

Note on the consolidated financial statements:

In case that there are differences between the German and the English version of this report, the German version takes priority.

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Combined management report of the ULTRASONIC Group and Ultrasonic AG

for the period from 1 January to 31 December 2012

Preliminary remarks

The following comments refer to the consolidated business performance of the companies in the ULTRASONIC

Group, filed pursuant to the Securities Exchange Act of 1934, as amended, on January 31, 2013. The consolidated financial statements of the Group as of and for the year ended December 31, 2012, are presented in the consolidated financial statements of the Group as of and for the year ended December 31, 2012. As a holding company, Ultrasonic AG's earnings, asset and financial situation is dependent on the business of its PRC-based operational subsidiaries. The consolidated financial statements as at 31 December 2012 have been prepared in conformance with the International Financial Reporting Standards (IFRS) and interpretations, as applicable for use in the European Union. The consolidated financial statements are based on a number of assumptions that are outlined in detail in the notes to the financial statements (critical accounting estimates and judgment). The combined management report of the ULTRASONIC Group and Ultrasonic AG has been prepared in accordance with the statutory requirements and should be read in conjunction with the audited consolidated financial statements for the Group and the financial statements for Ultrasonic AG. Data in the tables are given in thousands of euros (EUR '000) except where otherwise indicated. The segment report comprises the following four segments: Shoe soles, Sandals and slippers, Urban footwear and Accessories.

In addition, the combined management report contains forward-looking statements, i.e. statements based on specific assumptions and the current plans, estimates and forecasts derived from those assumptions. Forward-looking statements are only valid at the time at which they are made. The management of Ultrasonic AG has no obligation to revise and/or publish a revision of the forward-looking statements underlying this document in the event of new information. Forward-looking statements are always exposed to risks and uncertainties. The management of Ultrasonic AG hereby points out that a large number of factors could lead to substantial differences in attainment of these objectives. The principal factors are outlined in detail in the section headed "Risk report".

1. The ULTRASONIC Group

1.1 Group structure

Ultrasonic AG has its registered office in Cologne, Germany. Together with its direct and indirect subsidiaries it forms the ULTRASONIC Group (subsequently referred to as "ULTRASONIC" or "the Group"). ULTRASONIC's offices and production facilities are located in Shanjian Industrial Area, Yonghe Town, Jinjiang City, Fujian Province, in Xingtai, Industrial Zone, Changtai, Fujian Province, and in Xiamen, Fujian Province in the People's Republic of China ("PRC"). The company holds all shares in China Ultrasonic Outdoorwear Holdings Co., Limited, a company established on 3 December 2007 under Hong Kong law. China Ultrasonic Outdoorwear Holdings Co., Limited is, in turn, the sole direct or indirect owner of Shenghui (Fujian) Footwear Co., Ltd., Fujian Suoli Shoes Co., Ltd., Suoli (Xiamen) Industrial Co., Ltd. and Fujian Junhui Sports Co., Ltd., all of which are limited liability companies established under the law of the People's Republic of China.

1.2 Business activities and major developments in 2012

ULTRASONIC is principally engaged in the design, manufacture and sale of shoe soles, sandals, slippers, urban footwear and accessories.

Its shoe soles are mainly sold in China to leading national sports shoe manufacturers ("OEM manufacturers") such as Anta Sports, Xtep China and Unisuper, which use its shoe soles in the production of their sports shoes.

ULTRASONIC sells its sandals and slippers mainly to Chinese trading companies which export them to overseas markets such as Europe, Japan, Mexico, North America, South Korea and Russia. Most of these products are sold under the end-customers' brand names, e.g. Dr. Martens, Nevados, Camel Active and McKinley.

Production of high-quality urban footwear brands and accessories is currently outsourced. Urban footwear and accessories are mainly sold via distributors under the ULTRASONIC brand. These distributors operate ULTRASONIC shops in various regions of the PRC and sell the products to end-users.

ULTRASONIC's product range includes a variety of shoe soles made of EVA, EVA-RB and PU in single or dual colours, PU-RB and TPR soles and finished products such as sandals and slippers made of EVA, TPR and MD-RB.

ULTRASONIC divides its operations into four segments on the basis of their product lines: Shoe soles, Sandals and slippers, Urban footwear and Accessories.

In January 2012 ULTRASONIC announced to build new manufacturing facilities in Jinjiang City, at short distance from its current production sites. The signing of the building agreement facilitates its strategy to expand production capacities. The total investment volume for the new buildings is RMB 19.7 million (approx. EUR 2.4

million as of 31 December 2012). Construction of the new facilities began in February 2012. The new factory complex consists of a three-storey production area and eight-storey staff quarters. With the construction of the new factory complex and planned additional investments in shoe sole moulding machines, ULTRASONIC intended to increase its capacities for the production of shoe soles by 37% to around 56 million pairs per year. As of December 31, 2012 the total investment volume was RMB 13.8 million (EUR 1.7 million). The construction works will be finished by August 2013, so that ULTRASONIC will be able to use the additional production capacities as of Q4 2013.

In October 2012, ULTRASONIC's subsidiary Suoli (Xiamen) Industrial Co., Ltd., which is mainly responsible for distributing the ULTRASONIC brand of footwear, has signed a contract to acquire administration and sales premises in a representative office complex to be built in Xiamen in Fujian Province. It is expected to move into the approx. 2,050 sqm premises when they are completed in the first quarter of 2015. The new premises are in the direct vicinity of its present sales headquarters. The office space is intended mainly for ULTRASONIC's growing sales team and will include a large showroom, principally for the latest urban footwear collections. The purchase price for the premises of RMB 49.2 million (EUR 5.9 million as of 31 December 2012) has been paid shortly after the signing. The acquisition of these premises will improve ULTRASONIC's long-term cost position compared with its present rented office space as rents have risen enormously in recent years and this trend is expected to continue in the future.

Furthermore the ULTRASONIC Group has completed the acquisition of a new factory complex by acquiring Fujian Junhui Sports Co., Ltd. ("Junhui") for RMB 86 million (EUR 10.5 million) in cash in October 2012. Junhui did not have any operating business, but the acquisition gave ULTRASONIC the rights to around 80,000 square meters of land, four newly erected production buildings, three staff apartments and one staff recreation centre that are currently still under construction. In addition ULTRASONIC invested RMB 3.0 million (EUR 0.4 million) in two new production lines for the production of urban footwear, especially children's shoes, in December 2012. The new buildings and machinery could be used for production from the Q2 2013. The factory complex is in Xingtai Industry Park in Changtai County, near Xiamen. The total investment volume as of December 31, 2012 was EUR 11.3 million.

1.3 Shoe soles

ULTRASONIC's shoe soles are designed and manufactured for sports shoes. In this segment, all sales revenues are generated with customers within China. The principal customers are major Chinese manufacturers of sports equipment who market fashionable sportswear and shoes. ULTRASONIC uses state-of-the-art machinery to manufacture dual-colour models that meet customers' demanding requirements in terms of shape, colour and function. To enable it to participate in the ongoing growth of the Chinese sports equipment market, in fiscal 2012 ULTRASONIC took steps to raise production capacity.

In 2012, ULTRASONIC's Shoe soles segment generated revenue of EUR 47.5 million, a year-on-year increase of 20.1% (2011: EUR 39.6 million). Formerly the Group's main revenue generator, this segment's share of total revenue has declined considerably in recent years. This is in keeping with ULTRASONIC's target of strategic diversification into a range of business areas and product groups. Although this segment has reported steady revenue growth averaging almost 17% p.a. in the past three years, its share of the Group's total revenue slipped further year-on-year to around 31.9% in 2012 (2011: 33.2%).

The gross profit for the Shoe soles segment was EUR 14.7 million in 2012, higher than in the previous year (2011: EUR 12.4 million). However, due to higher expenses for raw materials and other supplies, in 2012 the gross profit margin was 30.8%, slightly below the previous year's margin of 31.4%.

1.4 Sandals and slippers

The sandals and slippers manufactured by ULTRASONIC meet high design and quality standards. In the end-customer market they are positioned in the mid to upper price segment. The product lines rapidly take up the latest fashion trends and are aimed at end-customers with a nature-oriented and casual lifestyle. In 2012 the bulk of revenues in this segment came from OEM business, in other words, products manufactured by ULTRASONIC for international suppliers on the basis of their requirements. Revenues generated with the domestic market accounted for around 35.6% of this segment's sales revenues in 2012. ULTRASONIC is planning to raise this in the coming years in order to reduce the segment's reliance on exports. To achieve this, it aims to establish further alliances with Chinese distribution partners.

The Sandals and slippers segment raised revenue by EUR 3.1 million, from EUR 43.5 million to EUR 46.6 million in 2012, giving a growth rate of 7.3%.

The gross profit was EUR 14.4 million, a year-on-year increase of 6.4% or EUR 0.9 million (2011: EUR 13.5 million). The gross profit margin slipped slightly to 30.8% (2011: 31.2%).

1.5 Urban footwear and accessories

ULTRASONIC's high-quality urban footwear collection is marketed under the ULTRASONIC brand in China and under OEM brands overseas. It stands for quality, fashion and comfort. The "ULTRASONIC" brand is targeted specifically at China's emerging urban middle class, which expresses itself through fashion and design.

Customers strive for a blend of urban and outdoor life and are prepared to pay a higher price for this level of

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premium quality. The urban footwear collection currently comprises the "Business", "Casual" and "Outdoor" lines, which are sold in the ULTRASONIC brand-name stores together with selected accessories. The classic Outdoor line is targeted at the leisure needs of consumers interested in a fashionable sports line for a range of outdoor activities. Its products are made of water-repellent, breathable material and soft, resistant leather. The Business line targets young urban professionals who want high-quality fashionable shoes and clothing for their professional lives. Top-quality leather grades are generally used for this line. The Casual line is a fashion-oriented line for the leisure activities of a young urban target group. Quality leather and uppers are important here. The footwear is complemented by a range of high-quality accessories such as belts, shirts, bags and socks. ULTRASONIC is planning to build up a children's footwear line in 2013. This will be distributed via retailers under a separate brand concept. Thanks to investment in a new production facility near Xiamen in Fujian Province and expansion of capacity, ULTRASONIC is now also able to manufacture some footwear for the Urban footwear segment in-house. Manufacturing for this segment was previously outsourced due to capacity constraints.

The Urban footwear segment (including accessories) was established in 2008 and immediately became the Group's fastest growing segment. Revenue rose from around EUR 3.5 million in 2008 to EUR 14.0 million in 2009, EUR 29.6 million in 2010 and around EUR 36.4 million in 2011. In the 2012 reporting period these segments posted further strong revenue growth to around EUR 54.9 million, which was roughly 50.9% higher than in the previous year. The gross profit was EUR 17.0 million in 2012 (2011: EUR 10.9 million). The gross profit margin improved to 31.1% (2011: 30.0%).

Sales revenue from the ULTRASONIC brand increased 49.6% compared to the previous year to a total of EUR 29.4 million (2011: EUR 19.6 million), whereas sales revenue from OEM brands grew by 52.4% compared to the previous year to a total of EUR 25.5 million (2011: EUR 16.7 million). The gross profit margin generated by the Urban Footwear segment (incl. accessories) from the ULTRASONIC brand increased slightly to 30.6% (2011: 30.5%), while the gross profit margin achieved by the Urban footwear segment with OEM products increased significantly to 31.7% (2011: 29.4%).

In just under five years ULTRASONIC has therefore successfully developed Urban footwear (including accessories) into the segment with the highest revenue. As at 31 December 2012, ULTRASONIC had eleven regional distributors for its urban footwear with 105 distribution points (ULTRASONIC mono-label shops) in eleven provinces and one municipal city (31 December 2011: 84 distribution points).

2. General economic conditions

ULTRASONIC's products are mainly targeted at China's domestic market. In addition, products are sold to international brand manufacturers via Chinese trading companies. Therefore, the economic development of the Chinese mainland is the central influence on the markets in which the Group operates. In view of the varying economic structure of the regions of China where ULTRASONIC has a presence, its business success is also dependent on the specific economic and cyclical trends in individual regions.

Global economic growth continued to lose momentum in 2012. The International Monetary Fund (IMF) calculates that it dropped to 3.2% (2011: 3.9%). Overall, there was enormous uncertainty as a result of the sovereign debt crisis in the euro zone. In both the euro zone and the UK, the economy was affected by consolidation of public sector budgets, while in the USA economic growth was held back by consumer spending. Overall, the IMF calculates that economic output in the developed countries grew by only 1.3% (2011: 1.6%), with a growth of 2.3% in the USA (2011: 1.8%), which was offset by a negative growth of minus 0.4% in the euro zone (2011: +1.4%). Lower demand from developed countries led to a reduction in growth in the emerging markets and developing countries. According to the IMF, economic output in the emerging markets and developing countries as a whole was only up by 5.1% in 2012 (2011: 6.3%).

The drop in demand from the industrialised countries also affected economic growth in China. The IMF estimates that growth in this country, which is now the world's second largest economy, slipped from 9.3% in 2011 to 7.8%

in 2012. While overall economic growth in China in previous years was heavily dependent on state investment and exports, the Twelfth Five-Year Plan started to have a visible impact in 2012. The main aim of this plan is to ensure broader distribution of wealth in the population to strengthen consumer spending in China, thus reducing dependence on state investment and exports and alleviating social disparities. This is accompanied by rising wages, increasing urbanisation, higher productivity and growing value added within China. According to the National Bureau of Statistics of China, consumer spending increased by 14.3% in 2012 (2011: 15.8%). According to a recent report ¹, analysts at McKinsey also assume that consumer spending will be the main growth driver in China in the future and will make the biggest contribution to gross domestic product in the long term.

¹ McKinsey: "Insights China: What's next for China?", December 2012

Moreover, the analysts at McKinsey are predicting an annual average growth rate of around 9% for consumer spending between 2012 and 2030. Overall, domestic consumption should rise from around RMB 10,048 billion in 2012 to around RMB 47,217 billion by 2030. Both the number of households and their disposable income are expected to rise.

3. Market and market conditions

3.1 Chinese footwear market

Thanks to reforms and the policy of opening up the country, the Chinese footwear industry has developed rapidly since the 1980s. Today, it numbers more than 6,000 companies with around 2.5 million employees, and is the world's largest producer and exporter of shoes, accounting for over 60% of global output of shoes.

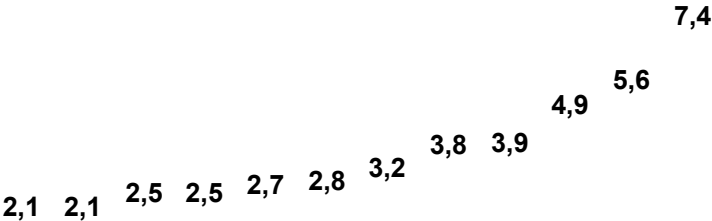
Index/Year (in billion pairs) ²	2005	2006	2007	2008	2009	2010	2011	1-9 2012
Output of footwear products in China	8	9.2	11.3	11.6	10.9	12.3	13.6	11.8
Year-on-year growth in output	11%	15%	23%	3%	-6%	13%	11%	15%
Percentage of world total	48%	59%	60%	63%	65%	60%	61%	61%

The vast majority of shoes produced in China are for OEM suppliers and tend to be positioned in the lower market segment. Most are exported. In 2011, the country exported some 11.74 billion pairs of shoes, which was about 88.9% of total volume. ³ Most Chinese footwear manufacturers receive their orders from private-sector Chinese trading companies and therefore suffer from low operating margins.

However, domestic demand has increased strongly in recent years. Most footwear sold in China is positioned in the lower or middle price bracket. So far, the country does not have any footwear brands that would be competitive on the international market.

In terms of total consumption, China has already overtaken the USA. However, per capita spending still lags developed countries such as the European nations, the USA, Japan and South Korea. At present, consumption of shoes in China is just 2.1 pairs per person per year. That compares with 7.4 pairs in the USA; 4.9 in the EU and 5.6 in Japan. In fact, consumption of shoes in China is lower than in other emerging markets such as Thailand and Mexico. ⁴ Combined with the general rise in consumer spending and, in particular, steadily rising consumption in rural areas, there is still enormous growth potential for footwear retailing in China.

Shoe consumption: Pairs per capita in 2011



2 Respect Marketing Research Inc. 2011, PRC National Bureau of Statistics, ZhongAn Consultants 2012

3 ZhongAn Consultants 2012, PRC General Administration of Customs

4 China Leather Shoe Industry Association, BOCOM International Holdings Company Limited, 2011

3.2 Shoe soles

A combination of rising general interest in sport and the increasing purchasing power of younger consumers have led to booming demand for sports shoes and thus the associated soles in recent years. Both the world's leading sports shoe manufacturers such as Adidas, Nike, Reebok, Puma and Mizuno and leading Chinese brands such as Anta, Xtep, Li-Ning and Unisuper source their products from China.

According to statistics published by the CLFI⁵, in 2008 China accounted for around 50% of global production of soles for sports shoes. Products for well-known international and national brands and for less well-known brands and lower-quality products report growth every year. In 2011 China produced 3.78 billion pairs of soles for sports shoes. In the first nine months of 2012 output was 3.21 pairs. Market volume was around RMB 13.8 billion in 2012. An average annual growth rate of around 7.5% is expected up to 2017.⁶

ULTRASONIC assumes that the Chinese footwear industry will increasingly specialise in higher-quality products, in other words, there will be a shift from quantity to quality and efficiency, which requires modernisation of production equipment. In volume terms, there will nevertheless be continued slight growth in Chinese output and exports of sports shoes.

3.3 Sandals and slippers

China is also the world's largest manufacturer and exporter of slippers and sandals. Currently, its annual output of sandals accounts for over 90% of total world output. According to data from the National Bureau of Statistics, in 2011 China's output of slippers and sandals totalled 3.84 billion pairs in 2011, up by over 7% year-on-year (2010: 3.6 billion pairs).⁷ According to statistics issued by China's General Administration of Customs, around 2.56 billion pairs were exported to Europe, the USA and Africa (2010: 2.35 billion pairs).⁸ Market volume was around RMB 43.1 billion in 2012, and an average annual market growth rate of around 7.5% is expected up to 2017.⁹

The emerging urban leisure trend means that more people are wearing casual sandals and slippers in public places and even to formal events. Economic growth in Asia has increased consumer purchasing power and raised brand awareness. Together with rising consumer spending in rural areas, this is expected to result in rising demand for sandals and slippers in Asia in the coming years.

Ultrasonic AG sees rising quality and a good reputation as key ways of differentiating the company from its competitors. The focus on branded products is a key factor to break through the limitations imposed by the general industrial trend. In recent years, many manufacturers of sandals and slippers have started to develop their own brands. ULTRASONIC has become established as a brand in China.

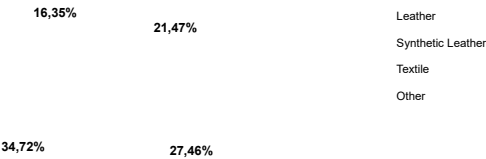
3.4 Urban footwear

China accounts for most (around 60%) of global output of urban footwear. In 2005, output of leisure shoes totalled 2.94 billion pairs. That had increased to 4.47 pairs by 2011 and 3.94 pairs in the first nine months of 2012. giving a year-on-year growth rate of around 13.9%. Rising output and higher unit prices resulting from growing demand have led to a steady increase in sales revenues from urban footwear in China in recent years. In 2012 revenue from this market segment totalled RMB 137.0 in China, and this is expected to post an annual average growth rate of around 8.9% up to 2017.¹⁰

Urban footwear is produced from a variety of materials, which determine the quality and price. High, mid and low-quality shoes are produced to meet differing demands. ULTRASONIC's Urban footwear segment concentrates on the manufacture and distribution of leather footwear, a section of the urban footwear market that has been showing steady annual growth of around 10% since 2005. The market for casual urban footwear market can be broken down as follows:¹¹

5 Respect Marketing Research Inc., 2011, China Leather Industry Information Center, CLFI, 2011
6 ZhongAn Consultant 2012, China Leather Industry Information Center, CLFI, 2011
7 ZhongAn Consultant 2012
8 ZhongAn Consultants 2012, PRC General Administration of Customs
9 ZhongAn Consultant 2012
10 Respect Marketing Research Inc., 2011, ZhongAn Consultant 2012
11 ZhongAn Consultant 2012, China PRC National Bureau of Statistics, China Leather & Footwear Industry Research Institute, 2012

Market Structure of Casual Shoes by Material in 2011



Price competition is high in this area of the Chinese market. In view of rising raw material and wage costs and the need to invest in modernising production infrastructure, producers are becoming less satisfied with the low-margin OEM market and are increasingly turning their attention to domestic distribution under their own brand concepts. Within China, several producers of casual leather footwear like ULTRASONIC are endeavouring to following international trends and quality standards and to establish their own national premium brands. This helps them avoid the price competition in the lower and middle price segments, thereby greatly improving corporate profitability.

Selling price is an important indicator of quality. In the present market environment, there are three price categories for casual leather footwear (urban footwear): shoes costing over RMB 600 are regarded as high quality, those priced at RMB 300-600 are positioned in the mid-price bracket while those costing less than RMB 300 are considered cheap. ULTRASONIC sees the market for high-quality leather footwear as the relevant market for its urban footwear products.

