UNITED POWER TECHNOLOGY

Annual Report 2015

聯合動力
UNITEDPOWER

Key Financials

		2015	2014	+/–%
Revenues	EUR million	113.78	95.59	+19.02
Gross profit	EUR million	17.10	16.36	+4.52
Gross profit margin	%	15.03	17.12	-2.09 pp
EBIT	EUR million	10.80	9.09	+18.81
EBIT margin	%	9.49	9.51	-0.02 pp
Profit for the period	EUR million	7.05	5.44	+29.60
Profit for the period margin	%	6.20	5.69	+0.51 pp
Earnings per share [1)]	EUR	0.57	0.44	+29.55

1) EPS for 12 months 2014 and 2015 is based on the weighted average of shares (12.30 million shares)

Revenue by region by end user based on internal analysis (in EUR million)[1)]

Region	2015	2014
China	33.6	24.6
Europe	32.0	32.7
North America	17.8	15.3
Other regions	30.4	23.0
Total	**113.8**	**95.6**

1) Revenue split by end consumer

Revenue by segment (in EUR million)[1)]

	2015	2014
Commercial generators	60.9	49.3
Residential generators	49.3	42.7
Components	0.1	0.5
Outdoor power equipment	3.5	3.1

1) Based on (non-consolidated) segment information as per the accounts

UNITED POWER TECHNOLOGY GROUP

We are 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 more than 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. Zhong Dong HUANG

Deputy Chairman, Co-CEO
Co-founder and major indirect shareholder

Responsible for strategy and
general management of the Group

Mr. Jiayang ZHONG

CFO

Responsible for finance, reporting activities
and general investor relations matters

Dear Fellow Shareholders,

Altogether, the 2015 fiscal year remained a challenging year for our company. To give you some insights: International trade declined by 14%, Chinese commodity exports contracted by 1.8% in terms of RMB, global prices of many primary commodities fell dramatically as China demand continued to slow down. In China, the production of cement and steel as key infrastructure material shrank for the first time in 25 years which reflected weak domestic demand. Europe, as our traditionally important market, has not yet recovered while Russian currency continued to drop. Many currencies also dropped greatly in South America. As a consequence, the consolidation process in the Chinese industry for power-driven engines continued, which led to further downward price adjustments, impacting our profitability.

Nevertheless, we also saw some positive revenue development in the new emerging markets and in our domestic market in China as well as North America. In sum our revenues increased by 19.0% to EUR 113.8 million in 2015. The strong increase was mainly due to the EUR/RMB exchange rate which continued to develop favourably in 2015. In terms of RMB, our revenue in 2015 increased by 1% compared to the prior year. Among others, the exchange rate also led to an increase in our other income by 30.8%, which partially offset the effects from the consolidation process in the industry and the downward price adjustment. In addition, our other expenses for the reporting period fell by 33.9 per cent to 1.8 million Euros mainly due to bad debt provisions in relation to overdue receivables which were not incurred this year. As a result of these effects our EBIT increased by 18.8 per cent to 10.8 million Euros with a stable EBIT margin of 9.5 per cent. Eventually, we realized a profit for the period of 7.1 million Euros, a year-on-year boost of 29.6 per cent.

All our strategic product segments recorded growth in the 2015 fiscal year. Thereby, revenues in our largest segment, commercial generators, increased by 23.5 per cent to EUR 60.9 million. Revenue for residential generators increased by 15.5 per cent to 49.3 million Euros. The outdoor power equipment segment, which comprises industrial equipment such as water pumps as well as landscaping machines, generated revenues of 3.5 million Euros, an increase compared to last year's comparable period of 12.9 per cent.

In April we appointed Mr. Jiayang Zhong (39) as the new Chief Financial Officer (CFO) of United Power Technology AG. Jiayang Zhong has been working for the group for seven years, most recently as Finance Director. He had taken the interim management of this new function already by the end of June 2015 when the former CFO resigned and will continue to take over all responsibilities concerning finance, reporting activities and general investor relations matters.

With regard to our operational goals, we continued to pursue our three-pronged strategy, especially with regard to the business expansion and the broadening of our range of engine-powered products. Thus, we have widened our customer base by more than 16 new customers as well as to 3 additional countries in which we sell, bringing our total number of customers close to 300 in more than 70 countries. At the same time, we invested 1.8 million Euros into our research and development efforts – a year-on-year increase of 49 per cent – to the effect of 13 new products. With the ongoing development of urbanization in China, the area where our factory is located is developing rapidly from an industrial zone to a residential and commercial hub. Therefore in 2015 we further invested in land expansion to take advantage of an opportunity to secure land for future company growth. The land is immediately next to our current factory with 80,040 square meters. Last but not least, we have completed the phase three buildings and obtained official title deeds in 2015 which were the most important steps towards future growth. Nevertheless we decided to postpone the purchase and installment of production lines for industrial generators in consideration of the deteriorated market environment. But our preparation for expansion will continue and our effort on new product research and development will be sustained.

Despite these positive signs, we expect 2016 to by and large remain a transition period with further consolidation in our industry. Still, we will continue our three-pronged strategy, which comprises of further geographic expansion and penetration, broadening the range of our products and scaling up the size of them in order to further expand our customer base and the application areas of our products. We will also significantly increase our budgets for sales and distribution as well as research and development, which we believe, are core areas and will bring us back on a path to growth and increasing profitability. Against this background, we expect our group revenue to increase in 2016 by a low single-digit percentage in terms of EUR assuming a stabilized EUR/RMB exchange rate of 6.9036. The gross profit margin is expected to slightly decrease between 1 and 2 percentage points, while the EBIT margin is expected to remain stable compared to the previous fiscal year.

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

Kind regards,

Xu Wu
Chairman of the Management Board

Members of the Supervisory Board

Mr. Wei SONG

Chairman of the Supervisory Board

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

Mr. Hubertus KROSSA

Deputy Chairman of the Supervisory Board

- Member of the Supervisory Board SFC Energy AG, Brunnthal
- 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. Brian K. KROLICKI

Member of the Supervisory Board

- Former Lieutenant Governor of the US state of Nevada
- Former State Treasurer of the US state of Nevada
- Former Chairman of the state of Nevada Commission on Economic Development
- Former Chairman of the state of Nevada Commission on Tourism
- Former Member of the Intergovernmental Policy Advisory Committee on Trade for the United States

Report of the Supervisory Board

In the financial year 2015, 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, 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 informed myself about the current development of the business situation and key business issues.

Topics of the Supervisory Board Meetings

In the financial year 2015, the Supervisory Board held six meetings with physical presence of the members and passed further resolutions beyond these meetings. The members of the Supervisory Board participated in the aforementioned meetings by appearing in person or participating via telephone conference or via video conference. 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. Since the Supervisory Board consists of only three persons, it has not formed any committees. The entire Supervisory Board handles the relevant topics.

The major topics of the Supervisory Board meetings and the resolutions adopted:

During the Supervisory Board meeting held on 21 January 2015, the Supervisory Board discussed the budget 2015 and reviewed the latest financial figures. We also discussed the dividend policy for the financial year 2014.

During the Supervisory Board's meeting held by way of a video conference on 20 April 2015, The Supervisory Board reviewed the annual report 2014. The auditor from Deloitte Touche GmbH also reported to the Supervisory Board the results of the audit regarding the management report and group management report, the annual financial statements and the consolidated financial statements as well as the notes for the financial year 2014. The Supervisory Board also reviewed the investment plan 2015, the dividend policy and acknowledged this with no further comments. In addition, the Supervisory Board also discussed the first quarter financial results preliminary. The supervisory board passed a resolution regarding the approval of the dividend policy for the financial year 2014 suggested by the management board. During the Supervisory Board's meeting held on 29 April 2015 via conference call, the Supervisory Board discussed and agreed to the postponement of the approval process for the Annual Report 2014.

By resolution via telephone as of 8 May 2015, the Supervisory Board approved the annual financial statements, the consolidated financial statements. The Supervisory Board also agreed to the management report as well as the report of the Supervisory Board. Furthermore the results of audit by auditors has been agreed.

During the Supervisory Board's meeting held on 28 June 2015 via conference call, the Supervisory Board reviewed Mr. Oliver Kuan's resignation letter and discussed his termination from the position as Chief Financial Officer. The Supervisory Board agreed to Mr. Oliver Kuan's resignation from CFO and Management Board for personal reasons.

On 14 July 2015, the Supervisory Board passed the resolution regarding the agenda for the annual general meeting on 26 August 2015 via email.

During its meeting held on 25 August 2015, the Supervisory Board reviewed the financial report first half year 2015, the latest forecast of the whole year, and the reports regarding the internal audit as well as the risk management and discussed requirements on a new CFO candidate.

During the meeting held on 19 November 2015, we reviewed the latest financial reports for the first nine months, the revised full year forecast as well as the next year forecast, and the latest internal audit and risk management reports. We especially dealt with the latest sales activities to get better turnout. Additionally, the Supervisory Board visited the factory, especially the R&D department and reviewed the presentation from the head of R&D department.

Annual financial statements and consolidated financial statements for 2015

The auditing company Crowe Kleeberg Audit GmbH Wirtschaftspruefungsgesellschaft was elected by the General Shareholders' Meeting of 26 August, 2015 as the independent auditor for the annual financial statements and the consolidated financial statements for the financial year 2015.
The present management report and the annual financial statements of United Power Technology AG as of 31 December 2015 prepared in accordance with the HGB (Handelsgesetzbuch, German Commercial Code), the consolidated financial statements as of 31 December 2015 prepared in accordance with the IFRS/IAS, and the group management report, including the accounting records, have been audited by the independent auditor and an unqualified audit opinion has been issued with respect to them. In accordance with the relevant legal provisions, the group's risk management system was inter alia, in particular, a focal point of the audit as well as the internal control system, the cash situation and any potential related party transactions.

The Supervisory Board obtained information on the progress of the audit from the independent auditor on a regular basis. The annual financial statements, the consolidated financial statements and the management report of United Power Technology AG and United Power Group and the audit reports were made available to all members of the Supervisory Board and were thoroughly assessed at the accounts review meeting of the Supervisory Board on 27 April 2016 in the presence of the independent auditor. The independent auditor submitted a report on the main findings of his audit. In particular he gave details on the company's and the group's assets, financial condition and results of operations and was prepared to provide any additional information on request.

The Supervisory Board itself also carefully reviewed the annual financial statements, the consolidated financial statements and the management report of United Power Technology AG and United Power Group for the financial year 2015 and determined that there were no objections to the final results of this audit. The audit reports submitted by the independent auditor were reviewed by the Supervisory Board. There were no objections. With the resolution of 27 April 2016, the annual financial statements submitted by the Management Board was agreed and thus been approved. The Supervisory Board also approved the consolidated financial statements. The Supervisory Board agreed to the management report for United Power Technology AG and the Group. Furthermore the results of audit by auditors has been agreed. After careful consideration, the Supervisory Board adopted the proposal made by the Management Board to carry the loss forward to new accounts.

Corporate Governance

In addition, the Supervisory Board focused on corporate governance issues and considered the recommendations and suggestions of the German Corporate Governance Code. The Management Board and the Supervisory Board adopted a joint declaration of conformity in accordance with Section 161 of the AktG. This declaration of compliance is available for inspection in the Corporate Governance Report and also on the company's website. The recommendations set forth in the German Corporate Governance Code have been implemented with the exception of the points listed in the declaration of conformity. The Supervisory Board is not aware of any conflicts of interest on the part of the Supervisory Board.

For additional information, please refer to the Management Board's and the Supervisory Board's joint Corporate Governance Report.

Composition of the Supervisory Board

The members of United Power Technology AG's Supervisory Board are Mr. Wei Song (Chairman), Mr. Hubertus Krossa (Deputy Chairman), and Mr. Brian K. Krolicki.

No changes occurred in the supervisory board of the company in 2015.

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.

27 April 2016

On behalf of the Supervisory Board

Wei Song
Chairman of the Supervisory Board

The Share

Market environment

Similar to last year the key German stock index DAX showed a high level of volatility throughout the entire financial year 2015. While the on-going low interest rate policy of the European Central Bank continued to drive the stock market at the beginning of the year, on-going geopolitical uncertainties, weaker economic prospects in a lot of the emerging markets as well as a falling oil price impacted the DAX index. Thus, the DAX initially showed strong growth and reached a new all-time high on April 10, 2015 with 12,374 points. In the further course of the year however the DAX showed a steady decline and dropped to 9,427 points again on September 24, 2015. In the fourth quarter the DAX was able to pick up again though and eventually ended the financial year at 10,743 points, representing a plus of 9.6% over the course of the reporting period.

