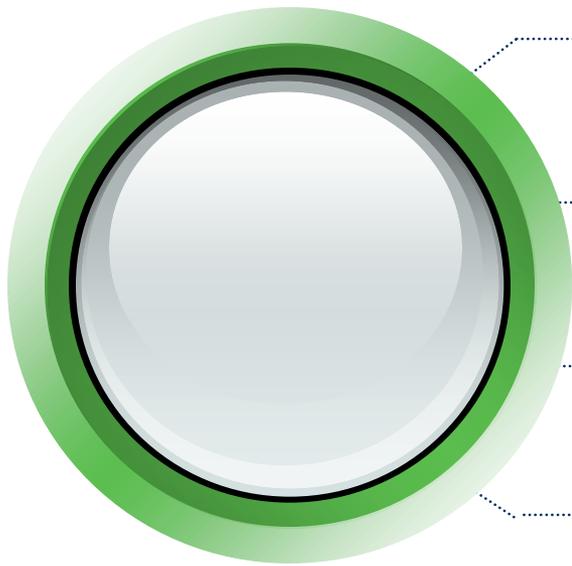


# *ZhongDe Waste Technology AG*

## *2011 Annual Report Presentation*



# Contents



Economic and Political Environment



Construction Progress of BOT and EPC



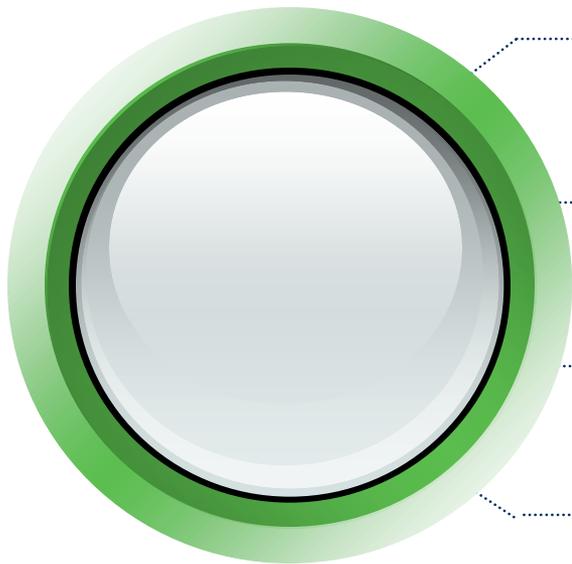
Financial Highlight



Outlook



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# Economic and Political Environment

## Macroeconomic Conditions

- 1) In 2011, China's GDP was RMB 47,156.4 billion, up by 9.2 % ( v.s. 2012 )  
and finally succeeded in reducing the high inflation rate to 5.4%  
China is still a driving force of the world economy
- 2) The downgrading of the USA's credit rating, the European sovereign debt crisis, the political unrest in Africa and the earthquake in Japan resulted in a weakening of the global economy



# Economic and Political Environment

## **Sector Trends, Political and Ecological Environment**

- 1) The Chinese government began to regard waste-to-energy companies to be part of the renewable sector in 2011. It issued a policy package to stimulate the waste-to-energy industry in China. Both, the big population of about 1.3 billion people and the limited land resource, require that China's traditional way of waste disposal comes to an end
- 2) In 2015 municipal waste harmless treatment rate in China will reach more than 80%, and sorting, collection and transportation of the kitchen waste should be realized in 50% of the urban communities.
- 3) Attitude of public and media also turn from resistance to understanding and supporting



# Economic and Political Environment

## **Strengthening Policy Support Measures:**

- 1) Broaden the investment channel
- 2) Establish incentive system
- 3) Establish charge system
- 4) Ensure the facility construction
- 5) Improve the innovation ability
- 6) Implement talents plan



# Economic and Political Environment

## Competitive Environment

At the end of 2011, there are about 120 waste-to-energy plants throughout China. According to internal estimates of ZhongDe Group, the total of 660 cities in China will need at least 400 large-size waste-to-energy plants within the next five to ten years.

ZhongDe competes with domestic and international companies. Our main domestic competitors are Hangzhou Jing jiang Co, Shanghai Environment Co and Ever Bright Co. Veolia is one of the international players acting in this market segment.

At the Chinese waste-to-energy market, ZhongDe is ranked among the top 20, in terms of the company's total waste disposal capacity.

