from investing activity of EUR 14.56 million. These include infrastructure investments mainly in connection with the preparation of the third phase expansion and production equipment.

As a result, production capacity increased to more than 1,200,000 units per year.

Cash flow from financing activities

Cash from financing activities for 2013 was EUR 4.59 million in 2013, after EUR –3.98 million in the prior period. This is due to new short-term borrowings at China Merchant Bank. United Power engages in the borrowing activities for several reasons including to establish a favourable credit track record and due to other benefits such as favourable banking fees. As borrowing is typically hard to obtain for small to medium sized private companies, short-term borrowings are also a sign of confidence by the banks in the company's prospects. Building up a track record in borrowing is also expected to facilitate future borrowings particular when the financing requirement are large (e.g. for our third phase expansion).

Cash at end of period

Overall cash increased to EUR 38.80 million compared to EUR 30.94 million for the full year last year representing a positive development of 25.40%. For further information, please see item cash and cash equivalents.

Off-balance-sheet finance transactions

As at 31 December 2013 there are no off-balance-sheet finance transactions.

Based on the solid financial position, at the time at which this report is being drawn up the Management Board does not see any risks arising from funding of the group.

Human resources

United Power's total number of employees decreased from 705 as at the end of 2012 to 638 as at 31 December 2013. While key areas such as management, R&D, sales and marketing were strengthened through upgrading and in the area of company management through hiring of qualified staff, overall employees decreased. This was mainly due to adjustments of our production personnel and administrative personnel as a result of streamlining and continued automation. The streamlining is a result of continuous internal improvements of processes and optimization of responsibilities and resource allocation. Examples include the combination of the quality control and technical department (both part of the administration headcount). The average number of employees was 654 over the course of 2013 (2012: 772 employees). The employee split by function as at 31 December 2013 is shown in the table below:

	31.12.2013	31.12.2012
Management	30	28
R&D	57	57
Sales & Marketing	37	37
Administration	85	111
Production	429	472
Total	**638**	**705**

United Power continues to strengthen its management through further recruitment of qualified staff. In sales and marketing as well as R&D the number of employees remained stable at a high level. The majority of the employees have a university degree. As part of the marketing department, we have also created a new group to achieve a closer interface between our sales and R&D department. This will allow us to more quickly develop products in the future to meet customer demands.

A reduced work force is the result of our continuous efforts to increase overall productivity through further automation and management improvements.

Statement and report pursuant to section 315 paragraph 4 HGB (German Commercial Code)

Subscribed capital

The subscribed capital (share capital) of United Power Technology AG amounts to EUR 12,300,000.00 and is divided into 12,300,000 no par value bearer shares with a notional value of EUR 1.00 each.

Restrictions regarding voting rights and the right to transfer shares

There are no restrictions on the transferability of shares and there are no restrictions on voting rights for shares under the Articles of Association of United Power Technology AG.

Between Mr Xu Wu, Mr Wei Song and Mr Zhong Dong Huang exists an agreement to coordinate the exercise of voting rights associated with their shares in United Power Technology AG, which can be regarded as restriction in the sense of section 315 para. 4 no. 2 of the German Commercial Code.

In addition, legal restrictions on voting rights may exist, for example in the sense of section 136 of the German Stock Corporation Act.

Direct or indirect participation in shares with more than 10% of the voting rights

As at 31 December 2013, the following shareholders hold more than 10% of the shares in United Power Technology AG:

- 20.14% are held by Fortune Sunrise Investments Limited, Road Town, Tortola, British Virgin Islands, (indirectly held by Mr Xu Wu) with a corresponding amount of voting rights;

- 18.99% are held by Fortune Great Investments Limited, Road Town, Tortola, British Virgin Islands, (indirectly held by Mr Wei Song) with a corresponding amount of voting rights;

- 18.42% are held by High Advance Investments Limited, Road Town, Tortola, British Virgin Islands, (indirectly held by Mr Zhong Dong Huang) with a corresponding amount of voting rights;

- 22.12% are held by Orchid Asia IV L.P., Cayman Islands (indirectly held by Mr Gabriel Li, Hong Kong), with a corresponding amount of voting rights.

Shares with special rights

There are no shares with special control powers.

Voting rights of employees

The employees, who hold shares, exercise their unrestricted (voting) rights directly.

Appointment and dismissal of Management Board members. Amendments to the Articles of Association
According to section 7 of the Articles of Association, the Management Board of United Power Technology AG consists of one or more persons. The Supervisory Board determines the number of members of the Management Board. The Management Board of United Power Technology AG consists of three members.

The Supervisory Board elects the Management Board members in accordance with section 84 AktG for a term not exceeding five years. Any extension of the term requires a Supervisory Board decision and cannot be decided earlier than a year before the end of the current contract period. In special cases, the district court can appoint a replacement for a member of the Management Board at the request of any person who has legitimate interest (for example other Board Members) (section 85 AktG). Such an appointment would be terminated immediately when, for example, the Supervisory Board appointed a member of the Management Board.

The dismissal of members of the Management Board can only be for important reasons (section 84 paragraph 3 sentences 1 and 2 AktG). Important reasons are for example, general neglect of duties, inability to properly exercise the duties or the loss of confidence by the Annual General Meeting.

The Articles of Association of the Company can be changed by the Annual General Meeting and the changes will take effect once they are registered with the Commercial Register (Handelsregister). If the Annual General Meeting decides to change the Company's Articles, according to section 133 paragraph 1 AktG a simple majority of the votes cast is required and according to section 179 paragraph 2 AktG a majority of at least three fourths of the share capital represented at the passing of the resolution is required, unless a simple majority of the capital represented is sufficient according to section 18 paragraph 4 of the Articles of Association. According to section 10 paragraph 3 of the Articles of Association, the Supervisory Board is entitled to amend the Articles of Association, provided that such amendments affect only the wording.

Authorized Capital
On 12 June 2012, the Annual General Meeting authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of United Power Technology AG until 11 June 2017, once or several times by up to a total of EUR 6,150,000.00 by issuing a total of 6,150,000 no par value bearer shares in consideration of contribution in cash or in kind (Authorised Capital 2012/I). On principle, shareholders are to be offered subscription rights; the statutory subscription rights may also be offered in such a way that the new shares are taken over by a bank or a syndicate of banks with the obligation to offer them to the Company's shareholders for subscription. The Management Board is authorised, in each case with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders. An exclusion of the subscription right, however, shall only be admissible in the following cases:

a) in order to exclude fractional amounts from the subscription right;

b) in the case of a capital increase against cash contributions, if the entire proportional amount of the share capital that relates to the new shares for which the subscription right is excluded does not exceed 10% of the share capital, in fact neither at the point when it becomes valid nor at the point when the authorization is exercised, and if the amount of issue of the new shares is not considerably lower than the stock market price of shares of the same type and with the same features that are already traded at the stock market when the final issue price is stipulated. When calculating the 10% of the share capital, the proportional amount of the share capital that relates to the shares that were sold or issued or are to be issued under exclusion of the subscription right during the term of this authorization due to other authorizations that apply directly or indirectly mutatis mutandis section 186 subsection 3 sentence 4 AktG shall be offset; or

c)in the case of a capital increase against contributions in kind, particularly for the purpose of acquiring companies, parts of companies or interests in companies, in the frame of mergers and/or for the purpose of acquiring other assets including rights and claims.

The Management Board shall decide, with the approval of the Supervisory Board, on the additional content of the rights to shares and the conditions of issuance of the shares.

After utilisation of authorised capital or the lapse of the period for the utilisation of authorised capital, the Supervisory Board is authorised to amend the Articles of Association.

The authorised capital has not yet been utilized and is thus available at a volume of 6,150,000 shares at 31 December 2013.

Conditional Capital

On 12 June 2012, the Annual General Meeting conditionally increased United Power Technology AG's share capital by up to EUR 246,000.00 by means of issuing up to 246,000 no-par value bearer shares (Conditional Capital 2012/I). The Conditional Capital 2012/I is exclusively for the purpose of servicing subscription rights to shares of United Power Technology AG, which are issued, based on the Stock Option Plan 2012 to members of the Management Board or to selected executive employees of the United Power Technology AG and its domestic and international group subsidiaries. The conditional capital increase shall only be carried out insofar as subscription rights are issued and their owners exercise their subscription right for shares of United Power Technology AG and United Power Technology AG does not grant own shares in fulfilment of the subscription rights. The Supervisory Board is authorized to adjust the wording of the Articles of Association in accordance with the respective use of the Conditional Capital 2012/I.

As at 31 December 2013, a total of 86,100 (previous year: 34,400) subscription rights were issued to members of Management Board and 36,900 (previous year: 14,760) were issued to executive officers.

Authorization to acquire and use own shares

On 11 June 2013, the Annual General Meeting authorized the Management Board to acquire own shares. The shares acquired and other own shares in possession of or to be attributed to the Company pursuant to secs. 71 et seq. of the AktG may altogether at no time exceed 10% of the Company's share capital. At the Management Board's discretion, an acquisition may be conducted via a stock exchange or by means of a public purchase offer directed at all shareholders or by means of a public invitation to submit sale offers directed at the Company's shareholders. These authorizations may be exercised by the Company in full or in part on one or several occasions, but also by affiliated companies or by third parties acting for the account of either the Company or affiliated companies.

The Management Board is authorized to sell own shares acquired on the basis of the above-mentioned authorization via the stock exchange or by means of an offer directed at all shareholders. Shareholders' subscription rights for any fractional amounts shall be excluded in the case of an offer directed at all shareholders. The Management Board is further authorized to use these shares for any purpose permissible by law and, in particular, as follows:

(1) to be sold in return for cash payment excluding shareholders' subscription rights, provided that such shares do not in total exceed 10% of the company's share capital,

(2) to be sold in return for payment in kind excluding shareholders' subscription rights,

(3) to be issued to employees of the Company and affiliated companies or Management Board members of the Company excluding shareholders' subscription rights,

(4) to be cancelled, without such cancellation or its implementation requiring an additional resolution by the General Meeting.

These authorizations may be exercised on one or several occasions, in full or in part, individually or collectively, while those set out under (1) to (3) may also be exercised by affiliated companies or by third parties acting for the account of either the Company or affiliated companies.

Change of control provisions

There are no agreements with United Power Technology AG, which are subject to the condition of a change of control due to takeover offer.

Agreement on compensation in the event of a takeover offer

There are no agreements between the members of the Management Board or employees and United Power Technology AG, which provide for compensation in the event of a change of control due to a takeover offer.

Statement pursuant to section 289 a of the German Commercial Code (HGB)

On 11 April 2014, the Management Board and Supervisory Board issued the statement pursuant to section 289a of the German Commercial Code (HGB). The declaration, along with the gorporate governance report, is permanently available on the website of the Company under www.unitedpower.de.com/en.

Remuneration report

Management Board remuneration

According to section 87, para. 1, and section 107, para. 3, sentence 3 of the German Stock Corporation Act, the Supervisory Board is responsible for determining the Management Board's remuneration. The remuneration for the Company's Management Board is based both on the size and the area of activity, as well as on the financial status of United Power Technology AG. The remuneration for the Management Board contains both fixed components as well as performance-related components.

- Fixed remuneration
  The fixed remuneration comprises a fixed salary plus fringe benefits in the form of insurance premiums and housing fund. The fixed salary is paid monthly in twelve equal instalments and is not dependent on certain targets being reached.

- Performance-related remuneration
  The performance-related remuneration is dependent on the achievement of certain targets. It is divided into an annual bonus and a component with a long-term incentive effect.

  The annual bonus as a short-term variable remuneration component is based on a certain increase of the adjusted EBIT.

In 2013, in order to create incentives for positive performance of United Power Technology AG in the long term, the Management Board member Oliver Kuan has been granted 51,660 options to purchase 51,660 shares in United Power Technology AG. The granting of such stock options and the subsequent granting of shares are subject to the subscription conditions which have been adopted by the Supervisory Board on the basis of the Stock Option Plan 2012 which had been passed by the 2012 Annual General Meeting. In particular, the subscription conditions of the Stock Option Plan 2012 adopted by the Supervisory Board provide that

- stock options may only be issued to members of the Management Board of the Company, if they hold less than 5% in the share capital of United Power Technology AG;

- of a maximum amount of 172,000 stock options which may be granted to members of the Management Board, 20% may be granted in 2012, 30% may be granted in 2013 and 50% may be granted in 2014;

- stock options may only be issued in certain periods of issuance, which shall be four weeks and shall begin after the publication of an annual financial report, an interim financial report of and a quarterly report and an interim announcement of United Power Technology AG;

- the term of the stock options shall be six years;

- stock options may only be exercised after a waiting period of four years;

- stock options may only be exercised in certain exercise periods, which shall be four weeks and shall begin after the publication of an annual financial report, an interim financial report and a quarterly report and an interim announcement of United Power Technology AG;

- the exercise price per share corresponds to the stock market price of United Power Technology AG's share ascertained at the opening auction on the day of issuance of the respective stock option in the XETRA trading of Frankfurt Stock Exchange or in a subsequent system replacing the XETRA system, however being at least EUR 1.00 per share;

- stock options may only be exercised if United Power Technology AG's adjusted EBIT has increased on average by at least 5% per financial year since the day of issuance of the respective stock option.

The Management Board members have not been promised any benefits in the event of the regular termination of their activity.