Despite the aforementioned political insecurities, the SDAX, a comparative index for United Power, displayed a much better development in 2015 than the DAX. The SDAX started the year at 7,251 points and similar to the DAX showed strong growth at the beginning of the year before evolving into a more or less volatile lateral movement for most of the rest of the period, finishing the year at 9,098 points. Thereby, the SDAX also reached a new all-time high of 9,156 points on August 6, 2015. In total, this represents a growth rate of 26.6% over the course of the reporting period.

Share development

The share price of United Power displayed a somewhat similar development as the SDAX in terms of showing growth at the beginning of the year. However, while the share price of United Power started at a price of EUR 1.40 and managed to reach a share price of EUR 2.12 on February 17, 2015 it showed a steady downward development for the rest of the year. Thereby, the share reached its lowest price of the year on October 20, 2015 at a price of EUR 0.63 per share. Subsequently, the share price nevertheless did stabilize again and finished the year at EUR 0.81.

This further decline of the share price of United Power should be seen in the context of an increasingly negative sentiment against Chinese companies listed in Germany due to the emergence of several cases of serious irregularities in the past on the one hand and the currently slim growth prospects due to the challenging business environment in the segment of engine-driven power equipment on the other hand.

Dividend policy

Despite positive signs especially from the domestic market in China and the new emerging markets in 2015 as well as an expected production impetus from the new production lines in 2016, the management expects 2016 to remain a transition period. Therefore, the Management Board and Supervisory Board have jointly decided to not propose a dividend for financial year 2015 to the Annual General Meeting on 7 June 2016. However, it is the intention though to resume and gradually increase dividend payments as soon as the Management and Supervisory Board are convinced that the exceptionally challenging industry circumstances impacting on the company have subsided and the company has resumed on a path of profitable growth.

Designated sponsor

United Power Technology has designated sponsorship and research coverage from the investment bank KeplerCheuvreux, the lead manager of the company's IPO in 2011.

Transparent investor relations

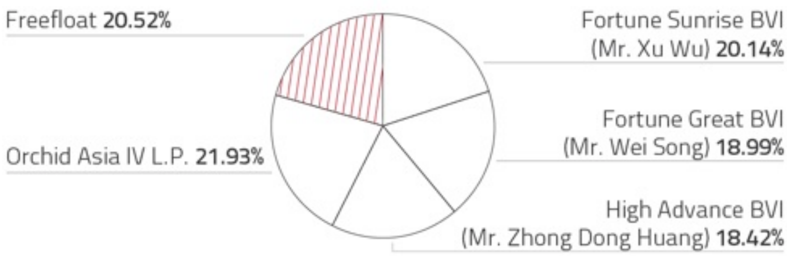
United Power Technology is determined to provide a comprehensive and transparent communication vis-à-vis its shareholders. An extensive range of information can be found on the Company's investor relations website under www.unitedpower.de.com/en. All of these activities are geared towards an objective and fair assessment of the Company.

KEY 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 (in shares)	12,300,000
Market capitalization (EUR million)	9.96

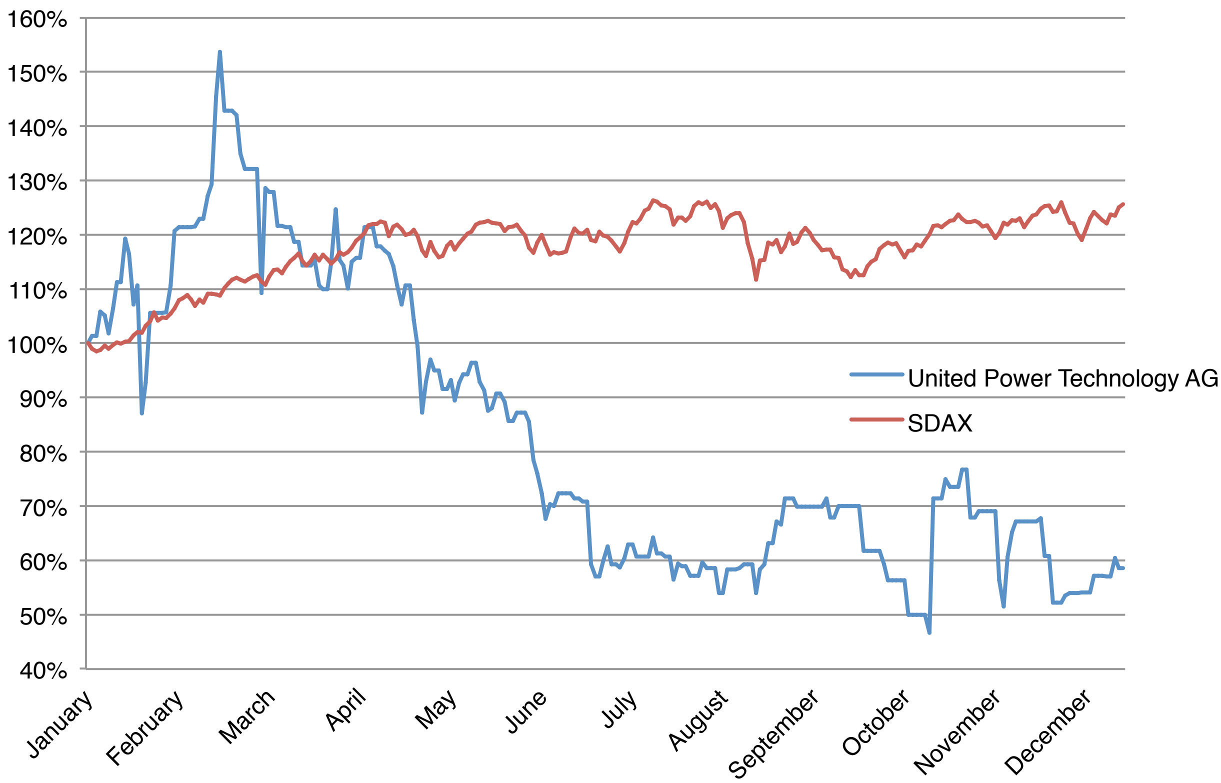
as at 31 December 2015

SHAREHOLDER STRUCTURE (in %)



(as at 31 December 2015)

SHARE PERFORMANCE (January 1 to December 31, 2015)



Corporate Governance Report

To comply with sec. 3.10 of the German Corporate Governance Code (the "**Code**"), the Management Board and Supervisory Board shall report once a year on corporate governance in the company (Corporate Governance Report). The Corporate Governance Report of United Power Technologies AG also includes the declaration on corporate management required by sec. 289a of the German Commercial Code (HGB). The declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB) comprises the declaration of conformity pursuant to sec. 161 of the German Stock Corporation Act (AktG), descriptions of the working methods of the Management Board and Supervisory Board as well as the composition and methods of working of their committees, and targets regarding the proportion of women in the Management Board, the Supervisory Board and the two management levels below the Management Board pursuant sec. 76 para. 4 and sec. 111 para. 161 of the German Stock Corporation Act (AktG). The corporate governance report is also readily available in the internet at www.unitedpower.de.com/Investor Relations/Corporate Governance.

Declaration on corporate management

Explanations according to sec. 161 AktG (Declaration of Conformity)

On 27 April 2016 the Management Board and the Supervisory Board of United Power Technology AG (the "**Company**") stated the following Declaration of Conformity pursuant to sec. 161 of the German Stock Corporation Act (AktG):

The Company complies with the recommendations of the „Government Commission German Corporate Governance Code" in the version of the Code as of 5 May 2015 – published in the Federal Gazette on 12 June 2015 – 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 only in certain cases. A general deductible would reduce the attractiveness of Supervisory Board activities, and thus also the Company's chances in the competition to attract qualified candidates.

- 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 of the Code). 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, and for the Company unilaterally not enforceable.

- 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 a Management Board member 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 termination of a Management Board member contract and is thus an appropriate basis.
- During the shareholders' meeting there was not and will not be any reporting regarding a general Management Board remuneration system and any changes in such system (deviation from no. 4.2.3 para. 6 of the Code). The information in the remuneration report is insofar considered to be sufficient.
- Pursuant to no. 4.3.3 s. 4 of the Code, important transactions with persons closely associated with a member of the Management Board shall only be carried out with the consent of the Supervisory Board. Since the Supervisory Board has not yet decided on such a right to reserve approval, a deviation from no. 4.3.3 s. 4 of the Code is declared preventively.
- There is no general age limit for Management Board members (deviation from no. 5.1.2 para. 2 s. 3 of the Code). 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 only because of their age.
- The Supervisory Board has not established any committees (deviation from 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.
- Pursuant to no. 5.4.1 para. 2 of the Code, the Supervisory Board shall set specific objectives with regard to its composition that take into account the company-specific situation, the international scope of the company's business, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to no. 5.4.2 of the Code, a set age limit for members of the Supervisory Board to be specified and a regular limit of length of membership to be specified for the members as well as diversity. Pursuant to no. 5.4.1 para. 3 of the Code, proposals issued by the members of the Supervisory Board to the responsible corporate electoral bodies shall take those objectives into account and the objective target shall be reported on in the Corporate Governance Report. In the interest of the Company, the Supervisory Board will in each individual case solely base its nomination proposals to the shareholders' meeting on the skills, abilities and professional expertise. In this regard, the Company deviates from no. 5.4.1 para. 2 and 3 of the Code.
- 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 (deviation from no. 5.4.1 para. 5 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.
- Pursuant to no. 5.4.6 para. 1 s. 2 of the Code the exercising of the chair and deputy chair positions in the Supervisory Board as well as the chair and membership in committees shall be considered with regard to the compensation of the members of the Supervisory Board. Since the Supervisory Board of the Company did not form any committees, the Company deviates from the recommendation of no. 5.4.6 para. 1 s. 2 of the Code.
- 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 not meet 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.

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 portable 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 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.

Targets regarding the proportion of women in the Management Board, the Supervisory Board and the two management levels below the Management Board

The new German law governing equal participation of women and men in management positions in the private sector and the public sector sets out the obligation to regularly set targets for the number of women in the Management Board, the Supervisory Board and the two management positions below the Management Board. A report is to be made on the achievement of the targets set after the expiry of each deadline for implementation of the targets.

The Supervisory of the Company determined that the target figure for the proportion of women in the Management Board shall be zero. This target for the proportion of women in the Management Board shall be maintained up to 30 June 2017. Furthermore, the Supervisory Board determined that the target for the proportion of women in the Supervisory Board shall be zero up to 30 June 2017.

The Management Board of the Company determined that the target for the proportion of women in the two management levels below the Management Board shall be zero to 30 June 2017.

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 financial 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 documents, including the annual financial statements 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 Jiayang Zhong (as of 11 April, 2016). 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. Before being appointed as member of the Management Board, Mr Jiayang Zhong also attended these meetings in his Financial Director function. The working relationship between the Management Board and the Supervisory Board is described in the report of the Supervisory Board within the annual report.

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 and consolidated financial statements. 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 2015, 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 57.55% 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). Crowe Kleeberg Audit GmbH Wirtschaftspruefungsgesellschaft was appointed by the Annual General Meeting as auditor and has audited the consolidated and annual financial statements. The auditors attended the Supervisory Board's meeting, when the annual 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 (annual 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, 27 April 2016

United Power Technology AG

Supervisory Board Management Board

GROUP MANAGEMENT REPORT

Management Report

Group structure and business operations

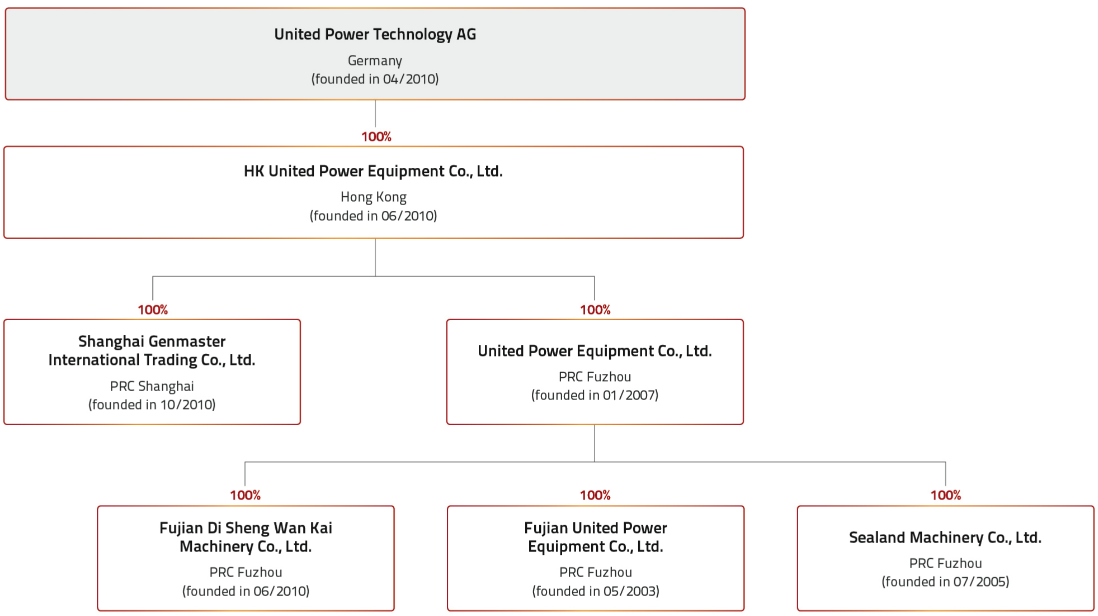
Legal group structure

United Power Technology AG is the ultimate holding company of United Power Technology Group. The economic development of the holding is to a very large degree dependent 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. 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.