Producers of world-renowned brands are using their financial and development strength, and their design and marketing capabilities to gain a position on the Chinese market. At present foreign brands account for most top-of-the-range casual leather footwear in China. For example, Louis Vuitton, ECCO, Clarks and Hush Puppies have made massive inroads into the Chinese market. Domestic brands such as ULTRASONIC are endeavouring to gain a share of this market segment. High-quality urban footwear is aligned to fashion and customer satisfaction. A key success factor is building and maintaining a brand reputation and a distribution network. ULTRASONIC's management considers that ULTRASONIC is one of the leading Chinese suppliers to the high-quality urban footwear market, although it has only had an active presence in this market segment since 2008.

According to data published by the ZhongAn Consultant market research institute in 2012, the total market volume for high-quality casual leather footwear was RMB 1.02 billion in 2005. By 2012 this had increased to RMB 11.3 billion. That corresponds to an average annual growth rate of around 41% between 2005 and 2012. An average annual growth rate of over 31% is expected up to 2017. ¹²

Compared with the development curve for China's sports shoe market, which posted enormous growth before the 2008 Olympics and in recent years, the market for high-quality leather urban footwear is still at an early stage of development. Chinese sports shoe manufacturers are currently exposed to massive competition but on the local market their brands are generally able to compete with international brands. For example, sales volumes of the Li-Ning and Anta brands are on a par with Nike. The sports shoe industry has already moved beyond the massive growth phase and is in the transition to industrial maturity. ULTRASONIC feels that the market for high-quality leather urban footwear could undergo a similar development and that domestic producers could play an important role on the growing Chinese market in the future.

12 ZhongAn Consultant 2012

3.5 ULTRASONIC's market position and prospects

Fujian is a leading shoe producing province in China, accounting for around 1/3 of Chinese output and almost 20% of global output. Fujian mainly has a reputation for sports shoes and casual footwear and is home to around 20 of China's best -known brands (mainly sports shoes) such as Anta, Furguiniao, Xtep, Erke, 361 Degree, etc.

These brands dominate the national market and will probably grow revenues in line with growth in the Chinese market. Several leading producers are long-standing customers of ULTRASONIC in the Shoe soles segment. Others are competitors that are endeavouring to raise their market share.

In the market for sandals and slippers, there is intensive competition between producers of branded products and OEM producers. It is expected that only cost-efficient producers with very good product quality and a high volume output will be able to achieve attractive margins in this market in the long term. Other factors of significance for long-term success are market positioning with a strong brand and access to distribution partners.

In the urban footwear market, the vast majority of producers sell their products to Chinese trading companies. As a result, their margins are coming under increasing pressure from international markets, rising raw material prices and rising wage costs. The Management Board sees ULTRASONIC as an "early mover" on the domestic market for high-quality casual leather footwear brands and assume that this market segment will remain very attractive and continue to grow in the future. Due to lack of expertise, only a few other companies have taken this step and made an effort to position their own urban footwear brands. Consequently, ULTRASONIC has few direct competitors here. That said, it is very difficult to assess market development at this early stage in its development.

4. Earnings, asset and financial position

4.1 Earnings, asset and financial position of the ULTRASONIC Group

4.1.1 Overall position

In fiscal 2012 ULTRASONIC was able to continue the strong growth of previous years. The Urban footwear segment posted the highest growth over the past year and was able to make the highest contribution to the Group's total revenue for the first time. ULTRASONIC's asset, earnings and financial position was characterised by strong organic growth and the related 24.8% rise in revenue, and by considerable investment to expand the business and efforts to broaden the distribution network. The increase was accompanied by a rise in the operating result. Despite rising raw material and personnel expenses, the Urban footwear segment was able to improve its margin year-on-year by raising selling prices. In the Sandals and slippers and Shoe soles segments, the operating margins declined slightly. Overall, the Group's operating margin was slightly higher than in the previous year. Non-current assets increased as a result of investment, while current assets increased mainly as a result of the rise in sales. Cash and cash equivalents declined slightly due to investments in fixed assets in the reporting period. Equity increased due to net comprehensive income higher than payments to shareholders. Current liabilities increased because of the rise in trade payables and provisions. With an equity ratio of 82% at year-end 2012, the Group remains very soundly financed without any long-term liabilities to banks.

4.1.2 Earnings

Revenue

The Group grew sales revenue 24.8% from EUR 119.4 million in 2011 to EUR 149.0 million in 2012. Since revenue is generated entirely in renminbi (RMB), but the ULTRASONIC Group's reporting currency is the euro,

the exchange rate versus the euro is of significance for both revenue and other financial data in each reporting period. In 2012 the increase in revenues was partly due to an average increase of around 10.7% in the exchange rate of the RMB versus the euro over the year.

In the Shoe soles segment, all revenues come from customers within China. In the Sandals and slippers segment, domestic revenue accounted for about 36%, while in the Urban footwear segment (including accessories) the proportion was around 54%. In this context, it should be noted that within the Urban footwear and accessories segments, the domestic ratio for the ULTRASONIC brand is 100%.

The revenue split was as follows:

Segment	Year-on-year growth	2012	2011
		EUR million	EUR million
Shoe soles	+20.1%	47.5	39.6
Sandals and slippers	+7.3%	46.6	43.5
Urban footwear	+53.0%	53.5	34.9
Accessories	-3.0%	1.4	1.4
Total	+24.8%	149.0	119.4

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The volume sales split was as follows:

Segment	Year-on-year growth	2012	2011
		Pairs/units in '000	Pairs/units in '000
Shoe soles	+6.7%	29,791	27,931
Sandals and slippers	-4.4%	13,193	13,796
Urban footwear	+32.4%	2,151	1,624
Accessories	-11.7%	74	83

While the Sandals and slippers segment generated the highest revenue in 2011, there was a clear shift in the revenue towards the fastest growing segment, Urban footwear, in 2012. For the first time, this segment made the highest contribution to the Group's sales revenue. There was a strong rise in revenue in the Urban footwear segment (including accessories), which markets the "ULTRASONIC" brand and branded OEM footwear products. Here, revenue surged 50.8% year-on-year to EUR 54.9 million (2011: EUR 36.4 million). That was 36.8% of the Group's total revenue (2011: 30.5%). Within this segment, revenue from the "ULTRASONIC" brand (urban footwear and accessories) grew 49.6% to EUR 29.4 million (2011: EUR 19.6 million). Sales of accessories were flat compared with the previous year at EUR 1.4 million (2011: EUR 1.4 million). Revenue from OEM footwear brands were up 52.4% at EUR 25.5 million (2011: EUR 16.7 million).

The Shoe soles segment grew revenue by 20.1% to EUR 47.5 million (2011: EUR 39.6 million). In the Sandals and slippers segments revenue rose 7.3% from EUR 43.5 million to EUR 46.6 million. The development of the Sandals and slippers segment was hampered on the one hand by lower export demand and on the other by high capacity utilisation for the production of shoe soles.

Sales	Year-on-year growth	2012	2011
		EUR million	EUR million
Urban Footwear (incl. accessories) "ULTRASONIC" brand	49.6%	29.4	19.6
Urban Footwear OEM	52.4%	25.5	16.7
Total	50.9%	54.9	36.3

Other income

Under other income ULTRASONIC recognises gain on disposal of property, plant and equipment. In the reporting period other income amounted to EUR 7 thousand (2011: EUR 2 thousand).

Gross profit

Gross profit increased even faster, by 25.0% to EUR 46.1 million in the fiscal year (2011: EUR 36.9 million). Overall, there was a rise in both wage costs and raw material prices in 2012. However, this was offset - and in the case of Urban footwear actually overcompensated for - by higher selling prices.

The gross profit was split between the segments as follows:

Segment	Year-on-year growth	2012	Margin	2011	Margin
		EUR million	%	EUR million	%
Shoe soles	+17.9	14.7	30.8	12.4	31.4
Sandals and slippers	+6.1	14.4	30.8	13.6	31.2
Urban footwear	+59.0	16.6	31.1	10.5	29.9
Accessories	-2.4	0.4	31.5	0.4	31.3
Total	+25.0	46.1	30.9	36.9	30.9

In the Sandals and slippers and Shoe soles segments the gross profit margin was down slightly year on year at

30.8% in each case (2011: 31.2% and 31.4% respectively). The Urban footwear segment (including accessories) improved its gross profit margin to 31.1% in 2012 (2011: 30.0%). A gross profit margin of 30.6% was earned on

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the "ULTRASONIC" brand (2011: 30.5%) while OEM products generated a gross profit margin of 31.7% (2011: 29.4%). In-house production of products for this segment is to be stepped up in the future so a further earnings improvement is expected.

Gross profit	2012	Margin	2011	Margin
	EUR million	%	EUR million	%
Urban Footwear (incl. accessories) "ULTRASONIC" brand	9.0	30.6	6.0	30.5
Urban Footwear OEM	8.1	31.7	4.9	29.4
Total	17.1	31.1	10.9	30.0

Expenses

Marketing and distribution activities were stepped up further in 2012. As a consequence, selling expenses increased to EUR 1.6 million in the reporting period (2011: EUR 1.2 million).

General and administrative expenses increased year-on-year from EUR 2.4 million to EUR 2.8 million in 2012.

The net financial income amounted to EUR 53 thousand in 2012 (2011: net financial expense of EUR 27 thousand).

Research and development

By strengthening its capacities for product design and development, ULTRASONIC aims to improve its product innovation capabilities and its ability to quickly react to market trends. ULTRASONIC intends to offer attractive products, a wide range of fashionable styles and high quality and modern designs in order to meet the demands of the market. ULTRASONIC develops around 50-150 new designs of shoe soles, around 100-200 new designs of sandals & slippers and around 700-1,200 new designs of urban footwear products per year.

Spending on research and development ("R & D ") amounted to EUR 0.5 million in 2012 (2011: EUR 0.4 million). Development work focused on all three segments, Shoe soles, Sandals and slippers and Urban footwear. All R&D spending was charged directly to income.

Tax expense

Since January 1, 2008, the Chinese subsidiaries of Ultrasonic AG have been required to pay 25.0% corporation tax. The intermediate holding company in Hong Kong, China Ultrasonic Outdoor Holdings Co., Limited, did not pay any tax due to no taxable income in 2012. In 2012, Ultrasonic AG did not pay any tax due to the taxable income offset by the tax losses brought forward. In the consolidated financial statements this led to a decrease in tax assets capitalized.

In 2012, its income tax amounted to EUR 11.0 million (2011: EUR 8.3 million).

Earnings

Compared with the previous year, the Group lifted EBITDA from EUR 34.6 million to EUR 43.2 million in 2012. The EBITDA margin improved to 29.0% (2011: 28.9%), despite higher material and wage costs, this was mainly because selling prices increased.

The Group's EBIT improved by a significant 2 6.0%, from EUR 33.3 million in 2011 to EUR 41.8 million in 2012. The EBIT margin slightly increased to 28.0% from 27.9% in 2011.

Profit before income taxes ("EBT") increased by EUR 8.6 million (25.9%) to EUR 41.8 million in 2012 (2011: EUR 33.2 million). The EBT margin was 28.1% (2011: 27.8%).

Group net income therefore rose 23.6% to EUR 30.8 million (2011: EUR 24.9 million). That corresponds to earnings per share (basic and diluted) of EUR 2.69 (2011: EUR 2.30 (restated)).

4.1.3 Net assets

Capital structure

ULTRASONIC still has a very sound capital and financing structure. As a result of the strong cash flow, cash and cash equivalents showed only a slight decrease despite considerable investment. Moreover, the company has low liabilities to banks and is therefore not dependent on the banks' more stringent lending conditions. Its equity ratio remains very high at 82%. These conditions give ULTRASONIC the necessary entrepreneurial headroom for further expansion. As of 31 December 2012 there was no significant adverse change in the financial ratios compared with the previous year.

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Non-current assets

As of December 31, 2012, non-current assets amounted to EUR 18.0 million (31 December 2011: EUR 7.1 million). The sharp hike since the previous year was mainly due to the increase in property, plant and equipment from EUR 6.4 million to EUR 15.5 million and to the increase in the value of land use rights to EUR 2.1 million (31

December 2011: EUR 159 thousand).
The intangible assets of EUR 8 thousand (31 December 2011: EUR 13 thousand) include the company's homepage.

Deferred tax assets totalled EUR 0.2 million (2011: EUR 0.4 million) and refer to tax loss carry forwards for the German holding company.

Long-term prepayments for renovation declined to EUR 126 thousand at year-end 2012 due to amortisation (31 December 2011: EUR 175 thousand).

Current assets

Current assets amounted to EUR 131.6 million as of 31 December 2012 (31 December 2011: EUR 111.2 million).

Cash and cash equivalents were EUR 74.5 million, slightly below the year-back level due to high investment in the reporting period (31 December 2011: EUR 77.5 million). Trade receivables increased analogously to revenues to EUR 49.4 million (31 December 2011: EUR 32.5 million).

Inventories (raw materials, finished goods and work in progress) amounted to EUR 0.7 million on 31 December 2012 (31 December 2011: EUR 0.6 million).

As a result of advance payments for the acquisition of new office premises, there was a sharp year-on-year rise in other receivables and prepayments to EUR 6.9 million (31 December 2011: EUR 0.6 million).

Current liabilities

Current liabilities amounted to EUR 27.2 million as of 31 December 2012 (31 December 2011: EUR 24.8 million).

Trade payables were EUR 13.6 million (31 December 2011: EUR 12.8 million), other liabilities (excluding short-term liabilities to banks) were EUR 5.1 million (31 December 2011: EUR 4.4 million), short-term liabilities to banks were EUR 5.4 million (31 December 2011: EUR 5.0 million) and provisions were EUR 126 thousand (31 December 2011: Nil).

Liabilities to related parties declined to EUR 0 as of 31 December 2012 (31 December 2011: EUR 6 thousand). The non-commercial loan from a member of the Management Board was repaid in 2012.

Tax liabilities were EUR 2.9 million as of 31 December 2012 (31 December 2011: EUR 2.5 million).

Total shareholder's equity

As a consequence of the net comprehensive income, equity increased to EUR 122.3 million as of 31 December 2012. That was 30.7% above the prior-year's level of EUR 93.6 million. The equity ratio improved from 79.1% to 81.8%.

4.1.4 Financial position

Liquidity and cash flow statement

ULTRASONIC finances its business operations primarily out of the cash flow from operating activities, equity, and loans and credits. The funds are mainly used to finance working capital. Investment in the purchase and expansion of production and administration buildings and production machinery is also financed.

The cash inflow from operating activities was EUR 17.1 million in fiscal 2012 (2011: EUR 29.3 million). Around EUR 41.8 million of this comes from profit before income taxes. At the same time, in the reporting period the cash flow from operating activities was reduced mainly by the increase in trade and other receivables of EUR 14.7 million and tax expense of EUR 10.4 million.

The cash outflow for investing activities was EUR 19.7 million in 2012 (2011: outflow of EUR 27 thousand). Investments made in the reporting period comprised the acquisition of Fujian Junhui Sports Co., Ltd. for EUR 8.5 million, further capital expenditures for property, plant and equipment amounting to EUR 5.3 million and an advance payment of EUR 5.9 million for the purchase of new office premises.

The cash outflow for financing activities was EUR 0.4 million in the reporting period (2011: cash inflow of EUR 4.8 million). There was a cash inflow in 2011 due to the IPO.

The overall change in cash and cash equivalents was minus EUR 3.0 million in 2012 (2011: EUR 34.1 million). Cash and cash equivalents totalled EUR 74.5 million as of 31 December 2012 (31 December 2011: EUR 77.5 million).

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Financing sources

Besides the internal financing sources from the operating cash flow, ULTRASONIC also uses bank loans for financing (EUR 5.4 million as of 31 December 2012), which are all denominated in RMB and due for repayment within one year. The nominal interest rates range from 6.00% to 7.22%. Apart from those bank loans, ULTRASONIC has no other unused credit lines or facilities.

In regard to cross border financial transactions, it should be noted that the PRC government imposes control over foreign currencies. RMB, the official currency of the PRC is not freely convertible. Enterprises like ULTRASONIC, which are operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorized financial institutions.

Capital expenditures

ULTRASONIC invested EUR 12.7 million in non-current assets in fiscal 2012 (2011: EUR 39 thousand). The capital expenditures significantly increased mainly because a group of assets including buildings under construction and land use rights were purchased through the acquisition of a subsidiary. Additionally, two new EVA moulding machines were acquired in 2012.

4.1.5 Employees

Due to expansion of the Urban footwear segment, the headcount increased further to 1,444 full-time employees as of 31 December 2012 (31 December 2011: 1,397 full-time employees). In 2012, an average of 91% employees worked in production (2011: 92%). Although ULTRASONIC pays wages that are well above the statutory minimum wage, the personnel expense ratio (total personnel expenses, including management remuneration, as

a percentage of Group sales revenue) was only around 4.0%, which was below the previous year's level (2011: 4.8%). To drive forward ULTRASONIC's favourable development, the Group offers employees competitive remuneration and fringe benefits.

4.2 Earnings, asset and financial position of Ultrasonic AG

4.2.1 Overall information

The following information refers to the separate financial statements of Ultrasonic AG prepared on the basis of German GAAP (HGB). Since Ultrasonic AG was established on 18 May 2011, the comparative figures for 2011 refer to the shortened fiscal year from 18 May to 31 December 2011.

4.2.2 Earnings

Ultrasonic AG is a holding and administration entity and provides general support for the entire ULTRASONIC Group.

Ultrasonic AG generated a revenue of EUR 1.2 million in fiscal 2012, which resulted from fees for management services to China Ultrasonic Outdoorwear Holdings Co., Ltd.

As dividend income, Ultrasonic AG received dividend payments of EUR 1.2 million from China Ultrasonic Outdoorwear Holdings Co., Ltd. in fiscal 2012.

Finance income was EUR 28 thousand and was recognised for the loans to China Ultrasonic Outdoorwear Holdings Co., Ltd in fiscal 2012.

Ultrasonic AG therefore had a net income of EUR 1.6 million in fiscal 2012.

	1 January 2012 to 31 December 2012 EUR '000	18 May 2011 to 31 December 2011 EUR '000
Revenue	1,206	-
Dividend income	1,166	-
Administrative expenses	(775)	(1,289)
Finance income	28	-
Result from ordinary activities	1,625	(1,289)
Net profit / (loss)	1,625	(1,289)

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Accumulated losses brought forward	(1,289)	-
Withdrawals from revenue reserves for share buyback	(203)	-
Income from capital decrease	-*	-
Appropriation to capital reserves under the rules governing simplified capital decrease	-*	-
Retained profit / accumulated losses carried forward	133	(1,289)

* Amount less than EUR 1,000

4.2.3 Assets, equity, liabilities and financial position

	31 December 2012 EUR '000	31 December 2011 EUR '000
Non-current assets		
Intangible assets	9	13
Other long-term equity investments	13,650	9,950
Loans to subsidiaries	1,950	-
Long-term assets	15,609	9,963
Current assets and prepaid expenses		
Receivables, prepaid expenses and other assets	432	297
Amount due from subsidiaries	29	-
Cash and bank balances	184	4,705
Short-term assets	645	5,002
Total assets	16,254	14,965

Current liabilities and provisions

Trade payables and provisions	194	83
Other liabilities	23	328
Liabilities to subsidiaries	-	443
Total liabilities	217	854
 Net assets	 16,037	 14,111
 Capital and reserves attributable to equity holders of the company		
Share capital	11,475	10,600
Treasury shares	(27)	-
Capital reserves	4,456	4,800
Retained earnings	133	(1,289)
Total equity	16,037	14,111

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Under a resolution of the Management Board, with the approval of the Supervisory Board following the exercise of the greenshoe option by the lead manager of the IPO, the share capital of Ultrasonic AG was increased from EUR 10,600,000 to EUR 10,655,000 through the issue of 55,000 new no-par bearer shares with a theoretical pro rata share of the share capital of EUR 1.00 per share.

As approved by the shareholders of Ultrasonic AG in the Annual General Meeting ("AGM") on 6 July 2012, the share capital of the company was decreased by EUR 5.00 from EUR 10,655,000 to EUR 10,654,995 by redeeming shares, which were made available free of charge by one shareholder.

In May 2012, the Management Board, instead of paying a dividend, recommended bonus shares issue to the shareholders of Ultrasonic AG, with each shareholder receiving one bonus share for every 13 existing shares of the company. As approved by the shareholders in the AGM on 6 July 2012, the share capital was increased from EUR 10,654,995 to EUR 11,474,610 through the issue out of the capital reserve account of the company of 819,615 new non-par bearer shares with a no par value with a notional amount of share capital of EUR 1.00 for each no-par share.

4.2.4 Liquidity and cash flow statement

As at the end of fiscal 2012, cash and cash equivalents of Ultrasonic AG decreased to EUR 184 thousand from 4.7 million as at 31 December 2011. The decrease was mainly due to the capital increase in cash and loans to China Ultrasonic Outdoorwear Holdings Co., Ltd. in a total of EUR 5.7 million.