The Management Board members have received the following remuneration:

Supervisory Board remuneration

Remuneration of the Supervisory Board shall be set at the Annual General Meeting and regulated in the Articles of Association of United Power Technology AG. On 11 June 2013, the Annual General Meeting resolved that each member of the Supervisory Board shall receive a fixed annual remuneration of EUR 40,000.00 and the chairman of the Supervisory Board shall receive an additional EUR 20,000.00 per year for financial years starting after 1 January 2012. Furthermore, each member of the Supervisory Board shall receive a maximum annual bonus of EUR 13,000.00 dependent on the extent to which the company's budgeted EBIT for the respective financial year is achieved.

Members who have not served on the Supervisory Board for the entire year shall receive a prorated remuneration. The members of the Supervisory Board are further reimbursed for expenses and for any VAT applicable to their remuneration and expenses.

In EUR		Fixed	Bonus	Insurance Pension Fund	Total
Xu Wu	2013	80,000.00	0.00	741.10	**80,741.10**
	2012	80,000.00	0.00	3,086.60	**83,086.60**
Zhong Dong Huang	2013	80,000.00	0.00	741.10	**80,741.10**
	2012	80,000.00	0.00	3,086.60	**83,086.60**
Oliver Kuan	2013	121,365.00	0.00	0.00	**121,365.00**
	2012	122,835.00	0.00	0.00	**122,835.00**
Total	**2013**	**281,365.00**	**0.00**	**1,482.20**	**282,847.20**
	2012	**282,835.00**	**0.00**	**6,173.20**	**289,008.20**

The retroactive increase in remuneration to the Supervisory Board passed by resolution of the Annual General Meeting on 11 June 2013 was recognised in the 2013 financial year accordingly under other liabilities vis-à-vis the Supervisory Board.

The Supervisory Board members have received the following remuneration:

in EUR	2013	2012
Mr Wei Song (Chairman of the Supervisory Board)	60,000.00	20,000.00
Mr Hubertus Krossa (Vice Chairman of the Supervisory Board)	40,000.00	40,000.00
Ms Ning Cong	0	13,978.49
Mr Brian Krolicki	40,000.00	15,053.76
Total	**140,000.00**	**89,032.25**

Risk Report

Risk policy

As a public company listed on the German Stock Exchange, United Power Technology AG's adopts a risk management system which seeks to not only meet the German regulatory requirements, but also to adopt best practise elements from other risk management systems, where applicable. While we are committed to increase shareholder value by developing and growing our business, our Board of Directors bears overall responsibility for effective risk and opportunity management, which is an integral part of corporate management. Within the Board of Directors, the CEO takes primary responsibility for the risk and opportunity management function.

Opportunity management

Opportunity and risk management are closely interlinked within the United Power Technology Group. We seek to achieve an appropriate balance between risk and opportunities, and continue to build and enhance our risk management capabilities that assist in delivering our business development plans in a controlled environment. Especially our core market, China, is highly regulated with regard to export provisions and currency restrictions. In China as well as in all other sales markets there are different technical standards and requirements for our products, which create opportunities and risks.

Direct responsibility for the early and regular identification, analysis and utilisation of opportunities rests with the operational management of our group. Opportunity management is an integral part of the Group wide planning and controlling systems. We occupy ourselves intensively with market and competition analyses, relevant cost elements and key success factors, including those in the economic, political and regulatory environment in which the group operates. This serves as the basis for identifying concrete opportunity potentials that are specific to business segments and corresponding targets, which are discussed and then defined between the Board of Directors and the managers responsible for the business segments. Selected opportunity potentials for the United Power Technology Group are discussed in the "Opportunities" section of the forecast report.

Risk management system

In order to ensure that adequate risk management, internal control and audit systems are in place United Power Technology AG set a risk management framework and define the terms of reference, analyze all entities and all business processes for potential risk which could threaten the existence of the group companies, identify and evaluate risks according to impact and likelihood, identify early-warning indicators which monitor the development of relevant risks, design appropriate responses and measures (including communication of risk relevant information to the appropriate addressees within the organization) and undertake periodic evaluations to continuously improve the risk management system. While we seek to make continuous incremental improvements to our Risk Management System its design and mechanics have remained largely unchanged from last year.

Risk management is therefore seen as the systematic and regular process to identify, asses and analyse all unexpected or unplanned events of material nature for their potential impact on the business of United Power Technology AG and its subsidiaries, financial situation and processes at an early stage. Furthermore to identify and evaluate potential risks, which could have a negative impact on our reputation and to avoid risks that could jeopardise the continued existence of the subsidiaries.

The risk management system coordinates and economically applies the group's resources to minimize, monitor and control the probability and/or impact of the mentioned events. Our risk management system does not explicitly include opportunities for the company. Although, any risks brought to attention to management are then being evaluated for its implications on the group including possible opportunities arising there from Management may in future however evaluate the possibility to explicitly include opportunities into the risk management report.

Organisation and tools of the risk management system

The risk management is implemented at all levels within the group, from the board down through the organisation to each responsible person of every business section. The CEO together with the risk management officer has defined group wide guidelines principles and rules of behaviour as well as guidelines for systematic and effective risk management of the United Power Group. The Group wide risk management consists of the following elements:

- The guideline on the risk management structure
- The person responsible for risk management
- Regular risk reporting
- Immediate reporting in urgent cases

The United Power Group continues to focus significant attention on the implement of the whole risk management system. Our internal audit department provide an independent assessment of the adequacy and effectiveness of the overall risk management structure, and reports are presented to the Supervisory Board on quarterly basis.

Risk identification

Independent and objective oversight of risks is in place at all levels throughout the group. We monitored all aspects of the business. The process of assessing, evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business. The methods used for risk determination range from analyses of markets and competition through close contacts with customers, suppliers and institutions to observing risk indicators in an economic environment.

Risk assessment and quantification

Risks should be analyzed considering likelihood and impact as a basis for determining the appropriate risk measures/ response.

Risk control

Risk management controls aim to reduce the likelihood and/ or (financial) impact of a risk. Control activities usually involve two elements:

- a policy establishing what should be done and
- a range of activities and procedures (e.g. approvals, authorizations, verifications, reviews, etc.) to execute the policy.

Risk reporting

In order to ensure the proper functioning of the risk management system, relevant information has to be collected reliably (complete and free from errors) and timely (up-to-date) and distributed to the responsible positions. All activities of the risk management must be documented. The documentation of risk inventory is carried out based on the reporting template, which is provided by the risk officer. A risk and control matrix (RCM), which visualized the identified risks, implemented measures and early warning indicators, are then created. On a quarterly basis, the Board of Directors receives an overview of the current risk situation via a standardized reporting system. Material risks that arise in the short term are, if urgent, immediately communicated directly to the Board of Directors outside customary reporting channels. The Supervisory Board is briefed by the Board of Directors in just as regular and timely a manner and, if urgent, immediately.

Risk management in relation to financial instruments

The United Power Group essentially holds financial instruments of the “Loans and Receivables” category as well as cash and cash equivalents and financial liabilities.

The financial objective of United Power Technology AG is to limit financial risks (e.g. currency exchange risks, interest, default and liquidity risks) through systematic financial management. The risks arising from cash flow fluctuations based on our financial liabilities are subject to variable interest rates should not be considered material. For the most part, cash equivalents in accounts with renowned banks, towards which we have no doubts with regard to their creditworthiness.

As part of its financial management, the United Power Group controls its capital structure and makes adjustments if necessary, taking into account the economic framework structure. It can take out bank loans at any time due the comparatively high ratio of equity capital.

The primary objective of the Group is to ensure the future ability to repay liabilities and to maintain an adequate equity ratio.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 315 Para. 2 No. 5 of the German Commercial Code – HGB)

The internal control system of United Power Group encompasses of the principles, procedures and measures designed to ensure the effectiveness, economy and adequacy of accounting procedures as well as the compliance with the relevant regulations.

The guideline for accounting and reporting of the United Power Group in accordance with IFRS stipulate the uniform accounting and valuation principles for the German and foreign companies included in the consolidated financial statements.

New provisions and amendments to existing regulations for the accounting are analysed on a timely basis for their effects and are, if these are relevant to us, implemented into guidelines and accounting processes.

An adequate IT platform is used for the consolidated entities and reported to the holding company in consolidated manner. An external expert performs the consolidation of the United Power Holding HK to the United Power Technology AG. In individual cases, such as the evaluation of the stock option an external expert also carries out plans. External experts are selected based on their qualifications, reputation and our experience in working with them. Their suitability is monitored by way of critical reviews and discussions on the results of their work.

An adequate and complete elimination of internal group transaction actions is ensured by formalized inquiries of consolidation relevant information.

All consolidation processes for preparation of the consolidated financial statements are carried out and documented in a consolidation sheet.

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors. The audit results by process-independent organizations provide us with information regarding the appropriateness of our consolidated accounting and they provide a support tool for the Management Board and the Supervisory Board in monitoring internal financial reporting processes.

Overview of corporate risks

The United Power Technology Group’s approach to risk management is based on well established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at group level, with proactive participation by the executive team and heads of every business unit. The group has developed a set of risk governance standards for each major risk type to which it is exposed. Risks material to the group are described in the following section. The assessment of the likelihood of a risk materializing is based on the criteria

- Very low (likelihood of materializing < 5%)
- Low (likelihood of materializing 5 – 30%)
- Medium (likelihood of materializing 30 – 60%)
- High (likelihood of materializing 60 – 90%)
- Very High (likelihood of materializing > 90%)

The assessment of the possible financial impact

- Extreme (Negative impact on EBIT > 50%)
- High (Negative impact on 30% > EBIT< 50%)
- Medium (Negative impact on 10% > EBIT< 30%)
- Low (Negative impact on 5% > EBIT< 10%)
- Very low (Negative impact on 0% > EBIT< 5%)

The table below provides an overview of risks that are material to the United Power Group, their likelihood and their possible financial impacts.

	Likelihood of materialization	Possible financial impact
Strategic Risks		
Risk arising from market dependency	Low	High
Risk arising from customer/demand dependency	Low	High
Environmental Risks		
Effects of the macroeconomics	Low	Medium
Market Risks		
Risk arising from lack of long term contracts	High	Medium
Risk arising from increased commodity prices and component prices	Medium	Medium
Financial Risks		
Risk arising from customers default	Low	Medium
Risk arising from currency translation	Medium	Medium
Operational Risks		
Personnel Risks	High	High

Strategic risks

Risk arising from market dependency

As an international Group United Power is dependent on the individual sales markets. The Company counters market risks through among other things a diverse customer base, close customer contact and market research. In addition to external measures United Power reacts to sales risks with a diversification of their products (e.g. establishing an own brand and exploring additional markets)

Risk arising from fluctuation in demand and consumer behaviour

Our products may face significant fluctuations in demand and in consumer behaviour. As a result of external influences, whose occurrences and non-occurrences we cannot normally influence, the demand for our products may decline in the relevant markets and may lead to pressure on the price level. These factors include but are not limited to the swings of the economic cycle, decreasing global prices, the market entry of new competitors, concentration on the demand side as well as deliberate buying restraints on the part of the customers.

Market risks

Risk arising from loss of major customers

The Group has numerous customers, five of which account for a significant part of the Group's sales revenues (between 5–8% each). The Group might not be able to maintain these relationships with one or more of the major customers and thus the major customers choose products from other competitors.

The Group performs a constant monitoring of the sales to its customers and by investing in R&D to improve the quality of our products we further try to achieve the costumers' needs. Further the Company is trying to develop long-term contracts with its major customers to minimize the risk of potential customer losses.

Risk arising from increased commodity and component prices

As a manufacture for power equipment we are exposed to numerous risks arising from increased commodity and component prices. We are building strong relationships with our suppliers and source of alternative sources to prevent ourselves from the risk of increased commodity and component prices. Further we try to counter the pressure on our margins by passing the increased costs to our customers through higher product prices. In order to be able to do this we require greater pricing power in the market, which we seek to achieve through the measures, mentioned i.e. expanding market share, improving quality and establishing own or licensed brands. Improving product quality is achieved through a number of measures including better processes and controls, increased R&D efficiency and activity as well as increased automation. Increased automation in particular is also a measure by which we address the risks arising from rising labour costs and high fluctuation of workers, indirectly through less reliance on labour and thereby controlling the unit labour costs. Furthermore, United Power intends to increase sales of our own branded goods and evaluate opportunities for licensed brands in order to cover the above-mentioned risks

Environmental Risk

Effects of the macroeconomic environment

The behaviour of demand for power equipment of United Power is considerably influenced by general economic growth as well as the economic trends and the associated improving living standards in relevant markets.

In particular the unresolved and worsening national debt crisis in some major countries of the euro zone and the slowdown in growth in emerging countries such as China have resulted in scepticism with regard to the global economy's growth prospects for 2012 and 2013. A worsening of the national debt crisis in Europe and the associated further uncertainty in capital and financial markets and among businesses and consumers might have a negative impact on the global economy and the demand for products produced by the Untied Power Group.

Financial Risks

Risk arising from foreign exchange rates

Most of the revenues and expenses of United Power are generated in RMB and USD, thus the changes to the exchange rate could have a negative impact on the consolidated results of United Power. Our products are almost exclusively produced in China. Fluctuations in the exchange rates are reflected in corresponding changes in sales prices, as long as the nature of our sales market allows. We do not conduct any currency or interest rate hedging transactions.

Risk arising from customers default

The default of a customer should be understood as a customer not to fulfil his contractual obligation in full or partially. This default could lead to a loss to us.

We perform intensive credit checks of our customers before entering into new arrangement. Further we perform credit checks with existing customers on a regular basis. Further we implemented credit limits to our customers to minimize the potential risk exposure. We normally require that new customers pay in advance.