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"), are located in Fuzhou and Shanghai. All companies are subsidiaries and are included in the consolidated financial statements of United Power Technology AG.

The number of consolidated companies has not changed compared with last year.

UP Group structure



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 delivered to our customers all 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 2015 we have successfully continued to widen our international customer base by acquiring more than 16 new customers around the world and adding 3 additional countries we sell to, bringing our total number of customers close to 300 in more than 70 countries.

In selected markets such as China, Africa (Kenya, Libya, South Africa), Malaysia, Philippines, Papua New Guinea 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 also a leading Original Design Manufacturer (ODM) which develops and produces its products for leading Original Equipment Manufacturers (OEMs), wholesalers and retailers such as Lowe’s, GMC and B&Q.

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.

Besides our key financial performance indicators, we consider the number of customers and the R&D expenditures as important non-financial indicators.

Our overhead costs are in any case subject to close on-going 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 2015. For the full year 2015 we invested EUR 1.80 million (2014: EUR 1.21 million). This represents a year-on-year increase of 48%.

We have a strong in-house R&D team currently consisting of 57 members (2014: 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 13 new products in 2015 most of which have completed the testing phase. The new products span all our three segments.

In the segments of residential and commercial generators, our R&D team completed the development and/or testing of a new open-shelf inverter generator aimed at the mid and high end market. We launched the new 10KW ultra silent 2 cylinder diesel generator that is specially designed for the South East Asia and the Middle Eastern market. We also launched a 12KW diesel generator, which has higher horsepower, improved adaptability, quiet operation and greater fuel efficiency, mainly for the South East Asia market.

In the segment of outdoor power equipment, we developed and/or tested each six models of water pumps. All of water pumps feature design improvements and one features an expanded fuel tank for prolonged usage; four of them are specially designed according to clients' requirements. We are currently making the most progress in water pumps to enrich the range of our water pump production.

In addition, we strengthened our core engine competency by developing two new engines. The new engines are an improvement over existing models due to their higher efficiency, lower cost, better combustion performance and/or compliance to new environmental or other quality standards and requirements to make customers satisfied.

Economical report

Economic and business environment

Economic environment

In 2015 the global economy grew at a stable rate compared to the previous year. The International Monetary Fund (IMF) determined a global growth rate of 3.1% for 2015 (2014: 3.3%). However, the individual economies developed quite differently. The industrialized countries reached a growth of 1.9% (2014: 1.8%). At the same time the emerging economies have shown a growth of 4.0%, which represents a year-on-year decline of 0.6 percentage points (2014: 4.6 %). The main reasons for the decline were the gradual slow-down and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, lower prices for energy – especially oil – and other commodities.

China’s economic growth in 2015 was 6.9% and therefore obviously weaker than in the previous year (2014: 7.3%). This was mainly caused by a faster-than-expected slowdown in imports and exports, in part reflecting weaker investment and manufacturing activity. China’s growth rate of 6.9%, was however still considerably higher than the average growth rate of the emerging market countries, although its growth rate is expected to slow down further.

According to the IMF the GDP growth in Euro-Area was 1.5% in 2015 and therefore substantially improved compared to the previous year (2014: 0.8%). However, the major European economies also showed a somewhat diverse development. While Germany remained relatively stable with a growth of 1.5% (2014: 1.6%), Spain grew by 3.2%, showing a substantial improvement (2014: 1.3 %). At the same time Italy’s economy represented itself stabilized compared to the previous year with a growth of 0.8% in comparison to a decline in prior year of 0.2 %.

Within the European context, the German economy displayed a slight growth of 1.5% (2014: 1.4 %). The economy in Germany notably benefited from strong domestic demand due to private consumption and increased government spending.

Industry environment

For 2015 there was no comprehensive market research covering all our market segments. However, according to a study published by the research company “Companies and Markets”, the global generator market is expected to grow at a compound annual growth rate (CAGR) of 6% until 2019, reaching a total market volume of 22 billion U.S. dollars by 2019. Growth is mainly expected in the emerging markets as the GDP and accordingly the demand for electricity is growing fast in these countries. According to the study the market in India is growing from 1.2 billion U.S. dollars to 2.54 billion U.S. dollars by 2020 and in China from 2.4 billion U.S. dollars to nearly 5.5 billion U.S. dollars by 2020. The North American, the Middle East & African regions are also key markets, where power rental business are expected to create substantial growth prospects for the industry. Furthermore, the rental industry of power generators is projected to also grow at 9% CAGR from 2013–17.

Overall, the 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 as well as inadequate investment in new capacities. According to the North American Electrical Reliability Council (NERC) 30% to 50% of the transmission and distribution network in the United States is 40 to 50 years old. Furthermore, over 14 million households in the U.S. have very low electric penetration. Thus, there is an increasing demand for generators for backup power in residential, commercial and industrial applications.

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 an on-going consolidation process. We believe partly because of the challenging global industry environment over the last few years and the general deceleration of growth in China, the consolidation process in the Chinese generator market has continued in 2015. In 2015 we have seen several competitors consolidated this market through M&A activities or market exit. In the second half of 2015 the Chinese government began to implement a supply-side reform policy which will also accelerate the consolidation process in near future. We have already experienced increased price competition last year as some of the less competitive players are fighting for survival. We have already evidenced that some competitors – particularly smaller and financially weaker ones – withdraw and we expect that this process will further accelerate. We believe that United Power will emerge from this as a stronger player with a reputation of quality and reliability.

In the generator market in Europe we experience continued weakness in consumer demand. The Ukraine crisis and weaker rouble will also continue to have an impact on our business as Russia in particular is an important market for us in Europe. The weaker rouble and current economic situation is translating in reduced demand from our Russian customers. Also the crisis in Syria and Iraq will bring further uncertainties for our sales region Middle East.

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 and US Dollar exchange rate is of particular importance.

In 2015 USD/RMB exchange rate showed stability over the first seven months, however from August it suddenly appreciated greatly and the USD continued the appreciation trend throughout the rest of year. EUR/RMB exchange rate generally showed stability although with much lower average figure compared to last year.

Statement of the Management Board on business development in 2015
Despite the background of a continued challenging industry environment, our revenues increased by 19% in 2015 compared with 2014. In total, United Power Group generated revenues of EUR 113.8 million in the reporting period. The lower EUR/RMB exchange was the main factor for revenue increase in the presentation currency EUR. In term of RMB revenue which is our functional currency the revenue just grew by 1%

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 increased by 19% to EUR 10.8 million and the EBIT margin stabilized at 9.5% in 2015.

With the ongoing development of urbanization in China, the area where our factory is located is developing rapidly from an industrial zone to an residential and commercial hub, therefore in 2015 we further invested EUR 32.3 million in land expansion to take advantage of an opportunity to secure land for future Company growth.

The total number of staff was 586 as at 31 December 2015 (31 December 2014: 589).

Overall the business development was challenging, but it was an important year in which we achieved growth after several years in decline.

Comparison of actual business development versus guidance

Revenue and EBIT guidance

Our guidance in the 2014 annual report was to halt the downward trend of our revenues for 2015 compared to 2014. In the reporting period the Company generated revenues of EUR 113.8 million which constitutes a 19% increase from 2014, which was mainly due to weaker EUR/RMB exchange rate. In terms of RMB, our revenue in 2015 increased by 1% compared to the prior year. Also the EBIT margin stabilized in 2015 at 9.5% compared to 2014. This development was better than previously expected in our guidance which anticipated a drop of 2 to 5 percentage points compared to 2014. The major reason for the positive development was, that the other expenses were lower than expected.

Revenues and earnings position

The table below shows the consolidated income statement for the 2015 compared to 2014.

in EUR million	2015	2014	+/–%
Revenue	**113.78**	**95.59**	**19.0**
Cost of sales	-96.68	-79.23	22.0
Gross profit	**17.10**	**16.36**	**4.5**
Other income	3.17	1.73	83.2
Distribution and selling expenses	-1.38	-1.38	-0.1
Administrative expenses	-4.49	-3.67	22.3
Research and development	-1.80	-1.21	48.3
Other expenses	-1.81	-2.74	-33.9
Profit from operations (EBIT)	**10.80**	**9.09**	**18.8**
Interest income	0.84	0.67	25.2
Interest expense	-1.41	-1.24	13.5
Profit before tax	**10.23**	**8.52**	**20.1**
Income taxes	-3.18	-3.08	3.2
Profit for the period	**7.05**	**5.44**	**29.6**
Earnings per share (EUR)[1)]	0.57	0.44	29.5

1) EPS for 12 months 2014 and 2015 is based on the weighted average of shares (12.30 million shares)

Revenue

United Power's revenue increased by 19.0% to EUR 113.8 million in 2015 compared with EUR 95.59 million for 2014. The revenue increase was mainly attributed to EUR/RMB weaker exchange rate. In terms of RMB, revenue development in 2015 was stable (plus 1%) compared to the reporting period 2014.

With regards to the geographic development, "China" gained the highest increase in revenues with a plus of 36.6% compared to the prior year, followed by "Other regions" with an increase of 32.2% and "North America" which grew by 16.3%. The sales region "Europe" declined by 2.1% due to weaker demand in this area especially in Russia.

Cost of sales

Our cost of sales increased by 22.0% in 2015 mainly along with higher revenues. Price cut in sales led to stronger increase of cost of sales percentage. 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 investment as well as domestic wage inflation and commodities prices. In terms of individual labor costs the rising trend continued with less extent (increase of 8.3%), but we made more investment on machine to lower the effect.

Gross profit
Gross profit increased from EUR 16.4 million in 2014 by 4.5% to EUR 17.1 million in 2015.

Compared to the same period last year, United Power's gross profit margin decreased by 2.1 percentage points to 15.0% in 2015. The gross profit margin decreased mainly due to the price decline. The gross margin is affected by a number of factors such as product mix, capacity utilization and exchange rates and fixed asset depreciation.

Other income
Other operating income increased from EUR 1.73 million in 2014 by 83.2% to EUR 3.17 million in 2015. The increase was mainly caused by significant exchange rate gains (EUR 1.65 million), reversal of doubtful trade receivables (EUR 0.72 million) and rental income (EUR 0.64 million).

Distribution and selling expenses
Our distribution and selling expenses were stable at EUR 1.38 million as in prior year.

As a percentage of revenues, distribution and selling expenses decreased to 1.2% in 2015 from 1.4% in 2014.

Administrative expenses
United Power's administrative expenses increased by 22.3% to EUR 4.5 million compared to 2014. The sharp increase was mainly due to exchange rate effects and more depreciation of new buildings. As a percentage of revenues, administrative expenses stayed relatively stable at 3.9% in 2015 compared with 3.8% in 2014.

Research and development expenses
In 2015 we extended our activities in research and development. As a result the research and development expenses increased by approx. 48% to EUR 1.8 million compared to EUR 1.21 million for 2014. In 2014 United Power's Management Board together with the Supervisory Board had decided to strategically strengthen the R&D activities and have significantly increased the budget for such activities.

Other expenses
Other expenses fell from EUR 2.74 million in 2014 by 33.9% to EUR 1.81 million for 2015. This was mainly due to write-down of long-term assets which did not incure in this year (2014: EUR 1.1 million).

Profit from operations (EBIT)
Our earnings before interest and taxes (EBIT) for 2015 increased by 18.8% to EUR 10.8 million year-on-year mainly due to the higher revenues and higher other income as well as lower other expense.

As a percentage of revenues, EBIT margin stabilized at 9.5% (2014: 9.5%).

Interest income
On an insignificant level, interest income increased due to improved cash management.

Interest expense
Interest expense of United Power increased from EUR 1.24 million in 2014 to EUR 1.41 million in 2015 due to increased average borrowings.

At EUR 0.57 million, the financial result was flat versus the prior year.