Source: CECC-China Environment Chamber of Commerce



# SWOT analysis

## Strengths and opportunities

- 1) Listing at Frankfurt Stock Exchange helps to increase ZhongDe's reputation in China
- 2) Strong governmental relations in the domestic market as well as intensified relations to the international market
- 3) Eco-friendly market environment with the support of the Chinese Central Government
- 4) Growing demand for eco-friendly waste disposal capacities especially in China



## 5. The leading player of waste-to-energy industry in China



### Company

### Overview

- One of leading players of waste-to-energy industry in China with 17 years experience
- Business Model :
  - European Technology
  - China Price
  - Global Service
- Main business segments:
  - EPC Projects (Engineering, Procurement and Construction)
  - BOT ( Build, Operation, Transfer )
- More than 200 waste disposal projects since foundation
  - The above projects located in 13 provinces
  - 4 EPC and 4 BOT projects in construction & trial operation
- Owner of 13 Patents
- R&D and Production facilities based in Beijing & Fuzhou



## 6. Efficient Governance Structure

General Meeting of Shareholders (AGM)

Board of Directors

Supervisory Board



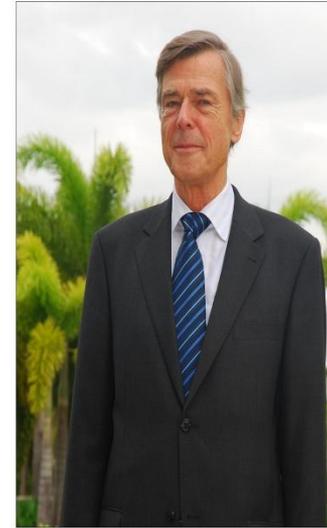
**Chairman**  
**Mr. Zefeng Chen**



**Executive Director**  
**Mr. William Wang**



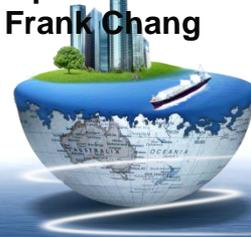
**Chairmen**  
**Mr. Hans-Joachim  
Zwarg**



**Vice Chairman**  
**Prof .Dr. Berned  
Neukirch**



**Supervisor**  
**Mr. Frank Chang**



# 7. Strong engineer / R& D team



## Classification of Engineers

1. Combustion Engineer:	6
2. Automation Control Engineer:	12
3. Mechanical Engineer:	22
4. Process Engineer:	4
5. Construction Engineer:	29
Total	73



# SWOT analysis

## Weaknesses and threats :

- 1) Increasing competition in the waste-to-energy sector
- 2) Difficult access to qualified construction management team on time for the construction process
- 3) Delays in the implementation of the BOT and EPC projects, due to
  - 3.1 Delays of external government approval
  - 3.2 Subcontractor's re-negotiation,
  - 3.3 Internal learning curve



## Impact on ZhongDe's Business Development

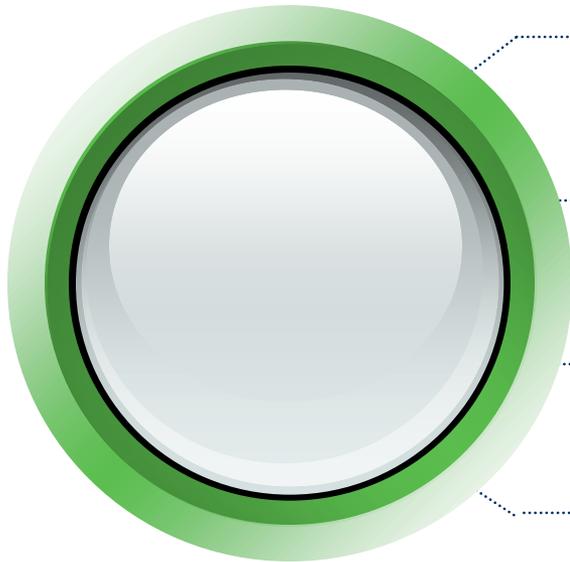
For ZhongDe 2011 was a very challenging transition period. ZhongDe could not complete the projects according to plan, mainly due to external government approval delays, the re-negotiation of sub-contractors caused by inflation and price increase ,and internal learning curve

In the long-term, we expect to further benefit from the favourable economic environment for eco-friendly waste disposal as well as from the growing demand for our waste-to-energy plants, both in China and throughout Asia.

China's Government will expand the stimulation of green industries on the basis of the five-year plan to maintain the rapid growth. Since demand for waste-to-energy plants is steadily increasing, ZhongDe expects to benefit from this.