Operational risks

Personnel risks

Healthy and committed employees and managers are the key to United Power's success. There is a risk that key members of the management will leave the Company due to health issues.

We perform regular health checks on all levels and have a formal safe and health policy implemented and a process to enforce the adherence to the requirements of the policy.

Overall risk

United Power has taken sufficient precautions against normal business risks, which might have a negative impact on the development of the United Power Group. As of the end of the year under review there were no identifiable risks for the United Power AG and the United Power Group, which might represent a threat to their existence.

Opportunities and outlook

Economic and industry outlook

According to the update of the World Economic Outlook issued in January 2014 by the International Monetary Fund (IMF) global growth is projected to be around 3.7%, and therefore higher than in the previous year.

In the United States growth is expected to be 2.8% in 2014, up from 1.9% in 2013. According to the IMF the growth in 2014 is mainly due to domestic demand, supported in part by a reduction in the fiscal drag as a result of the recent budget agreement. The euro area returned to recovery from a period of recession. According to the IMF growth is projected to strengthen to 1.0% in 2014, driven by a smaller fiscal drag, stronger external demand, and a gradual improvement in private sector lending conditions.

In our "home" market China the Government recently announced a target growth rate of 7.5% for 2014, which is in line with the expectations from IMF. This means a further slight deceleration from the growth that was achieved in 2013 of 7.7%.

On a most fundamental level our industry is driven by the economic environment in the geographies we sell our products. While we sell on a global basis our key markets are Europe, our domestic market in China and North America and hence the industry environment in these markets are of particular importance to us. Apart from the macroeconomic environment other key factors influencing each geography's industry environment are geographic factors. These include occurrence of natural disasters such as hurricanes particularly in North America, regulations particularly in markets such as Europe and industry consolidation, particularly in the China market. Some of these factors are further discussed in the section below.

Opportunities

In 2013 we have successfully continued to widen our international customer base by acquiring more than 35 new customers around the world and adding seven more countries we sell to, bringing our total number of customers to more than 270 in close to 70 countries.

In 2014, United Power Technology Group will continue its pursuit of the three-pronged strategy, which comprises further geographic expansion and penetration, broadening the range of engine-powered products and scaling up the size of its products in order to further expand the customer base and applications of its products.

While 2013 was a challenging year we remain confident in our growth prospects, as there are many opportunities for us to grow and increase profitability. These opportunities include in particular:

- General strengthening of the global economy as both North America's recovery gathers pace and Europe's economies have been stabilizing and are expected to gradually improve;

- Industry consolidation in our "home" market China; while the consolidation process leads to volatility as some of our struggling domestic competitors may seek to sell at unsustainably low prices, we believe that we will emerge from this consolidation process as one of the leading quality players which will strengthen our market position and pricing power;

- The new technical requirements which were introduced in the EU last year have affected our sales into the EU; however, our R&D department is currently working on modifying our products to comply with the new standards which should allow us to regain market share in the EU;

- New growth areas into geographies into which we are to date not yet selling; while this also requires a stepped-up sales effort we believe there remain significant opportunities in new markets;

- Expansion of our outdoor power equipment segment; there is growing demand for engine driven power equipment's such as pumps, tillers, and high pressure washers in both developed as well as developing countries;

- Continuous improvement of our product mix towards high margin products including larger generators, inverter generators as well as branded products;

- M&A opportunities which may strengthen our brands, sales and distribution in key focus geographies and/or our technical capabilities;

- Further establishing our own or licensed brands in new markets and enhancing them in existing sales markets; we seek to further strengthen our reputation of reliability and to enhance brand awareness. It is intended to achieve strengthening of the Group's brands by enhancing marketing efforts such as participating in industrial trade fairs or exhibitions in local markets, media, internet and outdoor advertisement campaigns as well as through promotional campaigns, which can be launched together with local partners.

- Further productivity gains due to continuous and relentless efforts to maintain and improve manufacturing excellence as well as upgrading and optimizing our sales and marketing and research and development capabilities.

Investments

Given these opportunities and after careful and detailed analysis we commence our investment in buildings and structures for the third phase expansion of our newest and third factory, Gaoqi Industrial Park. This investment was originally considered for last year but then postponed due to the adverse market conditions. We may also invest in up to eight new production lines for all our major products including residential and commercial generators as well as outdoor power equipment. This will depend on prevailing market and conditions and capacity utilization. Our investment budget for this expansion in 2014 is up to around RMB 300 million (about EUR 36 million), based on a currency rate of EUR/RMB of 1:8.33 more than 90% of which is designated for property, plant and equipment and the remaining funds for R&D as well as sales and distribution. The Group is in the position to finance upcoming investments from the cash flow from current operatng activities and existing cash equivalents. However, some of the planned investments are financed by loans.

Financial Outlook

We believe that investments in our capacity expansion will start bearing fruit after the completion of our first new production lines towards the end of the current financial year or the beginning of next year. In the meantime, we will focus on laying the foundation for further profitable growth through capacity expansion and general strengthening of our company in particular the sales and distribution and research and development efforts. While the overall economic environment particularly in the US markets is improving our sales still depend to some degree on factors such as the occurrence of hard to predict natural disasters, regulatory issues such as technical requirements as well as local industry consolidation. We believe that the temporary weakness in our industry environment in the second half of 2013 will extend into the first and maybe second quarter of 2014 but expect that trading conditions will improve in the second half of 2014.

However, given all the aforementioned factors we expect the financial results in full year 2014 to be somewhat weaker than in 2013. We expect a slight decline in our group revenue for 2014 resulting from slightly lower revenues of our commercial generator segment and our residential generator segment. However, we do anticipate our outdoor power segment to grow this year, a segment where we see overall good growth prospects. The components sector continues to be a less strategic sector, which will be driven by opportunities presenting themselves in the market place. As far as our profitability is concerned we expect somewhat lower gross profit and EBIT margins compared to 2013 due to expected further RMB appreciation against the USD, higher fixed asset depreciation as well as a larger research and development budget. Our guidance assumes a EUR:RMB exchange rate comparable to 2013 and generally stable or improving trading conditions. All in all, we remain confident about our continuing profitable growth prospects particularly over the medium to long term.

Eschborn, 11 April 2014

United Power Technology AG
Management Board

Xu Wu	Zhong Dong Huang	Oliver Kuan
Co-CEO	Co-CEO	CFO

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as at 31 December

in EUR thousand	Notes	2013	2012
Non–current assets			
Property, plant and equipment	18	58,975	56,090
Intangible assets	17	894	1,025
Other non-current assets	19	7,667	2,141
Deferred tax assets	20	586	583
		68,122	**59,839**
Current assets			
Inventories	21	**5,049**	4,657
Trade and other receivables	22	13,584	20,781
Receivables due from related parties	33	594	0
Current recoverable income taxes		7	9
Other current financial assets	23	3,474	2,598
Other current assets	19	54	47
Cash and cash equivalents	23	38,802	30,936
		61,564	**59,028**
Total assets		**129,686**	**118,867**
Capital and reserves			
Share capital	24	12,300	12,300
Additional paid-in capital	24	55,883	55,883
Reserve of available-for-sale (AFS) financial assets	24	0	–1
Currency translation difference	24	5,141	7,288
Retained earnings including net earnings	24	35,115	25,009
Equity attributable to owners of the parent	24	108,439	100,479
Non-controlling interests	24	1,046	1,056
Total equity		**109,485**	**101,535**
Non-current liabilities			
Other liabilities		1,651	1,788
Deferred tax liabilities	20	94	97
		1,745	**1,885**
Current liabilities			
Borrowings	25	7,023	2,405
Trade and other payables	26	9,317	11,900
Other provisions	27	80	433
Current tax liabilities		2,036	709
		18,455	15,447
Total liabilities		**20,201**	**17,332**
Total liabilities and equity		**129,686**	**118,867**

Consolidated Statement of Income

for the period from 1 January to 31 December 2013

in EUR thousand	Notes	2013	2012
Revenue	6	103,665	111,047
Cost of sales	8	–82,997	–88,641
Gross profit		20,668	22,406
Other income	9	1,230	1,153
Distribution and selling expenses		–1,302	–1,358
Administrative expenses		–3,752	–4,134
Research and development expenses		–1,055	–1,002
Other expenses	10	–1,914	–1,806
Profit from operations (EBIT)		13,875	15,259
Interest income		467	171
Interest expense		–254	–280
Financial result	13	213	–109
Profit before taxes		14,089	15,150
Income taxes	14	–4,103	–2,562
Profit for the period	15	9,986	12,588
Attributable to:			
Owners of the Company		10,106	12,666
Non-controlling interests		–120	–78
		9,986	12,588
Earnings per share in EUR (diluted – basic)	16	0.82	1.03

Statement of other Comprehensive Income

for the period from 1 January to 31 December 2013

in EUR thousand	2013	2012
Profit for the period	9,986	12,588
Items that will be recognized in the profit and loss in the future		
Currency translation difference	–2,036	–2,164
Reserve for available-for-sale (AFS) financial assets	1	0
Other comprehensive income (expense) for the period	–2,035	–2,164
Total comprehensive income for the period	7,951	10,424
Total comprehensive income (expense) attributable to:		
Owners of the Company	7,961	10,522
Non-controlling interests	–10	–98
	7,951	10,424

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 December 2013

in EUR thousand	Share capital	Capital reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
Balance as at 1 Jan 2012	12,300	55,883	–1	9,432	12,343	89,957	1,154	91,111
Profit for the period					12,666	12,666	–78	12,588
Other comprehensive income (expense) for the year				–2,144		–2,144	–20	–2,164
Total comprehensive income for the period	0	0	0	–2,144	12,666	10,522	–98	10,424
Balance as at 31 December 2012	12,300	55,883	–1	7,288	25,009	100,479	1,056	101,535
Balance as at 1 January 2013	12,300	55,883	–1	7,288	25,009	100,479	1,056	101,535
Profit for the period					10,106	10,106	–120	9,986
Other comprehensive income (expense) for the year			1	–2,147	0	–2,146	111	–2,035
Total comprehensive income for the period	0	0	1	–2,147	10,106	7,961	–10	7,951
Balance as at 31 December 2013	12,300	55,883	0	5,141	35,115	108,439	1,046	109,485

Consolidated Statement of Cash Flow

for the period from 1 January to 31 December

in EUR thousand	2013	2012
Profit before tax	14,089	15,150
Adjustments for:		
Impairment of non-current financial assets	682	0
Depreciation on intangible assets and property, plants and equipment	5,035	4,471
Depreciation of prepaid lease payments	59	43
Financial result	–213	125
Other non-cash (income) expense	88	–112
(Gain) loss from the disposal of intangible assets and property, plant and equipment	176	0
(Increase)/decrease in current assets	4,649	–694
Increase/(decrease) in current liabilities	–3,593	1,745
	20,972	**20,728**
Interest paid	–254	–296
Income taxes paid	–2,852	–2,643
Cash generated from operating activities	**17,866**	**17,789**
Payments for acquisition of:		
Intangibles	–6	–15
Property, plant and equipment	–9,404	–9,416
Acquisition of prepaid lease payments	–5,618	0
Proceeds on disposal of:		
Long-term investments	0	16
Interest income	467	171
Cash flow from investing activities	**–14,561**	**–9,244**
Repayment of borrowings	–2,427	–12,747
New borrowings raised	7,175	8,605
Cash payments to shareholders	–161	0
Cash contributions by shareholders	0	163
Cash flow from financing activities	**4,587**	**–3,979**
Net increase (decrease) in cash and bank balances	**7,892**	**4,566**
Cash and bank balances at beginning of year	**30,936**	**27,002**
Effect of exchange rate changes	–26	–632
Cash and bank balances at end of period	**38,802**	**30,936**

Notes to the Consolidated Financial Statements

for the period from 1 January to 31 December 2013

1. General information

United Power Technology AG, Eschborn, Germany, ("United Power" or "the Company") is registered under the firm United Power Technology AG with the commercial register of the local court of Frankfurt am Main (HRB 88245). The address of the Company's registered office is: Mergenthalerallee 10–12, 65760 Eschborn, Germany.

The Company and its subsidiaries (collectively "the Group") produce in China and sell generators and related equipment globally.

The shares of the Company have been admitted to trading on the regulated market of the Frankfurt Stock Exchange. On 10 June 2011 the Company issued 2,300,000 no-par-value shares with a value of the share capital of EUR 1.00 per share for an initial share price of EUR 9.00 per share.

The consolidated financial statements were prepared by the Management Board on 11 April 2014 and authorized by the Supervisory Board.

The consolidated financial statements are presented in Euros. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated.

The currency of the primary economic environment in which the Company and its subsidiaries operate is Renminbi ("RMB") (the functional currency of the Company and its subsidiaries).

The figures mentioned in the consolidated financial statements were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated in a table may not exactly add up to the total values that may also be stated in the table.

Dividends and foreign exchange restrictions

Dividends to be paid by the operating Chinese subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the related legal requirements.

Cash transfers from China to foreign countries or to the special administrative regions of Hong Kong and Macao require special approval by the "State Administration of Foreign Exchange" ("SAFE").

2. Basis of preparation

The consolidated financial statements of United Power were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) under commercial law.