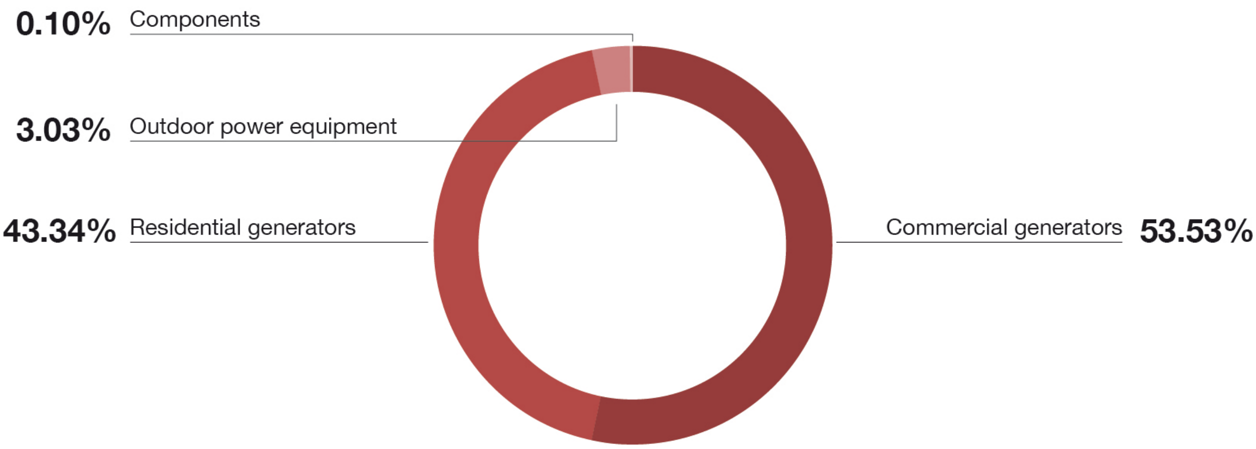
Income taxes
In 2015 income taxes increased from EUR 3.08 million for 2014 by 3.2% to EUR 3.18 million.

Profit for the period and EPS
United Power's profit for the period increased from EUR 5.44 million in 2014 by 29.6% to EUR 7.05 million in the comparable period of 2015. Apart from the higher revenues, this was mainly attributable to the increased other income and the lower other expenses.

As a percentage of revenues, profit for the period increased from 5.7 % in 2014 to 6.2% in 2015.

The earning per share (EPS) in 2015 were EUR 0.57, an increase of 29.5% year-on-year.

Segment information
Revenue by business segment



Residential generators
Revenue for residential generators increased by 15.6% to EUR 49.31 million in 2015. This was mainly due to the weaker EUR/RMB exchange rate. Gross profit of this segment increased by 23.3% to EUR 6.5 million.

Commercial generators
Revenues in our largest segment commercial generators increased by 23.5% from EUR 49.34 million in 2014 to EUR 60.91 million in 2015. This is mainly due to weaker EUR/RMB exchange rate and increased sale in “other regions”. But gross profit decreased by 1.5% to EUR 10.4 million as we reduced the price to win customers.

Outdoor power equipment
The outdoor power equipment segment comprises industrial equipment such as water pumps as well as landscaping machines such as high-pressure washers. Revenue generated from this segment in 2015 was EUR 3.45 million, an increase of 10.2% compared to last year’s comparable period of EUR 3.13 million. Our customers in the outdoor power equipment tend to be fewer in number but with relatively large order sizes. So such revenues in the outdoor power equipment sector tend to be lumpier. Gross profit increased by 12.3% to kEUR 611.

Components
The components segment composes of engine as well as other parts. The components sector is currently not a strategic sector for the Company, but rather taking advantage of opportunities in the market place. This segment represents a small part of the Company’s total revenue. On an insignificant level, the component segment had a decrease in revenue from EUR 0.46 million in 2014 to EUR 0.11 million in 2015.

Assets and liabilities position
The following table shows the consolidated balance sheet as at 31 December 2015 compared to the consolidated balance sheet as at 31 December 2014.

in EUR million	**31 Dec 2015**	**31 Dec 2014**
Current assets	45.96	72.07
Non-current assets	118.89	89.27
Total assets	**164.85**	**161.34**
Current Liabilities	26.33	36.13
Non-current liabilities	1.77	1.82
Total liabilities	**28.10**	**37.95**
Total equity	**136.75**	**123.39**
Total liabilities and equity	**164.85**	**161.34**

Current Assets
Inventories
Inventories include raw materials, work in progress and finished goods. Inventories decreased by 16% from EUR 6.13 million as at 31 December 2014 to EUR 5.16 million as at 31 December 2015. The decrease is mainly due to higher efficiency in the delivery of our products at the end of 2015.

The average stock turnover corresponded to 21 days in 2015 compared with 28 days in the previous year.

Trade and other receivables
Trade and other receivables slightly increased from EUR 14.06 million at year-end 2014 to EUR 16.31 million as at 31 December 2015 mainly due to larger sales during the last two months of 2015. Trade receivable days stabilized at 48 days for the full year 2014 and 2015.

Cash and cash equivalents
Cash and cash equivalents amounted to EUR 19.78 million as at 31 December 2015 which represented an decrease of 60.6% from EUR 50.17 million as at 31 December 2014 due to the investment outflow for lease prepayments as well as a partial repayment of a bank loan.

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. 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.

Non-current assets
Property, plant and equipment
Property, plant and equipment increased by 8.4% from EUR 79.13 million as at 31 December 2014 to EUR 85.77 million as at 31 December 2015. Property, plant and equipment is mainly located in Fuzhou, China and comprises buildings (EUR 55.82 million), plant and equipment (EUR 25.94 million), and other minor equipment. The asset depreciation rate in 2015 was 6.9% (2014: 7.50%).

Other non-current assets
As at 31 December 2015, other non-current assets increased by 271.4% from EUR 8.52 million in the previous year to EUR 31.62 million primarily due to lease prepayments made for further land expansion.

If EUR/RMB exchange rate decline, the net assets will increase.

Liabilities

Trade and other payables

Trade and other payables decreased by 5.1% from EUR 12.52 million as at 31 December 2014 to EUR 11.89 million as at 31 December 2015. Account payable days decreased from 56 days for the full year 2014 to 45 days for the comparable period in 2015 due to shortened payment period.

Borrowings

Borrowings at the end of 2015 decreased to EUR 11.49 million from EUR 20.71 million as of 31 December 2014 representing a decrease of 44.5%. This was due to several voluntary prepayments to decrease the finance expense. All of the borrowings are one-year term loans in RMB.The interest rate is about 7% annually. There was no change of borrowing conditions in 2015.

Equity to total assets ratio

The total equity increased from EUR 123.39 million by 10.8% to EUR 136.75 million as at 31 December 2015 mainly due to the consolidated profit for the period and currency translation effects in other comprehensive income.

Non-current assets are completely covered by equity capital.

The equity to total assets ratio increased from 76.48% as at 31 December 2014 to 83.0% as at 31 December 2015 mainly due to higher equity and lower borrowings.

Liquidity and capital resources

Cash flows

Overall cash amounted to EUR 19.78 million as at 31 December 2015 compared to the figure from 31 December 2014 of EUR 50.17 million. Overall, the cash flow from investing activities exceeded the cash generated from our operations and net borrowing, thereby decreasing our overall cash position.

in EUR million	**2015**	**2014**
Operating cash flow before working capital changes	17.67	15.98
Cash generated from operations before interest and taxes	13.34	20.83
Cash generated from operating activities	8.60	16.90
Cash flow from investing activities	-32.26	-17.29
Cash flow from financing activities	-10.56	8.50
Net decrease (increase) in cash and cash equivalents	**-34.22**	**8.11**
Cash at beginning of year	50.17	38.80
Effect of exchange rate changes	3.83	3.26
Cash and bank balances at end of the period	**19.78**	**50.17**

Cash generated from operating activities

Cash generated from operating activities decreased by EUR 8.3 million to EUR 8.6 million at the end of the reporting period 2015. This was mainly due to the effect of the exchange rate and the change of working capital.

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. In 2015, the Company's cash flow from investing activities was EUR -32.26 million. This is mainly due to the described land expansion.

Cash flow from financing activities

Cash from financing activities in 2015 was EUR -10.56 million. This is due to partial voluntary prepayment of a bank loan.

Cash at end of period
As at 31 December 2015, overall cash decreased to EUR 19.78 million compared to EUR 50.17 million at the end of 2014. For further information, please see item cash and cash equivalents.

Off-balance-sheet finance transactions
As at 31 December 2015 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.

Development of non-financial indicators
Besides our financial performance, we consider the number of customers and the R&D expenditure as our non-financial key performance indicators.

In 2015 we added 16 new customers to our portfolio, which is 4 new customers less than we achieved the previous year (2014: increase of 20 customers). By the end of 2015 our total portfolio comprised 293 active customers (31 December 2014: 290 active customers) which represents a slight increase compared to the prior year**.**

With respect to our R&D expenditure, in 2015 we increased the amount by around 48% to EUR 1.8 million (2014: EUR 1.2 million).

Human resources

United Power's total number of employees decreased slightly from 589 as at the end of 2014 to 586 as at 31 December 2015. All areas have been stable since the end of 2014. The average number of employees was 604 over the course of 2015 (2014: 610 employees). The employee split by function as at 31 December is shown in the table below:

	31 December 2015	**31 December 2014**
Management	27	28
R&D	57	57
Sales & Marketing	38	38
Administration	85	87
Production	379	379
Total	**586**	**589**

United Power continues to strengthen its company through further upgrading and recruitment of qualified staff. The majority of the employees have a university degree.

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 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 2015, 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;

21.93% 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 two 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 2015.

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 2015, a total of 172,200 (previous year: 172,200) subscription rights were issued to members of Management Board and 73,800 (previous year: 73,800) 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 27 April 2016, the Management Board and Supervisory Board issued the statement pursuant to section 289a of the German Commercial Code (HGB). The declaration, along with the corporate 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 2014, 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 86,100 options to purchase 86,100 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:

In EUR		Fixed	Bonus	Insurance Pension Fund	Total
Xu Wu	2015	80,000.00	0.00	741.00	**80,741.00**
	2014	82,755.00	0.00	660.60	**83,415.60**
Zhong Dong Huang	2015	80,000.00	0.00	741.00	**80,741.00**
	2014	82,755.00	0.00	660.60	**83,415.60**
Oliver Kuan	2015	72,426.00	0.00	0.00	**72,426**
	2014	123,069.00	0.00	0.00	**123,069.00**
Total	**2015**	**232,426.00**	**0.00**	**1,482**	**233,908.00**
	2014	**288,579.00**	**0.00**	**1,321.20**	**289,900.20**

Supervisory Board remuneration
Remuneration of the Supervisory Board shall be set at the Annual General Meeting and is 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.

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	2015	2014
Mr Wei Song (Chairman of the Supervisory Board)	60,000.00	60,000.00
Mr Hubertus Krossa (Vice Chairman of the Supervisory Board)	40,000.00	40,000.00
Mr Brian Krolicki	40,000.00	40,000.00
Total	**140,000.00**	**140,000.00**

Risk Report

Risk policy
United Power Technology AG devotes itself to securing the development of the company to increase shareholder value. The risk management system in United Power Technology encompasses a number of elements that together facilitate an effective and efficient operation, which supports the achievement of the company. 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.

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 external 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 on-going 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 ERM system 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 the inability to raise funds	Medium	Medium
Risk arising from the inability to implement expansion plans and capitalize on investments	Medium	Medium
Risk arising from dependency on consumer demand	Medium	Medium
Risk arising from dependency on specific markets	Low	High
Risk arising from possibly unsustainable high profit margins	Medium	High
Risk arising from the inability to develop new products/insufficient commercial acceptance	Medium	High
Risk arising from rising labour costs	High	Low
Environmental Risks		
Risks arising from changes in the macro-economics environment	Low	Medium
Market Risks		
Risk arising from changes in the competitor behaviour	Low	Medium
Risk arising from strong dependency on certain key customers	Low	Medium
Risk arising from a lack of long-term contracts with customers	High	Medium
Risk arising from certain key suppliers	Medium	Medium
Risk arising from rising raw commodity and component prices	High	Low
Financial Risks		
Risk arising from liquidity	Low	High
Risk arising from customer insolvency	Low	Medium
Risk arising from changes in the values of financial assets	Medium	Medium
Risk arising from exchange rate fluctuations	High	Medium
Human Resources Risks		
Unavailability of qualified personnel	Low	High

Strategic risks

Risks arising from the inability to raise funds

Due to numerous accounting scandals from other listed Chinese companies in Germany and its impact on the reputation of Chinese companies in general, the share price of United Power might fall. This could lead to, amongst others, a lack of interest in the Company by investors resulting in difficulties regarding the funding through the capital market as well as higher interest rates with regard to loan capital.