4.3 Critical accounting policies

ULTRASONIC identifies the following critical accounting policies which require its management to make assumptions about matters that were uncertain at the time those policies were applied and with respect to which management could reasonably have made different assumptions in the relevant period or with respect to which changes in the assumptions reasonably likely to occur from period to period would have a material impact on the presentation of its financial condition, changes in financial conditions or results of operations.

4.3.1 Critical accounting estimates and judgement

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.3.2 Key sources of estimation uncertainty

Income taxes

ULTRASONIC has exposure to income tax arising from its operations in the PRC. Significant judgment is required in determining provisions for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business.

ULTRASONIC recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. If the final tax assessment is different from the amounts that were initially recognised, such differences will impact the income tax expense in the period in which such determination is made.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the Management Board takes into account the most reliable evidence available at the times the estimates are made. ULTRASONIC's core business is subject to raw material price changes and changes in customer behaviour which may cause selling prices to change rapidly.

Provisions

The applicable legislation in the PRC requires ULTRASONIC to commit itself to remediate any environmental damage which may have been incurred. The Management Board is of the opinion that no environmental damage has been caused by the company's entities in the PRC and hence has not provided for this.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Management Board estimates the useful lives of property, plant and equipment to be 3 to 20 years. The carrying amounts of property, plant and equipment as of 31 December 2012 was EUR 15.5 million. Changes in the

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expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, so future depreciation charges could be revised.

4.3.3 Critical judgement made in applying accounting policies

In the process of applying accounting policies as described in the notes to the financial statements, management is of the opinion that there were no instances in which it applied judgments which are expected to have a significant effect on the amounts recognised in the financial statements.

Impairment of trade receivables

The Management Board assesses the collectability of trade receivables. This estimate is based on the credit history of the company's distributors and current market conditions. Management assesses the collectability of trade receivables as of the date of the statement of financial position and makes provisions, if applicable.

5. Segment report

On the product side, the Group is divided into a number of product and volume sales areas (primary segments).

Segment	Shoe soles		Sandals and slippers		Urban footwear		Accessories		Total	
In EUR '000	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales	47,548	39,589	46,611	43,454	53,480	34,949	1,372	1,413	149,011	119,405
Segment results before tax	13,703	11,650	13,640	12,919	15,060	9,346	374	375	42,777	34,290

There is no geographical segment information provided as the Group sold all of its products to PRC manufacturers of footwear and sports related apparel and PRC trading company.

More segment information is contained under section 1 in this combined management report.

6. Remuneration systems

6.1 Remuneration of the Management Board

In accordance with the provisions of the German Stock Corporation Act, the Supervisory Board of Ultrasonic AG is responsible for setting the remuneration of the Management Board. The Supervisory Board has concluded service contracts with the Management Board members. No fixed remuneration is agreed in the service contracts because all Management Board members received separate fixed remuneration for their work at subsidiaries of Ultrasonic AG. Since 2012, all Management Board members are also entitled to receive separate variable remuneration for their work at subsidiaries of Ultrasonic AG.

Criteria for assessing the appropriateness of the Management Board's remuneration comprise, in particular, the duties of each member, his or her personal performance, the overall performance of the Management Board and the economic situation, success and future prospects of the company, taking into account the business context and peers.

With respect to the performance of their duties, the members of the Management Board are included in a Directors' and Officers' (D&O) financial loss insurance policy with a total insured sum of EUR 5,000,000.00 per year. A deductible has been agreed in compliance with the statutory provisions.

In fiscal 2012 the members of the Management Board of Ultrasonic AG did not receive either fixed or variable remuneration for their role as Management Board members. All remuneration received by them was paid by the Chinese subsidiaries for their work at these companies. The total remuneration of the present members of the Management Board in 2012 for their work at subsidiaries was EUR 153 thousand (2011: EUR 88 thousand).

An individual breakdown can be found in the notes to the consolidated financial statements.

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6.2 Remuneration of the Supervisory Board

The company's articles of incorporation state that the General Meeting may decide on the level of remuneration. The Annual General Meeting on 6 July 2012 resolved that the Supervisory Board of Ultrasonic AG should receive fixed remuneration of EUR 57 thousand. No variable remuneration has currently been agreed for the Supervisory Board. However, the articles of incorporation do not rule out this type of remuneration, so a decision on this could be taken by the General Meeting.

In the performance of their duties, the members of the Supervisory Board are included in a Directors' and Officers (D&O) financial loss insurance policy with a total insured sum of EUR 5,000,000.00 per year.

For their work in 2012, the members of the Supervisory Board received remuneration of EUR 57 thousand (2011: EUR 10 thousand).

7. Declaration of conformity on corporate management pursuant to sec. 289a 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), relevant information on corporate management practices, and descriptions of how the Management Board and Supervisory Board work, and of the composition and method of working of their committees.

This is contained in the corporate governance report included in the annual report for 2012. The corporate governance report is also available in the internet at www.ultrasonic-ag.de, Investor Relations / Corporate Governance.

8. Other information (pursuant to sec. 315 paragraph 4 HGB)

Composition of the capital stock

The capital stock of Ultrasonic AG comprised EUR 11,474,610.00 as at 31 December 2012 and was divided into 11,474,610 no-par bearer shares, which constituted a theoretical pro rata share of the capital stock of EUR 1.00 per share. All shares have the same voting rights and dividend claims, with the exception of treasury stock held by the company, which do not confer any rights on the company. The rights and obligations of the shareholders are set out in detail in the German Stock Corporation Act (AktG), in particular in sec. 12, sec. 53a et seq., sec. 118 et seq. and sec. 186. Treasury stock held by Ultrasonic AG amounted to 27,416 shares on 31 December 2012.

Restrictions on voting rights and the transfer of shares

Restrictions on the voting rights of shares could result from statutory provisions (sec. 71b and sec. 136 AktG). The Management Board is not aware of any other restrictions on the exercise of voting rights or the transfer of shares.

Shareholdings exceeding 10% of the voting rights

Under the provisions of German securities trading legislation, every investor whose proportion of the voting rights in the company reaches, exceeds or falls below certain thresholds as a result of the purchase or sale of shares or in any other way must notify the company and the Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold for such disclosures is 3%. Mr Qingyong Wu notified the company that his direct stake in the company's capital exceeds 75% of the voting rights.

Shares with special rights according rights of control

There are no shares in the company with special rights according rights of control.

Methods of controlling voting rights where employees hold shares in the company and do not directly exercise their right of control

Ultrasonic AG does not currently have any employee stock programmes.

Statutory provisions and regulations in the articles of incorporation on the appointment and dismissal of members of the Management Board and changes to the articles of incorporation

The appointment and dismissal of members of the Management Board is governed by sec. 84 and sec. 85 of the German Stock Corporation Act (AktG). Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendment to the articles of incorporation requires a resolution of the General Meeting. Further regulations with respect to amendments to the articles of incorporation are contained under sec. 113 and sec. 119 AktG. Under

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sec. 10 paragraph 2 of the company's articles of incorporation, the Supervisory Board may make amendments to the articles of incorporation, providing these are merely editorial.

In addition, resolutions adopted by the Annual General Meeting on 27 October 2011 authorised the Supervisory Board to amend sec. 5 of the articles of incorporation to reflect the utilisation of the authorised capital 2011 and after expiry of the deadline for utilisation of this right.

Authorisation of the Management Board to issue or buy back shares

Under sec. 5 paragraph 1 of the articles of incorporation, as of 31 December 2012 the Management Board was also authorised, until 26 October 2016, to increase the company's capital stock, with the consent of the Supervisory Board, by up to EUR 4,945,000.00 by issuing new shares for cash or contributions in kind in one or more tranches. Further details are given in sec. 5 paragraphs 1 to 3 of the company's articles of incorporation, which can be downloaded from the company's website at Investor Relations/Corporate Governance.

No resolutions of the Annual General Meeting authorising the company to repurchase shares in Ultrasonic AG did exist as of 31 December 2012.

Principal agreements entered into by the company that are governed by provisions on a change of control resulting from a takeover bid

There are no agreements which give the contractual partner a right of termination in the event of a change in the company's shareholder or ownership structure such that the shareholders or owners relinquish control o

ver the

company.

Compensation agreements entered into by the company with members of the Management Board or employees in the event of a takeover bid

There are no compensation agreements with either members of the Management Board or employees relating to a takeover bid.

9. Risk management and report on opportunities and risks

9.1 Risk management

Risks constitute the general possibility of internal or external events that could adversely affect the financial situation of Ultrasonic AG and its subsidiaries and that could jeopardise the achievement of set objectives. ULTRASONIC's business is exposed to a large number of risks that are inseparably linked to entrepreneurial activity. The role of risk management is to make optimal use of business opportunities and only enter into the associated risks if utilising the opportunities creates sufficient value. All risks entered into must therefore be offset by appropriate opportunities. Therefore, opportunity and risk management are closely interlinked within the ULTRASONIC Group. ULTRASONIC essentially derives its risk management from the goals and strategies of the business segments and ensures an appropriate relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and management of opportunities rests with the Management Board. ULTRASONIC occupies itself intensively with analyses of the market and the competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which the company operates. In decision-making, ULTRASONIC relies on an opportunity-oriented approach, but does not neglect risks. Generally, ULTRASONIC employs a conservative strategy regarding its risk management. The central objective of financial management at ULTRASONIC is to ensure sufficient liquidity reserves at all times, avoid financial risks and secure financial flexibility. The basis for safeguarding liquidity is integrated financial and liquidity planning spanning a number of years. ULTRASONIC includes all consolidated subsidiaries in this planning process. The segments' operating business and the resulting cash flows are the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short and medium-term forecasts are updated on a quarterly basis. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimise net interest expense. The ULTRASONIC Group has no derivatives or other financial instruments for hedging purposes, nor does it hold or issue derivative financial instruments for trading purposes.

Selected opportunities for the ULTRASONIC Group are discussed in section 12 under "Outlook".

9.2 Risk management system

Taking opportunities and being able to recognise and analyse risks, and reduce them with appropriate strategies are important elements of the company's activities. Systematic risk management is an ongoing task for the risk owners, i.e. the Management Board, the risk manager and the management of each field of responsibility. However, even an appropriate and functioning risk management system cannot provide a guarantee of absolute certainty.

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In 2012 ULTRASONIC started to set up a newly structured risk management system, which will also be used to identify risks at an early stage. The introductory phase was completed at the start of 2013. Since then ULTRASONIC has continued to develop and improve its risk management system, which it will adapt as necessary.

Organisationally, the risk management system is aligned to the risk areas, risk managers and other risk supervisors. Risks arising from ULTRASONIC's business activities are subdivided into risk categories and the related sub-categories. The risks allocated to these categories are evaluated on the basis of probability and the financial repercussions if they were to materialise. Risks are then divided into three levels on the basis of their financial and business significance. The main risks are those that could have a significant impact on the Group's assets, finances and financial position.

The Management Board is responsible for supervising business developments. It monitors the related developments and the associated risks very closely. Where necessary, the Management Board uses external experts. Strategic decisions and their implementation are closely monitored by the Management Board.

9.3 Internal control system with respect to the Group's accounting process

ULTRASONIC has an internal control system in place and has developed and implemented a new risk management system to define and implement appropriate structures and processes for accounting and financial reporting throughout the Group. This system is designed to ensure timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations, and accounting and financial reporting standards, and is binding upon all the companies included in the consolidated financial statements. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analysed. These measures serve to identify and evaluate risks, and to limit and monitor any risks that may be identified.

The accounting process is controlled by the Management Board and supervised by the Supervisory Board. The accounting and financial reporting process for ULTRASONIC is managed by the Controlling and Accounting Department and an external service provider supporting the IFRS-based financial reporting. Functions and responsibilities in these areas are clearly assigned and there are mutual control processes to ensure a continuous exchange of information. The Group companies prepare their financial statements locally and transmit them with the aid of a data model that is standardised throughout the Group. The Group companies are responsible for compliance with the directives and procedures applicable throughout the Group and for the proper and timely operation of their accounting-related processes and systems. The consolidated financial statements are prepared centrally by the CFO and the controlling and accounting department of ULTRASONIC on the basis of the data supplied by the subsidiaries included. The consolidation, certain reconciliation operations to Group policies and monitoring of the related time schedules and procedures are performed by the Accounting Department and the German external service provider.

The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, predefined approval procedures, the separation of functions and compliance with guidelines. Appropriate IT precautions are in place to protect the financial systems used from unauthorised access. Financial accounting systems only use standard software. External consultants

such as auditors and lawyers are consulted on changes and complex accounting issues. Nevertheless, there can never be any absolute certainty that material accounting misstatements are avoided.

9.4 Quality assurance and other non-financial performance indicators

The Management Board is of the opinion that efficient quality management is a key factor for ULTRASONIC's growth and success. Consequently, ULTRASONIC places great importance on quality management and is concerned to maintain its reputation as a manufacturer of high-quality products. ULTRASONIC has implemented stringent quality control measures at different stages in the production process. These seek to ensure that the quality of ULTRASONIC's products meet the expectations of its customers and that the production facilities provide a safe working environment for all employees. ULTRASONIC's internal quality control measures, from the sourcing and procurement of raw materials to the delivery of finished goods, adhere closely to ISO guidelines (ULTRASONIC meets the requirements of ISO 014001:2004 and ISO 9001:2008). Staff in ULTRASONIC's quality assurance department are given in-house training for their onsite job requirements. In addition, ULTRASONIC's customers will, from time to time, station their quality assurance personnel at ULTRASONIC's production facilities to monitor production of their products. Some of ULTRASONIC's customers also carry out audits each year on various aspects of ULTRASONIC's business including its manufacturing and quality assurance capabilities to ensure that ULTRASONIC meets their standards and requirements.

Furthermore, ULTRASONIC's business operations in the PRC are subject to the environmental laws and regulations applicable in the PRC. These require enterprises engaged in manufacturing that may cause environmental waste to adopt effective measures to control and properly dispose of industrial waste. ULTRASONIC's certificate of disposal of industrial wastes was renewed in 2011 and it complied with the relevant environmental laws and regulations in fiscal 2012.

In view of the precautions taken, the Management Board is confident that ULTRASONIC can continue to offer customers key benefits through high-quality products in the future.

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9.5 Market risks

ULTRASONIC is mainly active in the PRC. Its business, its earnings, asset and financial position and its prospects could be materially and adversely affected by changes in the economic, political and legal environment and developments in the PRC. A change of political and economic policies could have a material and adverse effect on ULTRASONIC's business operations.

Furthermore, ULTRASONIC believes that the footwear industry is highly competitive. There are no strong barriers for new competitors to enter the market. Numerous domestic and international brands compete with each other based on, amongst other things, brand loyalty, product variety, product design, product quality and price. Competitors may also position their brand at the same level and target the same market segment as ULTRASONIC. Moreover, many of ULTRASONIC's competitors are larger and have achieved greater recognition of their brands, have captured greater market share and/or have substantially greater financial, marketing, distribution and other resources than ULTRASONIC.

The success of ULTRASONIC's business depends on the conditions and the continued growth of both the PRC and overseas consumer markets. Any negative development in this respect, in particular any decrease in consumer spending and in demand for ULTRASONIC's products, may have a material and adverse effect on the company's business and its net assets, financial condition and results of operations.

Import and export restrictions, which could be imposed on ULTRASONIC's products, could also materially and adversely affect ULTRASONIC's business and its earnings, asset and financial position.

9.6 Risks relating to customer structure

ULTRASONIC is dependent on the proper performance of its regional distributors in the PRC for the sale of its urban footwear and accessories products. The regional distributors are generally given exclusivity in their dealership in their territories. If any of the distributors terminates or does not renew its agreement, ULTRASONIC may not be able to replace it with a new distributor in a timely manner or the replacement distributor may not be able to manage the same network of third-party retailers on a similar scale. If the regional distributors are not successful in selling the products or if ULTRASONIC is not efficient in supervising and managing its regional distributors, ULTRASONIC's business, earnings, asset and financial position may be materially and adversely affected. Revenues generated via its regional distributors accounted for 19.7% of ULTRASONIC's total revenue for fiscal 2012.

Furthermore, ULTRASONIC relies on its relationships with several major customers including ANTA Sports, Xtep China, Unisuper, Shishi Longzheng Import and Export and Shaanxi Quan Run Trading Co., Ltd. These major customers accounted for approximately 20.2% of ULTRASONIC's total revenue in fiscal 2012. ULTRASONIC does not have any long-term contracts with any of these major customers. While ULTRASONIC has had long-term working relationships with some of them, these customers may at any point in time cease or alter to ULTRASONIC's disadvantage, the present arrangements with ULTRASONIC. Although the loss of one customer would not have a major impact, the simultaneous loss of several customers could have a material and adverse effect on ULTRASONIC's business and its earnings, asset and financial position.

9.7 Product development risks

ULTRASONIC believes that its success depends on its ability to keep abreast of, and to anticipate and react effectively to rapidly changing fashion and product trends. This, in turn, would enable it to produce designs and products that appeal to its customers' target market. In line with this, ULTRASONIC will, from time to time, launch new product lines and product designs to broaden its customer base and increase revenue. The launch and development of each new product line and design involve considerable time and resource commitment. Besides, it might be necessary to use new production technologies to manufacture these products. In the event that any such new product line or product design that ULTRASONIC launches in the future is not commercially viable or successful and is unable to generate a positive cash flow, ULTRASONIC's business, earnings, asset and financial position may be adversely affected.

9.8 Production risks

ULTRASONIC maintains business relations with suppliers of raw materials and with manufacturers to whom it outsources the production of shoe soles, urban footwear and accessories. ULTRASONIC selects its suppliers carefully and assesses them using criteria such as product quality, reliability, capacity, price, range of designs (where applicable), availability and reputation. However, as ULTRASONIC does not have any long-term contracts with its suppliers, the price and quality of raw materials and outsourced products are dependent on negotiations

with individual suppliers and on their ability to source raw materials and products from alternative suppliers at competitive prices. Disruption or shortfalls in the procurement process and delayed deliveries could result in a decline in output or even suspension of in-house production. There can be no assurance that ULTRASONIC is able to reduce its dependence on major suppliers over time or source from alternative suppliers who are able to offer the same quantity or quality. If its suppliers should be unable to deliver the required quantity of raw materials of finished products, ULTRASONIC may not be able to fulfil its customers' orders on time or at all. In the event that there is a failure by external suppliers to perform their obligations in time or at all, or to provide the required

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quality and ULTRASONIC is unable to find suitable alternative suppliers, this could have a material and adverse effect on its net assets, financial condition and results of operations.

In addition, production processes could be interrupted by failure of machinery, inadequate production planning or energy supply bottlenecks. This could result in a drop in output or even production stoppages. If, for these or other reasons, production should be halted temporarily for prolonged periods, this could reduce sales revenue, customers could assert claims for damages and the company's reputation could be harmed.

9.9 Personnel risks

ULTRASONIC's future success is heavily dependent on the continued services of its management and other key employees. If any of ULTRASONIC's management or key personnel join a competitor, form a competing company or leave the company for another reason, ULTRASONIC may lose clients, suppliers, knowhow and key professionals and staff members. There can be no assurance that ULTRASONIC will be successful in retaining its management or key employees or will be able to hire qualified management personnel to replace them should such a need arise. The demand for such experienced personnel is intense and the search for personnel with the relevant skills set can be time-consuming. Furthermore, high fluctuation of employees could occur, and this could result in a loss of knowhow and internal problems in its manufacturing processes.

9.10 Cost risks

ULTRASONIC is dependent on a steady supply of certain raw materials, especially thermoplastic elastomer (TPE), ethylene vinyl acetate (EVA), thermoplastic rubber (TPR), polyvinyl chloride (PVC) and polyurethane (PU), base chemicals, phylon (MD) and rubber shoe soles and other shoe accessories from third parties. The cost of raw materials was around 77.0% of production costs in fiscal 2012. Any significant increase in raw material prices would probably have a material and adverse impact on production costs. In the event of a significant increase in raw material costs, and should ULTRASONIC be unable to pass on such costs to customers or do so on a timely basis, its business, net assets financial condition and results of operations may be materially and adversely affected.

In addition, there are risks relating to personnel expenses. Labour costs in China, where ULTRASONIC has its production facilities, comprise wages, social security contributions and other social benefits. The minimum wage at the local production sites has been increasing in recent years. These personnel-related cost types could rise significantly in the future and further legal provisions could be enacted requiring employers to bear further social benefits.

9.11 Financial risks

In its financial management, ULTRASONIC pursues a risk avoidance strategy and generally endeavours to minimise its exposure to financial market risks. Opportunity costs such as interest foregone are taken into account in this. Financial risks such as the risk of changes in interest rates and exchange rates could arise from the financing activities of the Group's parent company if the funds borrowed cannot be passed on to the operating companies. Further, there is a risk that ULTRASONIC may not be able to settle its financial liabilities as they fall due. The purpose of the company's liquidity management is to ensure that it always has sufficient debt and equity to ensure this. In view of its business operations, the cash inflows and outflows for investing and financing activities vary constantly. Consequently, the Group's liquidity could decline, despite the high level of liquid assets as at 31 December 2012. Wherever possible, surplus liquidity is invested on the money market at a profit.

