



## Interim Report

First Quarter of 2012

ZhongDe Waste Technology AG

00

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# 01

## Key Figures

### Operational Data

Amounts in k€	Q1 2012	Q1 2011 adjusted	Change (%)
Order intake <sup>1)</sup>	0	0	0.0
Order backlog <sup>2)</sup>	138,681	149,779	-7.4
Revenues	1,216	2,418	-49.7
Gross profit	138	545	-74.7
Gross profit margin	11%	23%	-49.6
Cost of sales	1,078	1,873	-42.4
EBITDA	-1,335	-1,393	4.2
EBITDA margin	-110%	-58%	-52.1 pp
EBIT	-1,461	-1,514	3.5
EBIT margin	-120%	-63%	-57.5 pp
Net profit	-1,785	-1,411	-26.5
Net profit margin	-147%	-58%	-88.4 pp
Earnings per share (in €)	-0.14 <sup>3)</sup>	-0.11 <sup>4)</sup>	-27.3

<sup>1)</sup> Average exchange rate used for translation.

<sup>2)</sup> Period-end exchange rate used for translation.

<sup>3)</sup> Calculated on the basis of 12,600,000 shares.

<sup>4)</sup> Calculated on the basis of 12,635,525 shares.

### Cash Flow Data

Amounts in k€	Q1 2012	Q1 2011 adjusted	Change (%)
Cash flow from operating activities	-12,231	-6,038	>100.0
Cash flow from investing activities	-32	-6	>100.0
Free cash flow before financing	-12,263	-6,044	>100.0

### Balance Sheet Data

Amounts in k€	31 March 2012	31 December 2011	Change (%)
Total assets	196,375	198,787	-1.2
Tangible and intangible fixed assets	55,645	57,380	-3.0
Net working capital	104,823	101,671	3.1
Cash and cash equivalents	111,962	117,308	-4.6
Long-term liabilities	40,293	33,383	20.7
Shareholders' equity	120,175	125,668	-4.4
Headcount	365	384	4.9

## 02

# Highlights of the First Quarter of 2012

### -> Revenues

During the first quarter of 2012, total revenues amounted to €1.2 million, representing a decrease of €1.2 million or 49.7% compared to the first quarter of 2011 (Q1 2011: €2.4 million). The decrease was caused by external and internal factors leading to a delay in project construction. The external factors include delay of government approval and renegotiation with sub-contractors due to inflation in China.

### -> Operating Results

In the first three months of 2012, gross profit totalled €0.1 million, corresponding to a fall of €0.4 million or 74.7% compared to Q1 2011 (Q1 2011: €0.5 million).

However, EBITDA increased slightly by 4.2% to €-1.3 million (Q1 2011: €-1.4 million), while EBIT went up by a calculated 3.5% to €-1.5 million (Q1 2011: €-1.5 million) and so was almost at the previous year's level. Net profit amounted to €-1.8 million in Q1 2012. This represents a decrease of €0.4 million compared to the same period in 2011.

Selling and distribution expenses went down by 53.5% to €0.3 million in the first quarter of 2012 (Q1 2011: €0.6 million). Administrative expenses decreased from €1.1 million to €1.0 million in the period from January to March 2012. The decrease in expenses was due to fewer employees and stricter cost control.

### -> Order Intake and Order Backlog

No new orders were received in the first three months of 2012.

The order backlog contracted by 7.4% year on year to €138.7 million. This was mainly because the construction phase of BOT and EPC projects was recognised using the POC (percentage of completion) method. Foreign exchange differences also affected the figure.