In the 2013 financial year, the following accounting standards and interpretations were adopted for the first time:

- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 – Amendments relating to Government Loans with Non-market Interest Rates (Effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 – Presentation of Financial Statements: Amendments relating to the Presentation of Other Comprehensive Income. The amendments to IAS 1 require the presentation of statements of comprehensive income to be revised. Items of other income are to be presented separately and divided according to those items that in future will not be reclassified as net income for the period and those items that will (Effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 – Employee Benefits (as revised in 2011): The main amendments concern the abolition of the corridor method, the determination of expected return on plan assets, amendments to the presentation of pension costs and additional disclosures (Effective for annual periods beginning on or after 1 January 2013).

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement: The publication of IFRS 13 creates a separate standard containing general provisions for fair value measurement (Effective for annual periods beginning on or after 1 January 2013). Furthermore, IFRS 13 especially affects the notes to the consolidated financial statements. The information on the hierarchy levels of certain assets and debts as well as the explanations regarding the calculation of fair value was supplemented.
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (Effective for annual periods beginning on or after 1 January 2013)
- Annual improvements to the IFRS 2009–2011 Cycle for IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 (Effective for annual periods beginning on or after 1 January 2013)

The first-time adoption of these standards and interpretations did not have any significant impact on the presentation of net assets, financial and earnings position or notes on the consolidated financial statements of United Power Technology AG. With the exception of the information contained in the Notes according to IFRS 13, the consolidated financial statements were not materially affected.

The following new and revised standards and interpretations already adopted by the IASB, but not yet mandatory for the financial year 2013, have not been taken into account in the consolidated financial statements as at 31 December 2013:

- Amendments to IFRS 7 – Financial Instruments Disclosures: Disclosures on the transition to IFRS 9 (Effective for annual periods beginning on or after 1 January 2015)
- IFRS 9 – Financial Instruments (Effective for annual periods beginning on or after 1 January 2015)
- Amendments to IFRS 9 – Financial Instruments: Mandatory Effective Date and Transition Disclosures (Effective for annual periods beginning on or after 1 January 2015)
- Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 (Effective for annual periods beginning on or after 1 January 2017)
- IFRS 10 – Consolidated Financial Statements (Effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements, Amendments relating to the Consolidation of Investment Companies (Effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 – Joint Arrangements (Effective for annual periods beginning on or after 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2014)
- Transition Guidance, Amendments to IFRS 10, IFRS 11 and IFRS 12 (Effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 – Employee Benefits Defined Benefit Obligations: Employee Contributions (Effective for annual periods beginning on or after 1 July 2014)
- IAS 27R – Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2014)
- IAS 28R – Investments in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 – Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement: Amendments relating to the Novation of Derivatives and Continuation of Hedge Accounting (Effective for annual periods beginning on or after 1 January 2014)

- Amendments to IAS 36 – Impairment of Assets: Clarification regarding the Recoverable Amount Disclosures for Non-financial Assets (Effective for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – Levies (Effective for annual periods beginning on or after 1 January 2014)
- Annual improvements to the IFRS 2010–2012 Cycle for IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 (Effective for annual periods beginning on or after 1 July 2014)
- Annual improvements to the IFRS 2011–2013 Cycle for IFRS 1, IFRS 3, IFRS 13 and IAS 40 (Effective for annual periods beginning on or after 1 July 2014)
- IFRS 14 – Regulatory Deferral Accounts (Effective for annual periods beginning on or after 1 January 2016)

Management anticipates that the application of these standards and interpretations will have no significant impact on the presentation of net assets or the financial position and results of the consolidated income statement.

The balance sheet differentiates between current and non-current assets and liabilities. The consolidated income statement is presented using the cost of sales method.

Expenses are allocated to the functional areas of manufacturing, sales and general administration.

3. Consolidated Group

All subsidiaries are included in the consolidated financial statements.

Subsidiaries are companies that are directly or indirectly controlled by United Power and are fully consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled.

Consolidation Group

Name registered office of	Share capital (in EUR thousand)	Equity interest (in %)
United Power Equipment Co. Ltd. Mongkok, Hong Kong (UP HK-Holding)	1	100
United Power Equipment Co. Ltd. Fuzhou, People's Republic China (UPEC)	29,635	100
United Power France SASU, Lille, France	10	100
Fujian United Power Equipment Co. Ltd. Fuzhou, People's Republic China (FUPEC)	2,405	100.0*
Sealand Machinery Co. Ltd. Fuzhou, People's Republic China	1,202	100.0*
Disheng WanKai Machinery Co. Ltd. Fuzhou, People's Republic of China (DWC) [1)]	2,405	51.0*
Shanghai Genmaster International Trading Co. Ltd. Shanghai, People's Republic of China (Genmaster)	758	100
Hua Tong Zhong Chuang Co., Ltd. Fuzhou, People's Republic of China (HTZC)	238	100

1) Incorporated by the Group and Mr Wei Gao Xin (an independent investor) on 22 June 2010. The Group holds 51% and Mr Wei Gao Xin 49% of shares in DWC.
* Indirect

The percentage of equity interests in the previously existing subsidiaries attributable to the Group did not change during the Track Record Period. A new subsidiary company called Hua Tong Zhong Chuang, Co. Ltd with a 100% equity interest attributable to the Group was founded in April 2013. Through the establishment of this new company we have been able to further increase our degree of vertical integration as we previously have been purchasing these parts.

4. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as applicable in the European Union.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, as explained below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The material principles on recognition and measurement outlined below were applied uniformly.

Consolidation Group

The consolidated financial statements incorporated include in the financial statements of the parent company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as obtain benefits from its activities.

The financial statements of United Power Technology AG and its subsidiaries are consolidated in accordance with IFRS under consideration of the Group accounting policies. The financial statements of the subsidiaries are prepared on the same reporting-date as the parent. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The intra-group receivables and liabilities as well as income and expenses were eliminated.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Since United Power Technology AG and United Power Equipment Co., Ltd, were jointly managed, IFRS 3 does not apply for the corporate merger executed in 2010. In light of this fact, in accordance with IAS 8.10 ff, acquisition of the subgroup of United Power Equipment Co,, Ltd, was dealt with according to the book value method under application of IDW RS HFA 2. Assets and liabilities carried forward are accordingly posted at their consolidated carrying value at the time they were included in the basis of consolidation for the first time. The differential amount between the consideration granted and the sum of consolidated carrying values of assets carried forward less assumed liabilities was offset against capital reserves. The initial consolidation was posted again under the subsequent consolidation.

Cost of equity transaction

In prior years costs for the capital increase of the IPO have been included as expenses in the period.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised at its disposal or when no further economic benefit is expected from its use or its disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally generated intangible assets

Expenditures on research activities is recognised as an expense in the period incurred. An internally generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and the resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period incurred. In the reporting period and the previous reporting periods, all expenses related to development costs do not fulfil the described requirements and are therefore included in the income statement.

In the subsequent periods internally generated intangible assets will be reported at acquisition or production cost minus accumulated depreciation and impairment.

Impairment of tangible and intangible assets, except Goodwill
At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating item) is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment
Property, plant and equipment are carried at cost and depreciated over the estimated useful life. As at the reporting date, the book values are reviewed for impairment in regard of their recoverability and necessary revaluations and values are adjusted if necessary.

Construction in progress for use in production, sales or administration is carried at cost less any recognised impairment loss. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets according to Group accounting policies. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

The production costs of internally generated property, plant and equipment include directly attributable production costs, pro-rated production overhead costs as well as interest on borrowed capital attributable to the period of production.

Property, plant and equipment (excluding property or facilities under construction) less their residual value are depreciated using the straight-line method over their expected useful economic life.

Machinery and equipment	10 years
Motor vehicles	5 years
Buildings	20 years
Office equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. The production costs of finished goods and work in progress include all costs for product development, raw materials and supplies, direct personnel costs, other direct costs and indirect costs attributable to production (based on a normal operating capacity) and are calculated using the weighted average method. Acquisition costs of raw materials and supplies are measured at weighted average.

The net realisable value is the estimated sales price minus necessary variable cost of distribution, in normal course of business.

The details of inventories are disclosed in Note 21 of the notes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

Sales are measured by the fair value of the received or expected compensation and diminished by returns, rebates, and similar deductions.

Revenues from the sale of goods are record if the following conditions have been met:

- the Group has transferred all significant risks and opportunities associated with ownership of the goods to the buyer,
- the Group does not retain either a right of disposal, which is usually associated with ownership, or any effective control over the goods and products sold,
- the amount of revenue can be accurately determined
- the Group will probably benefit commercially from the sales transaction and
- the costs incurred or to be incurred in connection with the sale can be accurately determined.

Interest income from financial assets is accrued on a pro rata basis according to the outstanding principal at the applicable effective interest rate. The effective interest rate is the interest rate at which estimated future cash flows are discounted over the expected term of the financial asset to arrive at the net carrying amount of this asset derived from its initial measurement.

Dividend income from investments is recognised when the rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee (finance lease). All other leases are classified as operating leases. The Group has not entered into finance leases in the reporting period and in preceding periods.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Prepaid lease payments

Upfront prepayments made for the land use rights are initially recognised on the combined statement of financial position as other assets and are charged to the profit or loss as expenses over the periods of the respective lease.

Foreign currencies

The management has determined the currency of the primary economic environment in which the Group operates, to be Renminbi as the currency of the primary economic environment. Fluctuations in RMB primarily influence revenue and also the major cost for the supply of goods and major operating expenses. RMB is the functional currency of the Chinese Group companies. The presentation currency of the Group is EUR, being the presentation currency of its German domiciled legal parent and holding company, and therefore the financial information has been translated from RMB to EUR.

Preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the combined financial statements, the assets and liabilities of the Group are translated to EUR as its presentation currency using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

The following exchange rates have applied:

		2013	2012
Balance sheet date 31 December	1 EUR = RMB	8.4189	8.3176
Average	1 EUR = RMB	8.2396	8.1423
Balance sheet 31 December	1 HKD = RMB	0.7862	0.8108
Average	1 HKD = RMB	0.7979	0.8136
Balance sheet 31 December	1 EUR = USD	1.3791	1.3194
Average	1 EUR = USD	1.3281	1.2848

Government grants

Government grants are not recognised, as profit until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are realisable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become realisable.

Retirement benefit costs

Contributions to statutory retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. These are defined contribution plans.

The Company has no direct and indirect pension obligations, which would be classified as defined, benefit obligation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are presented net if an enforceable legal title for offsetting exists and if the deferred tax assets and liabilities are related to income taxes which are raised by the same tax authority for either the same taxpayer or different taxpayers which intend to achieve the settlement on a net basis.

The carrying amount of deferred tax assets is reviewed at the end of a reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively. Where current or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At the end of the reporting period the Group holds solely financial assets classified as available for sale financial assets and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, or neither (a) loans and receivables (b) nor held-to-maturity investments or (c) nor financial assets which are measured at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain and loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Loans and receivables (including cash and cash equivalents)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a director) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised on basis of the effective interest method except of short-term receivables for which the interest effect would be immaterial.

Impairments of financial assets
Financial assets, except for those, which are recognised at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- that the active market for this financial asset disappears because of financial problems

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve.

Cash and cash equivalents include cash-accounts and short-term cash deposits at banks are measured at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities are categorised as either financial liabilities measured at fair value through profit or loss or other financial liabilities.

The Groups financial liabilities are solely belonging to the category "liabilities valued at acquisition costs carried forward".

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties and other borrowings are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise collateralised borrowings for the proceeds received.

When a financial asset is fully derecognised, the difference between the carrying amount and the sum of the past or future consideration received plus all accumulated gains or losses that were recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Error correction pursuant to IAS 8

The audit of the consolidated financial statement and the consolidated management report as at 31 December 2013 showed that errors needed to be corrected in accordance with IAS 8. The errors corrected concerned reclassifications between individual asset classes. This changes the asset analysis, but it does not affect the book values in the consolidated balance sheet.

The error correction was carried out as at 1 January 2012, effective retroactively. The asset analysis of the previous year will therefore be shown with the adjusted values as at 1 January 2012.

The error correction primarily concerns the two asset classes buildings on leased land and property, and plant and equipment.

These adjustments are shown in detail below:

In EUR thousand	Buildings on leased land before IAS 8 correction	IAS 8 correction	Buildings on leased land after IAS 8 correction	Property, plant and equipment before IAS 8 correction	IAS 8 correction	Property, plant and equipment after IAS 8 correction
Acquisitions and production costs:						
As at 1 January 2012	**35,076**	**–1,671**	**33,405**	**17,787**	**1,867**	**19,654**
Additions	0	0	0	8,994	0	8,994
Disposals	0	0	0	–11	0	–11
Currency conversion	–654	31	–623	–332	–34	–366
As at 31 December 2012	**34,422**	**–1,640**	**32,782**	**26,438**	**1,832**	**28,270**
Accumulated depreciation:						
As at 1 January 2012	1,910	–136	1,774	851	170	1,021
Additions	1,894	1	1,895	2,063	0	2,063
Disposals	0	0	0	–9	0	–9
Currency conversion	–76	3	–73	–59	–4	–63
As at 31 December 2012	**3,730**	**–135**	**3,595**	**2,846**	**166**	**3,012**
Book values as at 1 January 2012	33,166	–1,535	31,631	16,936	1,697	18,633
Book values as at 31 December 2012	**30,692**	**–1,505**	**29,187**	**23,592**	**1,666**	**25,258**

5. Key sources of estimation uncertainty

The presentation of financial position and consolidated statement of income is dependent upon accounting policies, assumptions and estimates. The actual amounts may differ from those estimates insofar as each assumption and estimate has inherent uncertainty.

The consolidated financial statements include the following described material estimates and assumptions.

The valuation of assets on initial recognition as well as the determination of the market value at the balance sheet date is connected with estimations of fair value. The determination of fair value is based on appraisals of the management.