9.12 Currency risks

Predominantly, the Group operates in renminbi (RMB) / Chinese yuan (CNY), which is currently not a freely convertible currency. The value of the RMB is controlled by the PRC authorities and is pegged to a basket of foreign currencies. Currency risks arise when the Group is engaged in transactions that are denominated in foreign currency. As the consolidated financial statements for the reporting period are prepared in euros (EUR) and ULTRASONIC's consolidated financial statements are prepared in euros, the Group is exposed to changes in the RMB/EUR exchange rate. The translation risks resulting from fluctuations in the exchange rate could affect the Group's results and net asset position. A devaluation of the RMB against the euro would have an adverse currency translation effect on the consolidated financial statements. A volatile RMB exchange rate could have material and adverse effects on ULTRASONIC's business and its net assets, financial condition and results of operations. Further, as ULTRASONIC's income and expenses are mainly in RMB, exchange rate changes could have a negative impact on the net income of Ultrasonic AG, which could affect possible future dividend payments. To counter this risk, Ultrasonic AG only has the funds required to perform its administrative duties and the main financing is held in the operating entities. Hedging is not currently considered necessary.

9.13 Default risks

There is a risk of default on receivables arising from the granting of payment terms to customers. They are monitored by constant and extensive creditworthiness checks and by intensive receivables management. New customers are generally only granted short payment terms. In addition, most customers have a sound liquidity

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base. Nevertheless, it cannot be ruled out that customers could unexpectedly get into liquidity difficulties or go bankrupt. In view of the highly diversified customer base, the risk arising from a single customer is not significant. Material risks arise if there are high receivables from individual customers. As yet, the company has not taken out credit insurance.

9.14 IT infrastructure risks

ULTRASONIC's business and financial management processes are dependent on the availability and functioning of secure IT systems. If these systems were to go out of service or be damaged, this could impair processes and result in higher costs. ULTRASONIC invests in the ongoing development of its IT systems to ensure the availability and functionality of the systems at all times and raise process efficiency.

9.15 Legal risks

Legal risks mainly relate to company law, commercial and brand law, product liability law, capital market law and changes to the relevant existing laws and their interpretation. Existing provisions may be infringed as a result of ignorance or negligence. In order to minimise most of these risks, ULTRASONIC has instructed external service-providers and experts. Legal disputes could result in high costs and a loss of reputation, even if the legal decision goes in favour of ULTRASONIC.

9.16 Insurance risks

ULTRASONIC has concluded a range of insurance policies to cover the risks arising from liability obligations and damage to property. From a cost viewpoint, it was, however, decided that in some cases the policies should not cover all possible claims and damage so claims or damage could result in a financial charge. Moreover, further risks that are not directly insured could arise.

9.17 Opportunities and success factors

As a shoe producer, ULTRASONIC operates in a highly competitive market with a growing number of local and international brands and suppliers. ULTRASONIC is positioned as a quality manufacturer with differentiated product segmentation in the upper quality bracket. It markets its own brand within China. This is positioned in the premium segment. The company also produces products for supply to international brands. Here its orders normally come from Chinese trading companies. In addition, products for the Chinese market are manufactured and distributed under other brand names. These also meet high quality standards but are positioned below the premium segment. As a supplier to the Chinese sports shoe industry, ULTRASONIC also manufactures high-quality shoe soles for other brand suppliers.

ULTRASONIC is exposed to an intensive competition from peers and from similar product offerings. However, its market segmentation means that not all producers compete directly with it. Based on the experience and local knowledge of its management, which is based in China, ULTRASONIC believes that its main competitors are mid-sized suppliers. One of ULTRASONIC's key strengths is its enormous experience of the manufacture of high-quality footwear products, based on its long-standing role as a supplier to international and Chinese manufacturers of brand-name products. ULTRASONIC's strengths also include the ability to respond speedily to changing trends and, for example, to implement new product designs within short development and market lead times. The expansion of production capacity in 2012, which will continue in the coming quarters, enables ULTRASONIC to build up even greater customer loyalty and strengthen its competitive position as it can take on further orders and start in-house production of urban footwear products. Successful expansion of the ULTRASONIC brand gives the Group a well-established brand in the fast-growing market for high-quality casual leather footwear (urban footwear), opening up further growth potential in this market.

According to ULTRASONIC's Management Board, economic growth and increasing consumer spending in China will have a positive influence on the Group's future business prospects as ongoing growth in the Chinese economy and the rising prosperity of the country's inhabitants will increase private consumption and end-consumers will spend more on leisure activities, sport, entertainment and high-quality clothing and footwear. Moreover, there is rising demand from consumers for trendy new designs in the footwear sector. There are growing numbers of more demanding consumers who use different shoes for different purposes and different leisure activities. For instance, for some years ULTRASONIC has observed a growing trend to wear sandals and slippers both at home and outdoors. Moreover, for some years now there has been a shift to more sporty models, which supported the growth of Chinese manufacturers of sports articles. The Management Board feels that high-quality leather footwear is another sub-segment of the leisure footwear market that should benefit from more fashion-oriented consumption. Through a distribution alliance with a supplier to supermarket chains, ULTRASONIC expects to gain a foothold in the market for children's footwear, which it will be producing in its new production facilities. This is another market segment that has achieved high growth rates in recent years and further strong growth is anticipated for the future.

Boosting consumption within China is one of the declared political goals of China's central government in order to reduce dependence on exports and is explicitly supported by the government. Consumer-oriented purchasing patterns will probably have a direct influence on demand for the Group's products and thus a positive impact on ULTRASONIC's business performance.

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Further, the Management Board feels that China will remain one of the main producers of footwear due to its competitiveness in terms of production costs, the availability of raw materials and other benefits. ULTRASONIC is also benefiting from this since, as far as ULTRASONIC is aware, a high proportion of its products are exported to international markets via trading companies. Sales generated with such trading companies accounted for around 37.2% of ULTRASONIC's total sales revenue in 2012.

9.18 Overall risk situation

Overall, the Group's risks are limited and calculable. Based on the information currently available, the Management Board's assessment is that there are no major individual risks, either at present or in the foreseeable future, that could be classified as a threat to the company's existence. Since the business has a strong cash flow and sound financial structure, the management does not believe that the aggregate of the individual risks could jeopardise ULTRASONIC's continued existence. No risks affecting the continued operation of the company occurred in fiscal 2012.

10. ULTRASONIC Group and related parties**10.1 Established branches and subsidiaries**

Ultrasonic AG holds 100% of the shares in the following company:

- * China Ultrasonic Outdoorwear Holdings Co., Limited, Hong Kong, China

China Ultrasonic Outdoorwear Holdings Co., Limited is an investment holding company established under Hong Kong law on 3 December 2007. It holds 100% of the shares of other companies.

- * Shenghui (Fujian) Footwear Co., Limited, Jinjiang City, Fujian Province, China
- * Fujian Suoli Shoes Co., Limited, Jinjiang City, Fujian Province, China

These two companies were established under the law of the People's Republic of China on 20 November 1998 and 2 August 2001 respectively.

Fujian Suoli Shoes Co., Limited, holds 100% of the shares in the following companies:

- * Suoli (Xiamen) Industrial Co., Limited, Xiamen, Fujian Province, China
- * Fujian Junhui Sports Co. Limited, Xingtai Industrial Zone, Changtai, Fujian Province, China

These two companies were established under the law of the People's Republic of China on 2 July 2008 and 9 October 2010 respectively.

For the key financial data of the subsidiaries in the ULTRASONIC Group for 2012 please refer to the consolidated financial statements under note 1.2 in this annual report.

10.2. Group management and key performance indicators

The ULTRASONIC Group has a clearly defined leadership and corporate structure, whereby key issues are decided by the Management Board of the holding and administration entity (Ultrasonic AG). The key decision makers operate out of the Group's operational headquarters in Xiamen, located close to the Group's factories.

ULTRASONIC uses different key performance indicators to monitor the group's performance over time in line with its strategy. As a growth-oriented company, ULTRASONIC attaches particular importance on profitably increasing revenue. All activities undertaken to boost revenue are measured against their potential to sustainably increase EBT (earnings before tax) and the EBT margin.

10.3. Dependent company report (Related-party transactions)

Because there is no control agreement with the majority shareholder, the Management Board of Ultrasonic AG is required under section 312 of the German Stock Corporation Act (AktG) to file a report on relationships with affiliated companies. This report contains information on the relationships with the majority shareholder Qingyong Wu and the companies in the ULTRASONIC Group.

Pursuant to section 312, para.3 AktG, the Management Board declares: "Ultrasonic AG received for all legal transactions and the measures disclosed in the dependency report in the period from 1 January 2012 to 31 December 2012, according to the circumstances that have been known to the members of the management board, at the point of time these legal transactions or measures have been concluded upon or omitted, an adequate consideration and was not disadvantaged by those legal transactions and other measures."

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11. Events after the reporting period

No adjusting or significant non adjusting events have occurred between the reporting date and the date of authorisation.

12. Outlook**12.1 Sector trends**

ULTRASONIC's strategic focus is on the Chinese market for high-quality urban footwear (leisure footwear). This is still at an early stage of development. As yet, there is no dominant domestic brand. The steady improvement in living standards in China, higher consumer spending and more generous spending on leisure have led to a sharp hike in domestic consumption in recent years. This is also reflected in the development of the urban footwear market. A shift in spending patterns has also been observed. Chinese consumers are becoming more quality-conscious, and fashion trends and brand-awareness are also playing an increasing role in purchase decisions.

A large number of smaller footwear factories have closed down as a result of the appreciation of the Chinese currency, rising raw material and wage costs, restrictive lending by banks and declining exports as those that manufactured exclusively for export were unable to pass the high costs on to trading companies and thus to the international market.

In the developed countries, the market for casual footwear is saturated and is no longer growing. Accordingly, US and European brands are endeavouring to use their financial clout and competence in development, design and marketing to gain a position on the Chinese market, and obtain the largest possible slice of the market for high-quality leisure products. For example, Louis Vuitton, ECCO, Clarks and Hush Puppies have all made massive efforts to enter the Chinese market. Nevertheless, the Management Board feels that in the retail sector Chinese customers prefer Chinese brands, provided that they perceive them to be equal to international brands in terms of value and quality.

12.2 Earnings, net assets and financial position and outlook

As in the previous year, utilisation of ULTRASONIC's production equipment and machinery was very high at around 90%. The company therefore undertook substantial investment in 2012 in order to expand its business operations. The present production site was expanded further and a multi-storey production building and housing for employees were added. In addition, ULTRASONIC acquired Fujian Junhui Sports Co., Ltd., a property with a completely new factory complex, including several production and logistics buildings and staff housing. There is also scope for further expansion at this site. Manufacturing of the first product lines for the Urban footwear

segment started in the first quarter of 2013. Completion of further buildings and the installation of machinery will take place successively, so production capacity will be ramped up this year and next. Total investment geared to full utilisation of the site by 2017 will come to around EUR 50 million.

The capacity expansions in 2013 are expected to raise production capacity for Shoe soles by 5% and for Sandals and slippers by 10%. ULTRASONIC also plans to manufacture up to 1.0 million pairs of children's shoes in 2013. Based on the company's current planning, following completion of all construction work in 2017 production capacity in the Shoe soles and Sandals and slippers segments will be 40% higher, and the company will have production capacity for around 5.0 million pairs of children's and leisure shoes.

At the same time, ULTRASONIC is expanding its product portfolio and distribution channels. As well as setting up an online portal for direct marketing of urban footwear, plans include manufacturing children's shoes for distribution via partners to large supermarket chains in China such as Walmart. In future, high-quality urban footwear products ("ULTRASONIC" and OEM brands) will be produced in -house.

In view of the new production capacity, some of which will come into operation in 2013, the Management Board expects Group sales in euros to rise by around 10-15% in 2013 (assuming no currency effect). Under the assumption of continued growth of the Chinese domestic consumption and the successful development of new distribution channels, ULTRASONIC also expects further dynamic growth in sales for the following year. Successful expansion of the distribution channels and product offering will provide further potential for growth but also increase the company's working capital requirements. Production start-up costs and set-up expenses to gain access to the new distribution channels will probably result temporarily in a slightly lower margin over the next 1-2 years. The Management Board therefore anticipates a slight dip in the pre-tax margin (EBT) to 23 -26% in 2013 and 2014. For seasonal reasons and as in the previous year, the Management Board expects Q1 to be the weakest quarter in 2013.

12.3 Future development of Ultrasonic AG

Since Ultrasonic AG is the holding company of the ULTRASONIC Group and the main business operations are performed in the PRC, the future development of Ultrasonic AG depends not simply on macroeconomic developments, but also on the development of the operational entities in the PRC Without accounting for potential

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dividend payments from affiliated companies, Ultrasonic AG expects to post a small net profit in FY 2013 and thereafter as well as a positive cash-flow from operations.

12.4 Overall statement of future business development

China's continuing positive economic development is gradually increasing urbanisation in many regions. In the wake of this, larger groups of the population are able to participate in the rise in prosperity. The Chinese government's aim of aligning the country's economic strength more clearly to domestic demand should lead to further growth in the consumer goods sector. ULTRASONIC has good opportunities to increase its market share in the upcoming years, especially in high-quality urban footwear. In view of the market position it has gained, past and planned investment and its sound financial condition, ULTRASONIC considers that it is still extremely well-positioned to benefit from these megatrends in 2013 and 2014.

Cologne, 15 April 2013

The Management Board

Qingyong Wu Chi Kwong Clifford Chan Minghong Wu

Responsibility statement

We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements as of 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of the ULTRASONIC Group and the Ultrasonic AG that the combined management report for the ULTRASONIC Group and the Ultrasonic AG includes a fair review of the development and performance of the business from 1 January to 31 December 2012 and the position of the ULTRASONIC Group and the Ultrasonic AG, together with a description of the principal opportunities and risks associated with the expected development of the ULTRASONIC Group and the Ultrasonic AG.

Cologne, 15 April 2013

The Management Board

Qingyong Wu

Chi Kwong Clifford Chan

Minghong Wu

Consolidated financial statements

Ultrasonic AG and its subsidiaries

For the financial year ended
31 December 2012

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Ultrasonic AG

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

	Note	2012 EUR'000	2011 EUR'000
Assets			
Non-current			
Property, plant and equipment	4	15,489	6,359
Land use rights	5	2,111	159
Intangible asset	6	8	13
Deferred tax assets	7	230	387
Prepayment	8	126	175
		17,964	7,093
Current			

Inventories	9	748	614
Trade and other receivables	10	56,330	33,088
Cash and bank balances	11	74,525	77,520
		131,603	111,222
Total assets		149,567	118,315
Liabilities			
Current			
Trade and other payables	12	18,762	17,248
Amount due to director		-	6
Borrowings	13	5,410	4,999
Current income tax payable	14	2,948	2,500
Provisions	15	126	-
Total liabilities		27,246	24,753
NET ASSETS		122,321	93,562
Equity			
Share capital	16	11,475	10,600
Treasury shares	16	(27)	-
Capital reserve	17	4,456	4,800
Statutory reserve	17	8,532	6,193
Foreign currency translation reserve	17	9,066	11,417
Retained earnings	17	88,819	60,552
TOTAL EQUITY		122,321	93,562

The accompanying policies and explanatory notes form an integral part of the Consolidated Financial Statements.

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Ultrasonic AG

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 EUR'000	2011 EUR'000
Revenue	18	149,011	119,405
Cost of sales	19	(102,917)	(82,530)
Gross profit		46,094	36,875
Other income		7	2
Selling and distribution expenses	20	(1,552)	(1,164)
Administrative expenses		(2,771)	(2,446)
Finance costs	21	(307)	(276)
Finance income		360	249
Profit before taxation	22	41,831	33,240
Taxation	14	(11,022)	(8,321)
Total profit for the year		30,809	24,919
Other comprehensive income:			
Foreign currency translation		(2,351)	7,118
Total comprehensive income		28,458	32,037

Net profit and total comprehensive income fully attributable to the owners of the company

		EUR	EUR (Restated)
Earnings per share (basic/diluted)	23	2.69	2.30

The calculation is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue during the year, taking into account the 13-for-1 bonus share issuance that took place on 13 August 2012, and the amount is derived as if the bonus share issuance had occurred at the beginning of the years presented (note 23).

The accompanying policies and explanatory notes form an integral part of the Consolidated Financial Statements.

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Ultrasonic AG

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital EUR'000	Share premium EUR'000	Treasury shares EUR'000	Capital reserve EUR'000	Retained earnings EUR'000	Reserves ** EUR'000	Statutory common reserve EUR'000	Exchang translatio reserve** EUR'000
Balance as of 1 January 2011	4,564	178	-	-	40,460	1,425	5,464	4,29
Total comprehensive income for the year	-	-	-	-	24,919	-	-	7,11
Currency translation difference from HKD to RMB	-	-	-	-	3	-	-	-
Issuance of shares (note 16)	50	-	-	-	-	-	-	-
Reverse acquisition	(4,564)	(178)	-	-	(5,321)	-	-	-
Increase of share capital for contribution in kind (note 16)	9,950	-	-	-	-	-	-	-
Increase of share capital for IPO (note 16)	600	-	-	4,800	-	-	-	-
Transaction costs of equity transaction	-	-	-	-	(262)	-	-	-
Transfer to statutory common reserve (note 17)	-	-	-	-	(729)	-	729	-
Transfer waiver balance to retained profit	-	-	-	-	1,425	(1,425)	-	-
Waiver of amount due to a director	-	-	-	-	57	-	-	-
Balance as of 31 December 2011	10,600	-	-	4,800	60,552	-	6,193	11,41
Total comprehensive income for the year	-	-	-	-	30,809	-	-	(2,35
Increase of share capital for greenshoe (note 16)	55	-	-	440	-	-	-	-
Increase of share capital for bonus shares (note 16)	820	-	-	(820)	-	-	-	-
Reduction of share capital (note 16)	-*	-	-	-	-	-	-	-
Repurchase of shares (note 16)	-	-	(45)	-	(336)	-	-	-
Sales of repurchase of shares (note 16)	-	-	18	36	133	-	-	-
Transfer to statutory common reserve (note 17)	-	-	-	-	(2,339)	-	2,339	-
Balance as of 31 December 2012	11,475	-	(27)	4,456	88,819	-	8,532	9,06

* Amount less than EUR 1,000

** Reserves relate to the waiver of the amount due to director, Qingyong Wu

*** The amount in exchange translation reserve is fully attributable to the other comprehensive income.

The accompanying policies and explanatory notes form an integral part of the Consolidated Financial Statements.

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Ultrasonic AG

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2012	2011
	EUR'000	EUR'000
Cash Flows from Operating Activities		
Profit before taxation	41,831	33,240
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	1,358	1,282
Amortisation of land use rights (Note 5)	12	4
Amortisation of intangible asset (Note 6)	5	1
(Gain)/loss on disposal of property, plant and equipment	(7)	9
Interest income	(360)	(249)
Interest expense	307	276
Exchange difference on translation	(2,283)	7,111
Operating profit before changes in working capital and provisions	40,863	41,674
Increase in inventories	(134)	(80)
Increase in trade and other receivables	(14,712)	(6,791)
Increase in trade and other payables	1,286	3,066
Increase in provisions	129	-
Net cash generated from operations	27,432	37,869
Income tax paid	(10,360)	(8,504)
Interest expense paid	(307)	(276)
Interest income	360	249
Net cash generated from operating activities	17,125	29,338
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	6	12
Acquisition of property, plant and equipment	(5,277)	(25)
Acquisition of intangible assets	-	(14)
Acquisition of net assets of Fujian Junhui (Note 28)	(8,510)	-
Advance payment for the acquisition of office premises	(5,921)	-
Net cash used in investing activities	(19,702)	(27)
Cash Flows from Financing Activities		
Advance to director	(6)	(28)
Repayment of bank loans	(5,011)	(4,858)
Bank loans obtained	4,298	4,525
Proceeds from shares issued	495	5,450
Payment for repurchase of shares	(381)	-
Proceeds from sale of repurchased shares	187	-
Transaction costs of equity transaction	-	(262)
Net cash generated (used in)/from financing activities	(418)	4,827
Net increase in cash and cash equivalents	(2,995)	34,138
Cash and cash equivalents at beginning of year (Note 11)*	77,520	43,382
Cash and cash equivalents at end of year (Note 11)*	74,525	77,520

* corresponds to 'cash and cash balances' in the Consolidated Statements of Financial Position

The accompanying policies and explanatory notes form an integral part of the Consolidated Financial Statements.

Ultrasonic AG

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENED 31 DECEMBER 2012**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION
1.1 The Company

Ultrasonic AG (the "Company") is the parent company. The Company is a German limited liability stock corporation which is domiciled in Germany. The Company's registration number is HRB 73727 in Cologne, Germany. The Company's financial year is the calendar year (i.e. 1 January to 31 December).

Ultrasonic AG's shares are traded on the Prime Standard, a special segment of the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange.

The Company's business purpose is holding, administration and the provision of support of the Ultrasonic Group.

1.2 Group structure of Ultrasonic Group

As of 31 December 2012, the Company has direct or indirect interests in the following wholly-owned subsidiaries.