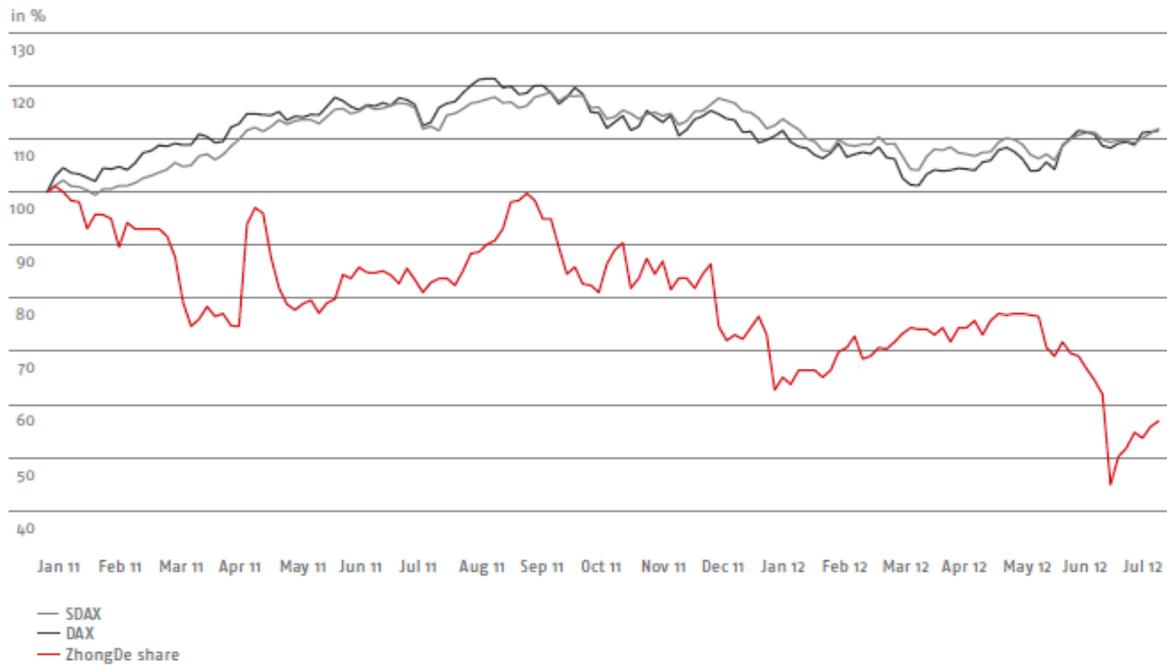
### -> Cash Position

The net cash position as at 31 March 2012 amounted to €112.0 million, compared to €117.3 million on 31 December 2011. ZhongDe's strong cash position ensures that the Company remains flexible in the fields of BOT investment and project finance.

# 03

## Share Performance

Closing price  
on 17/07/2012:  
€2.13



Germany's stock markets put in a pleasing performance in the first six months of 2012. The DAX index gained 11.5% and stood at 6,577.64 points on 17 July 2012; the SDAX went up by 11.9% during the same period to 4,948.44 points. Movements on the DAX and the SDAX mirrored one another.

The price of the ZhongDe share fell sharply; having started the year at €3.76, it closed at €2.14 in mid-July (-43.1%). Unfortunately, our share was therefore unable to echo the positive developments on the overall market. This is partly due to a general mistrust of Chinese shares among investors and the delay in publishing our annual reports. The share price continued to perform badly into the second half of the year. On 9 July 2012, a new annual low of EUR 1.69 was reached. The share subsequently stabilised and closed at €2.13 on 17 July 2012.

Our investor relations team is concentrating on fostering new trust within the investment community by openly communicating the latest business developments and the ZhongDe Group's strategic alignment even during difficult times. The CFO, William Wang, held a conference call on 17 July to address analysts and investors and to answer their questions in conjunction with the delayed publication of the annual figures.

You can also find additional information relevant to the capital market online at [www.zhongde-ag.de](http://www.zhongde-ag.de).

## Management Report

### Macroeconomic Environment

In the first quarter of 2012 – faced with a complicated and volatile international environment and newly emerging challenges in domestic economic development – China’s national economy stabilized and maintained steady and comparatively fast growth.

According to a preliminary estimate by the National Bureau of Statistics of China, the country’s gross domestic product (GDP) was RMB 10,799.5 billion in the first quarter of this year: a year-on-year increase of 8.1%. Value added in the primary industry came in at RMB 692.2 billion (+3.8%), totalling RMB 5,145.1 billion (+9.1%) in the secondary industry and RMB 4,962.2 billion (+7.5%) in the tertiary industry. In the first three months of 2012, the gross domestic product went up by 1.8% on a quarterly basis.

In the period from January to March, investments in fixed assets (excluding rural households) stood at RMB 4,786.5 billion, equivalent to year-on-year growth of 20.9%. Investment growth in real estate development continued to drop and sales of commercial buildings declined. Total retail sales of consumer goods reached RMB 4,931.9 billion, an increase of 14.8%. Consumer prices went up by 3.8% year on year. The per capita total income of urban households was RMB 7,382. Specifically, the per capita disposable income of urban households was RMB 6,796, corresponding to year-on-year growth of 14.0%.