In order to counter this risk and to ensure the investors of the Company's accurate accounting United Power is audited by a big audit company and keeps the market updated on any news on the Company.

In total, the Management Board of United Power considers the risks arising from the inability to raise funds to be medium. Year-on-year the risk is considered to be slightly lower.

Risks arising from the inability to implement expansion plans and capitalize on investments

The inability to implement expansion plans and grow the business may pose risks with regard to increasing the Group's revenues.

Against the background of investments in land expansion in order to facilitate growth of business, there is medium risk of not being able to capitalize on this land due to lack of the aforementioned growth.

The Company's Management has therefore strong relationships with local governments and other key stakeholders. At the same time, regular strategy meetings and discussions are conducted to discuss and analyse strategy and expansion plans and implement counter measures when necessary.

In total, the Management Board of United Power considers the risks arising from the inability to implement expansion plans to be medium. Year-on-year the risk is considered to be the same.

Risks arising from dependency on consumer demand
As an international Group, United Power is dependent on consumer preferences for power-driven engines. Therefore, the Company could face lower overall consumer demand in case of changes in their preferences for these products.

The Company counters these risks through, amongst others, 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 its products, which is also reflected in the Group's three-pronged strategy.

In total, the Management Board of United Power considers the risks arising from strong dependency on consumer demand to be medium. Year-on-year the risk is considered to be slightly lower.

Risks arising from dependency on specific markets
As an international Group, United Power is also dependent on the developments on various sales markets. Therefore, the Company could face lower overall consumer demand in case of changes in their preferences for these products.

In order to counter these measures, which the Company cannot influence directly, it continuously monitors markets and regions on which it strongly depends. Monitored activities are documented, defined and the respective measures are tracked**.**

In total, the Management Board of United Power considers the risks arising from strong dependency on specific markets to be medium. Year-on-year the risk is considered to be slightly lower.

Risk arising from profit margins, which might not be sustainable
The Company's relatively high profit margins may not be sustainable, as our profits have been rising at a slower pace than our revenue due to, amongst others, economic uncertainties in Europe and Russia and the on-going consolidation process in the industry, which both impacted our results.

The Company therefore continuously monitors its profit margins. In case the actual profit margins deviate from the planned profit margins these deviations are analysed and counter measures are defined and implemented. Furthermore, the Company actively seeks the cooperation with local distributors in South East Asia to increase sales of United Power brand products.

In total, the Management Board of United Power considers the risks arising from profit margins, which might not be sustainable to be medium. Year-on-year the risk is considered to be the same.

Inability to develop new products that gain sufficient commercial acceptance
The Company may face risks from the inability to develop new products leading to a lack of commercial acceptance. This again could also impact our revenues as well as our profitability.

To counter this risk, United Power Technology regularly monitors changes in customer preferences and new technologies. The Company also implements training to assure the sales teams are selling products at an acceptable price and optimal quality. In addition the Company implements systems to attract and retain skilled employees and motivate them to develop new products.

In total, the Management Board of United Power considers the risks arising from the inability to develop new products that gain sufficient commercial acceptance to be medium. Year-on-year the risk is considered to be the same.

Risks arising from rising labour costs
Our Company may face difficulties in retaining its staff due to increased minimum wages in China as well as a further increase in other statutory provisions and additional payments for social insurance and housing funds.

In order to meet these developments United Power increased the Companies' minimum wage standard from 1,170 RMB to 1,350 RMB monthly. In addition, relevant employee related policies and statutory practices at home and abroad are regularly monitored to ensure proper adjustments are made in advance.

In total, the Management Board of United Power considers the risks arising from rising labour costs to be medium. Year-on-year the risk is considered to be the lower.

Environmental risks

Risks arising from changes in the macro- economic 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 national debt crisis in the euro zone and the economic slowdown in some emerging countries pose risks to the growth prospects for 2016 and 2017. Changes in the macro-economic environment, for example with regard to interest rates, exchange rates, consumer confidence, industrial activities and government spending may also have a negative impact on the Company.

These indicators, which cannot be influenced by the Group actively, are therefore regularly monitored and when needed counter measures are implemented.

In total, the Management Board of United Power considers the risks arising from changes in the macro-economic environment to be medium. Year-on-year the risk is considered to be the same.

Market risks

Risks arising from changes in competitor behavior

Changes in the competitor behavior or new market entrants could either lead to lower selling prices for products or higher costs of production.

Therefore, United Power Technology AG monitors the demand, supply and pricing development for its products. Its sales decisions are based on the analysis performed and the current market situation.

In total, the Management Board of United Power considers the risks arising from changes in competitor behaviour to be medium. Year-on-year the risk is considered to be the same.

Risks arising from strong dependency on certain customers

Strong dependency on certain customers will lead to risk of order stability and affect our power of negotiation; in the past several years, we checked the risk annually: as in 2014, share of the largest customer did not exceed 10% of the total sale.
In total, the Management Board of United Power considers this risks to be low. Year-on-year the risk is considered to be the same.

Risk arising from the lack of long-term contracts with customers

Despite the efforts of the Management of the Company to establish long-term contracts with its key customers, this might not always be achievable, which might pose risks to the sales of the Company.

In order to mitigate these risks, United Power constantly monitors the sales figures with respect to its individual customers and communicates regularly regarding their consumption, inventory and prospects and implements counter measures when needed.

In total, the Management Board of United Power considers the risks arising from a lack of long-term contracts to be medium. Year-on-year the risk is considered to be the same.

Risks arising from dependency on a number of key suppliers

Dependency on a number of key suppliers may result in deteriorating quality of supplier's products and increasing cost of raw materials.

Due to these risks, the Group maintains good relationships with its suppliers and actively seeks new supplier relationships. In addition, United Power regularly monitors the purchasing teams activities to ensure the quality of the raw materials.

In total, the Management Board of United Power considers the risks arising from dependency on a number of key suppliers to be medium. Year-on-year the risk is considered to be lower.

Risks arising from rising 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 alternative sources to prevent ourselves from the risk of increased commodity and component prices.

Furthermore, 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

Overall, the Management Board of United Power considers the risks arising from increased commodity and component prices to be medium. Year-on-year the risk is considered to be the same.

Financial risks

Liquidity risk

The Company United Power Technology AG as well as the United Power Technology Group depends on cash generated from its subsidiaries in China to operate and expand its business. Any failure by the Company or the United Power Technology Group to obtain sufficient funding may adversely impact its going concern. Due to the high cash flow from operating activities, the funding of the operating activities in China can be considered as solidly based.

Considering further potential liquidity requirements for the Company, it may face the restrictions described as follows. Dividends to be paid by the operating PRC subsidiaries are subject to the approval of the relevant Chinese government authorities. In addition, dividends are payable only if the Chinese statutory reserve satisfies the legal requirements. Transfer of cash out of China requires approval from the State Administration of Foreign Exchange ("SAFE").

In total, the Management Board of United Power considers the liquidity risk to be low. Year-on-year the risk is considered to be same.

Risk arising from customer insolvency

Unexpected customer insolvency will lead to usually large loss from accounts receivable.

The Group will therefore investigate new customer carefully and set the credit line based on internal assessment. Each order is insured with China Export and Import Ltd which if not prepaid or guaranteed by the bank.

In total, the Management Board of United Power considers the risks arising from customer insolvencies to be medium. Year-on-year the risk is considered to be the same.

Risks arising from changes in the value of financial assets

Difficulties may arise from changes in the value of financial assets and lead to for example lower yields from financial assets. These risks may arise from various market-, credit- and liquidity risks.

Therefore, the Group monitors changes in its business environment. At the same time, the Company's investment team constantly rebalances the financial assets according to the market sentiment.

In total, the Management Board of United Power considers the risks arising from changes in the value of financial assets to be medium. Year-on-year the risk is considered to be the same.

Risks arising from exchange rate fluctuations

The consolidated financial statements of the United Power Technology Group were prepared in EUR, while its functional currency is RMB, which is currently not a freely convertible currency. A devaluation of the RMB versus the EUR would therefore have an adverse currency translation effect on United Power Technology Group's consolidated financial statements. As the value of the RMB is controlled by China authorities, it is also possible that foreign exchange policies of the China government could have a significant impact on currency exchange rates. Therefore, fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations, i.e. revenue, gross profit and net profit.

However, the operational activities of United Power Technology Group are denominated mainly in RMB and are not influenced by the fluctuations in foreign exchange rates, except for certain transactions carried out by United Power Technology AG, and the translation of the financial statements from RMB to EUR.

The financial department of the Company therefore monitors the exchange rate closely and mitigates the risk by forward transaction when necessary.

In total, the Management Board of United Power considers the risks arising from changes in the currency translation to be medium. Year-on-year the risk is considered to be higher.

Human Resources risks

Risks arising from the unavailability of qualified personnel

The production process and technological progress is dependent on qualified personnel. Such personnel could be unavailable or its cost could increase. Key executive management personnel could leave the company and join competitors, with a resultant transfer of know-how.

To mitigate these risks, United Power provides a safe working environment and continues to invest in and train its employees. Furthermore, the company has established a strong second management line.

In total, the Management Board of United Power considers the risks arising from the unavailability of qualified personnel to be low. Year-on-year the risk is considered to be the same.

Overall risks

United Power has taken sufficient precautions against normal business risks, which might have a negative impact on the development of the United Power Group in all segments in a similar degree. 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.

Events after the reporting period

The Supervisory Board of United Power Technology AG appointed Mr. Jiayang Zhong (39) as the new Chief Financial Officer (CFO) of United Power Technology AG with effect of 11 April 2016. He took over all responsibilities concerning finance, reporting activities and general Investor Relations matters.

Furthermore, 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.

Opportunities and outlook

Economic and industry outlook
According to the World Economic Outlook of the International Monetary Fund (IMF) the global growth in 2016 is projected to be around 3.4% and therefore slightly higher than in 2015 (3.1%).

In the United States growth is projected to level off at 2.4% in 2016 in comparison to 2015 (2.4%). According to the IMF the growth is supported by strengthening balance sheets, no further fiscal drag in 2016, and improving housing market.

With regards to the Euro area the IMF expects an economic growth rate of 1.5% and therefore a slightly decline compared to 2015. The modest Euro area recovery is projected to continue in 2016, with weakening external demand outweighed by the favorable effects of lower energy prices, a modest fiscal expansion, and supportive financial conditions. Potential growth in Euro area is expected to remain weak, as a result of crisis legacies (high private and public debt, low investment, and eroding skills due to high long-term unemployment), aging effects, and slow factor productivity growth.

For our “home” market China the growth rate published by the Chinese government and the IMF in 2016 is projected to slow to 6.5%. A decline of 0.4 percentage points compared to 2015. Due to this decrease the general demand for power-driven engines is expected to decline. The transition from an investment-driven economy to a consumption-driven economy initiated by the Chinese government is expected to continue. This will likely have an negative impact on the demand for our commercial generator segment and also soften the demand for residential generators. Anyway, China is pushing for supply-side reform since the second half of 2015 to mitigate the overcapacity across many industries. This development will increase the pressure for smaller competitors as well as competitors that have liquidity difficulties to exit the market.

In turn, this will moderate the price pressure in Europe. We believe that the industry will improve slightly especially in Western-Europe with the economic stabilization and the on-going lowering of the stocks. Nevertheless, we also expect the Russian market to remain challenging for us due to the fact that the currency is expected to continue to stay at a low level and the, similar to the level of the oil price. Our sales in North America are dominated by ODM models. Therefore, our revenue depends entirely on the sales to several big customers such as Generac or B&S. Their sales in turn are closely affected by natural disasters such as hurricanes. If these fall to appear their sales usually remain low. The biggest potential market is what we call “other regions”. These are underdeveloped countries with poor infrastructure especially concerning the electricity grid. Since the oil price and the prices of many other raw materials, which a majority of these countries rely on, have fallen significantly over the last two years, their purchase power has declined substantially.

Opportunities
In 2016, 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. We will also significantly increase our budgets for both sales and distribution as well as R&D, which we believe, are core areas which will bring us back on a path to growth and increasing profitability.

