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Youbisheng Green Paper AG

# Interim Report **Q3 2012**

# Youbisheng Green Paper AG

## KEY FINANCIALS

		<b>9M 2012</b>	9M 2011	+/-%
Revenues	million €	74.0	68.0	8.9
Gross profit	million €	20.0	16.9	18.3
Gross profit margin	%	27.0	24.9	2.1 pp
EBITDA	million €	19.7	17.4	13.2
EBITDA margin	%	26.6	25.6	1.0 pp
EBIT	million €	18.3	16.1	14.1
EBIT margin	%	24.7	23.6	1.1 pp
Net profit	million €	13.8	12.1	14.0
Net profit margin	%	18.6	17.8	0,8 pp
Net Cash flow from operations	million €	16.9	13.5	25.2

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## COMPANY PROFILE

Youbisheng Green Paper AG is the German holding company of a Chinese clean-tech leader of environmentally friendly produced linerboard from up to 100% recovered fibres. The high-quality linerboard innovations of Youbisheng take up a special position in the Chinese market and are produced in the production plant near Quanzhou City. They are used in the packaging industry in the Fujian and Guangdong Province (population around 141 million), in particular for visually attractive sales packaging and carrier bags for high-quality consumer goods.

## DEAR FELLOW SHAREHOLDERS,

Youbisheng Green Paper AG maintained its position as one of the leading manufacturers of testliner with sustainable results for the third quarter of the year 2012. It is a challenging year for entrepreneurs in China where the economy is growing at a slower pace. However, there is a silver lining in the current economy development in China where the consumer goods sector remains strong. In addition, the relaxation of the regulation in the property sector has supported the growth. Furthermore, the slight increase in the purchase for machineries also indicates that the economy in China may set to rebound very soon.

As for Youbisheng, we managed to take advantage of our innovative products to increase our revenues during the third quarter. As a result, the Group sales increased by 8.9% to EUR 74.0 million in the first nine months 2012 as compared with the same period 2011. The revenue increased mainly due to higher average selling prices of our testliners as compared with the same period of last year.

The Group focuses on high margin products to fully benefit from the limited capacity of our own production facilities. With our mixed production we were able to compensate effectively the low margin products and increase our total product margin. During the period, we managed to use our new boiler system with furnace that generates steam for our production. The new boiler system enables the steam process to run efficiently and therefore reduce the consumption of energy. Our priority is to minimise the consumption of coal, electricity and water.

In August, we were awarded as "most competitive entrepreneur" by Quanzhou city for our excellent performance. The award was granted based on the merit that the enterprise is consistently achieving stable growth as well as improving the production system. Such recognition shows that we are moving in the right direction to reduce the consumption of resources as well as preserving the environment around our plant.

Looking forward, the last quarter of the year is normally the season for consumers to prepare the upcoming festivals. We believe that the consumer goods sector will gain momentum and will directly benefit the packaging sector. Although the Chinese government revised the full year GDP forecast downward from 8% to 7.5%, analysts are confident that the full year GDP will post 7.7% growth.

With the Chinese economy set to rebound, we are still targeting to achieve a revenue of Euro 105 million. The Chinese currency Renminbi remains strong which will help our procurement of recycled paper. The consumer spending in China remains strong with the rise of disposable income and will also benefit the packaging sector. All these factors will help our company to achieve our target and maintain our high EBIT margin of more than 20%.