The assumptions and estimates are reviewed on a regular basis. The impact of amendments in the assumptions and estimates are recorded in the reporting period in which they are identified. In the event that amendments are related to other reporting periods, they are recorded in the appropriate period.

The following assumptions and estimates are related to future reporting periods and may have material impacts on assets and liabilities in the following financial year.

Impairment of trade receivables

The trade receivables are impaired when possible losses in regard of the realisation of the receivables become apparent. In doing so, the book value is compared to expect future cash flow. The carrying amounts of trade receivables as at 31 December 2013 were EUR 13,584 thousand (2012: EUR 20,781 thousand). As at 31 December 2013 EUR 3 thousand (2012: EUR 3 thousand) valuation allowances were recorded.

Depreciation and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account their estimated residual value. The Company assesses annually the residual value and the useful life and adjusts the carrying amount if necessary. This may cause future amendments in the valuation. The amounts of depreciation and impairment are shown under note 18.

There are no other relevant judgements made by management in regards to the consolidated financial statements except for the judgements made by management in regards to use of estimates that are described above.

6. Revenue

Revenue represents revenue arising from sales of goods and finished goods. An analysis of the Group's revenue as follows:

in EUR thousand	2013	2012
Portable generators	97,575	105,148
Outdoor power equipment	4,424	4,358
Components	1,666	1,541
	103,665	111,047

7. Segment Information

The Company has adopted IFRS 8 to report segment information. Segments are defined according to products. The operative business unit prepares these on the basis of internal information, which is regularly reviewed by the management and supervisory board.

The information is also used for internal assessment of performance.

Information reported to the chief operating decision maker (management and supervisory board) for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows.

United Power has three major reportable segments: Portable generators, outdoor power equipment and components. The portable generators segment is further separated into residential use units and commercial units. The portable generators segment produces portable generators for remote power and back up assistance. The outdoor power equipment segment produces industrial equipment (e.g. high-pressure washers) and landscaping machines (e.g. water pumps). The components segment produces engines to be used by other generator manufacturers and also to be used as spare parts.

Portable generators
- residential use unit
- commercial unit

Outdoor power equipment
- industrial equipment
- landscaping machines

Components
- engines
- parts
- other

Revenue by segments

in EUR thousand	2013	2012
Portable generators		
Residential use unit	43,348	46,199
Commercial use unit	54,227	58,948
Outdoor power equipment		
Industrial equipment	4,387	3,901
Landscaping machines	37	458
Components		
Engines	691	583
Parts	4,059	3,491
Other	745	687
Total segment revenue	107,494	114,266
Inter-segment revenue elimination	–3,828	–3,410
Other adjustments [1]	–1	191
	103,665	**111,047**

[1] Other adjustments are related to freight expenses and sales tax surcharge included in the revenue.

Due to internal organizational changes, generators with a capacity of 5 kW are reported within the segment reporting under the units for commercial use since 2012.

The Company is not providing a breakdown of depreciations and impairments of tax expense and tax income as well as of sales costs according to segment.

Results by segments

in EUR thousand	2013	2012
Portable generators		
Residential use unit	5,862	6,306
Commercial use unit	13,816	14,583
Outdoor power equipment		
Industrial equipment	873	745
Landscaping machines	–9	137
Components		
Engines	148	151
Parts	–151	117
Other	130	137
Total segment result	20,669	22,176
Other adjustments [1)]	–1	230
Consolidated gross profit	**20,668**	**22,406**
Unallocated items:		
Other operating income	1,230	1,153
Distribution and selling expenses	–1,302	–1,358
Administrative expenses	–3,752	–4,134
Research and development expenses	–1,055	–1,002
Other expenses	–1,914	–1,806
Interest income	467	171
Interest expenses	–254	–280
Consolidated profit before tax	**14,089**	**15,150**

[1)] Other adjustments are related to freight expenses included and sales tax surcharge in the revenue.

The accounting and valuation methods of the operating segments are based on the accounting requirements applicable to the PRC entities of the Group ("PRC GAAP"), Segment profit represents the gross profit earned by each segment prepared under PRC GAAP, Differences between accounting and valuation methods under PRC GAAP and IFRS are immaterial, insofar as it is not necessary to prepare reconciliations and explanations. Since information about assets and liabilities of different operating divisions is not regularly provided to the chief operating decision maker for the purpose of assessing performance and resource allocation, segment assets and segment liabilities are not presented.

The basis of segmentation and the basis of measurement of segment results have not been changed for the full year 2013.

The Company beneficiaries are primarily located in the People's Republic of China. In considering beneficiaries it must be taken into account that in addition to the end consumer, our buyers are also dealers that resell the products to end customers in third countries. The geographic breakdown of sales revenue according to beneficiary is shown as follows:

Geographical breakdown

The following table shows the geographical breakdown based on revenue:

in EUR thousand	2013	2012
People's Republic of China	66,771	68,973
North America	16,262	20,951
Europe	14,865	17,200
Africa & Middle East	775	351
Other foreign countries	4,992	3,572
	103,665	**111,047**

The geographical breakdown based on the Group's main sales markets started in 2013. In order to establish a comparison to the previous year, the previous year was also shown according to main sales markets.

The following overview shows the geographical breakdown of non-current assets (excluding financial assets):

in EUR thousand	2013	2012
People"s Republic of China	59,869	57,115
	59,869	**57,115**

Revenues with one customer amounting to more than 10% of the total revenues did not take place.

8. Cost of sales

in EUR thousand	2013	2012
Material	77,355	81,990
Overhead	4,504	5,036
Labour	1,138	1,615
	82,997	**88,641**

9. Other income

Other income is mainly related to Government grants.

in EUR thousand	2013	2012
Government grants	1,066	764
Reversal of provisions	22	0
Rental income	142	129
Exchange rate differences	0	191
Other	0	69
	1,230	**1,153**

Government grants represent the incentive subsidies granted by the PRC local government authorities to the Group's subsidiaries as incentives mainly for three purposes:

(1) For grants relating to product research and development activities, the grant income is recognised as related research and development expenses that have been charged to profit or loss.

(2) For grants relating to capital expenditure the grant income is recognised on a systematic basis, which matches the depreciation of the related assets.

(3) For grants that are incentive payments to provide immediate financial support to the Group, the grants are recognised as income when they are received.

The grants were unconditional, non-recurring and had already been received by the Group's subsidiaries.

10. Other expenses

in EUR thousand	2013	2012
Impairment of property, plant and equipment	682	0
Exchange rate differences	405	0
Capital increase	236	736
Fees for the listing	217	508
Other taxes	153	470
Disposals of fixed assets	132	0
Provision of inventory	89	0
Bank charges	–8	92
	1,914	**1,806**

11. Headcount and payroll expenses

Total personnel costs compared to the previous year were:

in EUR thousand	2013	2012
Wages and salaries	3,220	3,403
Social security costs	212	227
	3,432	**3,630**

Employer contributions to statutory pension insurance in China amounted to kEUR 212.

For fiscal year 2014 expenditures is expected to be similar to that in fiscal year 2013.

The Group employed an annual average of 654 employees based on continued activities. The employees were acting in the following functions:

Employees (annual average)	2013	2012
Production and services	451	527
Administration	146	189
Research and development	57	56
	654	**772**

12. Depreciation and amortization expenses

Depreciation and amortization expenses compared to the previous period are as follows:

in EUR thousand	2013	2012
Depreciation of property, plant and equipment	4,909	4,326
Amortization of intangible assets (included in administration expenses)	166	133
Impairments on property, plant and equipment(Included under other expenses)	682	0
Amortization of intangible assets (included in administration expenses)	132	0
Total depreciation and amortization expenses	5,889	4,459

13. Financial result

The financial result during the reporting period is as follows:

in EUR thousand	2013	2012
Interest from banks	467	171
Interest income	467	171
Interest to banks	–254	–280
Interest expense	–254	–280
Finance result	213	–109

14. Income tax expense

Income tax recognized in the profit and loss statement:

in EUR thousand	2013	2012
Current Tax		
- in Germany	0	0
- in China	2,531	2,287
Withholding tax		
- in Germany	0	0
- in China	1,578	0
Deferred Tax		
- in Germany	69	251
- in China	–75	24
- of which from loss carry forwards	69	251
Taxes on income	**4,103**	**2,562**

The following tax rates were used as the basis for the tax calculation:

	2013	2012
Hong Kong	16.5%	16.5%
People's Republic of China	15.0%	12.5%
Germany	25.6%	25.6%

The effective tax can be reconciled as follows:

in EUR thousand	2013	2012
Profit before tax	14,089	15,150
Expected income tax expenses at tax rate of 25% (China)*	3,522	3,788
Effect of tax benefit granted to a subsidiary	–1,350	–2,291
Effect of tax losses not recognised	721	792
Tax effect of loss-carry forwards	-356	202
Tax effect of expenses that are not deductible	17	99
Non-eligible withholding taxes	1,578	0
Tax effect of income not tax able	–29	–29
Adjustment on other differing national tax rates	0	1
	4,103	**2,562**

*The national tax rate in China is 25%. The national tax rate of China is the most appropriate tax rate for the effective tax reconciliation, because most of the taxable activities of the Group are located in China.

The average effective tax rate increased in the 2013 financial year by 12.21% to 29.12%.

By not counting the effects from non-eligible withholding taxes, this results in an average effective tax rate of 17.92% (previous year: 16.91%).

15. Profit for the year

Profit for the year has been calculated after charging/(crediting):

in EUR thousand	2013	2012
Cost of inventories recognised as an expense	82,997	88,570
Depreciation of property, plant and equipment	4,909	4,326
Foreign exchange (gains) and losses	405	–191
Amortisation of intangible assets (included in administrative expenses)	166	145
Amortisation of prepaid lease payments (included in administrative expenses)	58	43
Gain (loss) on disposal of property, plant and equipment	–153	5

16. Earnings per share

The income and the weighted average of shares and employee share options which is the basis for the income per share are as follows:

in EUR	2013	2012
Income attributable to owners of the parent in EUR at	10,106,279	12,666,591
Income for calculation of the basic income per share in EUR at	10,106,279	12,666,591
Weighted average number of shares for the calculation of the basic income per share	12,300,000	12,302,870
Earnings per share	0.82	1.03

The weighted average number of shares and employee share options for the calculation of basic earnings per share is equivalent to the calculation of the diluted earnings per share.

17. Intangible assets

Intangible assets are related to computer software.

in EUR thousand	2013	2012
Cost:		
As at 1 January	1,398	1,427
Additions/disposals	48	14
Currency translation adjustments	–17	–43
As at 31 January	**1,429**	**1,398**
Accumulated amortisation:		
As at 1 January	373	253
Additions	166	133
Currency translation adjustments	–4	–13
As at 31 January	**535**	**373**
Carrying amounts:		
As at 1 January	1,025	1,174
As at 31 December	894	1,025

The intangible assets primarily consist of accounting and management software. Office administration computer software has finite useful life and is amortised over its estimated useful life of ten years. Accounting computer software has finite useful life and is amortised over its estimated useful life of two years.

18. Property, plant and equipment

Property, plant and equipment changed in the reporting period 2012 as follows:

in EUR thousand	Buildings on leased land	Plant & equipment	Motor vehicles	Office equipment	Deposits and construction in progress	Total
Acquisition and production cost:						
As at 1 January 2012	**33,405**	**19,654**	**1,350**	**672**	**644**	**55,725**
Additions	0	8,994	14	16	12	9,035
Disposals	0	–11	–6	0	0	–17
Currency translation	–623	–366	–25	–12	–12	–1,039
As at 31 December 2012	**32,782**	**28,270**	**1,333**	**676**	**644**	**63,704**
Accumulated depreciation:						
As at 1 January 2012	1,774	1,021	321	341	0	3,456
Additions	1,895	2,063	252	117	0	4,326
Disposals	0	–9	–3	0	0	–12
Currency translation	–73	–63	–11	–9	0	–156
As at 31 December 2012	**3,595**	**3,012**	**557**	**449**	**0**	**7,614**
Book values as at 1. January 2012	31,631	18,633	1,029	331	644	52,269
Book values as at 31. December 2012	**29,187**	**25,258**	**776**	**227**	**644**	**56,090**

Property, plant and equipment changed in the reporting period 2013 as follows:

in EUR thousand	Buildings on leased land	Plant & equipment	Motor vehicles	Office equipment	Deposits and construction in progress	Total
Acquisition and production cost:						
As at 1 January 2013	**32,782**	**28,270**	**1,333**	**676**	**644**	**63,704**
Additions	7,847	890	0	19	448	9,204
Disposals	0	–296	0	–5	0	–301
Currency translation	–395	–340	–16	–8	–8	–767
As at 31 December 2013	**40,234**	**28,524**	**1,317**	**681**	**1,084**	**71,840**
Accumulated depreciation:						
As at 1 January 2013	3,595	3,012	557	449	0	7,614
Additions	2,076	2,487	244	102	0	4,909
Disposals	0	–126	0	–2	0	–128
Currency translation	0	682	0	0	0	682
Depreciation	–86	–104	–12	–8	0	–210
As at 31 December 2013	**5,585**	**5,951**	**790**	**540**	**0**	**12,865**
Book values as at 1 January 2013	29,187	25,258	776	227	644	56,090
Book values as at 31 December 2013	**34,649**	**22,573**	**527**	**141**	**1,084**	**58,975**

Property ownership in China is basically reserved for the government. Buildings on leased land in Fuzhou, the People's Republic of China, were therefore built on land for which land use rights for 50 years exist by way of leasing contracts that will expire in 2057 and 2058. Commercial ownership of the buildings is a result of the fact that the use period of the buildings is shorter than the lease contracts.