Growth in imports and exports slowed down and foreign trade was virtually balanced. The total value of imports and exports in the first quarter of 2012 was US\$ 859.37 billion, year-on-year growth of 7.3%. Exports were worth a total of US\$ 430.02 billion (+7.6%), while imports accounted for US\$ 429.35 billion (+6.9%). The trade surplus amounted to US\$ 670 million.

### Sector Trends and the Political Environment

Regulations concerning dioxins and persistent organic pollutants (POPs) are due to be integrated into national plans. On 1 February 2012, the Ministry of Environmental Protection approved in principle the 12th five-year plan for pollution prevention and the control of persistent organic pollutants. The regulations affect the nation’s major industries and are designed to combat these two types of pollutants.

The plan clearly sets out the key focal points of the regulations, which include the establishment of a system to manage POP production, distribution, use, discharge and disposal. Meanwhile, the Ministry stated that it would provide policy support and financial assistance by means of a tax reform and green credits to encourage enterprises to reduce POPs. Furthermore, it will expand on international exchanges and cooperation as well as seeking multi-channel, multi-form options for the introduction of international capital, advanced management concepts and technologies.

On the basis of policies to promote waste incineration, the control of dioxins will no doubt present both opportunities and challenges for the industry. On the one hand, it will inhibit the further market expansion of the industry. On the other hand, however, it will also develop the market for dioxin governance during waste incineration. All in all, it is fair to say that market opportunities and challenges exist at the same time.

The Ministry of Industry announced its 12th five-year development plan for environmental equipment on 2 March 2012, which proposes that during this five-year period: (1) the total value of the environmental protection equipment industry's output will maintain an annual average increase of 20%, reaching RMB 500 billion by 2015; (2) the total value of exported environmental protection equipment will experience average annual growth of 30%, reaching RMB 10 billion by 2015; (3) it is going to establish more than ten industry centres with outstanding advantages and high concentrations in order to develop 10–20 large-scale environmental equipment enterprise groups which can act as a leaders for the sector. Its aim is to foster a number of environmental protection equipment enterprises with well-known brands.

The 12th five-year plan for state environmental protection predicts that the total investment demand for environmental protection will amount to up to RMB 3.1 trillion during the 12th five-year period. This will no doubt promote the rapid development of the environmental protection equipment industry. The estimated investment is forecast to reach RMB 600 billion during the five-year period in question. This figure comprises investments in desulfurization, urban sewage and waste disposal facilities. There is huge demand for industrial waste heat and pressure to generate electricity, comprehensive utilization of the three types of waste produced by industry, and smoke and dust control areas.

It is expected that the major corporations will utilize their technological, financial and manufacturing advantages to incorporate big companies or group companies, for instance by combining, merging or reorganizing them. In this way, they will shore up their leading positions within the industry.

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 energy-from-waste plants, both in China and throughout Asia. China's government will step up its support for green industries on the basis of the five-year plan to maintain the sector's rapid growth and safeguard jobs. Since demand for energy-from-waste plants is steadily increasing, ZhongDe expects to benefit from this.

## Corporate Strategy

ZhongDe's strategic target is to strengthen our position in the Chinese energy-from-waste industry and to again achieve strong and profitable business growth in order to create shareholder value. Within our strategy, we are focusing on large-scale energy-from-waste projects due to the slow recovery of the market for small-scale incinerators. The Company quickly adjusted its business strategy in response to the new market conditions, enabling it to largely offset the decline in sales by concentrating on large energy-from-waste projects.

As one of seven strategic new industry programmes during the 12th five-year plan period, the energy-from-waste sector will gain strong support from the Chinese government and will benefit from promising growth opportunities.

We plan to expand our market position and technological expertise. ZhongDe Waste Technology AG has taken another step forwards in terms of expanding its business and promoting its influence in the industry by securing a number of major projects.

We want to generate recurring revenues with BOT projects. The BOT business delivers a sustainable earnings stream from interest income and electricity sales and from other by-products. With the help of external service providers, ZhongDe designs and installs incinerators for the treatment of municipal solid waste and then operates these energy-from-waste plants for a contracted period of time in accordance with its concession agreements.