Yours sincerely

Haiming Huang  
CEO Youbisheng Green Paper AG

# 土地登记档案袋

## Youbisheng Green Paper AG

PRODUCTION AND PRODUCT EXAMPLES 土地编号 \_\_\_\_\_

宗地座落 \_\_\_\_\_ 地 号 \_\_\_\_\_



整理档案日期 \_\_\_\_\_

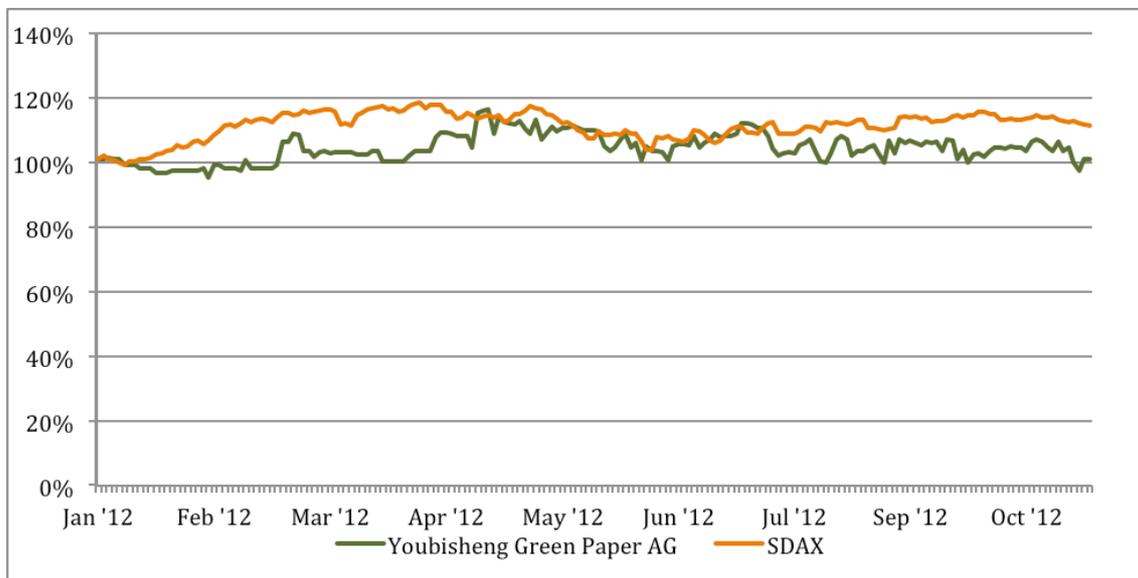
登记人 \_\_\_\_\_

## THE SHARE

Youbisheng Green Paper AG (Youbisheng) was listed on the Frankfurt Stock Exchange, Germany on July 13, 2011. A total of 217,705 no par value ordinary bearer shares (Inhaberstückaktien) were placed in the IPO at an issue price of EUR 6.50. The first price for the share was EUR 6.60, approx. 1,5% above the issue price. Over the course of 2011 the performance of Youbisheng Green Paper AG's share could not escape the general downward trend. At the end of the year, the closing price was EUR 5.60.

In the first nine month of 2012, the European sovereign debt crisis still impacted the stock markets. Nevertheless, most equity markets responded positively to the European Central Bank's efforts to preserve the euro zone and support the markets. Accordingly, the German benchmark index SDAX saw an increase of more than 200 points in the third quarter and closed at 5,004 points by the end of September 2012. However, Youbisheng's share price underperformed the broad market. As per the end of September 2012 our share price closed at EUR 5.80 compared to a closing price of EUR 6.06 at the end of June 2012.

### RELATIVE SHARE PRICE DEVELOPMENT IN %



### KEY FACTS TO THE SHARE

First trading day	13 July 2011
Market segment / Stock exchange	Prime Standard / Frankfurt Stock Exchange
Shares issued	10,217,705
ISIN	DE000A1KRLR0
WKN	A1KRLR
Ticker	YB1



# Interim Management Report

## ECONOMIC AND INDUSTRY ENVIRONMENT

In the third quarter of the year 2012 China's GDP growth slowed to 7.4%. However, there are indications that see Chinese economy is set to rebound soon. The purchase of machineries has increased for the first time since last year. The real property sector has been stable and the prices increased only slightly in most cities. The interest rate was cut three times during the year which had increased lending in the business sector. Export oriented business saw a slight rebound in the sales orders. Although the increase it is not significant, the majority of the companies are optimistic about the development.