While the global macroeconomic environment and our industry situation over the last two years was challenging, we remain confident in our growth prospects and existence of multitude of opportunities for our business. These opportunities include in particular:

- Continued stabilization and strengthening of the global economy as the North America’s recovery gathers pace and Europe’s economies are expected to gradually improve fuelled by accommodative monetary policy;
- Industry consolidation in our “home” market China; while the consolidation process continues to lead 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;
- Increased sales into other developing geographies in particular South-East Asia, the Middle East as well as Latin America through deeper penetration of these markets and focus on brand building; while this also requires a stepped-up sales effort we believe these markets provide us with significant opportunities;
- 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. In addition, we are currently exploring feasibility to enter into the market for lawn mowers;

- Continuous improvement of our product mix towards high margin products; in particular strong focus on the acceleration of development of larger generators as well as on inverter generators and 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

In 2015 our buildings constructed in 2014 for the third phase expansion passed the inspection of the local authority and we obtained the final title deeds in July 2015, which means we have the right to start the production within the building. Nevertheless, as the market environment has not shown any signs of improvement, we postponed the plan to equip the new factory with new production lines.

With the on-going urbanization in China, the area where our factory is located is developing rapidly from an industrial zone to a residential and commercial hub. Therefore, in 2015 we further invested in land expansion to take advantage of the opportunity to secure land for future Company growth.

In view of an on-going adverse industrial development and macroeconomic environment we currently have no plans for further investment in our production lines in 2016. Nevertheless, we will continue to monitor the market closely.

Financial guidance

In 2016, the world economy is expected to show only a slight growth and the Chinese economy is likely to further slowdown. In this context, many currencies around the globe have fallen significantly and are expected to fall further against the USD, which will affect the purchase power of our customers adversely. Overall, we expect that the worldwide demand for generators won't increase significantly in the short-term. Therefore, industry consolidation will continue. In this market environment, we will continue our strategy of focusing on strengthening new product developments and improving current products as well as on enhancing brand building and market penetration. At the same time, we plan to play an active role in the Chinese M&A market.

Concerning our non-financial key indicator "customers", we expect to add 10 new customers. Furthermore, we intent to maintain our R&D expenditure rate of above 1 per cent of our revenue.

Against this background, we expect our group revenue to increase in 2016 by a low single-digit percentage in terms of EUR assuming a stabilized EUR/RMB exchange rate of 6.9036. Our growth expectations are inter alia based on the assumption that with the elimination of further competitors from the market the growth potential for the remaining producers like us will increase.

On segment level we expect a strong growth of our commercial generators segment. This is mainly due to the fact that we will expand our market share through industry consolidation. Our residential generators are expected to show a slight grow in the 2016 fiscal year for the reason that sale in Western Europe is expected to increase slightly and appreciation of USD/RMB exchange rate will favour the export. For our third segment outdoor power equipment we calculate with a rapid growth in the current year due to Bigger volume from North America

The gross profit margin is expected to slightly decrease between 1 and 2 percentage points, due to continuing price pressure. Our EBIT margin we expect to stay stable compared to the previous fiscal year, as our other income from lease activities will compensate the decline of our gross profit margin to some extent.

Eschborn, 27 April 2016

United Power Technology AG
Management Board

Xu Wu	Zhong Dong Huang	Jiayang Zhong

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

For the period from 1 January to 31 December

in EUR thousands	Notes	2015	2014
Revenue	6	113,777	95,594
Cost of sales	8	-96,676	-79,226
Gross profit		17,101	16,368
Other income	9	3,174	1,730
Distribution and selling expenses		-1,375	-1,377
Administrative expenses		-4,492	-3,673
Research and development expenses		-1,798	-1,212
Other expenses	10	-1,806	-2,740
Profit from operations (EBIT)		10,804	9,096
Interest income		839	670
Interest expense		-1,411	-1,243
Financial result	13	-572	-573
Profit before taxes		10,232	8,523
Income taxes	14	-3,178	-3,080
Profit for the period	15	7,054	5,443
Attributable to:			
Owners of the Company		7,054	5,443
Non-controlling interests		0	0
		7,054	5,443
Earnings per share in EUR (diluted – basic)	**16**	**0.57**	**0.44**

Statement of other Comprehensive Income

For the period from 1 January to 31 December

in EUR thousands	**2015**	**2014**
Profit for the period	**7,054**	**5,443**
Items that will be recognized in the profit and loss in the future		
Currency translation difference	6,307	11,681
Reserve for available-for-sale (AFS) financial assets	0	0
Other comprehensive income (expense) for the period	**6,307**	**11,681**
Total comprehensive income for the period	**13,361**	**17,124**
Total comprehensive income (expense) attributable to:		
Owners of the Company	13,361	17,124
Non-controlling interests	0	0
	13,361	**17,124**

Consolidated Statement of Financial Position

As at 31 December

in EUR thousands	**Notes**	**2015**	**2014**
Non–current assets			
Intangible assets	17	741	825
Property, plant and equipment	18	85,774	79,125
Other non-current assets	19	31,624	8,515
Deferred tax assets	20	751	779
		118,890	89,271
Current assets			
Inventories	21	5,155	6,134
Trade and other receivables	22	16,313	14,056
Current recoverable income taxes		5	7
Other current financial assets	23	4,654	1,665
Other current assets	19	48	37
Cash and cash equivalents	23	19,780	50,170
		45,955	72,069
Total assets		**164,845**	**161,340**
Capital and reserves			
Share capital	24	12,300	12,300
Additional paid-in capital	24	55,883	55,883
Currency translation difference	24	23,129	16,822
Retained earnings including net earnings	24	45,435	38,381
Equity attributable to owners of the parent	24	136,747	123,386
Non-controlling interests	24	0	0
Total equity		**136,747**	**123,386**
Non-current liabilities			
Other liabilities		1,686	1,735
Deferred tax liabilities	20	86	90
		1,772	1,825
Current liabilities			
Borrowings	25	11,487	20,709
Trade and other payables	26	11,887	12,520
Other provisions	27	184	166
Current tax liabilities		2,768	2,734
		26,326	36,129
Total liabilities		**28,098**	**37,954**
Total liabilities and equity		**164,845**	**161,340**

Consolidated Statement of Changes in Equity

For the period from 1 January to 31 December

in EUR thousands	Notes	Share capital	Capital reserves	Foreign currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2014	**24**	**12,300**	**55,883**	**5,141**	**35,115**	**108,439**	**1,046**	**109,485**
Profit for the period	15				5,443	5,443		5,443
Other comprehensive income (expense) for the year				11,681		11,681		11,681
Total comprehensive income for the period				**11,681**	**5,443**	**17,124**		**17,124**
Effects arising on the acquisition of non-controlling interest in Fujian Di Sheng Wan Kai Industries Co., Ltd.					**-1,193**	**-1,193**	**-1,046**	**-2,239**
Payment of dividends	**24**				**-984**	**-984**		**-984**
Balance as at 31 December 2014	**24**	**12,300**	**55,883**	**16,822**	**38,381**	**123,386**	**0**	**123,386**

in EUR thousands	Notes	Share capital	Capital reserves	Foreign currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2015	**24**	**12,300**	**55,883**	**16,822**	**38,381**	**123,386**	**0**	**123,386**
Profit for the period	15				7,054	7,054		7,054
Other comprehensive income (expense) for the year				6,307		6,307		6,307
Total comprehensive income for the period				**6,307**	**7,054**	**13,361**		**13,361**
Balance as at 31 December 2015	**24**	**12,300**	**55,883**	**23,129**	**45,435**	**136,747**	**0**	**136,747**

Consolidated Statement of Cash Flow

For the period from 1 January to 31 December

in EUR thousands	**Notes**	**2015**	**2014**
Profit before tax		10,232	8,523
Adjustments for:			
Depreciation on intangible assets and property, plants and equipment	12	6,927	6,094
Depreciation of prepaid lease payments		210	145
Other non-cash (income) expense		-277	114
Financial result		572	573
(Gain) loss from the disposal of intangible assets and property, plant and equipment		-2	528
(Increase)/decrease in current assets		-3,201	3,205
Increase/(decrease) in current liabilities		-1,119	1,646
		13,342	**20,828**
Interest paid	13	-1,411	-1,243
Income taxes paid	14	-3,333	-2,687
Cash generated from operating activities		**8,598**	**16,898**
Payments for acquisition of:			
Property, plant and equipment	18	-10,265	-17,961
Acquisition of prepaid lease payments		-22,832	0
Interest income	13	839	670
Cash flow from investing activities		**-32,258**	**-17,291**
Repayment of borrowings	25	-26,365	-19,142
New borrowings raised	25	15,805	30,868
Cash payments to shareholders		0	-984
Non-controlling interest		0	-2,238
Cash flow from financing activities		**-10,560**	**8,504**
Net increase (decrease) in cash and bank balances		**-34,220**	**8,112**
Cash and bank balances at beginning of year	**23**	**50,170**	**38,802**
Effect of exchange rate changes		3,830	3,257
Cash and bank balances at end of period	**23**	**19,780**	**50,170**

Notes to the Consolidated Financial Statements

For the period from 1 January to 31 December 2015

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 27 April 2016 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 2015 financial year, the following accounting standards and interpretations were adopted for the first time:

- 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 January 2015)
- IFRIC 21 – Levies (Effective for annual periods beginning on or after 17 June 2014)

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.

The following new and revised standards and interpretations already adopted by the IASB, but not yet mandatory for the financial year 2015, have not been taken into account in the consolidated financial statements as at 31 December 2015:

- IFRS 9 – Financial Instruments (Effective for annual periods beginning on or after 1 January 2018)
- IFRS 14 – Regulatory Deferral Accounts (The European Commission has decided not to launch the endorsement process of this interim Standard and to wait for the final standard)
- IFRS 15 – Revenue from Contracts with Customers including amendments to IFRS 15 (Effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 – Leases (Effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10, IFRS 12, IAS 28 – Investment Entities: Applying the Consolidation Exception (Effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 7 – Disclosure Initiative (Effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 – Recognition of Deferred Tax Assates for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred indefinitely)
- Amendments to IAS 27- Equity Method in Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2016)
- Annual improvements to the IFRS 2012–2014 Cycle for IFRS 5, IFRS 7, IAS 19 and IAS 34 (Effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 – Acquisition of an Interest in Joint Operations (Effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants (Effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 – Employee Benefits Defined Benefit Obligations: Employee Contributions (Effective for annual periods beginning on or after 1 January 2016 for United Power)
- 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 January 2016 for United Power)
- Amendments to IAS 1 – Presentation of Financial Statements - Disclosure Initiative (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, general administration, and research and development.

3. Consolidated Group

All subsidiaries are included in the consolidated financial statements and are fully consolidated.

Subsidiaries are companies that are directly or indirectly controlled by United Power. 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 the Company	Equity (in EUR thousand)	Equity interest (in %)
United Power Equipment Co. Ltd. Mongkok, Hong Kong (UP HK-Holding)	46,911	100.0
United Power Equipment Co. Ltd. Fuzhou, People's Republic China (UPEC)	126,306	100.0*
Fujian United Power Equipment Co. Ltd. Fuzhou, People's Republic China (FUPEC)	1,056	100.0*
Sealand Machinery Co. Ltd. Fuzhou, People's Republic China	1,211	100.0*
Fujian Disheng WanKai Machinery Co. Ltd. Fuzhou, People's Republic of China (DWC)	1,700	100.0*
Shanghai Genmaster International Trading Co. Ltd. Shanghai, People's Republic of China (Genmaster)	-449	100.0*

*Indirect

The number of consolidated companies has not changed compared with last year.

The percentage of equity interests in the previously existing subsidiaries attributable to the Group did not change during the Track Record Period.

4. Significant accounting policies

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. According to IFRS 10 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. Control of a subsidiary exists according to IFRS 10 if the company has the power to decide on the material business of the company and can use this power to influence the variable return of the participation.

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.

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.

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 raw materials and supplies, direct personnel costs, other direct costs and indirect costs attributable to production (based on a normal operating capacity). Acquisition costs of raw materials and supplies are measured at weighted average.

The net realisable value is the estimated sales price minus the estimated costs until completion and the estimated necessary 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 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 key exchange rates have applied:

		2015	2014
Balance sheet date 31 December	1 EUR = RMB	7.0952	7.4556
Average	1 EUR = RMB	6.9036	8.1255
Balance sheet date 31 December	1 HKD = RMB	0.8378	0.7889
Average	1 HKD = RMB	0.805	0.7924
Balance sheet date 31 December	1 USD = RMB	6.4936	6.1190
Average	1 USD = RMB	6.2401	6.1435

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. Concretely, government grants that have purchasing, building or other acquisition of non-current assets as their main condition, are recognised as deferred income in the balance sheet and recognised in profit or loss over the useful life of the corresponding asset.

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 “loans and receivables” as in the prior year.

Effective interest method
The effective interest method is a method of calculating the amortised cost of financial assets and of allocating interest income and interest expense 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, trans-action 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.

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) 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 financial assets or a group of assets, objective evidence of impairment could include observable data on following loss events which become known:

- significant financial difficulty of the issuer or counter-party; 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 income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments including all fees and other considerations that are part of the effective interest rate, as well as transaction costs and all other premiums or discounts 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.