The depreciation rates are 5% on buildings, 10% on plant and equipment and 20% on motor vehicles and office equipment.

The Group pledged buildings with carrying amounts of kEUR 0 (2012: kEUR 5,504) to secure borrowings of the Group (see also note 27). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

19. Other assets

Other assets increased by kEUR 5,533 to kEUR 7,721 (other current and non-current assets), The other assets include:

in EUR thousand	2013	2012
Prepaid lease payments	42	43
Others	12	4
Other current assets	54	47
Prepaid lease payments	7,484	1,948
Others	183	193
Other non-current assets	7,667	2,141
	7,721	**2,188**

Other assets mainly include prepaid lease payments. On 31 December 2013 the Company had capitalised a total kEUR 7,526 for prepaid lease payments, of which kEUR 42 is recorded as current assets and kEUR 7,484 is recorded as non-current assets:

in EUR thousand	2013
Cost:	
As at 1 January 2013	2,118
Addition	5,618
Currency translation adjustments	–25
	7,711
Amortisation:	
As at 1 January 2013	128
Addition	59
Currency translation adjustments	–2
	185
Carrying amounts:	
As at 1 January 2013	1,990
As at 31 December 2013	**7,526**

The Group has pledged prepaid lease payments of kEUR 0 (2012: kEUR 476) in order to secure liabilities of the Group (see note 27).

20. Deferred Taxes

Deferred taxes are recognised in the consolidated financial statements as follows:

in EUR thousand	31.12.2013	31.12.2012
Deferred tax assets	586	583
Deferred tax liabilities	–94	–97
	492	**486**

Deferred tax assets have resulted primarily the tax effects on deferred government grants kEUR 420 (2012: kEUR 449), loss carry-forwards kEUR 66 (2012: kEUR 134) and impairment of fixed assets kEUR 100 (2012: kEUR 0). Deferred tax liabilities have resulted primarily from the tax effects on the capitalisation of borrowing costs.

Deferred tax liabilities from outside basis differences in the amount of 6,275 EUR thousand (previous year: 6,877 EUR thousand) are not recognised, since the Group can influence when these deferred taxes are realized.

Deferred taxes are calculated at the tax rates that are expected to apply in the period when the deferred tax assets or liabilities are realised. The tax rates are as follows:

Percentage	2013	2012
Germany	25.6%	25.6%
People's Republic of China	25.0%	25.0%

21. Inventories

in EUR thousand	31.12.2013	31.12.2012
Raw material	2,050	1,847
Work in progress	1,032	1,235
Finished goods	1,967	1,575
	5,049	**4,657**

The cost of inventories recognized as an expense during the year was kEUR 82,997 (prior year: kEUR 88,570)

In the 2013 financial year, depreciation on inventory assets was carried out in the amount of EUR 132 thousand (2012: 0 EUR thousand).

22. Trade and other receivables

in EUR thousand	31.12.2013	31.12.2012
Trade receivables	11,184	18,345
Allowance for doubtful debts	–3	–3
Deposits	1,144	902
Value-added tax receivable	0	684
Advance payments to suppliers	305	311
Other receivables	954	542
	13,584	**20,781**

Period on sales of goods generally ranges from 30 to 60 days. No interest is charged on trade receivables for the overdue balance. Allowances for doubtful debts are recognised based on historical experience.

Before accepting any new customer, the Group obtains the background and financial information and performs an assessment on the potential customer's credit quality and defines credit limits for the customer. As at 31 December 2013, 86% of trade receivables were neither past due nor impaired.

Included in the Group's trade receivable balance and presented in the table below are trade receivables past due at the end of the reporting period which the Group has not recognised an allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparties.

The following analysis shows the overdue but not impaired receivables.

in EUR thousand	31.12.2013	31.12.2012
Current trade receivables	11,184	18,345
Overdue		
Past due 1 – 30 days	635	239
Past due 31 – 60 days	372	2
Past due 61 – 180 days	248	105
Past due over 180 days	281	9
	1,536	**355**

23. Cash and cash equivalents and other current assets

In addition to cash and cash equivalents in the amount of kEUR 38,802 (2012: kEUR 30,936), kEUR 3,474 (2012: kEUR 2,598) of bank deposits were used to secure short-term lines of credit. They are shown under the other financial assets.

For purposes of consolidated statements of cash flows, cash and cash equivalents include cash balances and bank notes.

Bank balances carry interest rates of 0.35% per annum and the pledged bank deposits carry interest rates of 2.8% per annum.

in EUR thousand	31.12.2013	31.12.2012
Cash and cash equivalents	38,802	30,936
Pledged bank deposits	3,474	2,598
Other current assets	3,474	2,598
	42,276	**33,534**

Of the cash equivalents available as at 31 December 2013, 38,270 EUR thousand (previous year: 30,662 EUR thousand) was in Mainland China and 496 EUR thousand (previous year: 140 EUR thousand) in the Special Administrative Region of Hong Kong. Cash transfers from Mainland China to other countries or to the Special Administrative Zones require special approval by the “State Administration of Foreign Exchange” (“SAFE”). Accordingly, the Group does not have unlimited access to these cash and cash equivalents.

24. Equity

Subscribed Capital	Number of shares	Share capital (EUR)
1 January 2013	12,300,000	12,300,000
Issuance of new shares	0	0
31 December 2013	**12,300,000**	**12,300,000**

The subscribed capital of the parent is 12,300,000 and is divided into no-par value bearer shares with a computed value of the participation in the share capital of EUR 1.00. The Company has no treasury shares.

Fully paid no-par value bearer shares with a computed value of EUR 1.00 carry one vote per share and carry a right to dividends.

Authorised Capital

On 12 June 2012, the Annual General Meeting authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of United Power Technology AG until 11 June 2017, once or several times by up to a total of EUR 6,150,000.00 by issuing a total of 6,150,000 no par value bearer shares in consideration of contribution in cash or in kind (Authorised Capital 2012/I). On principle, shareholders are to be offered subscription rights; the statutory subscription rights may also be offered in such a way that the new shares are taken over by a bank or a syndicate of banks with the obligation to offer them to the Company’s shareholders for subscription. The Management Board is authorised, in each case with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders. An exclusion of the subscription right, however, shall only be admissible in the following cases:

a) in order to exclude fractional amounts from the subscription right;

b) in the case of a capital increase against cash contributions, if the entire proportional amount of the share capital that relates to the new shares for which the subscription right is excluded does not exceed 10% of the share capital, in fact neither at the point when it becomes valid nor at the point when the authorization is exercised, and if the amount of issue of the new shares is not considerably lower than the stock market price of shares of the same type and with the same features that are already traded at the stock market when the final issue price is stipulated. When calculating the 10% of the share capital, the proportional amount of the share capital that relates to the shares that were sold or issued or are to be issued under exclusion of the subscription right during the term of this authorization due to other authorizations that apply directly or indirectly with the necessary changes section 186 subsection 3 sentence 4 AktG shall be offset; or

c) in the case of a capital increase against contributions in kind, particularly for the purpose of acquiring companies, parts of companies or interests in companies, in the frame of mergers and/or for the purpose of acquiring other assets including rights and claims.

The Management Board shall decide, with the approval of the Supervisory Board, on the additional content of the rights to shares and the conditions of issuance of the shares.

After utilisation of authorised capital or the lapse of the period for the utilisation of authorised capital, the Supervisory Board is authorised to amend the Articles of Association.

The authorised capital has not yet been utilized and is thus available at a volume of 6,150,000 shares at 31 December 2013.

Conditional Capital

On 12 June 2012, the Annual General Meeting conditionally increased United Power Technology AG's share capital by up to EUR 246,000.00 by means of issuing up to 246,000 no-par value bearer shares (Conditional Capital 2012/I). The Conditional Capital 2012/I is exclusively for the purpose of servicing subscription rights to shares of United Power Technology AG, which are issued, based on the Stock Option Plan 2012 to members of the Management Board or to selected executive employees of the United Power Technology AG and its domestic and international group subsidiaries. The conditional capital increase shall only be carried out insofar as subscription rights are issued and their owners exercise their subscription right for shares of United Power Technology AG and United Power Technology AG does not grant own shares in fulfilment of the subscription rights. The Supervisory Board is authorized to adjust the wording of the Articles of Association in accordance with the respective use of the Conditional Capital 2012/I.

As of 31 December 2013, a total of 86,100 (previous year: 34,440) subscription rights were issued to members of the Management Board and 36,900 (previous year: 14,760) subscription rights were issued to executive officers. Subscription rights were issued on 10 December 2012 and 29 November 2013. The waiting period is 4 years. Exercising a subscription right is contingent upon consolidated EBIT, adjusted for extraordinary effects, having increased by an average of 5% as at issuance of subscription rights.

in EUR thousand	31.12.2013	31.12.2012
Reserves		
Additional paid-in capital	55,883	55,883
Revaluation reserve Reserve for AFS financial assets	0	–1
Foreign currency translation reserve	5,141	7,288
Retained earnings including net earnings	35,115	25,009
	96,139	**88,179**

The amount of the capital reserve is kEUR 55,883 (2012: kEUR 55,883) reflects the received share premium from the issuance of no-par value bearer shares with a computed value of EUR 1.00 after deduction of expenses that are directly attributable to the issuance of new shares.

The reserve of AFS financial assets as of 31.12.2012 in the amount of –1 thousand EUR resulted from accumulated profits and losses caused by the revaluation of non-current assets held available for sale. These were recorded under other comprehensive income and carried forward into the profit and loss account according to the disposal of financial investments.

The difference from currency translation of foreign operations amounts to kEUR 5,141 (2012: kEUR 7,288). Differences from the translation of functional currencies of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Translation differences from foreign currency translation are reclassified to profit or loss on the disposal of the foreign operation.

The profit for the period allocated to the owners of the parent (kEUR 10,106) is recognised in retained earnings.

Retained earnings include a reserve of kEUR 7,687 (2012: kEUR 6,482) required by statutory provisions applicable in the People's Republic of China. Any company located in China must retain 10% of its annual result in reserves every year until the reserves equal 50% of the share capital. These reserves can be used to offset losses or for a capital increase as long as the reserves do not equal less than 25% of the share capital. Reserves created for the Chinese subsidiaries are not available for distribution to the parent company and the parent company's shareholders.

In addition, retained earnings of United Power Technology AG include the statutory reserve required by sec. 150 AktG [German Stock Corporation Act] in the amount of EUR 53 thousand (previous year: EUR 0 thousand).

Own Shares

On 11 June 2013, the Annual General Meeting authorized the Management Board and the Supervisory Board to acquire and use own shares pursuant to sec. 71 ss. 1 no. 8 of the AktG (Aktiengesetz - German Stock Corporation Act) and to exclude subscription rights and tender rights.

a) The Management Board and the Supervisory Board is authorized to acquire own shares up to a maximum of 10% of the share capital. The combined total of the shares acquired as a result of this authorization and own shares acquired for any other reasons which are either owned by the company or are attributable to it pursuant to secs. 71 et seq. of the AktG, may at no time exceed 10% of the company's share capital.

b) This authorization may be exercised by the company either in full or in part on one or several occasions, but also by companies controlled or majority-owned by the company or by third parties acting for the account of either the former or the latter. The authorization to acquire own shares shall be valid until 10 June 2018.

c) The Management Board may elect to purchase the shares (1) via the stock exchange or (2) on the basis of a public purchase offer directed at all shareholders or a public invitation to submit sale offers directed at the company's shareholders.

(1) If the shares are purchased via the stock exchange, the purchase price per share paid by the company (excluding ancillary acquisition costs) may neither exceed nor undercut the average value of the closing prices for the company's share in Xetra trading (or in a comparable successor system) on the Frankfurt stock exchange during the last five trading days before the company shares are acquired by more than 10%. The Management Board of the company shall determine the further details of the acquisition.

(2) In the case of a public purchase offer to all shareholders or a public invitation to submit sale offers directed at the company's shareholders, the purchase and/ or sale price offered or the threshold values of the offered purchase and/ or sale price range per share (excluding ancillary acquisition costs in each case) may not fall short of, or exceed, the average value of the closing prices for the company's share in Xetra trading (or in a comparable successor system) on the Frankfurt stock exchange during the last five trading days preceding the day of publication of the offer by more than 10%. If, after the publication of the company's offer and/ or after a formal invitation to submit sale offers, there are substantial price deviations from the offered purchase and/ or sale price or the threshold values of the offered purchase and/ or sale price range, the offer, or invitation to submit sale offers may be adjusted. In such a case, the relevant amount is determined on the basis of the corresponding price on the last trading day prior to the publication of the adjustment; the 10% threshold that the shares may not fall short of or exceed is to be applied to this amount. The vol-

ume of the offer and/ or invitation to submit offers can be limited. If the overall acceptance of the offer and/ or the shareholder offers submitted as part of an invitation to submit offers exceeds this volume, the acquisition and/ or acceptance shall be made under partial exclusion of any shareholder rights of tender in relation to the shares offered in each case. A preferred acquisition and/ or preferred acceptance of smaller numbers of shares up to 100 per shareholder in order to acquire the offered own shares may be stipulated. These amounts may furthermore be subject to standard rounding in order to eliminate arithmetical fractions of shares. The Management Board of the company shall determine the further details of the offer and/ or a public invitation to submit sale offers directed at the company's shareholders.

d) The Management Board is authorized to sell own shares acquired on the basis of this authorization via the stock exchange or by means of an offer directed at all shareholders. Shareholders' subscription rights for any fractional amounts shall be excluded in the case of an offer directed at all shareholders. The Management Board is further authorized to use own shares acquired on the basis of this authorization for any purpose permissible by law and, in particular, for the following purposes:

(1) They may be sold in return for payment in kind, in particular as (partial) counter-performance for the purpose of mergers or acquisitions, to acquire companies, equity interests in companies or parts of companies, or to acquire other assets. In such cases, shareholders' subscription rights shall be excluded.