As for the paper industry, there is a strong demand for paper related to the packaging. As China became the second largest packaging country, strong retail sales growth will continuously enable the packaging companies to sustain. Market forecasts say that the daily usage of packing products will maintain a 12% growth. Meanwhile, some factors will help to push the demand for paper packaging, e.g., restaurants that start to use paper lunch boxes for their sales. Although at this stage, the paper lunch boxes only make up of 2% to the total lunch box packaging, the trend is set to spread all over China. In Guangzhou, the local government has introduced a new rule for packaging to encourage use of environmental friendly product for the packaging.

The prices for recycled paper and wood pulp remain low. This will benefit the packaging paper producers especially for those involved in producing daily paper packaging. By the end of third quarter, the demand for paper packaging remained strong and yet the domestic consumption was the engine for the growing demand for the packaging industry. With the expectation that export will recover towards the end of the year as the year end festivals come closer, the paper packaging sector is bound to grow faster compared to previous quarters. Last but not least, domestic demand towards the end of the year generally increases also due to the fact that more and more Chinese people are getting used to celebrate Christmas.

## EARNINGS POSITION

Revenues increased mainly due to 7.7 % higher average selling prices of the Youbisheng Testliner compared with the previous year. Measured in the local currency RMB, sales decreased. The increase in mixed product sales, especially double sided testliner, enabled the Group to sustain its profit margin. During the third quarter, the price of raw material remained low which also helped to improve margins: Youbisheng was able to further increase the gross profit margin to now 27.0%, compared to 24.9% for 9M 2011. Respectively, the gross profit increased by 18.3% from EUR 16.9 million in 9M 2011 to EUR 20.0 million in 9M 2012.

In kEUR	9M 2012	9M 2011	+/-%
<b>Sales</b>	<b>73,976</b>	<b>67,954</b>	<b>8.9</b>
Cost of sales	-53,958	-51,035	-5.7
Gross profit	20,018	16,919	18.3
Other operating income	8	368	-97.8
Selling and distribution expenses	-486	-108	350.0
Administrative expenses	-1,199	-1,103	8.8
Other operating expenses	0	-5	n.m.
<b>Profit from operations (EBIT)</b>	<b>18,341</b>	<b>16,071</b>	<b>14.1</b>
Finance income	130	50	160.0
Finance costs	0	-23	n.m.
Profit before income tax	18,471	16,098	14.7
Income tax	-4,631	-4,029	14.9
<b>Profit for the period</b>	<b>13,840</b>	<b>12,069</b>	<b>14.7</b>

The Group earnings before tax increased by 14.7% from EUR 16.1 million in the first nine months of 2011 to EUR 18.5 million in the comparable 2012 period. The Group profit for the period increased by 14.7% from EUR 12.1 million in the first 9 months 2011 to EUR 13.8 million in the first 9 months 2012.

## Selling and distribution expenses

Selling and distribution expenses mainly comprise payroll costs and transportation costs paid for the delivery of finished goods to our customers. Selling and distribution expenses increased to kEUR 486 due to a change of location of a subcontractor where the transportation distance is further.

## Administrative expenses

Administrative expenses mainly comprise payroll related expenses, travelling, entertainment, vehicle maintenance, depreciation of the office building, research and development expenses and others office expenses. Administrative expenses increased to kEUR 1,199 mainly due to the increased in professional fees such legal fees, sponsor fees, public relation fees.

## SEGMENT INFORMATION

### Single-sided testliners (Youbisheng production)

The sales of own-produced single-sided testliner increase by 2.1% from EUR 33.8 million in 9M 2011 to EUR 34.5 million in 9M 2012. The increase in sales was due to the increase in average selling price from EUR 401.41 per ton in 9M 2011 to EUR 438.31 per ton in 9M 2012. The average cost of goods sold per ton increased from EUR 298.78 in 9M 2011 to EUR 314.4 in 9M 2012. The average gross profit margin for single-sided testliner increased from 25.6% in 9M 2011 to 28.3% in 9M 2012. The increase in average gross profit margin was due to lower cost of recycled paper while the average selling price increased.

