

UNITED POWER TECHNOLOGY

Half-year Report 2019



Interim Management Report

GROUP PROFILE

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. Our major products comprise residential as well as commercial generators, which are currently delivered to our customers in more than 70 countries around the world. Our main markets are Europe and North America.

In selected markets such as China, South America, Africa (Nigeria, South Africa), Malaysia, Europe (Italy, Spain) and Russia we sell our own branded products. In the other markets our products are usually developed and manufactured by United Power and branded by third parties. United Power is a leading Original Design Manufacturer (ODM) which develops and produces its products for leading Original Equipment Manufacturers (OEMs), wholesalers and retailers such as, Lower's, Home Depot and Hornbach.

MATERIAL EVENTS IN THE REPORTING PERIOD

We have not published our annual reports for 2018, 2017 and 2016 fiscal year to date as all the German auditors we have approached were not willing to be engaged in the audit of China-concept companies. As a result we are very likely to subject to punishment from relevant authorities although the format and extent of punishment are not clear to us. We will continue looking for statutory auditor but we can not guarantee our success to find in future.

Due to trade-war initiated by US, our products are subject to very high tariff in US which is our main market, as a result, our just stabilized sale declined again in the first half of this year, if the trade war does not end in the near future, our sale will drop sharply this year, which is accompanied by enormous fall of profit. To optimize our operation two of our subsidiaries were disposed.

Our CFO Jiayang Zhong resigned from his position both as member of Management Board and CFO effected on September 13, 2018, due to the secretary who dealt with this matter has resigned and nobody else was filled for the position, the ad hoc was not published.

FINANCIAL PERFORMANCE AND POSITION.

REVENUES AND EARNINGS POSITION

in EUR million	2019 6M	2018 6M	+/-%
Revenue	7.38	10.91	-31
Cost of sales	-6.52	-11.14	-45
Gross profit	0.85	-0.23	
Other income	0.47	-1.52	69
Distribution and selling expenses	-2.20	-0.41	445
Administrative expenses	-1.28	-3.68	-65
Research and development	-0.17	-0.32	-45
Other expenses	-5.23	-11.33	-53
Profit from operations (EBIT)	-7.57	-14.47	47
Interest income	0.01	0.04	72
Interest expense	-0.03	-0.13	74
Profit before tax	-7.60	-14.56	47
Income taxes	-	-	
Profit for the period	-7.60	-14.56	47
Earnings per share (EUR) ¹	-0.62	-1.18	47

For the six months ended June 30, 2019, our revenue declined by 31% further compared to the six months ended June 30, 2018 mainly due to China-US trade war and our weakened brand, although profit has improved significantly compared to the same period of last year it was still at great loss and it is very likely it will continue to lose for this whole year, if non-recurring other expense is excluded, the profit was not substantially improved. With continuous and great loss during the past several years our equity has fallen to an extreme low level, the net assets is expected to fall to below 3 EUR million by the end of 2019, it is doubted that the company will be sustainable.

The above financial figures are neither audited nor reviewed but auditors, therefore the final result may subject to adjustment if an audit had been conducted.

OUTLOOK

On a most fundamental level, our industry is driven by the economic environment in the specific countries, where we sell our products. Apart from the macroeconomic environment other key factors influencing the industry environment are geography specific factors. These include the occurrence of natural disasters such as hurricanes particularly in North America, regulations particularly in markets such as Europe and industry consolidation, as we face it in the Chinese market.

In the first half of 2019 we struggled hard mainly due to China-US trade war. In our domestic market, China, industrial demand continues to decline due to lower activities in the construction sector. China GDP

growth rate reduced to 6.2% for the second quarter of this year and is expected to down to below 6% for the subsequent quarters. The investment activities in China especially fixed assets investment becomes weaker and weaker. In Russia, Africa, and South America the purchasing ability of our clients is seriously harmed due to the foreign currency depreciation. Our current hardship is unprecedented. As a consequence, we expect our sales to further decrease in the second half of this year accompanied by significant loss for the full year, we are not sure whether and when it will recover.

Eschborn, March 16, 2020

Management Board
United Power Technology AG

Zhong Dong Huang
CEO

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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