Name of Company	Shares held by the Company	Principal activities	Equity EUR '000 31/12/2012	Profit/(Loss) for the year EUR '000 2012	Notes
<i>Directly held:</i>					
China Ultrasonic Outdoorwear Holdings Co., Limited ("China Ultrasonic")	100%	Investment holding	8,969	(1,383)	(1)
<i>Indirectly held via China Ultrasonic:</i>					
Shenghui (Fujian) Footwear Co., Ltd. ("Shenghui")	100%	Production and sales of shoe soles	37,359	7,674	(2)
Fujian Suoli Shoes Co., Ltd. ("Fujian Suoli")	100%	Production and sales of shoes soles, sandals and slippers, sale of urban footwear	74,674	18,426	(3)
<i>Indirectly held via Fujian Suoli:</i>					
Suoli (Xiamen) Industrial Co., Ltd. ("Suoli Xiamen")	100%	Sale of urban footwear accessories	17,537	5,812	(4)
Fujian Junhui Sports Co. Ltd. ("Fujian Junhui")	100%	Production and sales of shoes soles, sandals and slippers and urban footwear	8,807	(21)	(5)

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- (1) China Ultrasonic was incorporated in Hong Kong under the Hong Kong Companies Ordinance. On incorporation, China Ultrasonic was authorised to issue was 10,000 shares of HKD 1.00 each, of which 1 share was issued and fully paid on 3 December 2007.
- Pursuant to a director's resolution dated 9 April 2008, 999 ordinary shares of HKD 1.00 each were fully issued and paid-up.
- Pursuant to a director's resolution dated 29 June 2010, 1,000 ordinary shares of HKD 1.00 each were fully issued and paid-up.
- Pursuant to a director's resolution dated 30 June 2010, the authorised share capital of China Ultrasonic was increased to 150,000,000 ordinary shares of HKD 1.00 each. On 30 June 2010, share premium of China Ultrasonic amounting to HKD 56,998,000 was converted to 56,998,000 ordinary shares of China Ultrasonic of HKD 1.00 each which were allotted to all shareholders of China Ultrasonic in proportion to their existing shareholding percentage. Accordingly, the issued and paid-up capital of China Ultrasonic as of 30 June 2010 was HKD 57,000,000.
- Pursuant to a director's resolution dated 13 January 2012, 36,800,000 ordinary shares of HKD 1.00 each were allotted to Ultrasonic AG. Accordingly, the issued and paid-up capital of China Ultrasonic was HKD 93,800,000.
- (2) Shenghui was established in the PRC with a registered capital of HKD 28,880,000 (approximately EUR 2,790,000), which was fully paid-up on 20 December 1999;
- (3) Fujian Suoli was established in the PRC with a registered capital of HKD 28,880,000 as incorporation. On 12 June 2008, the registered capital of Fujian Suoli increased to HKD 78,880,000 (approximately EUR 7,614,000) which was fully paid-up. On 28 December 2011, the registered capital of Fujian Suoli further increased to HKD 178,880,000 (approximately EUR 17,766,000), of which HKD 113,561,000 was fully paid-up on 18 January 2012;

- (4) Suoli Xiamen was established in the PRC with a current registered capital of RMB 30,000,000 (approximately EUR 3,407,000), which was fully paid up on 26 August 2008; and
- (5) Fujian Junhui was established in the PRC with a current registered capital of HKD 200,000,000 (approximately EUR 18,527,000) as incorporation, of which HKD 90,000,000 was fully paid-up on 30 May 2011.

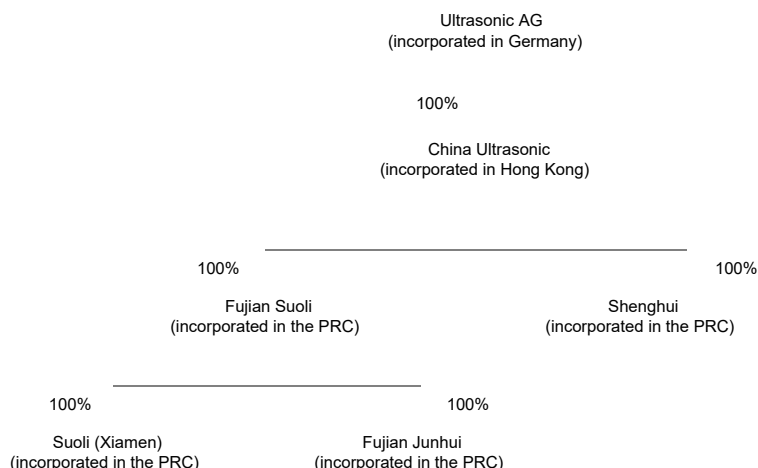
On 31 October 2012, Fujian Suoli acquired 100% equity interests in Fujian Junhui at the cash consideration of RMB 86,000,000 (approximately EUR 10,532,000). Fujian Junhui is a new manufacturing plant for the shoes, which is expected to commence the production in the second quarter of 2013.

The registration of the transfer of ownership of Fujian Junhui to Fujian Suoli has been completed by the approval of Changtai Commercial Industrial Bureau on 28 March 2013. The currency of registered capital has been approved to change from HKD 200,000,000 to RMB 161,7420,000 and the remaining unpaid registered capital of RMB 86,242,000 was fully paid up by Fujian Suoli on 25 March 2013.

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The Ultrasonic Group structure is shown as follows:



2. BASIS OF PREPARATION

The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related interpretations, in so far as these have been endorsed by the EU, and have been consistently applied throughout the financial year ended 31 December 2012 (including comparatives). The Group has adopted all EU IFRS that were effective on or before 1 January 2012. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The following regulations which became effective in 2012 have been applied to all periods presented:

Amendments to IFRS 7

Disclosures – Transfers of Financial Assets

The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the financial statements.

The following new / revised IFRSs, potentially relevant to the Group's financial statements, have been promulgated by the EU, but are not yet effective and have not been early adopted by the Group.

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Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ⁽²⁾	
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ⁽¹⁾	
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets ⁽²⁾	
Amendments to IAS 32	Presentation – Offsetting financial Assets and Liabilities ⁽³⁾	
Amendments to IFRS 1	Government loans ⁽²⁾	
IFRS 10	Consolidated Financial Statements ⁽³⁾	
IFRS 11	Joint Arrangements ⁽³⁾	
IFRS 12	Disclosure of Interests in Other Entities ⁽²⁾	
IFRS 13	Fair Value Measurement ⁽²⁾	
IAS 19 (2011)	Employee Benefits ⁽²⁾	
IAS 27 (2011)	Separate Financial Statements ⁽³⁾	
IAS 28 (2011)	Investments in Associates and Joint Ventures ⁽³⁾	
IFRIC – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine ⁽²⁾	

Annual Improvement Project (Cycle 2009 to 2011) ⁽²⁾

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” : Transitional Regulations ⁽³⁾

(1) Effective for annual periods beginning on or after 1 July 2012

(2) Effective for annual periods beginning on or after 1 January 2013

(3) Effective for annual periods beginning on or after 1 January 2014

The following standards and Interpretations are not yet promulgated by the EU and therefore are not adopted by the Group.

IFRS 9 “Financial Instruments ” and Amendments to IFRS 9 “Financial Instruments ” and IFRS 7 “Financial Instruments – Disclosures” : Initial Application and Transitional Regulations

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”: Investment Companies

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Presently, the Group does not expect any material impact on the consolidated financial statements arising from the adoption of this Standard.

IFRS 10, Consolidated financial statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed IFRS 10’s full impact which does not expect any material impact on the consolidated financial statements arising

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from the adoption of this Standard and intends to adopt IFRS 10 no later than the accounting period

beginning on or after 1 January 2014.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has assessed IFRS 12's full impact which does not expect any material impact on the consolidated financial statements arising from the adoption of this Standard and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Overall Considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The financial statements have been prepared using the measurement bases and accounting policies specified by IFRS as adopted by the EU for each type of asset, liability, income and expense. These are more fully described below.

Presentation of Financial Statements

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The statement of comprehensive income has been prepared using the function of expense method.

The Group has the choice of presenting the statement of comprehensive income using a one statement approach. This presentation has been shown in the Consolidated Statements of Comprehensive Income.

Critical accounting estimates and judgment

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Key sources of estimation uncertainty

Income taxes

The Group has exposure to income tax arising from their operations in the PRC. Significant judgment is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provisions in the period in which such determination is made.

Inventories

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Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to raw material price changes and changes in customer behaviour which may cause selling prices to change rapidly.

Provisions

The respective legislation in the PRC requires the Group to commit itself to remediate any environmental damages which may have been incurred. Management is of the opinion that no environmental damage has been caused by the Group and hence has not provided for this.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment

would not result in a significant change to the Group's net profit for the respective financial years.

Critical judgment made in applying accounting policies

In the process of applying the Group's accounting policies as described below, management is of the opinion that there are no instances of application of judgments which are expected to have a significant effect on the amounts recognised in the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up at the end of the financial year. Subsidiaries are entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combinations are accounted for using the acquisition method, if any. The consideration transferred for an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiaries. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

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Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having deficit balances.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carry amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.2 Intangible asset

Intangible asset acquired separately are initially recognised at cost and is subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives of 3 years. The amortisation expense is recognised in profit or loss and included in administrative expenses.

3.3 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally recognised in profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the

property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Advance payments for property, plant and equipment acquired are recognised as an asset when payment for the property, plant and equipment has been made in advance of the final delivery of the property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Buildings	20 years
Plant and machinery	5 - 10 years
Furniture, fixtures and office equipment	3 - 10 years
Motor vehicles	5 - 10 years

The estimated residual values, estimated useful lives, and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in profit or loss is the difference between the net disposal proceeds and the carrying amount of the

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relevant asset.

3.4 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of their lease terms. Land use rights represent up-front payments to acquire long-term interests in the usage of land.

3.5 Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

For the time being the Group is not applying the revaluation method.

3.6 Financial assets

The financial assets of the Group are categorised as loans and receivables. The Group does not have any other financial assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and amounts due from related parties in the statement of financial position.

Regular purchases and sales of financial assets are accounted for at trade date.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of receivables, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivables. For trade receivables, which are reported net of impairment provisions, such provisions are recorded in a separate allowance account with the loss being recognised within administration expense in profit or loss.

Gains on loans and receivables are primarily from interest and are determined on the effective interest method. Losses are primarily from impairment and are determined by management analysis of the ageing of loans and receivables based on experience of default risk and history.

3.7 Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, as all mature within 12 months

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after the statement of financial position date.

Receivables are measured on initial recognition at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Allowances for impairment are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

3.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprise raw materials, direct labour and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Equity reserves and dividend payments

Share capital represents the nominal value of shares that have been issued in the Company.

When the Company's share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is deducted from equity attributable to the Company's equity holders. Repurchased shares held at the end of reporting period are classified as treasury shares. When treasury shares are sold subsequently, the consideration received, net of any directly attributable transaction costs, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in capital reserve.

Retained earnings include all current and prior period results as determined in the statement of comprehensive income other than those attributed to statutory common reserve.

Foreign currency translation differences arising on the translation are included in the translation reserve.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date. In accordance with the relevant laws and regulations of PRC, the subsidiary of the Company established in PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders.

3.10 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value, plus in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value. All interest related charges are recognised as an expense in profit or loss.

Financial liabilities are derecognised when the obligation for the liabilities is discharged or cancelled or expired. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, and through the amortisation process.

The Group's financial liabilities include trade, other payables, amount due to director and borrowings.

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3.11 Trade and other payables and bank borrowings

Trade, other payables and interest bearing bank borrowings are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions for environmental protection are recorded if future cash outflows are likely to be necessary to ensure compliance with environmental regulations or to carry out remediation work, such costs can be reliably estimated and no future benefits are expected from such measures. Estimating the future costs of environmental protection and remediation involves many uncertainties, particularly with regard to the status of laws and regulations. Management considers that environmental damage has not been caused by the Group and hence has not provided for environmental protection.

3.13 Recognition of revenue and other income

Revenue and other income is measured at the fair value of the consideration received or receivable and presented net of goods and services taxes and trade discounts. The Group is principally engaged in the design, manufacture and sale of shoe soles, sandals, slippers and urban footwear. The Group's shoe soles are sold mainly to PRC manufacturers of footwear which utilise the Group's shoe soles in the production of their footwear products. The Group's sandals and slippers are sold to mainly PRC trading companies which export the Group's products to overseas markets. Some of the Group's products are manufactured and sold under the Group's Ultrasonic brand name, while the remaining products are manufactured and sold under other end customer's brand labels.

Revenue from the sale of manufactured products is recognised when the Company has transferred to customers the significant risks and rewards of ownership of the goods, which generally coincides with the delivery to and acceptance of goods by the customers; and when the Company can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectability of the related receivables is reasonably assured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.14 Finance income

Finance income derives primarily from interest received for bank borrowings. Finance expense derives primarily from interest payments for bank loans used to finance capital expenditures.

Finance income is recognised as it accrues, using the effective interest method.

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3.15 Employee benefits - Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local defined contribution municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the on-going required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions. These plans are considered defined contribution plans. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions into the national pension schemes. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme ") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees

are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD20,000 which has been increased to HKD25,000 since 1 June 2012 under new regulation.

3.16 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel of the Group.

3.17 Income tax

Tax expense recognised in profit or loss comprises the sum of current and deferred tax not directly recognised in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the respective countries in which the Group is operating.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 and associates, and interests in joint ventures, 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.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (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 reflects 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.

3.18 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB).

The presentation currency of the Group is EUR, being the presentation currency of its ultimate German domiciled legal parent and holding company, and therefore the financial information have been transformed from RMB to EUR at the following rates:

	Period end rates	Average rates
31 December 2011	EUR 1.00 = RMB 8.1625	EUR 1.00 = RMB 9.0168
31 December 2012	EUR 1.00 = RMB 8.3176	EUR 1.00 = RMB 8.1423

The results and financial positions of the Company in its functional currency RMB are translated into the presentation currency for the purpose of presentation in the listing of its ultimate legal parent as follows:

Non-monetary assets and liabilities for each statement of financial position presented are translated at the historical rate;

Monetary assets and liabilities for each statement of financial position presented are translated at the period end rate of that statement of financial position;

Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the

transactions); and

All resulting exchange differences are recognised in the foreign currency translation reserve, a separate component of equity.

Other comprehensive income comprises only gains and losses arising from translating the financial statements of the foreign operations. The currency translations do not imply any current or deferred tax effects.

Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at

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fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.19 Related parties

The Company has the following types of related parties:

- (1) Entities or individuals which directly, or indirectly through one or more intermediaries,
 - control, or are under common control with, the Company;
 - have an interest in the Company that gives them significant influence over the Company;
- (2) The key management personnel of the Company or its direct parent and its ultimate parent company; and
- (3) Close members of the family of any individual referred to in (1) or (2).

3.20 Leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

3.21 Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the chief operating decision maker, the management board with the Chief Executive Officer of the Group, Mr. Qingyong Wu as representative, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Moreover, the operating segments are reported in a manner consistent with internal reporting and budgeting systems provided to the chief operating decision maker. In identifying the operating segments, the chief operating decision maker follows the categories of the Group's products. The following are the details of the four Group's segments:

Shoe soles

Shenghui produces all kind of shoe sole products except for Ethylene vinyl acetate ("EVA"), Rubber and Phylon shoe sole products. Fujian Suoli only produces EVA shoe sole product.

Sandals and slippers

Fujian Suoli produces all kind of sandals and slippers.

Urban footwear

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Fujian Suoli sells of urban footwear (Original Equipment Manufacturer) to PRC trading companies for export. Suoli Xiamen sells of urban footwear under "Ultrasonic" owned brand to PRC Distributors.

Accessories

Suoli Xiamen sells of accessories under "Ultrasonic" owned brand to PRC Distributors.

3.22 Development activities

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new products and ranges are also expensed as they do not meet the criteria to be recognised as an intangible asset in accordance with IAS 38.

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4. PROPERTY, PLANT AND EQUIPMENT

	Construction in process EUR'000	Buildings EUR'000	Plant and Machinery EUR'000	Motor vehicles EUR'000	Office equipment EUR'000	Total EUR'000
Cost						
As of 1 January 2011	-	2,784	10,725	832	41	14,382
Translation differences	-	219	846	66	3	1,134
Additions	-	-	6	17	2	25
Disposals	-	-	(14)	(69)	-	(83)
As of 31 December 2011	-	3,003	11,563	846	46	15,458
Translation differences	(99)	(55)	(216)	(15)	-	(385)
Additions	9,439	-	1,160	76	2	10,677
Disposals	-	-	(309)	-	-	(309)
As of 31 December 2012	9,340	2,948	12,198	907	48	25,441
Accumulated depreciation						
As of 1 January 2011	-	1,415	5,431	304	27	7,177
Translation differences	-	126	539	27	3	695
Depreciation charge	-	136	1,068	72	6	1,282
Disposals	-	-	(8)	(47)	-	(55)
As of 31 December 2011	-	1,677	7,030	356	36	9,099
Translation differences	-	(33)	(155)	(8)	-	(196)
Depreciation charge	-	150	1,119	83	6	1,358
Disposals	-	-	(309)	-	-	(309)
As of 31 December 2012	-	1,794	7,685	431	42	9,952
Net book value						
As of 31 December 2012	9,340	1,154	4,513	476	6	15,489
As of 31 December 2011	-	1,326	4,533	490	10	6,359

Depreciation expense is recognised in the income statements as follows:

	2012 EUR'000	2011 EUR'000
Depreciation expense charged to:		
Cost of sales	1,161	1,139
Administrative expenses	116	69
Selling and distribution expenses	81	74
	1,358	1,282

All property, plant and equipment held by the Group are located in the PRC.

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5. LAND USE RIGHTS

	EUR'000
Cost	
As of 1 January 2011	173
Translation differences	14
As of 31 December 2011	187
Translation differences	(40)
Additions	2,003
As of 31 December 2012	2,150
Accumulated amortisation	
As of 1 January 2011	21
Translation differences	3
Amortisation	4
As of 31 December 2011	28
Translation differences	(1)
Amortisation	12
As of 31 December 2012	39
Net book value	
As of 31 December 2012	2,111

The land use rights of the Group refer to land located in the PRC. Certain land use rights with net book value amounting to EUR 39,000 and EUR 37,000 are pledged to a bank as securities for borrowings granted to the Group for the years ended 31 December 2011 and 2012 respectively as set out in Note 13.

6. INTANGIBLE ASSET

	Company website EUR'000
Cost	
As of 1 January 2011	-
Addition	14
As of 31 December 2011 and at 31 December 2012	14
Accumulated amortisation	
As of 1 January 2011	-
Amortisation	1
As of 31 December 2011	1
Amortisation	5
As of 31 December 2012	6
Net book value	
As of 31 December 2012	8
As of 31 December 2011	13

Amortisation is recognised in the income statements under Administrative expenses with a total amount of EUR 5,000 as of 31 December 2012 (31 December 2011: EUR 1,000)

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7. DEFERRED TAX

7.1 Deferred tax asset

	31/12/2012 EUR'000	31/12/2011 EUR'000
Beginning of financial year	387	-
Utilisation of tax loss	(157)	-
Recognised tax loss	-	387
End of financial year	230	387

Deferred tax asset is recognised for tax loss carried forward of Ultrasonic AG at a German tax rate of 31.2% to the extent that realization of the related tax benefits through future taxable profits is probable. The calculation is made under the assumption that the tax losses will be used no later than five years after balance sheet date, corporate income tax and trade tax losses can be carried forward for an indefinite period of time.

7.2 Deferred tax liabilities

As of 31 December 2011 and 2012, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. China Ultrasonic is the holding company of the Group's subsidiaries established in PRC and is therefore liable to withholding tax on dividends distributed by the Group's subsidiaries established in PRC. In respect of the earnings not distributed to China Ultrasonic, due to the future expansion of the Group requiring internal funds for capital projects, in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, therefore, no deferred tax liability associate with unremitted earnings has been recognised. Other temporary differences that would lead to deferred tax liabilities are not existed.

8. NON-CURRENT PREPAYMENT

The non-current prepayment of EUR 126,000 as of 31 December 2012 (2011: EUR 175,000) relates to renovation cost located in PRC which have future economic benefits for a period of 3 years.

9. INVENTORIES

	31/12/2012 EUR'000	31/12/2011 EUR'000
Raw materials	382	322
Work in progress	105	101
Finished goods	261	191
	748	614

During the financial years ended 31 December 2011 and 2012, there has been no allowance for inventory obsolescence.

10. TRADE AND OTHER RECEIVABLES

	31/12/2012 EUR'000	31/12/2011 EUR'000
Trade receivables	49,406	32,468
Other receivables	447	257
Prepayments	6,477	363
	56,330	33,088

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Trade receivables are non-interest bearing and generally have an average credit terms of 30 to 90 days.

The trade receivables aging based on invoice date are as follows:

	31/12/2012 EUR'000	31/12/2011 EUR'000
Within 30 days	15,686	14,102
31 to 60 days	14,478	11,858
More than 60 days	19,242	6,508
	49,406	32,468

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31/12/2012 EUR'000	31/12/2011 EUR'000
Neither past due nor impaired	48,170	31,043
Past due but not impaired		
- Less than 1 month past due	1,236	1,425
	49,406	32,468

The trade receivable that was neither past due nor impaired relate to customer for whom there was no recent history of default.

The trade receivable that was past due but not impaired relate to customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in this balance as it is considered fully recoverable.