### Double-sided testliners (Youbisheng production)

The sales of double-sided testliner increase by 15.2% from EUR 13.2 million in 9M 2011 to EUR 15.2 million in 9M 2012. The increase in sale value was due to an increase in average selling price per ton which increased from EUR 444.19 in 9M 2011 to EUR 485.13 in 9M 2012. The average cost of goods sold per ton increased from EUR 311.87 in 9M 2011 to EUR 327.05 in 9M 2012. The average gross profit margin for double-sided testliner increased from 29.8% in 9M 2011 to 32.6% in 9M 2012. The increase in average gross profit margin was due to the lower cost of recycled paper while the average selling price increased.

### Anti-counterfeit testliners (Youbisheng production)

The anti-counterfeit testliner was launched in February 2012. The sales of anti-counterfeit testliner were EUR 10.0 million in 9M 2012. The average selling price was EUR 483.49 per ton and average cost of goods sold was EUR 311.08 per ton. The average gross profit margin was 35.7%. The average gross profit margin is higher because anti-counterfeit provides an additional security feature to the consumer goods producer.

### Single-sided testliners (sub-contracted production)

The sales of sub-contracted testliner increased by 8.6% from EUR 21.0 million in 9M 2011 to EUR 22.8 million in 9M 2012. The increase in sale value was due to an increase in average selling price per ton which increased from EUR 403.32 in 9M 2011 to EUR 439.07 in 9M 2012. The average cost of goods sold per ton increased from EUR 319.63 in 9M 2011 to EUR 347.08 in 9M 2012. The average gross profit margin increased slightly from 20.75% in 9M 2011 to 20.95% in 9M 2012 due to products mix where the Group sold more of the products with higher margin.

1.1.2012 – 30.09.2012

Ex rate: 0.1218

		Sales volume/ tons	Sales/ kEUR	Gross Profit Margin in %	Gross profit/ kEUR
Production Youbisheng	Single-sided Testliner	78,602	34,452	28.27	9,740
Production Youbisheng	Double-sided Testliner	31,383	15,225	32.58	4,961
Production Youbisheng	Anti- counterfeit	3,177	1,536	35.66	547
Production Sub-Contractor	Single-sided Testliner	51,845	22,763	20.95	4,769
<b>Total</b>		<b>165,007</b>	<b>73,976</b>	<b>27.06</b>	<b>20,107</b>

1.1.2011 – 30.09.2011					
Ex rate: 0.1089					
		Sales volume/ tons	Sales/ kEUR	Gross Profit Margin in %	Gross profit/ kEUR
Production Youbisheng	Single-sided Testliner	84,079	33,750	25.57	8,629
Production Youbisheng	Double-sided Testliner	29,692	13,189	29.79	3,929
Production Sub-Contractor	Single-sided Testliner	52,105	21,015	20.75	4,361
<b>Total</b>		<b>165,876</b>	<b>67,954</b>	<b>24.90</b>	<b>16,919</b>

## ASSET POSITION

Total assets increased from EUR 73.4 million as at 31 December 2011 to EUR 79.7 million as at 30 September 2012. This increase was mainly due to an increase in bank balance resulting from improved collection.

	Sept 30, 2012	Dec 31, 2011
In kEUR		
Current assets	66,319	59,076
Non-current assets	13,428	14,309
<b>Total assets</b>	<b>79,747</b>	<b>73,385</b>
Current Liabilities	23,203	25,039
Non-current liabilities	374	973
Total liabilities	23,577	26,012
Total equity	56,170	47,373
<b>Total liabilities and equity</b>	<b>79,747</b>	<b>73,385</b>

### Current Assets

The total current assets increased from EUR 59.1 million as at 31 December 2011 to EUR 66.3 million as at 30 September 2012. Current assets mostly consist of trade receivables, cash and cash equivalents, which accounted for 93.6% total current assets as at 30 September 2012 and 92.1% as at 31 December 2011. The other positions are inventories and other receivables, which made up 6.4% of total current assets as at 30 September 2012 and 7.9% as at 31 December 2011.