(2) They may be issued to employees of the company as well as to employees of affiliated companies of the company within the meaning of secs. 15 et seq. of the AktG. They may also be used for the issue to the members of the company's Management Board and selected employees in managerial positions of the company and its domestic and foreign affiliates within the meaning of the stock option plan 2012. In each of the cases under this number (2), shareholders' subscription rights shall be excluded.

(3) They may also be sold under the exclusion of shareholders' subscription rights in a manner other than via the stock exchange or by means of an offer to shareholders if the shares are sold in return for cash payment at a price that does not fall substantially short of the stock market price of the company's shares. This authorization is, however, subject to the provision that the shares sold under the exclusion of shareholders' subscription rights pursuant to sec. 71 ss. 1 no. 8 s. 5 in conjunction with sec. 186 ss. 3 s. 4 of the AktG do not in total exceed 10% of the company's share capital neither at the point in time at which the authorization comes into effect nor at the time at which it is exercised. All shares issued from authorized capital under the exclusion of shareholders' subscription rights in accordance with sec. 186 ss. 3 s. 4 of the AktG during the period in which this authorization is in force until the time at which it is exercised shall be included in the calculation of this limit.

(4) They may be cancelled without a further resolution by general meeting being required either for the cancellation of shares or the implementation of such cancellation. The cancellation can be limited to a certain proportion of the acquired shares. The cancellation results in a capital reduction. The cancellation, however, may also be performed by means of a simplified procedure without a capital reduction by adjusting the proportion of the share capital attributable to the remaining shares in accordance with sec. 8 ss. 3 of the AktG. In such cases, the Management Board is authorized to correspondingly amend the number of shares specified in the articles of association.

e) The authorizations set out under d) may be exercised on one or several occasions, in full or in part, individually or collectively, while those set out under d) (1) to (3) may also be exercised by companies which are controlled or majority-owned by the company or by third parties acting for the account of either the controlled or majority-owned companies or the company.

25. Borrowings

The borrowings are related to secured bank borrowings. The average effective interest rates are approximately 5.98% per year.

in EUR thousand	31.12.2013	31.12.2012
Secured bank borrowings	3,385	2,405
Unsecured bank borrowings	3,638	0
	7,023	2,405

The following carrying amounts have been pledged to secure bank borrowings:

in EUR thousand	31.12.2013	31.12.2012
Buildings	0	5,504
Prepaid lease payments	0	476
Bank deposits	1,662	0
	1,662	**5,980**

26. Trade and other payables

in EUR thousand	31.12.2013	31.12.2012
Trade payables	6,002	7,840
Notes payable	259	433
Advance payments	1,262	1,436
Others	1,794	2,191
	9,317	**11,900**

The maturity of trade payables is as follows:

in EUR thousand	31.12.2013	31.12.2012
Short-term	5,904	7,829
Overdue (0 to 60 days)	65	11
Overdue (over 60 days)	33	0
	6,002	7,840

Other payables are due within one year.

27. Other provisions

in EUR thousand	Supervisory Board remuneration	Audit cost	Outstanding invoices	Total
Balance 1 January 2013	226	195	12	**433**
Additional provisions recognised	0	143	0	**143**
Reductions arising from payments	–226	–258	–12	**–496**
	0	**80**	**0**	**80**

The expected outflow of the other provisions is within one year.

28. Government grants

Government grants, which were made in connection with the acquisition of property, plant, and equipment are accordingly recognised as deferred income under the other payables.

During the year ended 31 December 2013, the Group received government subsidies of kEUR 1,066 (2012: kEUR 763) to compensate for the building cost of a plant. The amounts have been deferred and are to be released to income over the useful lives of related assets once the assets are ready for their intended use by the management and depreciation commences. During the year ended 31 December 2013, kEUR 118 (2012: kEUR 99) was released to income.

29. Non-cash transactions

Material non-cash transactions did not take place in the period from 1 January to 31 December 2013.

30. Capital management

The Group's capital management area provides services to the business areas. It also monitors and controls the financial risks associated with the Group's business areas through internal risk reporting, which analyses risk according to the level and extent of the risks. These risks encompass the market risk (including exchange risk, interest risk, and price risk), credit risk and the liquidity risk.

The Group is not obliged to compile with any externally imposed capital requirements.

The primary goal of the Group is to ensure the future ability to repay liabilities and to maintain financial substance.

A key indicator in capital management is gearing, which shows the relationship between net debt and equity according to the consolidated financial statements of financial position. United Power uses net debt as a key indicator for investors and analysts. As this indicator is not covered by the IFRS accounting rules, the way in which it is defined and calculated may differ from practice at other companies. On 31 December 2013 the Company's gearing was minus 29.03% (prior year: minus 28.10%).

Further the financial substance is mainly measured with the equity-to-assets ratio. Part of this financial ratio is the balance sheet total of the Groups consolidated financial statements and the equity shown in the Groups consolidated financial statements.

The gearing ratio (ratio of net assets and equity at the end of the reporting period) was as follows:

in EUR thousand	31.12.2013	31.12.2012
Debt (i)	7,023	2,405
Cash and Cash equivalents	38,802	30,936
Net debt	–31,779	–28,531
Equity (ii)	109,485	101,535
Net debt to equity ratio	–29.03 %	–28.10 %
Equity-to-assets ratio	84.42 %	85.42 %

(i) Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts), as described in note 25.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

31. Financial Instruments

To present the market risk, sensitivity analysis are required according to IFRS 7, which indicates how hypothetical changes of relevant risk variables would have affected our annual net income or other value changes recognized in equity. In this connection the Group is mainly affected by currency risks. The impacts are evaluated by hypothetical changes in risk variables on the portfolio of the financial instruments.

The carrying amounts and fair values of financial instruments as of 31 December 2013 are as follows:

in EUR thousand	Book values	Total book values within scope of IFRS 7	Valuation category according to IAS 39	Fair Value	of which Fair Value Level 1	of which Fair Value Level 2	of which Fair Value Level 3
Cash and cash equivalents	38,802	38,802	Loans and receivables	38,802	38,802	–	–
Receivables from trade accounts and other receivables	13,280	13,280	Loans and receivables	13,280	13,280	–	–
Receivables from related companies	594	594	Loans and receivables	594	594	–	–
Other financial assets	3,474	3,474	Loans and receivables	3,474	3,474	–	–
Total financial assets	**56,454**	**56,150**		**56,150**	**56,150**	**–**	**–**
Payables from trade accounts and other liabilities	9,317	8,055	Financial liabilities	8,055	8,055	–	–
Borrowings	7,023	7,023	Financial liabilities	7,023	7,023	–	–
Total liabilities	**16,340**	**15,078**		**15,078**	**15,078**	**–**	**–**

As at 31 December 2012 the financial instruments were recorded at the following book values and fair values:

in EUR thousand	Book values	Total book values within scope of IFRS 7	Valuation category according to IAS 39	Fair Value	of which Fair Value Level 1	of which Fair Value Level 2	of which Fair Value Level 3
Cash and cash equivalents	30,936	30,936	Loans and receivables	30,936	30,936	–	–
Receivables from trade accounts and other receivables	20,781	19,786	Loans and receivables	19,786	19,786	–	–
Receivables from related companies	2,598	2,598	Loans and receivables	2,598	2,598	–	–
Other financial assets	53,320	53,320	Loans and receivables	53,320	53,320	–	–
Total financial assets	**11,900**	**10,464**		**10,464**	**10,464**	**–**	**–**
Payables from trade accounts and other liabilities	2,405	2,405	Financial liabilities	2,405	2,405	–	–
Borrowings	14,305	12,869	Financial liabilities	12,869	12,869	–	–
Total liabilities	**14,305**	**15,078**		**15,078**	**15,078**	**–**	**–**

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to its variable-rate bank balances and pledged bank deposits.

The management performs sensitivity analyses on a periodic basis by evaluating increases or decreases in interest rates.

During the reporting period, an increase or decrease of 25 basis points in interest rates would increase or decrease the Group's post-tax profit approximately +/– kEUR 105 (2012: +/– kEUR 62).

Currency risk

Certain Group transactions are denominated in foreign currencies, thereby creating risks due to exchange rate fluctuations. The Group's operating transactions are performed in RMB, HKD, USD and EUR. No hedging transactions will be made.

The Group has material amounts of foreign currency monetary assets and liabilities in USD (kEUR 74 in liabilities and kEUR 2,357 in assets) and HKD (kEUR 93 in assets) as at the balance sheet date.

The sensitivity analysis of the management regarding the increase or decrease in currency rate leads to the result that an increase or decrease of exchange rates of RMB, USD or HKD to the Euro of 5% would result in a profit of approximately +/– kEUR 88.

Other price risk

The management believes that the Group does not have significant exposure to price risk. Therefore, no sensitivity analysis has been performed.

Credit risk

The management has taken measures in order to minimise credit risk. These measures include determining credit limits, diligent credit approvals and regularly monitoring accounts receivables. As a rule, new customers are required to pay in advance.

Trade receivables have the following aging structure:

in EUR thousand	2013	2012
Not due, not individually impaired	9,645	17,987
1 – 30 days past due	635	239
31 – 60 days past due	372	2
61 – 180 days past due	248	105
More than 180 days past due	281	9
Total past due, but not individually impaired receivables	**1,536**	**355**
Individually impaired	3	3
Net carrying amount	**11,184**	**18,345**

The value of the specific allowance for bad debts is determined on the assessment of the individual risk for each individual receivable. Due to the fact that no United Power customer accounts for more than 10% (2012: 10%), the liability and credit risk for the Group are negligible. No collateral has been received and there are no other credit enhancements.

Liquidity risk

In order to reduce liquidity risk, the Group maintains a sufficient amount of liquidity. The Group did not have unutilised bank facilities as at 31 December 2013.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as at 31 December 2012 and 2013 based on agreed repayment terms. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

Financial liabilities	Weighted average interest rate	< 3 months	3–6 months	6–12 months	Total undiscoun-ted cash outflows	Carrying amounts as at 31 December 2013
	%	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities due to related parties		9,317	0	0	9,317	9,317
Liabilities due to the controlling shareholder	5.98	1,905	663	4,605	7,173	7,023

Financial liabilities	Weighted average interest rate	< 3 months	3–6 months	6–12 months	Total undiscoun-ted cash outflows	Carrying amounts as at 31 December 2013
	%	kEUR	kEUR	kEUR	kEUR	kEUR
Liabilities due to related parties		11,900	0	0	11,900	11,900
Liabilities due to the controlling shareholder	8.0	42	2,430	0	2,472	2,405

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices; and
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

Fair value measurements

The financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. Stock-based compensation

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders at the annual general meeting on 12 June 2012, members of the management board owning less than 5% of shares in the Company (Group 1) and selected executives of the Group companies in which United Power Technology AG has an interest in more than 50% (Group 2) may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient of the option. The options carry neither rights to dividend nor voting rights.

According to the Company's stock option plan the volume of a maximum amount of 246,000 stock options on new shares shall be allocated to the Groups of entitled parties as follows:

(1) Entitled parties of group 1: in total a maximum amount of 172,200 subscription rights.

(2) Entitled parties of Group 2: in total a maximum of 73,800 subscription rights.

The period of issuance begins with the entry of the Conditional Capital 2012/I and ends as at 9 July 2015. Within this period each group shall be granted stock options only in three annual tranches as follows:

(1) 2012: 20%;

(2) 2013: 30%;

(3) 2014: 50%.

The first tranche of stock options was issued on 10 December 2012. The second tranche was issued on 29 November 2013

Options series	Number	Grant date	Expiry date	Exercise date	Fair value at grant date EUR
Granted on 10 December 2012	49,200	10/12/12	10/12/16	10/12/18	47,232
Granted on 29 November 2013	73,800	29/11/13	28/11/17	29/11/19	54,095

The waiting period for the stock options is four years beginning with the date of issuance.

Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is EUR 54,095 (2012: EUR 47,232). Options were priced using a binomial option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility of the period from the IPO until balance sheet date and the historical share prices volatility of the shares in three comparable companies of a period of six years before the balance sheet date.

The following parameters are used as the starting point of the calculation:

First tranche	
Grant date	10 December 2012
Expected volatility	47.6 %
Expected return on dividends	6.92 %
Risk-free interest rate	0.54 %
Option's term	6 years
Holding period	4 years
Exercise price	EUR 3.90

Expenses for the first tranche the stock option program are distributed over 6 years and in 2012 amounted to EUR 1 thousand on a pro-rata basis.

Second tranche	
Grant date:	29 November 2013
Expected volatility	47.6 %
Expected return on dividends	6.92 %
Risk-free interest rate	0.91 %
Option's term	6 years
Holding period	4 years
Exercise price	EUR 3.44

No expenses were recognized in 2013 and the reserve created in 2012 in the amount of EUR 1 thousand was retransferred with an effect on net income, since the Management Board considers it unlikely that the EBIT-based performance targets will be met.