Financial liabilities
Financial liabilities including trade and other payables 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 received from considerations received including each new asset attained less any new liability assumed plus all accumulated gains or losses that were recognised in other comprehensive income is recognised in profit or loss.

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

5. Key sources of estimation uncertainty discretionary decisions

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 and other receivables

The trade and other 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 the expected future cash flow. The carrying amounts of trade and other receivables as at 31 December 2015 were kEUR 16,313 (2014: kEUR 14,056). As at 31 December 2015 kEUR 950 (2014: kEUR 1,168) 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.
An analysis of the Group’s revenue as follows:

in EUR thousands	**2015**	**2014**
Portable generators	110,223	92,001
Outdoor power equipment	3,447	3,129
Components	107	464
	113,777	**95,594**

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.

Revenue by segments

in EUR thousands	2015	2014
Portable generators		
Residential use unit	49,314	42,666
Commercial use unit	60,910	49,335
Outdoor power equipment	3,447	3,129
Components		
Engines	93	302
Parts	1,991	2,980
Other	408	460
Total segment revenue	**116,163**	**98,872**
Inter-segment revenue elimination	-2,341	-3,272
Other adjustments [1)]	-45	-6
	113,777	**95,594**

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

Intercompany sales only apply to the segment components.

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 thousands	2015	2014
Portable generators		
Residential use unit	6,483	5,260
Commercial use unit	10,370	10,522
Outdoor power equipment	611	544
Components		
Engines	15	47
Parts	-370	-22
Other	95	92
Total segment result	**17,204**	**16,443**
Other adjustments [1)]	-103	-75
Consolidated gross profit	**17,101**	**16,368**
Unallocated items:		
Other income	3,174	1,730
Distribution and selling expenses	-1,375	-1,377
Administrative expenses	-4,492	-3,673
Research and development expenses	-1,798	-1,212
Other expenses	-1,806	-2,740
Interest income	839	670
Interest expenses	-1,411	-1,243
Consolidated profit before tax	**10,232**	**8,523**

[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 2015.

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 thousands	**2015**	**2014**
People's Republic of China	76,883	55,035
North America	16,262	15,327
Europe	14,865	17,617
Africa & Middle East	775	2,581
Other foreign countries	4,992	5,034
	113,777	**95,594**

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

in EUR thousands	**2015**	**2014**
People's Republic of China	86,515	79,978
	86,515	**79,978**

Revenues with one customer amounting to more than 10% of the total revenues did not take place in financial year 2015.

8. Cost of sales

in EUR thousands	**2015**	**2014**
Material	89.986	73,559
Overhead	5,535	4,601
Labour	1,155	1,066
	96,676	**79,226**

9. Other income

in EUR thousands	**2015**	**2014**
Exchange gains	1,650	1,065
Reversal of doubtful trade receivables	724	0
Gains on disposals of fixed assets	0	46
Government grants	141	298
Reversal of provisions	15	1
Other operating income	0	0
Non-operating income	0	173
Rental income	644	148
	3,174	**1,730**

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 thousands	**2015**	**2014**
Allowance of bad debt	510	1,069
Write down of long-term assets	0	1,083
Other taxes	512	342
Write down of inventory	113	79
Bank charges	111	90
Other expenses	560	77
	1,806	**2,740**

11. Headcount and payroll expenses

Total personnel costs compared to the previous year were:

in EUR thousands	**2015**	**2014**
Wages and salaries	3,220	3,317
Social security costs	212	252
	3,432	**3,569**

Employer contributions to statutory pension insurance in China amounted to kEUR 212 (2014: kEUR 252).

For financial year 2016 expenditures is expected to be similar to that in financial year 2015.

The Group employed an annual average of 604 (2014: 610) employees based on continued activities. The employees were acting in the following functions:

Employees (annual average)	**2015**	**2014**
Production and services	**404**	409
Administration	143	144
Research and development	57	57
	604	**610**

12. Depreciation and amortization expenses

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

In EUR thousands	**2015**	**2014**
Depreciation of property, plant and equipment	6,780	5,934
Amortization of intangible assets (included in administration expenses)	147	158
Impairments on inventories (included in other expenses)	113	79
Total depreciation and amortization expenses	**7,040**	**6,171**

13. Financial result

The financial result during the reporting period is as follows:

In EUR thousands	**2015**	**2014**
Interest from banks	839	670
Interest income	**839**	**670**
Interest to banks	-1,411	–1,243
Interest expense	**-1,411**	**–1,243**
Finance result	**-572**	**-573**

14. Income tax expense

Income tax recognized in the profit and loss statement:

In EUR thousands	2015	2014
Current Tax		
- in Germany	1	0
- in China	3,153	3,047
Withholding tax		
- in Germany	0	0
- in China	0	0
Deferred Tax		
- in Germany	-31	4
- in China	55	29
- of which from loss carry forwards	-31	4
Taxes on income	**3,178**	**3,080**

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

	2015	2014
Hong Kong	16.5%	16.5%
People's Republic of China	25.0%	25.0%
Germany	25.6%	25.6%

The effective tax can be reconciled as follows:

in EUR thousands	2015	2014
Profit before tax	10,232	8,523
Expected income tax expenses at tax rate of 25% (China)*	2,558	2,131
Effect of tax benefit granted to a subsidiary	0	0
Effect of tax losses not recognised	590	-30
Tax effect of loss-carry forwards	12	27
Tax effect of expenses that are not deductible	47	47
Non-eligible withholding taxes	0	0
Tax effect of income not taxable	-29	905
	3,178	**3,080**

*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 in the 2015 financial year was 31.1% in comparison to 36.1% in 2014.

15. Profit for the year

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

in EUR thousands	2015	2014
Cost of inventories recognised as an expense	96,676	79,226

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	**2015**	**2014**
Income attributable to owners of the parent in EUR at	7,053,850	5,442,686
Income for calculation of the basic income per share in EUR at	7,053,850	5,442,686
Weighted average number of shares for the calculation of the basic income per share	12,300,000	12,300,000
Earnings per share	0.57	0.44

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 thousands	**2015**	**2014**
Cost:		
As at 1 January	1,614	1,429
Additions	0	0
Currency translation adjustments	82	185
As at 31 December	**1,696**	**1,614**
Accumulated amortisation:		
As at 1 January	762	535
Additions	147	158
Currency translation adjustments	46	69
As at 31 December	**955**	**762**
Carrying amounts:		
As at 1 January	852	894
As at 31 December	**741**	**852**

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 ten years.

18. Property, plant and equipment

Property, plant and equipment changed in the reporting period 2014 and 2015 as follows:

in EUR thousands	Buildings on leased land	Plant & equipment	Motor vehicles	Office equipment	Deposits and construction in progress	Total
Acquisition and production cost:						
As at 1 January 2014	**40,234**	**28,524**	**1,317**	**681**	**1,084**	**71,840**
Additions	0	441	12	3	20,179	20,635
Disposals	-1,240	-1,698	0	-1	0	-2,939
Transfer	20,813	0	0	0	-21,319	-506
Currency translation	5,198	3,685	171	88	140	9,282
As at 31 December 2014	**65,005**	**30,952**	**1,500**	**771**	**84**	**98,312**
Accumulated depreciation:						
As at 1 January 2014	5,585	5,951	790	540	0	12,866
Additions	2,878	2,761	244	51	0	5,934
Disposals	-423	-1,323	0	0	0	-1,746
Currency translation	980	955	124	74	0	2,133
As at 31 December 2014	**9,020**	**8,344**	**1,158**	**665**	**0**	**19,187**
Book values as at 1 January 2014	34,649	22,573	527	141	1,084	58,975
Book values as at 31 December 2014	55,985	22,608	342	106	**84**	**79,125**

in EUR thousands	Buildings on leased land	Plant & equipment	Motor-vehicles	Office equipment	Deposits and construction in progress	Total
Acquisition and production cost:						
As at 1 January 2015	**65,005**	**30,952**	**1,500**	**771**	**84**	**98,312**
Additions	71	4,580	0	7	6,084	10,742
Disposals	0	-3	-8	-1	0	-12
Transfer	0	2,271	0	0	-2,271	0
Currency translation	3,258	207	75	23	-99	3,464
As at 31 December 2015	**68,334**	**38,007**	**1,567**	**800**	**3,798**	**112,506**
Accumulated depreciation:						
As at 1 January 2015	9,020	8,344	1,158	665	0	19,187
Additions	3,118	3,381	247	34	0	6,780
Disposals	0	-2	-23	0	0	-25
Currency translation	373	348	51	18	0	790
As at 31 December 2015	**12,511**	**12,071**	**1,433**	**717**	**0**	**26,732**
Book values as at 1. January 2015	55,985	22,608	342	106	84	79,125
Book values as at 31. December 2015	**55,823**	**25,936**	**134**	**83**	**3,798**	**85,774**

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 55,823 (2014: kEUR 53,313) to secure borrowings of the Group (see also note 25). 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 23,120 to kEUR 31,672 (other current and non-current assets). The other assets include:

in EUR thousands	2015	2014
Prepaid lease payments	0	0
Others	48	37
Other current assets	**48**	**37**
Prepaid lease payments	31,407	8,308
Others	217	207
Other non-current assets	**31,624**	**8,515**
	31,672	**8,552**

Other assets mainly include prepaid lease payments. On 31 December 2015 the Company had capitalised a total kEUR 31,407 for prepaid lease payments, of which kEUR 0 is recorded as current assets and kEUR 31,407 is recorded as non-current assets;

in EUR thousands	2015	2014
Cost:		
As at 1 January	8,690	7,711
Addition	22,832	0
Disposal	0	-18
Currency translation adjustments	507	996
	32,029	8,690
Amortisation:		
As at 1 January	382	185
Addition	210	174
Disposal	0	-2
Currency translation adjustments	30	24
	622	382
Carrying amounts:		
As at 1 January	8,308	7,526
As at 31 December	**31,407**	**8,308**

The Group has pledged prepaid lease payments of kEUR 31,407 (2014: kEUR 8,308) in order to secure liabilities of the Group (see note 25).

20. Deferred Taxes

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

in EUR thousands	31.12.2015	31.12.2014
Deferred tax assets	751	779
Deferred tax liabilities	-86	-90
	665	**689**

Deferred tax assets have resulted from tax effects on deferred government grants kEUR 353 (2014: kEUR 387), allowance for doubtful debts kEUR 238 (2014: kEUR 291), provision for inventory kEUR 67 (2014: kEUR 39), loss carry-forwards kEUR 93 (2014: kEUR 62). Deferred tax liabilities have resulted primarily from the tax effects on the capitalisation of borrowing costs.

There exist outside basis differences in 2015 of kEUR 91,393 (2014: kEUR 68,748). Deferred tax liabilities from these existing outside basis differences of kEUR 22,848 (2014: kEUR 6,875) 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	2015	2014
Germany	27,4%	25.6%
People's Republic of China	25.0%	25.0%

The amount of deferred tax income relating to changes in tax rates is kEUR 6 in 2015 (2014: kEUR 0).

21. Inventories

in EUR thousands	31.12.2015	31.12.2014
Raw material	2,156	1,240
Work in progress	1,032	1,639
Finished goods	1,967	3,255
	5,155	**6,134**

The cost of inventories recognized as an expense during the year was kEUR 96,676 (prior year: kEUR 79,226).

In the 2015 financial year, write-down of inventory was carried out in the amount of kEUR 113 (2014: kEUR 79).

22. Trade and other receivables

in EUR thousands	31.12.2015	31.12.2014
Trade receivables	15,921	12,677
Allowance for doubtful debts (Trade receivables)	-950	-494
Deposits	515	1,291
Advance payments to suppliers	55	33
Other receivables	772	1,223
Allowance for doubtful debts (Other receivables)	0	-674
	16,313	**14,056**

Days sales (of goods) outstanding 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 2015, 89.2% (2014: 86,3%) 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. In the financial year additions to adjustments for doubtful trade receivables have been made in the amount of kEUR 510 (2014: kEUR 491).

The following analysis shows the overdue but not impaired receivables.

in EUR thousands	31.12.2015	31.12.2014
Past due 1 – 30 days	413	550
Past due 31 – 60 days	238	263
Past due 61 – 180 days	118	389
Past due over 180 days	0	35
	769	**1,237**

23. Cash and cash equivalents and other current assets

In addition to cash and cash equivalents in the amount of kEUR 19,780 (2014: kEUR 50,170), kEUR 4,654 (2014: kEUR 1,665) 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 with financial institutions.

Bank balances carry interest rates of 0.35% (previous year: 0.35%) per annum and the pledged bank deposits carry interest rates of 1.10% (previous year: 2.8%) per annum.