### Inventories

Raw material from inventories reduced from EUR 3.0 million as at 31 December 2011 to EUR 1.2 million as at 30 September 2012. The inventories for raw material especially recycled paper was maintained at around EUR 1.2 million as compared with year end 2011 where inventories were high due to the coming festival season. Finished goods remain stable at about EUR 0.7 million as at 30 September 2012 and EUR 0.8 million 31 December 2011. The management policy is to maintain low levels of inventories of finished goods.

	Sept 30, 2012	Dec 31, 2011
In kEUR		
Raw materials	1,157	3,010
Finished Goods	707	801
Total	1,864	3,811

### Trade receivables

Trade receivable decreased slightly from EUR 23.5 million as at 31 December 2011 to EUR 21.3 million as at the end of 30 September 2012. The decrease was due to improve in collection during the period.

### Other receivables and prepayments

Other receivables and prepayments increased from EUR 0.9 million as at 31 December 2011 to EUR 2.4 million as at the end of 30 September 2012 due to a deposit placed with the sub-contractor who produce testliner.

### Cash and cash equivalents

Cash and cash equivalents amounted to EUR 40.7 million as at 30 September 2012. For a description of the changes in cash in the first nine months of 2012, see the section "Cash Flow Statement".

	Sept 30, 2012	Dec 31, 2011
In kEUR		
Cash in hand	8	4
Cash in banks	40,083	30,096
Deposit on bank's acceptance bill	629	789
Total	40,720	30,889

### Non-current assets

Non-current assets consist of property, plant and equipment, land use rights and deferred tax assets, which made up 93.0%, 4.7% and 2.3% of total non-current assets respectively as at 30 September 2012. Non-current assets decreased from EUR 14.3 million as at 31 December 2011 to EUR 13.4 million as at 30 September 2012 mainly due to depreciation and lower foreign exchange rate.

### Property, plant and equipment

Property, plant and equipment decreased from EUR 13.5 million as at 31 December 2011 to EUR 12.5 million as at 30 September 2012 due depreciation and currency effects.

### Land use rights

Land use rights remain the same about EUR 0.6 million as at 31 December 2011 and as at 30 September 2012.

### Liabilities

The total liabilities increased slightly from EUR 26.0 million as at 31 December 2011 to EUR 23.6 million as at 30 September 2012. Total liabilities mainly consist of trade payables, other payables, tax liabilities and short term loans which made up 54.3%, 12.1%, 8.1% and 23.9% as at 30 September 2012 and 58.4%, 5.2%, 5.6% and 26.6% respectively as at 31 December 2011.

### Trade payables and notes payable

Trade payables and notes payable amounted to EUR 15.2 million as at 31 December 2011 and decreased to EUR 12.8 million as at 30 September 2012 due to more payments made to suppliers during the period.

### Other payables and accruals

Other payables and accruals increased from EUR 1.3 million as at 31 December 2011 to EUR 2.8 million as at 30 September 2012.

### Equity

Our Group equity increased from EUR 47.4 million as at 31 December 2011 to EUR 56.1 million as at 30 September 2012. This represents an equity ratio of 70.4% as at 30 September 2012. The increase in equity is due to the profit generated from operations.

## FINANCIAL POSITION

### Cash Flow Statement

Youbisheng Group managed to increase sales of testliner in 9M 2012 as compared to 9M 2011. Operating cash flow before working capital changes amounted to EUR 20.1 million in 9M 2012 as compared to EUR 17.7 million in 9M 2011.