## Result of Operations

Amounts in k€	Q1 2012	Q1 2011 adjusted	Change (%)
Revenues	1,216	2,418	-49.7
Cost of sales	-1,078	-1,873	-42.4
<b>Gross profit</b>	<b>138</b>	<b>545</b>	<b>-74.7</b>
Other operating income	75	77	-2.6
Selling and distribution expenses	-277	-596	-53.5
Administrative expenses	-1,000	-1,127	-12.0
Research and development expenses	-43	-37	16.2
Other operating expenses	-354	-376	-3.5
<b>Profit from operations</b>	<b>-1,461</b>	<b>-1,514</b>	<b>3.5</b>
Finance income	634	486	30.5
Finance costs	-914	-277	>100.0
<b>Profit before income tax</b>	<b>-1,741</b>	<b>-1,305</b>	<b>-33.4</b>
Income tax	-44	-106	-58.5
<b>Net profit for the period</b>	<b>-1,785</b>	<b>-1,411</b>	<b>-26.5</b>

During the first quarter of 2012, revenues amounted to €1.2 million, representing a decrease of €1.2 million or 49.7% compared to the first quarter of 2011.

The decrease was caused by external and internal factors leading to a delay in project construction. The external factors include delay of government approval and renegotiation with sub-contractors due to inflation in China.

In Q1 2012, gross profit stood at €0.1 million – a fall of 74.7% compared to the first three months of 2011.

However, EBITDA increased slightly by 4.2% to €-1.3 million (Q1 2011: €-1.4 million), while EBIT went up by a calculated 3.5% to €-1.5 million and so was almost at the previous year's level. Net profit amounted to €-1.8 million in Q1 2012. This corresponds to a decrease of €0.4 million compared to the same period in 2011.

Selling and distribution expenses went down by 53.5% to €0.3 million (Q1 2011: €0.6 million) in the three months to March 2012. Administrative expenses dropped from €1.1 million to €1.0 million in the first quarter of 2012. The decrease in expenses was due to fewer employees and stricter cost control..

At the end of Q1 2012, shareholders' equity decreased by 4.4% to €120.2 million. The Company maintains an equity ratio of 61.2%.

The net cash position as at 31 March 2012 amounted to €112.0 million, compared to €117.3 million on 31 December 2011. ZhongDe's strong cash position ensures that the Company remains flexible in the fields of BOT investment and project finance.

## Current Status of Energy-from-Waste Projects

(as of 31 March 2012)

### **Zhucheng EPC Project**

At the end of Q1 2012, the Zhucheng project was 59.4% completed (31.12.2011: 58.4%).

#### **Civil Construction Work:**

Construction work on the office building and the chimney has been completed. The construction and exterior decoration of the main plant have also been completed. The waste discharge platform and the turbine room grid are finished. Work to build the cooling tower, pumping stations, waste transportation trestle, the water plant, and the number one furnace has all been wrapped up.

#### **Equipment Installation:**

Installation of the number one and number two boilers has been completed. The number one and number two off-gas purification lines have been installed. Installation of the turbine electricity generator has been completed. Installation of supplementary equipment is underway. Installation of the transformer and electrical enclosure has been completed.

### **Dingzhou EPC Project**

At the end of Q1 2012, the Dingzhou project was 16.5% completed (31.12.2011: 16.4%).

#### **Civil Construction Work:**

The construction of the complex building and the chimney has been completed. The foundations have been laid for all the buildings. Meanwhile, the main structure for the main plant is under construction.

#### **Equipment installation:**

The number one boiler steel framework has been fully installed. Installation work for the combination of heating surfaces is under way.

### **Zhoukou BOT Project**

At the end of Q1 2012, the Zhoukou project was 82.4% completed (31.12.2011: 81.7%).

#### **Civil Construction Work:**

The construction of the main building and accessory buildings has been completed. The on-site road has also been completed. The wall and the front door of the plant are finished. A landscaping project is currently in hand. The second decoration phase for the main plant is well under way.

#### **Equipment Installation:**

The installation of percolation equipment for waste leachate is under way. The number one off-gas purification line has been installed and commissioned. Installation work is ongoing for the number two off-gas purification line. The other machine systems have been fully commissioned. The waste-to-energy plant is ready to commence trial operations.

## **Kunming BOT Project**

At the end of Q1 2012, the Kunming project was 42.5% completed (31.12.2011: 42.3%).

### **Civil Construction Work:**

Construction work on the complex building, the plant and the chimney has been completed. The off-gas purification room, the weighbridge room, the grid and the electricity booster station are now being built.

### **Equipment Installation:**

The number one and number two boilers have been fully installed, as has the turbine electricity generator. Work to install the off-gas purification equipment is in hand.

## **Xianning BOT Project**

At the end of Q1 2012, the Xianning project was 33.4% completed (31.12.2011: 31.6%).