Prepayments relates mainly to the advance payments of advertising, construction costs and acquisition of office premises.

Trade receivables and other receivables are denominated in the following currencies:

	31/12/2012 EUR'000	31/12/2011 EUR'000
Renminbi	55,897	32,791
EUR	433	297
	56,330	33,088

**Financial assets
Loans and receivables**

	31/12/2012 EUR'000	31/12/2011 EUR'000
Trade receivables	49,406	32,468
Other receivables	447	257
Cash and cash equivalents	74,525	77,520
Total financial assets classified as Loans and receivables	124,378	110,245

All financial assets classified as loans and receivables are current and non-interest bearing.

Management considers the carrying amounts recognised in the statement of financial position to be

a reasonable approximation of their fair value due to the short duration. There were no net gains and

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losses on loans and receivables in 2011 and 2012. The maximum credit risk is assessed by management to be the amounts shown in the above table as of the respective reporting dates.

11. CASH AND BANK BALANCES

	31/12/2012 EUR'000	31/12/2011 EUR'000
Cash at banks	74,513	77,514
Cash on hand	12	6
	74,525	77,520

Cash and bank balances are denominated in the following currencies:

	31/12/2012 EUR'000	31/12/2011 EUR'000
Renminbi	74,296	72,812
EUR	184	4,705
Others	45	3
	74,525	77,520

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business. Cash transfers from China to the other countries require formal approval from the State Administration of Foreign Exchange ("SAFE "). However, there is no restriction of cash transfers between Hong Kong and Germany.

The cash at bank bears average effective interest rates of 0.377% and 0.350% per annum for the years ended 31 December 2011 and 2012 respectively.

12. TRADE AND OTHER PAYABLES

	31/12/2012 EUR'000	31/12/2011 EUR'000
Trade payables	13,613	12,799
Other payables	5,149	4,449
	18,762	17,248

- (1) The other short term payables include mainly amounts for VAT payables, provision for sales rebates and payables related to employees.
- (2) The carrying amounts of short term trade and other payables at the statement of financial position dates approximate to their fair value due to the short duration of maturity. There were no net gains/losses on trade and other payables in 2011 and 2012.

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Trade and other payables are denominated in the following currencies:

31/12/2012	31/12/2011
------------	------------

	EUR'000	EUR'000
Renminbi	18,469	16,702
EUR	217	443
Singapore dollar	67	87
Hong Kong dollar	9	16
	18,762	17,248

13. INTEREST-BEARING BANK BORROWINGS

	31/12/2012 EUR'000	31/12/2011 EUR'000
Bank borrowings:		
Secured and repayable within one year	5,410	4,999

The Group's interest-bearing bank loans are guaranteed by:

- (1) land use rights in Note 5;
- (2) director's personal guarantee; and
- (3) corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank loans bear weighted average effective interest rates of 6.02% and 6.60% per annum for the years ended 31 December 2011 and 2012 respectively.

The carrying amounts of bank borrowings are denominated in Renminbi.

14. TAXATION

	2012 EUR'000	2011 EUR'000
Current income tax - PRC	10,865	8,708
Deferred tax charge/(income)	157	(387)
	11,022	8,321

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2012 EUR'000	2011 EUR'000
Profit before taxation	41,831	33,240
Tax at statutory rate of 25%	10,458	8,310
Tax effect on non-deductible expenses	417	308
Tax effect of different tax rates in other jurisdictions	147	90
Tax effect of tax losses unrecognised	-	(387)
	11,022	8,321

The current income tax liability is calculated based on statutory income tax at a rate of 25% for the years ended 31 December 2011 and 2012 in accordance with the relevant PRC income tax rules and regulations for the relevant periods. Taxes are not related to other comprehensive income.

Movement in income tax payable is as follows:

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	2012 EUR'000	2011 EUR'000
Beginning of financial year	2,500	2,108
Current year tax expenses on profit	10,865	8,708
Income tax paid	(10,360)	(8,504)
Translation adjustment	(57)	188
End of financial year	2,948	2,500

15. PROVISIONS

All provisions are considered current. The movements in the provision account are as follows:

	Warranty EUR'000	Housing fund contribution EUR'000	Total EUR'000
As of 1 January 2012	-	-	-
Additional provisions recognised	20	109	129
Translation adjustment	(1)	(2)	(3)
As of 31 December 2012	19	107	126

15.1 Warranty

The Group gives 1 month warranties on the products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns.

15.2 Housing fund contribution

A provision of EUR 109,000 has been made for the potential payments of housing fund contribution. Pursuant to the relevant regulation of the Housing Fund Contribution in China, the subsidiaries located in PRC are required to contribute 5% of the minimum wage or the average district wage of its employee to Housing Fund Contribution Management Centre which is operated by PRC local government. The only obligation of the subsidiaries is to pay the specific contributions to Housing Fund Contribution Management Centre under the regulation.

16. CAPITAL

16.1 Share capital

	No. of ordinary shares		Amount	
	2012	2011	2012	2011
			EUR'000	EUR'000
Issued and fully paid, with no par value				
Beginning of financial year	10,600,000	57,000,000	10,600	4,564
Issuance of shares for greenshoe ⁽¹⁾	55,000	-	55	-
Cancellation of shares ⁽²⁾	(5)	-	-*	-
Issuance of bonus shares ⁽³⁾	819,615	-	820	-
Issuance of shares ⁽⁴⁾	-	50,000	-	50
Reverse acquisition of China Ultrasonic ⁽⁵⁾	-	(57,000,000)	-	(4,564)
Issuance of shares for contribution in kind ⁽⁵⁾	-	9,950,000	-	9,950
Issuance of shares for IPO ⁽⁶⁾	-	600,000	-	600
End of financial year	11,474,610	10,600,000	11,475	10,600

* Amount less than EUR 1,000

- (1) Under a resolution of the Management Board, with the approval of the Supervisory Board following the exercise of the greenshoe option by the lead manager of the IPO, the share

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capital of the Company was increased from EUR 10,600,000 to EUR 10,655,000 through the issue of 55,000 new no-par bearer shares with a theoretical pro rata share of the share capital of EUR 1.00 per share.

- (2) As approved by the shareholders of the Company in the Annual General Meeting ("AGM ") on 6 July 2012, the share capital of the Company was decreased by EUR 5.00 from EUR 10,655,000 to EUR 10,654,995 by redeeming shares, which were made available free of charge by one shareholder.
- (3) In May 2012, the Management Board, instead of paying a dividend, recommended bonus shares issue to shareholders of the Company, with each shareholder receiving one bonus for every 13 existing shares of the Company. As approved by the shareholders of the Company in the AGM on 6 July 2012, the share capital was increased from EUR 10,654,995 to EUR 11,474,610 through the issue out of capital reserve account of the Company of 819,615 new non-par bearer shares with a no par value with a notional amount of share capital of EUR 1.00 for each no-par share.
- (4) Ultrasonic AG was founded on 18 May, 2011 as a shelf company under the firm Rheingoldhöhe 24. V V AG, Düsseldorf, with share capital comprising fully paid-up 50,000 ordinary shares amounting to EUR 50,000. On the basis of the purchase agreement dated 27 July, 2011, Ultrasonic AG was bought by Mr Wu Qingyong.
- (5) At the general meeting of shareholders of Ultrasonic AG held on 27 October, 2011 the share capital of Ultrasonic AG increased from EUR 50,000 by EUR 9,950,000 to EUR 10,000,000 through the issue of 9,950,000 new bearer shares with no par value with a notional amount of share capital of EUR 1.00 for each no-par share. This capital increase was performed by means of a contribution in kind in the form of all of the company shares in China Ultrasonic Outdoorwear Holdings Co. Limited, Hong Kong, to Ultrasonic AG.
- (6) By the resolution of shareholders general meeting on 8 December, 2011, in the course of the listing at Frankfurt Stock Exchange, the share capital of Ultrasonic AG was increased from EUR 10,000,000 to EUR 10,600,000 through the issue of 600,000 new bearer shares with no par value with a notional amount of share capital of EUR 1.00 for each no-par share.

16.2 Treasury shares

The Annual General Meeting on 6 July 2012 authorized the Management Board to repurchase a maximum of 190,000 shares of the Company with the approval of the Supervisory Board by 27 September 2012.

Treasury shares represent the Company's ordinary shares repurchased prior to 31 December 2012 but not yet sold or withdrawn. On 17 September 2012, 45,416 ordinary shares of EUR 1.00 each of the Company were repurchased at prices of EUR 8.40 per share.

During the period from 26 November 2012 to 13 December 2012, 18,000 repurchased shares were sold at the price ranging from EUR 9.00 to EUR 11.00.

The remaining 27,416 shares were recognised as treasury shares at the end of the reporting period.

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17. RESERVES

17.1 Capital reserve

The capital reserve represents the excess of issue price over the Company's new bearer shares issued with no par value with a notional amount of share capital of EUR 1.00 for each no-par share.

The capital reserve also includes the net gain on the reissue of repurchase shares of the Company.

17.2 Statutory reserve

Ultrasonic AG is required to transfer 5% of the profit after tax as reported in its German statutory financial statements to statutory reserves according to Art. 150 AktG until statutory reserves and capital reserves according to Art. 272 section 2 no. 1-3 HGB together reach an amount of 10% of the share capital.

In accordance with the relevant laws and regulations of PRC, the subsidiaries of the Group established in PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders.

Statutory reserve set up for the subsidiaries of the Group established in PRC.

17.3 Foreign currency translation reserve (other comprehensive income)

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements from RMB to EUR.

17.4 Other reserves

Other reserves relate to the waiver of the amount due to a director, Mr WU Qingyong. On 15 July 2011, Mr WU Qingyong entered into an agreement with the Group to waive the repayment of initial public offering expenses in Singapore and Korea incurred for the financial years ended 31 December 2010 and 2011 which were borne by him. In 2011, an amount of EUR 1,425,000 was transferred from other reserves to retained earnings to bring other reserves provided for in the subsidiary of the reporting company to zero as of 31 December 2011.

17.5 Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised in the Group's income statement other than those dedicated to statutory reserves.

18. REVENUE

Revenue represents the sales of goods including shoe soles, sandals and slippers, urban footwear and accessories during the year.

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19. COST OF SALES

Cost of sales comprise of purchasing materials, labour costs for personnel employed in production, depreciation and amortisation of non-current assets used for production purposes, trading goods and others (mainly utilities and maintenance costs). The following table shows a breakdown of costs of sales for the period under review for each category:

	2012	2011
	EUR'000	EUR'000
Materials	49,741	43,213
Labour	4,819	4,687
Depreciation	1,161	1,139
Overheads	8,114	6,924
Subcontracted cost	775	572
Variation in stock during the period	(80)	(17)
Sub-total for production cost	64,530	56,518
Purchase of urban footwear and accessories	37,432	25,223
Sales related tax	955	789
Total cost of sales	102,917	82,530

20. SELLING AND DISTRIBUTION EXPENSES

	2012	2011
	EUR'000	EUR'000
Salaries	218	162
Travelling	30	35
Entertainment	21	29
Transportation and courier	297	176
Advertisement	823	666
Depreciation	81	74
Social Security insurance	13	14
Exhibition	35	-
Warranty	20	-
Others	14	8
	1,552	1,164

21. FINANCE COSTS

Finance costs represent the interest expenses of EUR 307 thousand (2011: EUR 276 thousand) on short-term bank loans during the year.

22. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived after charging:

	2012	2011
	EUR'000	EUR'000
Depreciation of property, plant and equipment (note 4)	1,358	1,282
Amortisation of land use rights (note 5)	12	4
Amortisation of intangible asset (note 6)	5	1
Minimum lease payments under operating leases for leasehold buildings	157	142
Exchange loss/(gain)	36	(-)*
Directors' remuneration		
- salaries and related cost	153	88
- Contribution to retirement benefit scheme	3	4
- Housing fund contribution	-*	-
Key management personnel		
- salaries and related cost	63	57
- Contribution to retirement benefit scheme	2	1
- Housing fund contribution	-*	-

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Other than directors and key management personnel		
- salaries and related cost	5,677	5,042
- Contribution to retirement benefit scheme	608	583
- Housing fund contribution	109	-
- Staff welfare	1	-

Research and development costs	486	396
Cost of inventories recognised as expenses	87,094	68,712
Advertisement expenses included in selling and distribution expenses	858	666
(Gain)/loss on disposal of property, plant and equipment	(7)	9
* Amount less than EUR 1,000		

23. EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share are based on the profit attributable to ordinary equity shareholders of the Company of EUR 30,809,000 (2011: EUR 24,919,000) and the weighted average of 11,457,139 ordinary shares (2011: 10,857,423 ordinary shares) in issue during the year, taking into account the 13-for-1 bonus share issue that took place on 13 August 2012 and is derived as if the issue of bonus shares had occurred at the beginning of the years presented (note 16.2).

24. COMMITMENTS

24.1 Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided is as follows:

	2012 EUR'000	2011 EUR'000
Construction of production plant	6,590	-
Acquisition of land use right	746	-
	7,336	-

24.2 Operating lease commitments

The total future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	2012 EUR'000	2011 EUR'000
Within one year	144	147
In the second to fifth years	222	374
	366	521

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose to market risk, concentration risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance.

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The directors of the Group provide guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposures to market risk and financial risk are kept at a minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

25.1 Market risk

a) Foreign currency sensitivity

The Group's operations are primarily carried out in RMB. The functional currency of the Group is mainly RMB. The Group continues to conduct its sales mainly in RMB and make payments in RMB. In addition, the Group's borrowings are mainly denominated in RMB. The Group is exposed to currency risk primarily arising from the fluctuations on RMB against EUR. Currently, the Group does not have foreign currency hedging policy.

The following table demonstrates the Group's sensitivity to a 10% increase and decrease in the exchange rate of EUR/RMB for the twelve months periods for the financial years, with all other

variables held constant.

If the RMB had strengthened against EUR by 10% then this would be have had the following impact:

	Profit for the year EUR'000	Equity EUR'000
31 December 2011	(415)	(415)
31 December 2012	(238)	(238)

If the RMB had weakened against EUR by 10% then this would be have had the following impact:

	Profit for the year EUR'000	Equity EUR'000
31 December 2011	415	415
31 December 2012	238	238

b) Interest rate sensitivity

The Group's exposure to interest rate risk relates principally to its interest bearing borrowings from banks. Interest-bearing loans from banks bear floating interest rates and thus exposing the Group to cash flow interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 13.

At the following financial position dates, if interest rates had changed by 100 basis points ("bp"), with all other variables held constant, the profit or loss before tax would have been increased/(decreased) by the amount shown below:

	Basis Points	2012 EUR'000	2011 EUR'000
Increase in profit or loss	100	54	50
Decrease in profit or loss	(100)	(54)	(50)

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25.2 Concentration risk

Concentration risk arises from the sales to distributors. In view of the nature of the industry and the Group's sales strategy which is the selling of their products to consumers through the number of distributors, the management does not consider the risk to be significant. The Group's policy is to monitor the business development of the number of distributors and to continuously source for suitable distributors who are able to promote the brand and expand the existing distribution network.

25.3 Credit risk

Credit risk is the risk of financial loss to the Group if counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from the Group's trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager. The Group typically allows the existing customer credit terms of up to 3 months. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new distributors, the sales and marketing department will prepare credit proposals for approval by the general manager.

The Group performs on-going credit evaluation of its distributors' financial position. The concentration of credit risk from the Group's trade receivables are 25% for the financial years ended 31 December 2011 and 2012 comprising 5 customers.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's major classes of financial assets are trade and other receivables, receivables from related parties and cash and bank balances.

The Group considers 30 to 90 days to be normal collection period. Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of receivables. The provisions are recorded in a separate allowance account with the loss being recognised within administration expense in profit or loss. On confirmation that the receivables will not be collectable, the gross carrying value of the receivables is written off against the associated provision.

No impairment loss needed to be recognised in the profit or loss in respect of financial assets during the reporting periods.

25.4 Currency risk

Currency risk arises within entities in the Group when transactions are denominated in foreign currency.

The Group has no significant concentration of transactional currency risk. The Group operates predominantly in the PRC and transacts primarily in Renminbi. Accordingly, the Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal. However the Group prepares its financial statements in EUR and therefore its results and net asset position are exposed to retranslation risk as a result of fluctuation in the RMB EUR exchange rate.

25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and

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expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserve and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation. The Group was able to generate positive operating cash flows over the reporting period.

The table below analyses the maturity profile of the Group's financial liabilities.

	Less than 1 year EUR'000
As of 31 December 2011	
Trade and other payables	16,099
Borrowings ⁽¹⁾	4,999
Liabilities to related party	6
	21,104
As of 31 December 2012	
Trade and other payables	17,443
Borrowings ⁽²⁾	5,410
	22,853

- (1) The total interest of bank loans amounting to EUR 70,000 is recognized for the period from 1 January 2012 to the repayment dates and the interest rate is ranging from 5.81% to 6.56% per annum.
- (2) The total interest of bank loans amounting to EUR 97,000 is recognized for the period from 1 January 2013 to the repayment dates and the interest rate is ranging from 6.00% to 7.22% per annum

26. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARY

On 31 October 2012, the Group acquired a land located in the PRC and its related assets and liabilities from Wing Chun International Investment Limited, which is owned by Ms. Chan Chin Chin an independent third party, at a total consideration of EUR 10,532,000 which was satisfied in cash. The acquisition was made by way of acquisition of the 100% equity interests in Fujian Junhui Sports Co. Ltd. ("Fujian Junhui "). The acquisition of the shares does not reflect an integrated set of activities and assets that is capable of being conducted and managed for the purposes of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. This transaction has been reflected as a purchase of assets and liabilities as the acquired assets and liabilities were not meeting the definition of a business. Subject of the acquisition was a plant under construction with the associated land use rights. The seller of Fujian Junhui decided to stop the project and sell the plant before starting operative business. As a consequence, the Group was able to take over the project.

Details of the fair value of net assets acquired in respect of the acquisition of the Fujian Junhui is as follows:

	Fair values on acquisition EUR'000
Property, plant and equipment	5,400
Land use rights	2,003
Other receivables	2,560
Cash and bank balances	2,022
Other payables	(228)
Short-term loan	(1,225)

Ultrasonic AG

Consideration satisfied by:

Cash

10,532

EUR'000

Net cash outflow arising on acquisition

Cash consideration

10,532

Less: Cash and cash equivalents balance acquired

(2,022)

8,510

27. RELATED PARTY TRANSACTIONS

The following persons and entities are considered to be related parties:

Entities / individuals with common control or significant influence over the Company

Related Party	Type of business	Relationship with the Company
Qingyong Wu		Chief Executive Officer
Jinjiang Shenghui Hardware & Plastic Co., Ltd.	Producing and trading of shoe materials	100% owned by Qingyong Wu

Key management and close family of key management or of controlling shareholder

Related Party	Relationship with the Company
Qingzhi Wu	Brother of Qingyong Wu
Qingdou Wu	Brother of Qingyong Wu
Wenhuan Wu	Brother-in-law of Qingyong Wu
Minghong Wu	Director and son of Qingyong Wu
Chi Kwong Clifford Chan	Chief Financial Officer and Director
Longjiang Ji	Sales Manager

Remuneration of Directors and key management:

	2012 EUR'000	2011 EUR'000
Director's remuneration		
- salaries and related cost	153	88
- contribution to retirement scheme	3	4
- housing fund contribution	-*	-
	156	92
	2012 EUR'000	2011 EUR'000
Key management personnel		
- salaries and related cost	63	57
- contribution to retirement scheme	2	1
- housing fund contribution	-*	-
	65	58

* Amount less than EUR 1,000

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The compensation of remuneration of directors and other members of key management personnel during the year was as follows:

2012

2011

	EUR'000	EUR'000
Short-term benefits	216	145
Post-employment benefits	5	5
	221	150

The short-term benefits relate to remuneration, bonus, allowances and housing fund contribution of directors and key management.

	2012 EUR'000	2011 EUR'000
Rental fees paid to related parties	32	29
Prior IPO expenses paid by director	-	57
Amount due to director	-	6

Remuneration of the Members of the Management Board

In the 2012 financial year, the remuneration of the members of the Management Board comprises fixed remuneration and one month additional salary for the performance bonus. All members of the Management Board received no other variable remuneration. The members of the Management Board did not receive any compensation from Ultrasonic AG for financial year 2012. The members of the Management Board received their remuneration through the subsidiaries of the Group total amounting to EUR 153,000 for financial year 2012.

The following were total remuneration of the Management Board for financial year 2012:

	Total EUR'000	Thereof variable EUR'000
Qingyong Wu, CEO	64	5
Minghong Wu, COO	49	4
Chi Kwong Clifford, CFO	40	3
	153	12

Remuneration of the Members of the Supervisory Board

On 6 July 2012, the General Shareholders Meeting (the "AGM") of the Company has approved the annual gross compensation for ordinary member of the Supervisory Board to be EUR 10,000 per year, EUR 12,000 per year for the Deputy Chairman and EUR 35,000 per year for the Chairman of the Supervisory Board. If the work of a Supervisory Board member does not cover a full calendar year, compensation is paid on a time-proportionate basis. Due to the approval of AGM for the remuneration of the Supervisory Board Members on 6 July 2012, the Supervisory Board Members of the Company did not receive any remuneration for the financial year 2011. Therefore, the total remuneration of Supervisory Board Members of EUR 10,000 for the financial year 2011, excluding VAT, has been reflected in income statement for the financial year 2012.