Cash and cash equivalents:

in EUR thousands	**31.12.2015**	**31.12.2014**
Cash and cash equivalents	19,780	50,170
	19,780	**50,170**

Other financial assets:

in EUR thousands	**31.12.2015**	**31.12.2014**
Pledged bank deposits	4,654	1,665
	4,654	**1,665**

Of the cash and cash equivalents available as at 31 December 2015 kEUR 19,469 (previous year: kEUR 49,830) was in Mainland China and kEUR 227 (previous year: kEUR 274) 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 2015	**12,300,000**	**12,300,000**
Issuance of new shares	0	0
31 December 2015	**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 2015.

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 2015, a total of 172,200 (previous year: 172,200) subscription rights were issued to members of the Management Board and 73,800 (previous year: 73,800) subscription rights were issued to executive officers. Subscription rights were issued on 10 December 2012, 29 November 2013 and 16 December 2014. 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 thousands	**31.12.2015**	**31.12.2014**
Reserves		
Additional paid-in capital	55,883	55,883
Foreign currency translation reserve	23,129	16,822
Retained earnings including net earnings	45,435	38,381
	124,447	**111,086**

The amount of the capital reserve is kEUR 55,883 (2014: kEUR 55,883). The amount completely 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 difference from currency translation of foreign operations amounts to kEUR 23,129 (2014: kEUR 16,822) 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 7,054) is recognised in retained earnings.

Retained earnings include a reserve of kEUR 9,321 (2014: kEUR 8,421) 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.

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 volume 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 6,08% per year (2014: 7.13% per year).

in EUR thousands	31.12.2015	31.12.2014
Secured bank borrowings	11,487	20,039
Unsecured bank borrowings	0	670
	11,487	**20,709**

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

in EUR thousands	31.12.2015	31.12.2014
Buildings	55,823	53,313
Prepaid lease payments	31,407	8,308
	87,230	**61,621**

26. Trade and other payables

in EUR thousands	31.12.2015	31.12.2014
Trade payables	9,637	8,398
Notes payable	0	49
Advance payments	1,113	1,626
Others	1,137	2,447
	11,887	**12,520**

The maturity of trade payables is as follows:

in EUR thousands	31.12.2015	31.12.2014
Short-term	9,637	8,372
Overdue (0 to 60 days)	0	7
Overdue over 60 days	0	19
	9,637	**8,398**

Other payables are due within one year, as prior year.

27. Other provisions

in EUR thousands	Audit cost
Balance 1 January 2015	166
Reductions arising from payments	-151
Reversals	-15
Additional provisions recognised	184
Balance 31 December 2015	**184**

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 2015, the Group received government subsidies of kEUR 141 (2014: kEUR 298) 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 2015, kEUR 119 (2014: kEUR 130) 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 2015.

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 2015 the Company's gearing was minus 6.06% (prior year: minus 23.88%).

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 thousands	**31.12.2015**	**31.12.2014**
Debt (i)	11,487	20,709
Cash and Cash equivalents	19,780	50,170
Net debt	-8,293	-29,461
Equity (ii)	136,747	123,386
Net debt to equity ratio	-6,06%	-23.88%
Equity-to-assets ratio	82.95%	76.48%

(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.

As at 31 December 2015 the financial instruments were recorded at the following book values and fair values:

in EUR thousands	**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	19,780	19,780	Loans and receivables	19,780	19,780	-	-
Receivables from trade accounts and other receivables	16,313	16,258	Loans and receivables	16,258	-	16,258	-
Other financial assets	4,654	4,654	Loans and receivables	4,654	-	4,654	-
Total assets	**40,747**	**40,692**		**40,692**	**19,780**	**20,912**	**-**
Payables from trade accounts and other liabilities	11,887	10,774	Financial liabilities	10,774	-	10,774	-
Borrowings	11,487	11,487	Financial liabilities	11,487	-	11,487	-
Total liabilities	**23,374**	**22,261**		**22,261**	**-**	**22,261**	**-**

Among other financial assets, kEUR 4,654 of book value was pledged as security for liabilities and contract condition.

The carrying amounts and fair values of financial instruments as of 31 December 2014 are as follows:

in EUR thousands	**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	50,170	50,170	Loans and receivables	50,170	50,170	-	-
Receivables from trade accounts and other receivables	14,056	14,023	Loans and receivables	14,023	-	14,023	-
Other financial assets	1,665	1,665	Loans and receivables	1,665	-	1,665	-
Total financial assets	**65,891**	**65,858**		**65,858**	**50,170**	**15,688**	**-**
Payables from trade accounts and other liabilities	12,520	10,894	Financial liabilities	10,894	-	10,894	-
Borrowings	20,709	20,709	Financial liabilities	20,709	-	20,709	-
Total liabilities	**33,229**	**31,603**		**31,603**	**-**	**31,603**	**-**

As financial assets and liabilities are short-term the book value of these financial instruments is a reasonable approximation of fair value.

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 and herewith also the equity by approximately +/– kEUR 40 (2014: +/– kEUR 105).

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 in USD (kEUR 1,165) and HKD (kEUR 227) as at the balance sheet date.

United Power operates predominantly in the PRC and transacts primarily in RMB. However, there is a material amount of revenues invoiced in USD. For United Power there is a risk of foreign currency exchange concerning the exchange rate RMB/USD. In 2015 there are revenues in USD amounting to kUSD 37.077 (2014: kUSD 54.006). The sensitivity analysis of the management regarding the increase/decrease of currency exchange rate RMB/USD by 5 % would result in a profit/loss of +/- kRMB 11.568 (2014: kRMB 16.589), converted in EUR with the average exchange rate kEUR +/- 1.676 (prior year: +/- kEUR 2.042).

Furthermore, the United Power Group prepares its financial statements in EUR and therefore its result and net asset position are exposed to the retranslation risk as a result of the fluctuation in the RMB/EUR exchange rate.

The sensitivity analysis of the management regarding the decrease/increase of currency exchange rate RMB/EUR by 5% would result in a profit/loss of +/- kEUR 343 (prior year: +/- kEUR 264).

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 thousands	**2015**	**2014**
Not due, not individually impaired	14,202	10,946
1 – 30 days past due	413	550
31 – 60 days past due	238	263
61 – 180 days past due	118	389
More than 180 days past due	0	35
Total past due, but not individually impaired trade receivables	**769**	**1,237**
Individually impaired	950	494
Net carrying amount	**15,921**	**12,677**

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% as in prior year, the liability and credit risk for the Group are negligible. No collateral has been received and there are no other credit enhancements.

The carrying amounts of financial assets correspond to the maximal default risk.

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 2015.

The following tables detail the Group's remaining contractual maturity for its financial liabilities as at 31 December 2014 and 2015 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 undiscounted cash outflows**	**Carrying amounts as at 31 December 2015**
	%	kEUR	kEUR	kEUR	kEUR	**kEUR**
Trade payables and other liabilities		11,887	0	0	11,887	**11,887**
Borrowings from banks	6.08	6,906	4,720	0	11,626	**11,487**

Financial liabilities	**Weighted average interest rate**	**< 3 months**	**3–6 months**	**6–12 months**	**Total undiscounted cash outflows**	**Carrying amounts as at 31 December 2014**
	%	kEUR	kEUR	kEUR	kEUR	**kEUR**
Trade payables and other liabilities		12,520	0	0	12,520	**12,520**
Borrowings from banks	7.13	11,514	8,671	942	21,127	**20,709**

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 recognised in the combined statement of financial position

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 has expired 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 and the third tranche on 16 November 2014

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	0.96
Granted on 29 November 2013	73,800	29/11/13	29/11/17	29/11/19	0.37
Granted on 16 November 2014	123,000	16/11/14	16/11/18	16/11/20	0.43

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

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
Weighted average fair value at grant date	EUR 47,232

Expenses for the first tranche of the stock option programme 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
Weighted average fair value at grant date	EUR 54,095

No expenses were recognised in 2013 and the reserve created in 2012 for the amount of kEUR 1 was retransferred with an effect on net income, since the Management Board considered it unlikely that the EBIT-based performance targets would be met.

Third tranche	
Grant date:	16 November 2014
Expected volatility	38.2%
Expected return on dividends	1.88%
Risk-free interest rate	0.21%
Option's term	6 years
Holding period	4 years
Exercise price	EUR 1.65
Weighted average fair value at grant date	EUR 53,382

No expenses were recognized in 2014 and 2015, 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.

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,
  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 (until 30 June 2015)
- Mr Jiayang Zhong
  CFO, Fuzhou/China
  Responsible for finance function of the Group (since 11 April 2016)

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

in EUR thousands		**Fixed salary**	**Bonus**	**Insurance Pension fund**	**Total**
Mr Xu Wu	2015	80	0	1	81
	2014	83	0	1	84
Mr Zhong Dong Huang	2015	80	0	1	81
	2014	83	0	1	84
Mr Oliver Kuan	2015	72	0	0	72
	2014	123	0	0	123
Total	**2015**	**232**	**0**	**2**	**234**
Total	**2014**	**289**	**0**	**2**	**291**

In 2014, 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 86,100 options to purchase 86,100 shares in United Power Technology AG. In 2015 no further options have been granted.

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 Balfour Beatty Rail GmbH, Munich/Germany as well as member of the Supervisory Board ALNO AG, Pfullendorf/Germany.
- Mr Brian K. Krolicki, Politician and businessman, Lieutenant Governor of the US state of Nevada, Zephyr Cove/USA (until 5 January 2015) and member of the Intergovernmental Policy Advisory Committee for the United States.

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

in EUR thousands	**2015**	**2014**
Mr Wei Song (Chairman of the Supervisory Board)	60	60
Mr. Hubertus Krossa (Deputy Chairman of the Supervisory Board)	40	40
Mr Brian Krolicki	40	40
Total	**140**	**140**

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

in EUR thousands	**31.12.2015**	**31.12.2014**
Liabilities due to the Remuneration of Supervisory Board	381	321

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 plus statutory value-added-tax, 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 2014: 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 644 in the financial year (2014: kEUR 148).

in EUR thousands	**31.12.2015**	**31.12.2014**
Within one year	812	148
From two – four years	535	191
	1,347	**339**

There are no operating lease arrangements as lessee.

36. Contingent liabilities

The total amount of the order commitments for tangible and intangible assets was kEUR 0 as of 31 December 2015 (31 December 2014: kEUR 0).There are no further contingent liabilities.

37. Audit fees

Crowe Kleeberg Audit GmbH ("Kleeberg") was appointed as the auditor for United Power Technology AG and the Group for the financial business year 2015 (2014: Deloitte &Touche GmbH was appointed as auditor). Total fees for Kleeberg (2014: Deloitte & Touche) recognised as expenses during the financial year are related to auditing with kEUR 131 (2014: kEUR 119).

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 2015.

Mr Zhong Dong Huang owns indirectly 18.42% shares in United Power Technology AG (2,265,272 voting rights) as at 31 December 2015.

Supervisory Board

Mr Wei Song owns indirectly 18.99% shares in United Power Technology AG (2,336,000 voting rights) as at 31 December 2015.

Mr Hubertus Krossa owns directly 0.03% shares in United Power Technology AG (4.086 voting rights) as at 31 December 2015.

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

The Supervisory Board of United Power Technology AG appointed Mr. Jiayang Zhong (39) as the new Chief Financial Officer (CFO) of United Power Technology AG with effect of 11 April 2016. He took over all responsibilities concerning finance, reporting activities and general investor relations matters.

Furthermore, 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 27 April. The supervisory board is expected to authorise the consolidated financial statements for publication on 27 April 2016.

Eschborn, 27 April 2016
The Management Board

Xu Wu CO-CEO	Zhong Dong Huang CO-CEO	Jiayang Zhong 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, 2015. 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 (Main), 27 April 2016

Crowe Kleeberg Audit GmbH

Wirtschaftsprüfungsgesellschaft

(Petersen)	(Nagengast)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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, 27 April 2016

Management Board
United Power Technology AG

Xu Wu	Zhong Dong Huang	Jiayang Zhong
CO-CEO	CO-CEO	CFO

Financial Calendar

Interim Statement 3 Months 2016	31 May 2016
Half-year Report 2016	18 August 2016
Annual General Meeting 2016	7 June 2016
Interim Statement 9 Months 2016	17 November 2016

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Cautionary note regarding forward-looking statement
This document contains forward-looking statements, which are based on the current estimates and assumptions by the corporate management of United Power Technology AG. Forward-looking statements are characterised by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by United Power Technology AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside United Power Technology AG's control and cannot be accurately estimated in advance, such as the future economic environment or the actions of competitors and others involved in the marketplace. United Power Technology AG neither undertakes nor plans to update any forward-looking statements.

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