### **Civil Construction Work:**

The following construction work has been completed:

The complex building and chimney, the plant and off-gas purification room, the waste-discharging hall, the cooling tower, the pumping house, the central control building, the boiler room, the turbine electricity generator room, the chemical water treatment room, the clean water tank, the deoxidizing room, the weighbridge room, the waste trestle.

The construction of the plant's on-site road is under way.

### **Equipment Installation:**

The installation process has been completed for the number one boiler, the steam turbine electricity generator and the waste hanging crane, the transformer, the low-voltage electrical enclosure and the cable tray. Installation work is in full swing for the cooling tower, the deoxidizing equipment, the water pump, the chemical water equipment, the air compressor, the weighbridge and the number two boiler heating surface.

## Order Status

No new orders were received in Q1 of 2012.

The order backlog decreased by 7.4% year on year to €138.7 million. This was mainly because the construction phase of BOT and EPC projects was recognised using the POC (percentage of completion) method. Currency parity differences also affected the figure.

Negotiations are currently under way for additional large-scale projects that have already entered the approval stage.

## Business Segments Overview

Amount in k€	Q1 2012	Q1 2011	Change (%)
<b>Waste incinerators</b>			
Units sold	0	0	0.0
Revenues	0	0	0.0
Gross profit	0	0	0.0
<b>EPC projects</b>			
Revenues (POC)	301	1,058	-71.5
Gross profit	59	227	-74.1
<b>BOT projects</b>			
Revenues (POC)	914	1,360	-32.8
Gross profit	79	319	-75.1
Total revenues	1,216	2,418	-49.7
Total gross profit	138	546	-74.7

### Incinerators

No incinerators were sold in Q1 2012 because the market for small to medium-sized incinerators has not completely recovered yet in China. As a result, the ZhongDe Group has shifted its focus to large-scale waste-to-energy EPC and BOT projects.

### EPC projects

Zhucheng and Dingzhou contributed €0.3 million to EPC revenues in the first quarter of 2012.

### BOT projects

In Q1 2012, the four current BOT projects contributed €0.9 million to the Group's revenues.

## Net Worth

Amount in k€	31 March 2012	31 December 2011	Change (%)
Non-current assets	55,645	57,380	-3.0
Current assets	140,730	141,407	-0.5
Equity	120,175	125,668	-4.4
Liabilities	76,200	73,119	4.2
Balance sheet total	196,375	198,787	-1.2

The balance sheet total amounted to €196.4 million as of 31 March 2012. Current assets went down by 0.5% from €141.4 million to €140.7 million, while equity went down by €5.5 million or 4.4% to €120.2 million. The Company's equity ratio remained high.

## Financial Position

Amount in k€	Q1 2012	Q1 2011 adjusted	Change (%)
Cash flow from operating activities	-12,231	-6,038	>100.0
Cash flow from investing activities	-32	-6	>100.0
Free cash flow before financing	-12,263	-6,044	>100.0

## Opportunities and Risks

For information on opportunities and risks, please see the Risk Report in our Group Management Report as of 31 December 2011. No significant changes had taken place in opportunities and risks as of 31 March 2012.

## Outlook

The Company expects to further benefit from the favourable economic environment described above, although the new stimulation policies will need some time to achieve real effect in China.

The Chairman of ZhongDe expects that the current BOT project in Zhoukou will be completed by the end of financial year 2012.

The difficult transition period described in the Management Report for financial year 2011 continues in the first quarter of 2012. We were unable to reach our revenue goals in the first months of financial year 2012 due to further delays in the completion of energy-from-waste projects. We expect that this transition period will continue to effect our economic performance. Our financial performance in 2012 and 2013 will be affected significantly by our ability to complete the ongoing EPC and BOT construction projects. Past experience shows that the realization of our goal is clearly influenced by numerous internal and external factors which are difficult to predict. Nevertheless, in the long term, we expect to reach our goal.

Even though we were unable to reach our revenue goals, we expect, based on the current planning, that in financial year 2012 the ZhongDe Group can increase revenues as compared to the previous year, and that it can achieve a higher gross profit margin with lower operating expenses, provided that no unforeseen events occur.

Looking forward to 2013, we expect the prognosis to be better than for the current financial year 2012. Our forecasts are valid for all three segments. We must point out, however, that these expectations are subject to the usual uncertainties, even though currently we have no reason to expect things will change.