	9M 2012	9M 2011
In kEUR		
Operating cash flow before working capital changes	20,071	17,692
Cash generated from/(used in) operations	21,257	16,113
<b>Net cash generated from operating activities</b>	<b>16,863</b>	<b>13,494</b>
Cash flow used in investing activities	-1,222	-104
Cash flow from financing activities	-789	246
<b>Net increase in cash and cash equivalents</b>	<b>14,852</b>	<b>13,636</b>
Cash and cash equivalents at beginning of year	30,889	9,060
Foreign exchange difference	-5,021	1,265
<b>Cash and cash equivalents at end of the period</b>	<b>40,720</b>	<b>23,961</b>

### Net Cash generated from operating activities

Our Group continues to generate cash from operations. Net cash generated from operating activities amounted to EUR 16.9 million in the first nine months 2012 whereas net cash generated from operating activities in 9M 2011 amounted to EUR 13.5 million. Cash generated from operating activities was higher as at 30 September 2012 due to more collection from the customer as compared to 9M 2011.

### Cash flow used in investing activities

There was an installation of a steam furnace for the production line during the period amounting to kEUR 1,222 in 9M 2012. The hot steam generated is used to dry the testliner during the production process. In 9M 2011 the investments included the construction of a part of the waste water treatment system which amounted to kEUR 104.

### Cash flow from financing activities

The repayments of short-term loans during the period amounted to kEUR 6,993 whereas new short-term loans obtained amounted to kEUR 6,204. The effect was the cash outflow of kEUR 789 from financing activities. The repayment of short-term loans and new short-term loans obtained in the first 9 months amounted to kEUR 5,962 and kEUR 4,869 respectively. Together with the effect from issue of share capital during the first 9 months 2011, the net cash from financing activities amounted to kEUR 246.

### Cash at end of period

Cash and bank balances amounted to EUR 40.7 million at the end of 30 September 2012. As at 30 September 2011, cash and bank balances amounted to EUR 24.0 million.

## HUMAN RESOURCES

The number of employees increased from 307 as at December 31, 2011 to 308 as at September 30, 2012. This rise is due to an increase in the number of production workers.

## RESEARCH AND DEVELOPMENT

Our Group spent kEUR 256 on research and development during the period. This is about 4.4% higher than for 9M 2011 (kEUR 245). We will continue to invest in research and development and focus on developing new unique high-value and high-margin products as well as efficient and clean production processes. The management is considering products for niche markets such as super thin and super thick testliner. Currently, the R&D team is working on the development of such products.

## OPPORTUNITIES AND RISKS

There was no material change in the risk/opportunity profile of Youbisheng Green Paper AG in the reporting period compared to 31 December 2011. For detailed information, readers should therefore refer to the risk report included in the management report of the annual report for the fiscal year 2011.

## REPORT ON POST-BALANCE SHEET EVENTS

There have been no significant events after the reporting period.

## OUTLOOK

The prices of recycled paper and wood pulp are expected to remain flat. This will help the paper industry to lower their cost of production given that raw material is the major component of the production costs. At the same time, the packaging industry which is using paper as the principal raw material will benefit from the low prices. Analyst forecast a growth of China's GDP of 7.7% in the full year 2012. In the fourth quarter, China's GDP is set to rebound. This is not a surprise since towards the end of the year, people around the world and also more and more Chinese people celebrate Christmas. It is the time where private consumers start spending more money, hence retail sales increase. About one month after Christmas the Chinese people celebrate Chinese New Year and purchase appropriate items, hence retail sales again increase.

The export of Chinese consumer goods has slightly recovered in the third quarter 2012. This had been awaited by export oriented manufacturers of consumer goods for some time. Most of them are optimistic that the recovery in export will sustain in the near future. Furthermore, China's government is pumping money into the market to stimulate more growth including stimulation for the retail market. Therefore, retail sales will remain robust and this will benefit the paper packaging company directly.

We continue to engage in developing innovative products to provide the best packaging solutions for our end users, the packaging companies. Apart from what we produce as packaging material, we are still developing super thin testliner for the electronic panel. It is a higher margin product which involves a lot of technical effort and input during the entire product origination process. We expect that the product can be launched 2013. By introducing the product to the market next year, we will be able to maintain our competitive advantage amongst the linerboard manufacturers and further strengthen our market position as a leading manufacturer of linerboard in the region.