33. Disclosures to related parties

Balances and transactions between the Company and its subsidiaries, which are closely related companies and persons, were eliminated in the course of consolidation and are not mentioned in the details of the notes. Details on transactions between the Group and other closely related companies and persons are mentioned below.

Nature of relationship with related parties:

Name	Relationship to the company
Fuzhou Rongli Power FittingsCo. Ltd. („Rongli")	Mr Wei Gaoxin, who is simultaneously a DWC shareholder, is a 100% shareholder in the Company
Fuzhou Wankai Machinery Co. Ltd. („Wankai")	A company controlled by Mr Zhong Dong Huang, an important employee of Group Management

Related parties

Trading transactions

Transactions executed by consolidated companies with closely related companies are as follows:

in EUR thousand	31.12.2013	31.12.2012
Pre-financing of future purchases		
Fuzhou Wankai Machinery Co. Ltd.	594	0
Purchased Goods		
Fuzhou Rongli Power Fittings Co. Ltd.	0	6,608

The companies are controlled by relevant majority shareholders.

Receivables from related companies

The following are receivables from other related companies:

in EUR thousand	31.12.2013	31.12.2012
Instalments for future purchases		
Fuzhou Wankai Machinery Co. Ltd. ("Wankai")	594	0

Type of relationship to affiliated companies:

Name	Relationship to company
Fuzhou Wankai Machinery Co. Ltd. („Wankai")	A company controlled by Mr Zhong Dong Huang, Deputy Chairman of the Management Board

Mr Wei Gaoxin, a DWC minority shareholder, controls Wankai.

The receivables are unsecured and interest-free.

Liabilities due to related companies

The following trade liabilities exist due to other related companies:

in EUR thousand	31.12.2013	31.12.2012
Fuzhou Rongli Power Fittings Co. Ltd.	0	658

Type of relationships to related companies:

Name	Relationship to company
Fuzhou Rongli Power Fittings Co., Ltd. („Rongli Power")	A company controlled by Mr Zhong Dong Huang, an important employee of Group management.

Related persons

Management Board and key management personnel

The following persons are members of the Management Board:

- Mr Xu Wu
  Chairman of the Management Board,
  Co–CEO, Fuzhou/China
  Responsible for government and key domestic accounts relationships as well as Group strategy

- Mr Zhong Dong Huang
  Vice Chairman of the Management Board,
  Co–CEO, Fuzhou/China
  Responsible for strategy and general management of the Group

- Mr Oliver Kuan
  CFO, Fuzhou/China
  Responsible for finance function of the Group

The expenses recognized in the financial statements for compensation paid to Management Board and other members of the management are as follows:

in EUR thousand		Fixed salary	Bonus	Insurance Pension fund	Total
Mr Xu Wu	**2013**	**80**	**0**	**1**	**81**
	2012	80	0	3	83
Mr Zhong Dong Huang	**2013**	**80**	**0**	**1**	**81**
	2012	80	0	3	83
Mr Oliver Kuan	**2013**	**121**	**0**	**0**	**121**
	2012	123	0	0	123
Total	**2013**	**281**	**0**	**2**	**283**
Total	2012	283	0	6	289

Furthermore members of the Management Board hold indirectly shares in the Company as follows:

- Mr Wu Xu (20.14%)
- Mr Zhong Dong Huang (18.42%)

Supervisory Board
Members of the Supervisory Board include the following persons:

- Mr Wei Song, General Manager of Fortune Great Investments Limited, Tortola, British Virgin Islands, Chairman of the Supervisory Board, Fuzhou/China
- Mr Hubertus Krossa, self-employed Master of Business Administration (Diplom-Kaufmann), Vice-chairman of the Supervisory Board, Wiesbaden/Germany. Mr Hubertus Krossa is also Chairman of the Supervisory Board of Eckelmann AG, Wiesbaden/Germany, of Bauknecht Hausgeräte GmbH, Stuttgart/Germany (until June 2013) as well as Chairman of Balfour Beatty Rail GmbH, Munich/Germany and Non-Executive Director of Balfour Beatty Plc, London/Great Britain (until June 2013) and member of the Supervisory Board ALNO AG, Pfullendorf since June 2013.
- Mr. Brian K. Krolicki, Lieutenant Governor of the US state of Nevada, Zephyr Cove/USA

Expenses recognized in the consolidated financial statements for remuneration of the Supervisory Board are as follows:

in EUR thousand	31.12.2013	31.12.2012
Mr Wei Song (Chairman of the Supervisory Board)	60	20
Mr. Hubertus Krossa (Deputy Chairman of the Supervisory Board)	40	40
Mrs Ning Cong	0	14
Mr Brian Krolicki	40	15
Total	**140**	**89**

The Group had the following liabilities due to the Supervisory Board:

in EUR thousand	31.12.2013	31.12.2012
Remuneration of Supervisory Board	264	213

Remuneration for the Supervisory Board is determined by the Annual General Meeting and regulated by the Articles of Association of United Power Technology AG. On 11 June 2013 the Annual General Meeting resolved that each member of the Supervisory Board shall receive a fixed annual salary of 40,000.00 Euros, effective retroactively as of 1 January 2012. The Chairman of the Supervisory Board shall receive an additional amount of 20,000.00 Euros per year. In addition, each member of the Supervisory Board will receive a maximum annual bonus of 13,000.00 Euros depending on the degree to which the Company's budgeted EBIT was achieved for the respective financial year. The retroactive increase of the Supervisory Board's remuneration was recognized in the balance sheet of the 2013 financial year.

Shareholders
The liabilities due to majority shareholders amount to EUR 0 (as at 31 December 2012: EUR 0).

34. Remuneration report

The information in the remuneration report is part of the Group management report. An additional description of the information reported in the remuneration report has been therefore omitted.

35. Operating lease arrangements

Operating leases relate to the property owned by the Group with lease terms of 2 and 5 years. The leases do not contain an option to purchase the property. The rental income earned by the Group from its property, amounted to kEUR 185 in the financial year (2012: kEUR 158).

in EUR thousand	31.12.2013	31.12.2012
Within one year	174	72
From two – four years	341	1,861
	515	**1,933**

36. Contingent liabilities

Acquisition of property, plant and equipment and intangible assets contracted but not provided for in the consolidated financial statements total kEUR 0 (as at 31 December 2012: kEUR 0).

37. Audit fees

Deloitte & Touche GmbH ("Deloitte") was appointed as the auditor for United Power Technology AG and the Group for financial business year 2013. Total fees paid to Deloitte of kEUR 105 (2012: kEUR 110) are related to auditing with kEUR 105 (2012: kEUR 95) and audit-related consulting fess of kEUR 0 (2012: kEUR 15).

38. Declaration of compliance with the German Corporate Governance Code

Pursuant to section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board issued a corporate governance declaration on the recommendations of the provisions of the German Corporate Governance Code as amended. The declaration was published on the Company's website at www.unitedpower.de.com/en.

39. Shareholdings in United Power Technology AG

Management Board

Mr Wu Xu owns indirectly 20.14% shares in United Power Technology AG (2,477,454 voting rights) as at 31 December 2013.

Mr Zhong Dong Huang owns indirectly 18.42% shares in United Power Technology AG (2,265,272 voting rights) as at 31 December 2013.

Supervisory Board

Mr Wei Song owns indirectly 18.99% shares in United Power Technology AG (2,336,000 voting rights) as at 31 December 2013.

Mr Hubertus Krossa owns directly 0.03% shares in United Power Technology AG (4.086 voting rights) as at 31 December 2013.

Shareholdings

1. On 1 July 2011, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities trading Act ("WpHG"), Mr Wei Song, People's Republic of China, informed us that, as of 28 June 2011, its voting rights in our Company exceeded 50% and was 68.59% (8,436,533 voting rights) at that date. Of these, 22.63% (2,784,053 voting rights) were attributable to him through Fortune Great Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, and 45.96% (5,652,480 voting rights) through Fortune Sunrise Investments Limited, Road Town, Tortola, British Virgin Islands, and High Advance Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 2 sentence 1 WpHG.

2. On 1 July 2011, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities trading Act ("WpHG"), Mr Xu Wu, People's Republic of China, informed us that, as of 28 June 2011, its voting rights in our Company exceeded 50% was 68.59% (8,436,533 voting rights) at that date. Of these, 24.01% (2,952,802 voting rights) were attributable to him through Fortune Sunrise Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, and 44.58% (5,483,731 voting rights) through Fortune Great Investments Limited, Road Town, Tortola, British Virgin Islands, and High Advance Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 2 sentence 1 WpHG.

3. On 1 July 2011, pursuant to article 21, section 1 of the Wertpapierhandelsgesetz (German Securities trading Act ("WpHG"), Mr Zhong Dong Huang, People's Republic of China, informed us that, as of 28 June 2011, its voting rights in our Company exceeded 50% and was 68.59% (8,436,533 voting rights) at that date. Of these, 21.95% (2,699,678 voting rights) were attributable to him through High Advance Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG, and 46.64% (5,736,855 voting rights) through Fortune Sunrise Investments Limited, Road Town, Tortola, British Virgin Islands, and Fortune Great Investments Limited, Road Town, Tortola, British Virgin Islands, pursuant to section 22 paragraph 2 sentence 1 WpHG.

4. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), High Advance Investments Limited, British Virgin Islands, informed us that its voting rights in United Power Technology AG have fallen below the 20% threshold on 05 April and on that day amounted to 18.40% (2,262,963 voting rights).

5. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Fortune Great Investments Limited, British Virgin Islands, informed us that its voting rights in United Power Technology AG have fallen below the 20% threshold on 05 April and on that day amounted to 18.97% (2,333,690 voting rights).

6. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Orchid Asia IV L.P., Cayman Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.12% (2,720,556 voting rights).

7. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), OAIV Holdings L.P., Cayman Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.12% (2,720,556 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through Orchid Asia IV L.P., Cayman Islands.

8. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Orchid Asia IV Group Management Limited, Cayman Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.12% (2,720,556 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 WpHG through Orchid Asia IV L.P., Cayman Islands.

9. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Orchid Asia IV Group Limited, Cayman Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.12% (2,720,556 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through Orchid Asia IV Group Management Limited, Cayman Islands, OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 s. 2 WpHG through Orchid Asia IV L.P., Cayman Islands.

10. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Orchid Asia IV Investment Limited, British Virgin

Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.12% (2,720,556 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through Orchid Asia IV Group Limited, Cayman Islands, Orchid Asia IV Group Management Limited, Cayman Islands, OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 s. 2 WpHG through Orchid Asia IV L.P., Cayman Islands.

11. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), YM Investment Limited, British Virgin Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.57% (2,775,874 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through Orchid Asia IV Investment Limited, British Virgin Islands, Orchid Asia IV Group Limited, Cayman Islands, Orchid Asia IV Group Management Limited, Cayman Islands, OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 0.45% (55,318 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through Orchid Asia IV Co-Investment Limited, Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 s. 2 WpHG through Orchid Asia IV L.P., Cayman Islands.

12. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), The Li Family Trust 2007, British Virgin Islands, informed us that its voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.57% (2,775,874 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through YM Investment Limited, British Virgin Islands, Orchid Asia IV Investment Limited, British Virgin Islands, Orchid Asia IV Group Limited, Cayman Islands, Orchid Asia IV Group Management Limited, Cayman Islands, OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 0.45% (55,318 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through YM Investment Limited, British Virgin Islands, and Orchid Asia IV Co-Investment Limited, Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 s. 2 WpHG through Orchid Asia IV L.P., Cayman Islands.

13. On 13 April 2012, pursuant to section 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Mr Gabriel Li, Hong Kong, informed us that his voting rights in United Power Technology AG have exceeded the 20% threshold on 10 April and on that day amounted to 22.57% (2,775,874 voting rights). Thereof 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through The Li Family Trust 2007, British Virgin Islands, YM Investment Limited, British Virgin Islands, Orchid Asia IV Investment Limited, British Virgin Islands, Orchid Asia IV Group Limited, Cayman Islands, Orchid Asia IV Group Management Limited, Cayman Islands, OAIV Holdings L.P., Cayman Islands, and Orchid Asia IV L.P., Cayman Islands. 0.45% (55,318 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 1 WpHG through The Li Family Trust 2007, British Virgin Islands, YM Investment Limited, British Virgin Islands, and Orchid Asia IV Co-Investment Limited, Cayman Islands. 22.12% (2,720,556 voting rights) were attributable pursuant to section 22 para. 1 s. 1 no. 6 s. 2 WpHG through Orchid Asia IV L.P., Cayman Islands

40. Events after the reporting period

No material events between the end of the reporting period and the date of the approval and authorization for issuance of the financial statements have occurred.

41. Approval of the Consolidated Financial Statements

The financial statements were prepared by the Management Board on 11 April 2014 and authorised for issuance to the Supervisory Board.

Eschborn, 11 April 2014

The Management Board

Xu Wu	Zhong Dong Huang	Oliver Kuan
CO-CEO	CO-CEO	CFO

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Eschborn, 11 April 2014

Management Board
United Power Technology AG

Xu Wu	Zhong Dong Huang	Oliver Kuan
Co-CEO	Co-CEO	CFO

Independent Auditor's Report

We have audited the consolidated financial statements prepared by the United Power Technology AG, Eschborn, – comprising the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements – and the group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the United Power Technology AG, Eschborn, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt, April 11, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Lüdke)	(Eilers)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Calendar

Publication	
Interim report 3-months 2014	15 May 2014
Annual General Meeting 2014	22 May 2014
Half-year report 2014	14 August 2014
Interim report 9-months 2014	13 November 2014

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