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The following were total fixed remuneration, excluding VAT, of the Supervisory Board for financial year 2012:

	EUR'000
Dr Johannes Mauser, Chairman	35
Professor Bin Yang, Deputy Chairman	12
Jianhui Wang	10
	57

Mr. Professor Yang Bin, Deputy Chairman of Supervisory Board of Ultrasonic AG, is also a non-executive Director of China Xiniya Fashion Limited.

As of 31 December 2012, there were no warrants and no valid warrants program so no member of the Management Board or Supervisory Board currently has warrants or conversion rights on shares in Ultrasonic AG.

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28. SEGMENT INFORMATION

Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segments are organised as follows:

Shoe soles

Shenghui produces all kind of shoe sole products except for Ethylene vinyl acetate ("EVA"), Rubber and Phylon shoe sole products. Fujian Suoli only produces EVA shoe sole product.

Sandals and slippers

Fujian Suoli produces all kinds of sandals and slippers.

Urban footwear

Fujian Suoli sells urban footwear (Original Equipment Manufacturer) to PRC trading companies for export. Suoli Xiamen sells urban footwear under "Ultrasonic" owned brand to PRC Distributors.

Accessories

Suoli Xiamen sells accessories under "Ultrasonic" owned brand to PRC Distributors.

There is no geographical segment information provided as the Group sold all of its products to PRC manufacturers of footwear and sports related apparel and PRC trading company.

All non-current assets of the Group are located in the PRC. The segment profit equals the profit before tax, excluding unallocated administration costs, finance cost and other unallocated income and expenses of the segment.

The segment profit is the relevant key component to measure the segments performance and to allocate resources to the segments. The chief operating decision maker is the management board with the CEO, Mr. Qingyong Wu, as its representative,

The segment information provided to the management for the reportable segments for the financial year ended 31 December 2011 and 2012 are as follows:

A) For the financial year from 1 January 2012 to 31 December 2012

	Shoe soles EUR'000	Sandals and Slippers EUR'000	Urban footwear EUR'000	Accessories EUR'000	Total EUR'000
Revenue:					
Revenues from external customers ⁽¹⁾	47,548	46,611	53,480	1,372	149,011
Results:					
Finance revenue	150	104	103	2	359
Finance costs	40	163	89	-	292
Depreciation and amortisation ⁽²⁾	1,118	215	30	-*	1,363
Segment profit	13,703	13,640	15,060	374	42,777
Assets:					
Addition to non-current assets ⁽³⁾	751	54	69	3	877

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Reportable segment assets	56,888	38,728	40,341	972	136,929
Reportable segment liabilities	6,874	7,216	7,076	153	21,319

* Amount less than EUR1,000

- (1) There is no revenue from transactions with a single external customer amounting to 10 percent or more of the Group's revenues
- (2) Depreciation and amortisation relate to depreciation of property, plant and equipment and amortisation of land use rights
- (3) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

B) Reconciliation of unallocated reportable segment, profit and loss, assets and liabilities

	For the year ended 31 December 2012 EUR'000
Profit or loss	
Total profit for reportable segments	42,777
Unallocated other income and expenses	
Finance income	2
Finance costs	(15)
Administration expenses	(933)
Profit from operations before income tax expense	41,831

* Amount less than EUR 1,000

	As of 31 December 2012 EUR'000
Assets	
Total assets for reportable segments	136,929
Unallocated assets	
Property, plant and equipment – construction in process	8,043
Land use rights	1,959
Intangible assets	8
Deferred tax assets	230
Other receivables	627
Cash and bank balances	1,771
Group assets	149,567
Liabilities	
Total liabilities for reportable segments	21,319
Unallocated liabilities	
Accrued liabilities and other payables	517
Bank borrowings	5,410
Group liabilities	27,246

The assets and liabilities of the new acquisition subsidiary, Fujian Junhui Sports Co. Ltd. ("Fujian Junhui ") are classified as unallocated assets and liabilities because Fujian Junhui did not commence its business in 2012.

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A) For the financial year from 1 January 2011 to 31 December 2011

	Shoe soles EUR'000	Sandals and Slippers EUR'000	Urban footwear EUR'000	Accessories EUR'000	Total EUR'000
Revenue:					
Revenues from external customers ⁽¹⁾	39,589	43,454	34,949	1,413	119,405
Inter-segment revenues	294	-	-	-	294
Results:					
Finance revenue	110	73	63	3	249
Finance costs	35	174	67	-	276
Depreciation and amortisation ⁽²⁾	1,083	184	19	-*	1,286
Segment profit	11,650	12,919	9,346	375	34,290
Assets:					
Addition to non-current assets ⁽³⁾	2	18	5	-	25
Reportable segment assets	48,103	36,808	26,978	1,020	112,909
Reportable segment liabilities	6,888	7,289	4,865	160	19,202

* Amount less than EUR1,000

- (1) There is no revenue from transactions with a single external customer amounting to 10 percent or more of the Group's revenues
- (2) Depreciation and amortisation relate to depreciation of property, plant and equipment and amortisation of land use rights
- (3) Additions to non-current assets relate to additions to property, plant and equipment and land use rights.

B) Reconciliation of unallocated reportable segment, profit and loss, assets and liabilities

	For the year ended 31 December 2011 EUR'000
Profit or loss	
Total profit for reportable segments	34,290
Unallocated other income and expenses	
Other income	2
Administration expenses	(1,052)
Profit from operations before income tax expense	33,240
As of 31 December 2011 EUR'000	
Assets	
Total assets for reportable segments	112,909
Unallocated assets	
Intangible asset	13
Deferred tax assets	387
Other receivables	297

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Cash and bank balances	4,709
Group assets	118,315

Liabilities

Total liabilities for reportable segments	19,202
Unallocated liabilities	
Accrued liabilities and other payables	546
Bank borrowings	4,999
Liabilities to related party	6
Group liabilities	24,753

29. EMPLOYEE BENEFITS

	2012	2011
Average number of employees of the Group	1,432	1,380
Management and administration	14	11
Sales	26	22
Purchase	7	5
Production	1,282	1,263
Research & development	20	16
Quality control	13	10
General	70	53
	1,432	1,380

The aggregate payroll costs of these employees were as follows:

	2012 EUR'000	2011 EUR'000
Salaries and related cost	5,892	5,187
Retirement benefit scheme	613	588
Staff welfare	1	-
	6,506	5,775

Retirement Benefit Plans

The eligible employees of the Group who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefit contributions charged to the profit or loss in the financial years 2011 and 2012 amounted to approximately EUR 588,000 and EUR 613,000 respectively.

30. CAPITAL MANAGEMENT

The Group's objectives in managing capital refer primarily to equity as shown in the Balance sheet and are:

- (1) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (2) To support the Group's stability and growth; and
- (3) To provide capital for the purpose of strengthening the Group's risk management capability.

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The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency. The Group currently does not adopt any formal dividend policy.

The Group is not subject to externally imposed capital requirements, except for, as disclosed in Note 16, the Group's PRC subsidiaries are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2011 and 2012.

31. EVENTS AFTER THE REPORTING PERIOD

No adjusting or significant non adjusting events have occurred between the reporting date and the date of authorization.

32. AUDITOR'S FEES

Expenses for services provided by the auditor of the Consolidated Financial Statements, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, were recorded of EUR 75,000 (2011: EUR 65,000) on audit services and EUR 0 (2011: EUR 142,000) on other assurance services. No Tax services have been rendered by the auditor.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the years ended 31 December 2012 (including comparatives) were approved and authorised for issue by the Management Board on 15 April 2013. They were approved by the Supervisory Board in its meeting of 15 April 2013.

Cologne, 15 April 2013

The Management Board

Qingyong Wu
Chairman

Chi Kwong Clifford Chan
CFO

Minghong Wu
COO

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Ultrasonic AG, Köln
Bilanz zum 31. Dezember 2012

Aktiva

	EUR	31.12.2012 EUR	31.12.2011 EUR		EUR	31.12.2011 EUR
A. Anlagevermögen				A. Eigenkapital		
I. Immaterielle Vermögensgegenstände				I. Gezeichnetes Kapital	11.474.610,00	
Entgeltlich erworbene Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Werte sowie Lizenzen an solchen Rechten und Werten		8.403,00	12.986,00	Eigene Anteile	27.416,00	
				Eingefordertes Kapital		11.44
II. Finanzanlagen				II. Kapitalrücklage		4.4
1. Anteile an verbundenen Unternehmen	13.650.000,00		9.950.000,00	III. Bilanzgewinn/-verlust		1
2. Ausleihungen an verbundene Unternehmen	1.950.129,20		0,00			16.0
		15.600.129,20	9.950.000,00	B. Rückstellungen		
		15.608.532,20	9.962.986,00	Sonstige Rückstellungen		1
B. Umlaufvermögen				C. Verbindlichkeiten		
I. Forderungen und sonstige Vermögensgegenstände				1. Verbindlichkeiten aus Lieferungen und Leistungen	23.325,89	
1. Forderungen gegen verbundene Unternehmen	28.298,64		0,00	2. Verbindlichkeiten gegenüber verbundenen Unternehmen	0,00	
2. Sonstige Vermögensgegenstände	379.301,41		251.129,36	3. Sonstige Verbindlichkeiten - davon aus Steuern		
		407.600,05	251.129,36	31.12.2012: EUR 21.708,86		
II. Guthaben bei Kreditinstituten		183.889,90	4.705.494,91	31.12.2011: EUR 0,00	21.708,86	
		591.489,95	4.956.624,27			
C. Rechnungsabgrenzungsposten		53.479,17	45.703,90			

Anlage 2

Ultrasonic AG, Köln
Gewinn- und Verlustrechnung
für die Zeit vom 01. Januar bis 31. Dezember 2012

	<u>2012</u> EUR	<u>18.05. - 31.12.</u> <u>2011</u> EUR
1. Umsatzerlöse	1.205.595,83	0,00
2. Abschreibungen		
auf immaterielle Vermögensgegenstände des Anlagevermögens	4.583,00	764,00
3. Sonstige betriebliche Aufwendungen	770.535,58	1.288.030,41
4. Erträge aus Beteiligungen	1.165.784,59	0,00
5. Sonstige Zinsen und ähnliche Erträge	<u>28.298,64</u>	<u>0,00</u>
6. Ergebnis der gewöhnlichen Geschäftstätigkeit	<u>1.624.560,48</u>	<u>-1.288.794,41</u>
7. Jahresüberschuss/-fehlbetrag	1.624.560,48	-1.288.794,41
8. Verlustvortrag aus dem Vorjahr	1.288.794,41	0,00
9. Entnahmen aus Gewinnrücklage - aus der Rücklage für eigene Anteile	202.878,40	0,00
10. Erträge aus der Kapitalherabsetzung	5,00	0,00
11. Einstellungen in die Kapitalrücklage nach den Vorschriften über die vereinfachte Kapitalherabsetzung	5,00	0,00
12. Bilanzgewinn/-verlust	<u>132.887,67</u>	<u>-1.288.794,41</u>

**Anhang
der Ultrasonic AG, Köln**

für das Geschäftsjahr vom 01. Januar bis zum 31. Dezember 2012

Allgemeine Angaben

Der Abschluss für das Geschäftsjahr zum 31. Dezember 2012 der Ultrasonic AG, Köln, wurde auf der Grundlage der Vorschriften des Handelsgesetzbuches in der Fassung des Bilanzrechtsmodernisierungsgesetzes (BilMoG) sowie nach den gesetzlichen Vorschriften des Aktiengesetzes erstellt.

Die Darstellung und die Gliederung der Bilanz und der Gewinn- und Verlustrechnung erfolgte nach den Gliederungsvorschriften der §§ 266 und 275 HGB. Die Gewinn- und Verlustrechnung wurde nach dem Gesamtkostenverfahren gem. § 275 Abs. 2 HGB aufgestellt.

Die Vergleichbarkeit der Zahlen des Berichtsjahres mit dem Vorjahr wird durch das im Vorjahr vorhandene Rumpfgeschäftsjahr beeinflusst.

Die Gesellschaft ist eine kleine Kapitalgesellschaft im Sinne des § 267 HGB. Seit dem Börsengang an der Frankfurter Börse am 9. Dezember 2011 ist die Gesellschaft am Prime Standard notiert. Daher gilt sie gemäß § 267 Abs. 3 Satz 2 i.V.m. § 264d HGB als große Kapitalgesellschaft.

Der Sitz der Gesellschaft ist Köln. Hinterlegt wird der Jahresabschluss beim Amtsgericht Köln, Register HRB 73727.

Das Geschäftsjahr entspricht dem Kalenderjahr.

Der Jahresabschluss ist in EUR aufgestellt.

**Anlage 3
Seite 2**

Angaben zur Bilanzierung und Bewertung

Die Gesellschaft führt die Bilanzierung und Bewertung unter der Annahme der Unternehmensfortführung durch.

Anlagevermögen

Die immateriellen Vermögensgegenstände werden grundsätzlich zu Anschaffungskosten bewertet und planmäßig nach der linearen Abschreibungsmethode abgeschrieben. Die zugrundegelegte Nutzungsdauer beträgt drei Jahre.

Das Finanzanlagevermögen wird zu Anschaffungskosten bewertet. Bei voraussichtlich dauernder Wertminderung werden außerplanmäßige Abschreibungen auf den niedrigeren beizulegenden Wert am Abschlussstichtag vorgenommen.

Forderungen und sonstige Vermögensgegenstände

Die Forderungen und die sonstigen Vermögensgegenstände sind zum Nennwert angesetzt, soweit nicht bei Währungspositionen der niedrigere Geldkurs des Bilanzstichtages oder, im Falle erkennbarer Einzelrisiken, der niedrigere beizulegende Wert anzusetzen ist.

Die Forderungen in fremder Währung werden im Rahmen der Zugangsbewertung mit dem Kurs am Tage des Geschäftsvorfalles bewertet. Verluste aus Kursänderungen bis zum Abschlussstichtag werden stets, Gewinne aus Kursänderungen nur bei Restlaufzeiten von einem Jahr oder weniger berücksichtigt.

Flüssige Mittel

Die flüssigen Mittel sind mit dem Nennwert angesetzt.

Rechnungsabgrenzungsposten

Die Rechnungsabgrenzungsposten werden zur periodengerechten Abgrenzung von Aufwendungen und Erträgen gebildet.

Rückstellungen

Die sonstigen Rückstellungen werden in Höhe des nach vernünftiger kaufmännischer Beurteilung notwendigen Erfüllungsbetrags passiviert.

Anlage 3
Seite 3

Verbindlichkeiten

Sämtliche Verbindlichkeiten sind zu ihren Erfüllungsbeträgen bilanziert, soweit nicht bei Währungspositionen der höhere Briefkurs des Bilanzstichtages anzusetzen ist.

Die Verbindlichkeiten in fremder Währung werden im Rahmen der Zugangsbewertung mit dem Kurs am Tage des Geschäftsvorfalles bewertet. Verluste aus Kursänderungen bis zum Abschlussstichtag werden stets, Gewinne aus Kursänderungen nur bei Restlaufzeiten von einem Jahr oder weniger berücksichtigt.

Angaben zur Bilanz**(1) Anlagevermögen**

Die immateriellen Vermögensgegenstände betreffen den Internetauftritt der Gesellschaft.

Die Finanzanlagen bestehen in sämtlichen Geschäftsanteilen an der China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong. Der Jahresabschluss der Gesellschaft weist zum 31. Dezember 2012 ein bilanzielles Eigenkapital von TEUR 8.969 (Vorjahr: TEUR 6.897) und ein Gesamtergebnis von TEUR -1.383 (Vorjahr: TEUR -79) aus.

Die China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong, hält ihrerseits Beteiligungen von jeweils 100% an der Shenghui (Fujian) Footwear Co., Ltd., China (Eigenkapital 31.12.2012: 37.359 (Vorjahr: TEUR 31.318); Ergebnis des Jahres 2012: 7.674 (Vorjahr: TEUR 6.978)) sowie der Fujian Suoli Shoes Co., Ltd., China (Eigenkapital 31.12.2012: TEUR 74.674 (Vorjahr: TEUR 55.046); Ergebnis des Jahres 2012: TEUR 18.426 (Vorjahr: TEUR 15.339)).

Die Fujian Suoli Shoes Co., Ltd., China hält ihrerseits Beteiligungen von jeweils

100% an der Svelly (Xiamen) Industrial Co., Ltd., China (Eigenkapital 31.12.2012: TEUR 17.937 (Vorjahr: TEUR 12.064); Ergebnis des Jahres 2012: TEUR 5.812 (Vorjahr: TEUR 3.789)) sowie der Fujian Junhui Sports Co., Ltd., China (Eigenkapital 31.12.2012: TEUR 8.807; Ergebnis des Jahres 2012: TEUR -21).

Im Geschäftsjahr 2012 erfolgte eine Kapitalerhöhung bei der China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong, in Höhe von EUR 3.700.000,00. Die Kapitalerhöhung erfolgte aus der im Rahmen des Börsengangs der Ultrasonic AG in 2011 zugeflossenen Mittel.

Die Ausleihungen an verbundene Unternehmen bestehen gegenüber der China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong. Sie haben eine Restlaufzeit von einem bis fünf Jahren und werden mit 5% p.a. verzinst.

Die Entwicklung des Anlagevermögens ist in der beiliegenden Übersicht auf der nächsten Seite dargestellt.

Anlagevermögen									
Entwicklung des Anlagevermögens									
	Anschaffungs- und Herstellungskosten				Abschreibungen				N
	01.01.2012 EUR	Zugänge EUR	Abgänge EUR	31.12.2012 EUR	01.01.2012 EUR	Zugänge EUR	Abgänge EUR	31.12.2012 EUR	
I. Immaterielle Vermögensgegenstände									
Entgeltlich erworbene Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Werte sowie Lizenzen an solchen Rechten und Werten	13.750,00	0,00	0,00	13.750,00	764,00	4.583,00	0,00	5.347,00	8.4
	13.750,00	0,00	0,00	13.750,00	764,00	4.583,00	0,00	5.347,00	8.4
II. Finanzanlagen									
1. Anteile an verbundenen Unternehmen	9.950.000,00	3.700.000,00	0,00	13.650.000,00	0,00	0,00	0,00	0,00	13.650.0
2. Ausleihungen an verbundene Unternehmen	0,00	1.950.129,20	0,00	1.950.129,20	0,00	0,00	0,00	0,00	1.950.1
	9.950.000,00	5.650.129,20	0,00	15.600.129,20	0,00	0,00	0,00	0,00	15.600.1
	9.963.750,00	5.650.129,20	0,00	15.613.879,20	764,00	4.583,00	0,00	5.347,00	15.608.1

Die Forderungen und sonstigen Vermögensgegenstände haben analog des Vorjahres eine Restlaufzeit von bis zu einem Jahr. Unter den sonstigen Vermögensgegenständen werden in Höhe von TEUR 191,9 (Vorjahr: TEUR 200,0) eine Sicherheitshinterlegung, in Höhe von TEUR 187,3 (Vorjahr: TEUR 16,4) Forderungen gegenüber der Konsortialbank aus der Veräußerung eigener Anteile sowie Vorsteuererstattungsansprüche in Höhe von TEUR 0,1 (Vorjahr: TEUR 34,8) ausgewiesen.

(3) Aktive latente Steuern auf Verlustvorträge

Die Gesellschaft geht davon aus, dass innerhalb des gesetzlich festgelegten Prognosezeitraums von fünf Jahren ein steuerlicher Verlustvortrag in Höhe von TEUR 91,1 genutzt werden kann.

Unter Zugrundelegung des unternehmensindividuellen Steuersatzes von aktuell 31,225% (Körperschaftsteuer und Solidaritätszuschlag: 15,825%, Gewerbesteuer: 15,4%) betragen die aktiven latenten Steuern zum Bilanzstichtag insgesamt TEUR 28,4.

Die Gesellschaft hat von ihrem Wahlrecht gem. § 274 HGB Gebrauch gemacht und die aktiven latenten Steuern nicht aktiviert.

(4) Eigenkapital

a) Gezeichnetes Kapital

Das Gezeichnete Kapital umfasst das Grundkapital der Ultrasonic AG, Köln. Das voll eingezahlte Grundkapital beträgt TEUR 11.474,6 und ist eingeteilt in 11.474.610 Aktien ohne Nennwert mit einem rechnerischen Wert von je EUR 1,00.

Durch Hauptversammlungsbeschluss vom 27. Oktober 2011 wurde die Erhöhung des Grundkapitals der Gesellschaft von TEUR 50,0 um TEUR 9.950,0 auf zunächst TEUR 10.000,0 durch Ausgabe von 9.950.000 neuen auf den Inhaber lautenden Stückaktien mit einem rechnerischen Wert von je EUR 1,00 beschlossen.