Youbisheng Green Paper AG confirms the guidance for the full year 2012, which targets more than EUR 105 million in revenues with an EBIT margin of at least 20 %.

Munich, November 28, 2012



# Financial Statements

## Youbisheng Green Paper AG

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1 to September 30, 2012

	9M 2012	9M 2011	Q3 2012	Q3 2011
In kEUR				
<b>Sales</b>	<b>73,976</b>	67,954	<b>25,497</b>	23,676
COGS	<b>-53,958</b>	-51,035	<b>-18,258</b>	-17,839
<b>Gross profit</b>	<b>20,018</b>	16,919	<b>7,239</b>	5,837
Other operating income	<b>8</b>	368	<b>0</b>	356
Other operating expenses	<b>0</b>	-5	<b>0</b>	0
Selling & Distributing expenses	<b>-486</b>	-108	<b>-177</b>	-34
Administrative expenses	<b>-1,199</b>	-1,103	<b>-441</b>	-278
Finance income	<b>130</b>	50	<b>39</b>	23
Finance costs	<b>0</b>	-23	<b>11</b>	-6
<b>Profit before taxation</b>	<b>18,471</b>	16,098	<b>6,671</b>	5,898
Tax expenses	<b>-4,631</b>	-4,029	<b>-1,668</b>	-1,474
<b>Profit for the year</b>	<b>13,840</b>	12,069	<b>5,003</b>	4,424
Exchange gain	<b>-592</b>	-3,399	<b>-1,194</b>	-7,591
Total comprehensive income	<b>13,248</b>	8,670	<b>3,809</b>	-3,167

## INTERIM CONSOLIDATED BALANCE SHEET

As of September 30, 2012

	Sept 30, 2012	Dec 31, 2011
In kEUR		
<b>ASSETS</b>		
Current assets		
Inventories	1,864	3,811
Trade receivables	21,325	23,500
Other receivables and prepayments	2,410	876
Cash and cash equivalents	40,720	30,889
Non-current assets		
Property, plant and equipment	12,483	13,545
Land use rights	625	685
Deferred tax assets	320	79
<b>Total assets</b>	<b>79,747</b>	<b>73,385</b>
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	12,803	15,198
Other payables and accruals	2,843	1,345
Short term loan	5,640	6,914
Income tax payable	1,917	1,464
Amount due to related parties	0	118
Deferred tax liability	75	923
Non current financial liabilities	299	50
Total liabilities	23,577	26,012
<b>CAPITAL AND RESERVES</b>		
Share capital	10,218	10,218
Capital reserve	-5,685	-5,685
Statutory reserves	9,081	9,081
Retained earnings	33,823	24,434
Foreign exchange difference	8,733	9,325
Total equity	56,170	47,373
<b>Total liabilities and equity</b>	<b>79,747</b>	<b>73,385</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ending September 30, 2012

	Share capital YBS AG	Capital reserves	Statutory reserves	Trans- lation reserve	Retained earnings	Total equity
In kEUR						
Balance as at December 31, 2010	3,058	0	7,515	4,795	10,690	26,058
Adjustment for reverse acquisition	6,942	-5,821	0	0	0	1,121
Proceed from issue Of shares	218	0	0	0	0	218
Net profit	0	0	0	-3,399	16,864	13,465
Balance as at September 30, 2011	10,218	-5,821	7,515	1,396	27,554	40,862
Balance as at December 31, 2011	10,218	-5,685	9,081	9,325	24,434	47,373
Net profit	0	0	0	-592	8,205	8,797
Balance as at September 30, 2012	10,218	-5,685	9,081	8,733	32,639	56,170