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## Timetable of Large scale waste-to-energy project

<b>BOT</b>	<b>As of 31 December 2011 Percentage of Completion</b>	<b>Expected completion time</b>
Feicheng	Trial Operation	-
Zhoukou (500T)	82 %	End of 2012
Kunming (700T)	42 %	End of 2013
Xianning (600T)	32 %	End of 2013

<b>EPC</b>	<b>As of 31 December 31 2011 Percentage of Completion</b>	<b>Expected completion time</b>
Dingzhou (500T)	16 %	End of 2014
Zhucheng (600T)	58 %	End of 2013
Zhaodong (500T)	Preliminary preparation stage	
Shouguang (600T)	Preliminary preparation stage	



# 1. Zhoukou BOT ( plan to be completed in 2012 )



周口市丰泉垃圾无害化处理中心

# 1. Zhoukou BOT ( plan to be completed in 2012 )





## 2. Xianning BOT ( plan to be completed in 2013 )

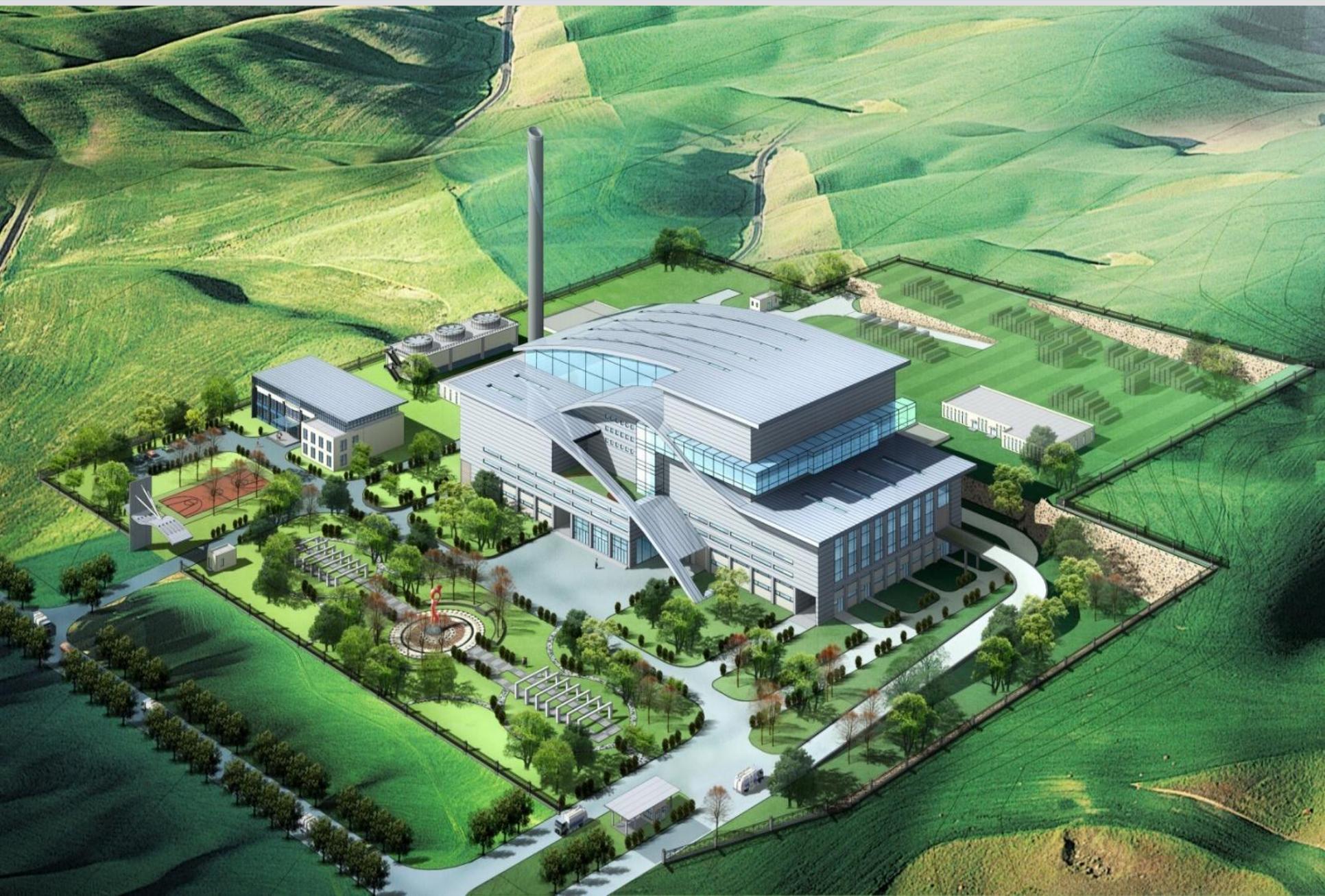
### 咸宁市丰泉垃圾焚烧发电厂鸟瞰图



## 2. Xianning BOT ( plan to be completed in 2013 )



### 3. Kunming BOT ( plan to be completed in 2013 )



### 3. Kunming BOT ( plan to be completed in 2013 )



## 4. Zhucheng EPC ( plan to be completed in 2013 )



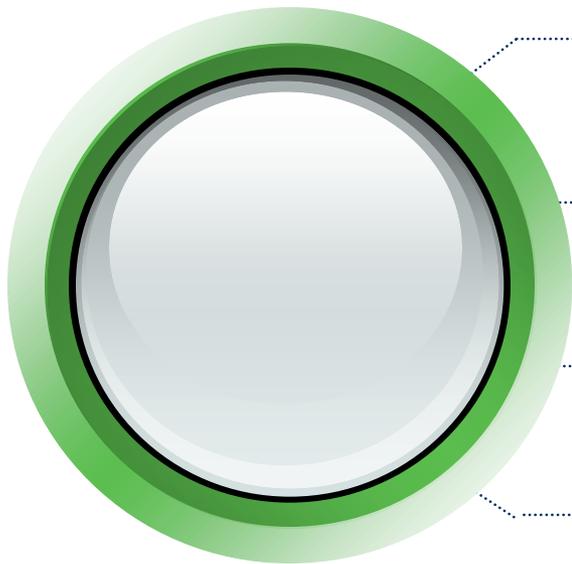
## 4. Zhucheng EPC ( plan to be completed in 2013 )



## 5. Ding Zhou EPC ( plan to be completed in 2013 )



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# revenues

- 1) Total revenues amounted to € 32.4 million in 2011 compared to € 33.4 million in 2010, representing a slight decrease of 3%.
- 2) The market for small-size incinerators recovered slowly: four small-size incinerators were sold in 2011, compared to two in 2010.
- 3) To meet the changing market demand in China, ZhongDe focused on large waste-to-energy (WTE) projects.
- 4) Revenues can be broken down into
  - € 2.3 m relating to the sale of small-sized incinerators (2010: € 1.6 m)
  - € 8.9 m from EPC projects (2010: € 10.7 m)
  - € 21.2 m from BOT projects (2010: € 21.1 m).
- 5) The revenues of EPC and BOT projects accounted for 92.9% of total revenues in 2011, compared to 95.1% in 2010.



# Gross Profit & Net income

- 1) The gross profit was € 4.1 million in 2011, which corresponds to a decrease of € 3.3 million, i.e. 44%, compared to the previous year (2010: € 7.4 million).