Durch den Beschluss der Hauptversammlung am 8. Dezember 2011 erfolgte im Zuge des Börsengangs die Erhöhung des Grundkapitals der Gesellschaft von TEUR 10.000,0 um TEUR 600,0 auf TEUR 10.600,0 durch Ausgabe von 600.000 neuen auf den Inhaber lautenden Stückaktien mit einem rechnerischen Wert von je EUR 1,00.

**Anlage 3
Seite 6**

Durch den Beschluss der Gesellschaft vom 13. Januar 2012 erfolgte die Erhöhung des Grundkapitals um 55.000 auf den Inhaber lautenden Stückaktien mit einem rechnerischen Wert von je EUR 1,00 (aus der Greenshoe- Option des IPO's) auf 10.655.000,00 Aktien.

Durch den Beschluss der Hauptversammlung vom 06. Juli 2012 erfolgte die Herabsetzung des Grundkapitals durch Einziehung von 5 Aktien um EUR 5,00, die in die Kapitalrücklagen eingestellt worden sind. Weiterhin wurde die Erhöhung des Grundkapitals aus Gesellschaftsmitteln um TEUR 819,6 auf TEUR 11.474,6 beschlossen. Dabei wurden 819.615 neue auf den Inhaber lautenden Stückaktien mit einem rechnerischen Wert von je EUR 1,00 ausgegeben.

Durch Beschluss der Hauptversammlung vom 27. Oktober 2011 wurde der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrates bis zum 26. Oktober 2016 das Grundkapital der Gesellschaft durch einmalige oder mehrmalige Ausgabe von insgesamt 5.000.000 neuen, auf den Inhaber lautenden Stückaktien gegen Bar- und/oder Sacheinlagen um bis zu insgesamt TEUR 5.000,0 zu erhöhen

(Genehmigtes Kapital 2011). Der Vorstand wurde unter anderem auch ermächtigt, unter bestimmten Voraussetzungen mit Zustimmung des Aufsichtsrates das Bezugsrecht der Aktionäre auszuschließen.

Das genehmigte Kapital (2011) beträgt zum Bilanzstichtag TEUR 4.945,0.

Mit Beschluss der Hauptversammlung vom 06. Juli 2012 wurde der Vorstand ermächtigt, bis zum 27. September 2012 mit Zustimmung des Aufsichtsrates auf den Inhaber lautende Aktien der Gesellschaft bis zu einer Gesamtzahl von 190.000 Stückaktien zu erwerben.

Der Vorstand hat von der Ermächtigung der Hauptversammlung im September 2012 teilweise Gebrauch gemacht und 45.416 Stückaktien zu einem Gesamtpreis von 381.494,40 erworben.

Im Dezember 2012 wurden 18.000 dieser eigenen Aktien zu einem Gesamtpreis von EUR 187.299,00 veräußert. Zum Bilanzstichtag befanden sich somit noch 27.416 erworbener eigener Anteile im Bestand der Gesellschaft.

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b) Kapitalrücklage

Die Kapitalrücklage gem. § 272 Abs. 2 Nr. 1 HGB beträgt zum 31. Dezember 2012 TEUR 4.456,5 und hat sich wie folgt entwickelt:

	EUR
Stand 01.01.2012	4.800.000,00
Agio aus Kapitalerhöhung (Greenshoe)	+ 440.000,00
Kapitalherabsetzung	+ 5,00
Gewinn aus Veräußerung eigener Anteile	+ 36.099,00
Kapitalerhöhung aus Gesellschaftsmitteln	- 819.615,00
	4.456.489,00

c) Bilanzgewinn

Der Bilanzgewinn errechnet sich für das Geschäftsjahr 2012 entsprechend § 158 Abs. 1 AktG wie folgt:

	EUR
Bilanzverlust 01.01.2012	- 1.288.794,41
Entnahme aus Rücklagen für eigene Anteile	- 202.878,40
Erträge aus Kapitalherabsetzung	+ 5,00
Einstellung in die Kapitalrücklage	- 5,00
Jahresüberschuss 2012	+ 1.624.560,48

(5) Rückstellungen

Die sonstigen Rückstellungen betreffen in Höhe von TEUR 105,4 (Vorjahr: TEUR 83,0) Erstellungs- und Prüfungskosten für den Jahresabschluss, in Höhe von TEUR 61,7 (Vorjahr: TEUR 0,0) Rückstellungen für Aufsichtsratsvergütungen sowie in Höhe von TEUR 4,9 (Vorjahr: TEUR 0,0) Rückstellungen für Rechts- und Beratungskosten.

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(6) Verbindlichkeiten

Die Verbindlichkeiten sind analog des Vorjahres in voller Höhe (TEUR 45,0; Vorjahr: TEUR 771,1) innerhalb eines Jahres fällig. Sicherheiten wurden nicht gewährt.

(7) Haftungsverhältnisse und sonstige finanzielle Verpflichtungen

Haftungsverhältnisse oder sonstige finanzielle Verpflichtungen, die nicht in der Bilanz abgebildet sind, bestehen zum 31.12.2012 nicht.

Angaben zur Gewinn- und Verlustrechnung**(8) Umsatzerlöse**

Die Umsatzerlöse umfassen vollumfänglich Erlöse aus dem Management-Dienstleistungsvertrag mit der China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong. Der Management-Dienstleistungsvertrag ist zum 01. Januar 2012 in Kraft getreten. Im Vorjahr wurden daher keine Umsatzerlöse erwirtschaftet.

(9) Abschreibungen

Die Abschreibungen entfallen ausschließlich auf die aktivierten immateriellen Vermögensgegenstände.

(10) Sonstige betriebliche Aufwendungen

Die sonstigen betrieblichen Aufwendungen entfallen im Wesentlichen auf Rechts- und Beratungskosten in Höhe von TEUR 423,1 (Vorjahr: TEUR 1.203,6), Abschluss- und Prüfungskosten in Höhe von TEUR 111,4 (Vorjahr: TEUR 83,0) sowie nicht abziehbare Vorsteuer in Höhe von TEUR 134,8 (Vorjahr: TEUR 0,0).

(11) Erträge aus Beteiligungen

Das Beteiligungsergebnis beinhaltet Dividendenausschüttungen der China Ultrasonic Outdoorwear Holdings Co., Ltd., Hong Kong.

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Sonstige Angaben

(12)Kapitalflussrechnung

Die nachstehende Kapitalflussrechnung wurde auf der Grundlage des Finanzmittelfonds (= kurzfristig verfügbare flüssige Mittel) gemäß DRS 2 zur Kapitalflussrechnung erstellt.

	TEUR	2012 TEUR	2011 TEUR
Periodenergebnis vor außerordentlichen Posten	1.624		-1.289
+ Abschreibungen auf Gegenstände des Anlagevermögens	5		1
+ Zunahme der Rückstellungen	89		83
- Zunahme der Vorräte, der Forderungen aus Lieferungen und Leistungen sowie anderer Aktiva (soweit nicht Investitions- oder Finanzierungstätigkeit)	-164		-297
- Abnahme der Verbindlichkeiten aus Lieferungen und Leistungen sowie anderer Passiva (soweit nicht Investitions- oder Finanzierungstätigkeit)	-726		771
= Cash-Flow aus laufender Geschäftstätigkeit		828	-731
- Auszahlungen für Investitionen in das Sachanlagevermögen	0		-14
- Auszahlungen für Investitionen in das Finanzanlagevermögen	-5.650		0
= Cash-Flow aus Investitionstätigkeit		-5.650	-14
+ Einzahlungen aus Eigenkapitalzuführungen	301		5.450
= Cash-Flow aus Finanzierungstätigkeit		301	5.450
Zahlungswirksame Veränderung des Finanzmittelfonds		-4.521	4.705
+ Finanzmittelfonds am Anfang der Periode	4.705		
= Finanzmittelfonds am Ende der Periode		184	4.705

Der Finanzmittelfonds setzt sich aus Guthaben bei Kreditinstituten zusammen.

(13)Mitarbeiter

Zum Bilanzstichtag 31.12.2012 beschäftigte die Gesellschaft unverändert zum Vorjahr keine Mitarbeiter.

(14)Entsprechenserklärung

Die Gesellschaft hat bestätigt, dass die Entsprechenserklärung gemäß § 289a HGB i.V.m. § 161 AktG für das Geschäftsjahr 2012 abgegeben und auf der Internetseite der Gesellschaft öffentlich zugänglich gemacht wurde.

(15)Mitglieder des Aufsichtsrates

Dem Aufsichtsrat gehören folgende Personen an:

Herr Dr. Johannes Mauser, Rechtsanwalt, Stuttgart, Vorsitzender

Herr Bin Yang, Universitätsprofessor, Volksrepublik China
stellvertretender Vorsitzender

Herr Jian Hui Wang, Investmentbanker, Volksrepublik China,

Herr Bin Yang ist zugleich auch Aufsichtsratsmitglied der China Xiniya Fashion Limited.

Weitere Pflichtangaben nach § 285 Nr. 10 HGB betreffend die Mitgliedschaft in Aufsichtsräten und anderen Kontrollgremien im Sinne des § 125 Abs. 1 Satz 5 AktG sind nicht zu machen.

(16)Mitglieder des Vorstandes

Der Vorstand der Gesellschaft setzt sich wie folgt zusammen:

Herr Qingyong Wu, Volksrepublik China

Herr Clifford Chi Kwong Chan, Hong Kong

Herr Minghong Wu, Volksrepublik China

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(17)Organbezüge

Die Vorstände erhalten keine Bezüge von der Ultrasonic AG. Die Vergütungen für die gesamte Tätigkeit der Mitglieder des Aufsichtsrats der Gesellschaft lag im Geschäftsjahr Bezüge bei TEUR 57,0 (Vorjahr: TEUR 0,0).

(18)Angaben nach § 160 Abs. 1 Nr. 8 AktG

Zum Bilanzstichtag 2012 bestehen Beteiligungen an der Gesellschaft, die nach § 21 Abs. 1 WpHG mitgeteilt und wie folgt nach § 26 Abs. 1 WpHG veröffentlicht worden sind:

„Die Hong Kong Investments Group Limited, Tortola, British Virgin Islands, hat uns

gemäß § 21 Abs. 1 WpHG am 28. März 2012 mitgeteilt, dass der Stimmrechtsanteil von Hong Kong Investments Group Limited an der Ultrasonic AG, Köln, Deutschland, ISIN DE000A1KREX3, WKN A1K REX am 26. März 2012 die Schwelle von 3% der Stimmrechte unterschritten hat und an diesem Tag 2,72% (das entspricht 290.000 Stimmrechten) der gesamten Stimmrechtsanteile betragen hat.“

„Herr Chi Mang Cheung, Hong Kong, China, hat uns gemäß § 21 Abs. 1 WpHG am 28. März 2012 mitgeteilt, dass sein Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland, ISIN DE000A1KREX3, WKN A1K REX am 26. März 2012 die Schwelle von 3% der Stimmrechte unterschritten hat und an diesem Tag 2,72% (das entspricht 290.000 Stimmrechten) der gesamten Stimmrechtsanteile betragen hat.

Davon sind Herrn Chi Mang Cheung 2,72 % (290.000 Stimmrechte) über die Hong Kong Investments Group Limited, Tortola, British Virgin Islands, nach § 22 Abs. 1 Satz 1 Nr. 1 WpHG zuzurechnen. “

„Herr Thorsten Wagner, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 25.04.2012 mitgeteilt, dass sein Stimmrechtsanteil an der Ultrasonic AG, Düsseldorf, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 20.04.2012 die Schwelle von 3% der Stimmrechte überschritten hat und an diesem Tag 4,74% (das entspricht 505513 Stimmrechten) betragen hat. 4,74% der Stimmrechte (das entspricht 505513 Stimmrechten) sind Herrn Wagner gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG über die Global Derivative Trading GmbH zuzurechnen. “

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„Die Global Derivative Trading GmbH, Lehrte, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 25.04.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Düsseldorf, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 20.04.2012 die Schwelle von 3% der Stimmrechte überschritten hat und an diesem Tag 4,74% (das entspricht 505513 Stimmrechten) betragen hat. “

„Die DELPHI Unternehmensberatung Aktiengesellschaft, Heidelberg, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 16.11.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 16.11.2012 die Schwellen von 3% und 5% der Stimmrechte überschritten hat und an diesem Tag 5,66% (das entspricht 650000 Stimmrechten) betragen hat. “

„Herr Wilhelm Konrad Thomas Zours, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 16.11.2012 mitgeteilt, dass sein Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 16.11.2012 die Schwellen von 3% und 5% der Stimmrechte überschritten hat und an diesem Tag 5,66% (das entspricht 650000 Stimmrechten) betragen hat. 5,66% der Stimmrechte (das entspricht 650000 Stimmrechten) sind Herrn Zours gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG über die DELPHI Unternehmensberatung Aktiengesellschaft, Heidelberg, Deutschland, zuzurechnen. “

„Frau Shuk Ling Cheung, Hong Kong hat uns gemäß § 21 Abs. 1 WpHG am 22.11.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland am 20.11.2012 die Schwelle von 3% der Stimmrechte unterschritten hat und an diesem Tag 0% (das entspricht 0 Stimmrechten) betragen hat. “

„Die Global Derivative Trading GmbH, Lehrte, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 03.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 29.11.2012 die Schwelle von 5% der Stimmrechte überschritten hat und an diesem Tag 5,001% (das entspricht 573853 Stimmrechten) betragen hat.“

„Herr Thorsten Wagner, Deutschland hat uns gemäß § 21 Abs. 1 WpHG am 03.12.2012 mitgeteilt, dass sein Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland, ISIN: DE000A1KREX3, WKN: A1KREX, am 29.11.2012 die Schwelle von 5% der Stimmrechte überschritten hat und an diesem Tag 5,001% (das entspricht 573853 Stimmrechten) betragen hat. 5,001% der Stimmrechte (das entspricht 573853 Stimmrechten) sind Herrn Wagner gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG über die Global Derivative Trading GmbH, Lehrte, Deutschland, zuzurechnen.“

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„Frau Sheung Nga Yeung, Hong Kong hat uns gemäß § 21 Abs. 1 WpHG am 04.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland am 04.12.2012 die Schwelle von 3% der Stimmrechte unterschritten hat und an diesem Tag 0% (das entspricht 0 Stimmrechten) betragen hat.“

„Die biw Bank für Investments und Wertpapiere AG, Willich, Deutschland, hat uns gemäß § 21 Abs. 1 WpHG am 21.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland am 04.12.2012 die Schwelle von 3% der Stimmrechte überschritten hat und an diesem Tag 4,68% (das entspricht 537306 Stimmrechten) betragen hat.“

„Die XCOM Finanz GmbH, Willich, Deutschland, hat uns gemäß § 21 Abs. 1 WpHG am 28.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland am 04.12.2012 die Schwelle von 3% der Stimmrechte überschritten hat und an diesem Tag 4,68% (das entspricht 537306 Stimmrechten) betragen hat. 4,68% der Stimmrechte (das entspricht 537306 Stimmrechten) sind der XCOM Finanz GmbH, Willich, gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG von der biw Bank für Investments und Wertpapiere AG, Willich, zuzurechnen.“

„Die XCOM AG, Willich, Deutschland, hat uns gemäß § 21 Abs. 1 WpHG am 28.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Ultrasonic AG, Köln, Deutschland am 04.12.2012 die Schwelle von 3% der Stimmrechte überschritten hat und an diesem Tag 4,68% (das entspricht 537306 Stimmrechten) betragen hat. 4,68% der Stimmrechte (das entspricht 537306 Stimmrechten) sind der XCOM AG, Willich, gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG zuzurechnen. Zugerechnete Stimmrechte werden dabei über folgende von ihr kontrollierte Unternehmen, deren Stimmrechtsanteil an der Ultrasonic AG jeweils 3% oder mehr beträgt, gehalten: - biw Bank für Investments und Wertpapiere AG - XCOM Finanz GmbH.“

Weiterhin haben wir folgende Mitteilungen am 09.01.2013 erhalten:

„1. Emittent:

Ultrasonic AG

c/o BPG Beratungs- und Prüfungsgesellschaft mbH, Graf-Adolf-Platz 12, 40213 Düsseldorf, Deutschland

2. Mitteilungspflichtiger:

Global Derivative Trading GmbH, Lehrte, Deutschland

3. Art der Schwellenberührung:

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Überschreitung

4. Betroffene Meldeschwellen:

5%

5. Datum der Schwellenberührung:

21.11.2012

6. Mitteilungspflichtiger Stimmrechtsanteil: 8,72% (entspricht 1001159 Stimmrechten) bezogen auf die Gesamtmenge der Stimmrechte des Emittenten in Höhe von: 11474610

7. Einzelheiten zum Stimmrechtsanteil:

Stimmrechtsanteil aufgrund von (Finanz-/sonstigen) Instrumenten nach § 25 WpHG:

4,68% (entspricht 537306 Stimmrechten) davon mittelbar gehalten:

0% (entspricht 0 Stimmrechten)

Stimmrechtsanteile nach §§ 21, 22 WpHG: 4,04% (entspricht 463853 Stimmrechten)

8. Einzelheiten zu den (Finanz-/sonstigen) Instrumenten nach § 25 WpHG:

Ausübungszeitraum:

Fälligkeit: 30.04.2013

Verfall: 01.05.2013 "

„1. Emittent:

Ultrasonic AG

c/o BPG Beratungs- und Prüfungsgesellschaft mbH, Graf-Adolf-Platz 12, 40213 Düsseldorf, Deutschland

2. Mitteilungspflichtiger:

Herr Thorsten Wagner, Deutschland

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3. Art der Schwellenberührung:

Überschreitung

4. Betroffene Meldeschwellen:

5%

5. Datum der Schwellenberührung:

21.11.2012

6. Mitteilungspflichtiger Stimmrechtsanteil: 8,72% (entspricht 1001159 Stimmrechten) bezogen auf die Gesamtmenge der Stimmrechte des Emittenten in Höhe von: 11474610

7. Einzelheiten zum Stimmrechtsanteil:

Stimmrechtsanteil aufgrund von (Finanz-/sonstigen) Instrumenten nach § 25 WpHG:

4,68% (entspricht 537306 Stimmrechten) davon mittelbar gehalten:

4,68% (entspricht 537306 Stimmrechten)

Stimmrechtsanteile nach §§ 21, 22 WpHG: 4,04% (entspricht 463853 Stimmrechten)

8. Einzelheiten zu den (Finanz-/sonstigen) Instrumenten nach § 25 WpHG:

Kette der kontrollierten Unternehmen:

Global Derivative Trading GmbH, Lehrte, Deutschland

Fälligkeit: 30.04.2013

Verfall: 01.05.2013 "

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(19)Gesellschafter

Zum 31. Dezember 2012 ergibt sich folgende Aktionärsstruktur:

Herr Qingyong Wu	77,0 %
Herr Thomas Zours	5,7 %
Herr Thorsten Wagner	5,0 %
XCom AG	4,7 %

Der restliche Free-float beträgt

7,6 %

(20) Beziehungen zu verbundenen Unternehmen

Die Zahlen des vorliegenden Abschlusses gehen ein in den Konzernabschluss für den kleinsten und größten Kreis von Unternehmen gem. § 285 Nr. 14 HGB, den Konzernabschluss der Ultrasonic AG, Köln, der beim Handelsregister des Amtsgerichtes Köln, HRB 73727, hinterlegt wird.

(21) Abschlussprüfer

Das für den Abschlussprüfer im Sinne des § 319 Abs. 1 Satz 1, 2 HGB (Warth & Klein Grant Thornton AG, Frankfurt) als Aufwand erfasste Netto-Honorar im Geschäftsjahr 2012 beträgt:

- | | |
|----------------------------------|----------------------------|
| a) für die Abschlussprüfung: | TEUR 75 (Vorjahr: TEUR 65) |
| b) andere Bestätigungsleistungen | TEUR 0 (Vorjahr: TEUR 142) |

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(22) Abhängigkeitsbericht

Der Vorstand der Ultrasonic AG hat einen Bericht über die Beziehungen der Gesellschaft zu verbundenen Unternehmen gemäß § 312 Abs. 1 Satz 1 des Aktiengesetzes (AktG) vorbereitet. Der Vorstand der Ultrasonic AG erklärt Folgendes:

„Die Ultrasonic AG hat bei den im Bericht über Beziehungen zu verbundenen Unternehmen aufgeführten Rechtsgeschäften und Maßnahmen vom 01. Januar 2012 bis 31. Dezember 2012 nach den Umständen, die dem Vorstand im Zeitpunkt, in dem die Rechtsgeschäfte vorgenommen bzw. die Maßnahmen getroffen oder unterlassen wurden, bekannt waren, bei jedem Rechtsgeschäft eine angemessene Gegenleistung erhalten und ist durch die getroffenen Maßnahmen nicht benachteiligt worden.“

(23) Versicherung gemäß § 264 Abs. 2 HGB

Der Vorstand versichert nach § 264 Abs. 2 Satz 3 HGB, dass der Jahresabschluss nach bestem Wissen und Gewissen ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt bzw. der Anhang zusätzliche Angaben hierzu enthält.

(24) Ergebnisverwendung

Der Vorstand schlägt folgende Ergebnisverwendung vor:

Der Jahresüberschuss in Höhe von EUR 1.624.560,48 wird auf neue Rechnung
vorgetragen.

Köln, den 15. April 2013

Der Vorstand der Ultrasonic AG