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ending September 30, 2012

	9M 2012	9M 2011
In kEUR		
Profit before income tax	18,472	16,099
Adjustments for:		
Depreciation of property, plant and equipment and amortization	1,384	1,349
Interest income	-131	-50
Interest expense	346	294
<b>Operating cash flow before working capital changes</b>	<b>20,071</b>	<b>17,692</b>
Working capital changes:		
(Increase)/decrease in:		
Inventories	1,947	305
Trade receivables, other receivables	598	-5,134
Increase/(decrease) in:		
Trade payables, other payables, accruals	-1,360	3,250
<b>Cash generated from/(used in) operations</b>	<b>21,256</b>	<b>16,113</b>
Interest received	131	50
Interest expense	-346	-294
Income tax paid	-4,178	-2,375
<b>Net cash generated from operating activities</b>	<b>16,863</b>	<b>13,494</b>
Purchase of land, property, plant and equipment	-1,222	-104
<b>Net cash used in investing activities</b>	<b>-1,222</b>	<b>-104</b>
Proceeds from issue of share capital	0	1,339
Proceeds from short term loan	6,204	4,869
Repayment of short term loan	-6,993	-5,962
<b>Net cash used in financing activities</b>	<b>-789</b>	<b>246</b>
Net increase in cash and bank balances	14,852	13,636
<b>Cash and bank balances at beginning of the year</b>	<b>30,889</b>	<b>9,060</b>
Exchange gain/(loss) on cash and bank balances	-5,021	1,265
<b>Cash and bank balances at the end of the period</b>	<b>40,720</b>	<b>23,961</b>

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1 to September 30, 2012

### 1. BASIS OF PREPARATION

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of the balance sheet date, and the additional requirements of German commercial law pursuant to sec. 315a (1) HGB. The interim consolidated financial statements comply with IFRS.

The preparation of financial statements conforming with IFRS requires management to exercise judgment in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions. The main areas in which estimates are used are fair value deferred tax liabilities. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

With regard to the preparation of the interim consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting', the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates.

The interim consolidated financial statements of this third quarter report 2012 have not been reviewed.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by Youbisheng Green Paper AG in its consolidated financial statements for the year ending 31 December 2011. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from intra-group transactions are therefore eliminated in full. For further details, reference is made to these consolidated financial statements, which can be found in the notes of the Company's prospectus at [www.youbisheng.de](http://www.youbisheng.de).

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

	RMB/EUR	
	2012	2011
January 1	0.1213	0.1141
September 30	0.1128	0.1149
Average first 9 months	0.1218	0.1089

## 4. NOTES TO THE INCOME STATEMENT

The statement of comprehensive income has been prepared using the function of expense method. The Company has elected to adopt IAS 1 (Revised 2007) by presenting the 'Statement of comprehensive income' in one statement.

The Group managed to achieve profit before tax of EUR 18.5 million for Q3 2012 as compared to EUR 16.1 million for Q3 2011. The factor that contributed to the increase was the increase in gross profit margin for testliner. The higher gross profit margin was due to higher selling price for double sided testliner and the sale of more products with higher gross profit margin. The increase in profit before tax represents an increase of 15% compared with the previous year.

## 5. NOTES TO THE BALANCE SHEET

There was no new share capital issued during the period. Youbisheng Green Paper AG maintained its share capital at EUR 10,217,705. There was no dividend declared for the period.

## 6. NOTES – OTHER

### Related Party Disclosures

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The director of the Group guaranteed secured short term loans of EUR 1.4 million as at Q3 2012.

## 7. EVENTS AFTER BALANCE SHEET DATE

There have been no significant events after the reporting period.

## 8. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issuance by the Board of Directors on November 28, 2012.

Munich, November 28, 2012

The Management Board

Huang Haiming

Hoo Clement

## Responsibility statement

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

Munich, November 28, 2012

The Management Board

Huang Haiming

Hoo Clement

## Cautionary Note Regarding Forward-Looking Statement

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

# Financial Calendar

**Interim Report Q3 2012**  
November 29, 2012

## Credits

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