- 2) The gross profit margin of ZhongDe decreased from 22% in 2010 to 13% in 2011.
- 3) The adjustments in cost estimates for the implementation of the EPC and BOT projects were essentially the reason for the decrease of the gross profit margin.
- 4) Net income was € -10.7 million



## Order In-take

- 1) In 2011, order intake fell to € 5.1 million in total – 80% lower than the previous year's figure of € 25.4 million.
- 2) The order intake is related to, in addition to the sale of small- and medium-sized incinerators, to a supplemental agreement in connection with an EPC project.



# Order backlog

- 1) Order backlog decreased by 9.1% from € 157.8 million to € 143.3 million in 2011. It includes four EPC projects and four BOT projects
- 2) The proportion of incinerators for municipal waste and medical waste was 2%, large EPC waste incinerator projects accounted for 64% and BOT projects accounted for 35% of the total order backlog.



# Cash Position and Financing

## Cash Position

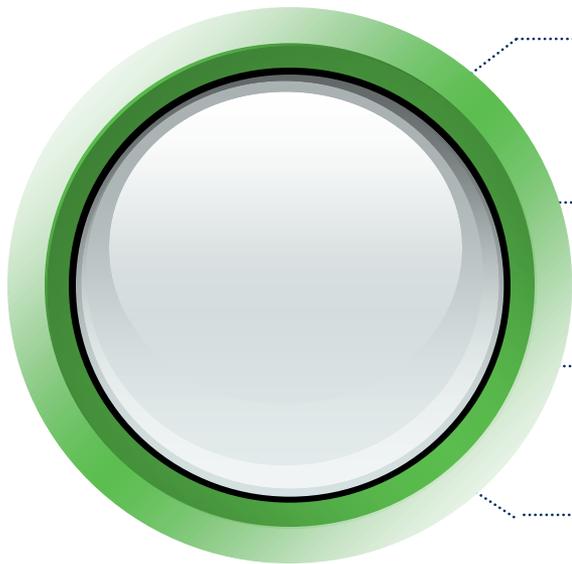
Cash and cash equivalents amounted to € 117.3 million in 2011, a increase of 40% compared to 2010. These funds are to be invested in budgeted projects such as the BOT projects in Zhoukou, Kunming and Xianning, and EPC projects in Zhucheng and Dingzhou. In addition, they are expected to serve to finance further business activities.

## Financing

As of 31 December 2011, the company's loans amounted to € 34.2 million. These loans were taken out by Bank of China, China Merchants Bank and Huarong Leasing in 2010 and 2011. They are used to finance the BOT projects.



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- 1) The company expects to further benefit from this favourable economic environment, although the new stimulating policies will need some time to achieve real effect in China.
- 2) The Management Board of ZhongDe expects to finalize its current BOT project in Zhoukou until the end of the 2012 financial year.
- 3) ZhongDe Group can generate a better result in 2012 than in 2011