## 05

# Financial Statements – ZhongDe Waste Technology AG

## 05.1

## Consolidated Balance Sheet

for the period from 1 January to 31 March 2012

Amount in k€	31 March 2012	31 December 2011
<b>Assets</b>		
<i>Non-current assets</i>		
Intangible assets	15,968	15,782
Equipment	1,134	1,259
Receivables from BOT projects	38,392	40,181
Deferred tax assets	151	158
	<b>55,645</b>	<b>57,380</b>
<i>Current assets</i>		
Inventories	1,865	1,809
Trade receivables	1,084	1,385
Other receivables and prepayments	25,559	20,600
Amounts due from related parties and companies	260	305
Cash and cash equivalents	111,962	117,308
	<b>140,730</b>	<b>141,407</b>
<b>Total assets</b>	<b>196,375</b>	<b>198,787</b>
<b>Liabilities and Equity</b>		
<i>Capital and reserves</i>		
Subscribed capital	13,000	13,000
Capital reserves	62,914	62,914
Statutory reserves	7,972	7,972
Own shares	-4,608	-4,608
Consolidated retained earnings	20,032	21,817
Foreign exchange difference	20,865	24,573
<b>Total Equity</b>	<b>120,175</b>	<b>125,668</b>
<i>Liabilities</i>		
<i>Long-term debt</i>		
Long-term loans	37,177	30,054
Deferred tax liabilities	3,116	3,329
	<b>40,293</b>	<b>33,383</b>
<i>Short-term debt</i>		
Trade payables	16,878	18,459
Other payables and accruals	11,997	14,033
Provisions	2,396	2,741
Amounts due to related parties and companies	3	6
Tax debt	156	334
Share of long-term loans due in the short term	4,477	4,163
	<b>35,907</b>	<b>39,736</b>
<b>Total debt</b>	<b>76,200</b>	<b>73,119</b>
<b>Total liabilities and equity</b>	<b>196,375</b>	<b>198,787</b>

## 05.2

### Consolidated Statement of Income and Expenses

for the period from 1 January to 31 March 2012

Amount in k€	Q1 2012	Q1 2011
Revenue	1,216	2,418
Cost of sales	-1,078	-1,873
<b>Gross profit</b>	<b>138</b>	<b>545</b>
Other operating income	75	77
Selling and distribution expenses	-277	-596
Administrative expenses	-1,000	-1,127
Research and development expenses	-43	-37
Other operating expenses	-354	-376
<b>Profit from operations</b>	<b>-1,461</b>	<b>-1,514</b>
Finance income	634	486
Finance costs	-914	-277
<b>Profit before income tax</b>	<b>-1,741</b>	<b>-1,305</b>
Income tax	-44	-106
<b>Profit for the period</b>	<b>-1,785</b>	<b>-1,411</b>
Earnings per share (diluted and undiluted)(in EUR)	-0.14	-0.11
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,635,525

## 05.3

### Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2012

Amount in k€	Q1 2012	Q1 2011
<b>Profit for the period</b>	<b>-1,785</b>	<b>-1,411</b>
<b>Other income</b>		
Foreign exchange differences recognized directly in equity	-3,708	-6,968
<b>Total changes recognized directly in equity</b>	<b>-3,708</b>	<b>-6,968</b>
<b>Total income</b>	<b>-5,493</b>	<b>-8,379</b>

## 05.4

### Consolidated Statement of Cash Flows

for the period from 1 January to 31 March 2012

Amount in k€	Q1 2012	Q1 2011
<b>Profit before income tax</b>	<b>-1,741</b>	<b>-1,305</b>
Adjustments for:		
Amortization of intangible assets	6	6
Allowance for doubtful trade debts	-7	61
Depreciation of property, plant and equipment	120	115
Gains/losses PPE	0	1
Finance income/foreign exchange differences	-634	-230
Finance expense/foreign exchange differences	914	278
<b>Operating cash flows before working capital changes</b>	<b>-1,341</b>	<b>-1,074</b>
<b>Working capital changes:</b>		
(Increase)/decrease in:		
Inventories	-112	-110
Trade receivables	-272	299
PoC receivables related to BOT projects	-1,203	-1,687
Other receivables and prepayments	-5,667	-810
Amounts due from related parties/companies	37	16
Increase/(decrease) in:		
Trade payables	-1,050	-1,893
Other payables, provisions and accruals	-1,913	-657
Amounts due to related parties/companies	-4	1
<b>Cash generated from/(used in) operations</b>	<b>-10,981</b>	<b>-5,947</b>
Interest received/exchange gains	197	230
Interest paid/exchange losses	-1,118	-245
Income tax paid	-329	-76
<b>Net cash generated from operating activities</b>	<b>-12,231</b>	<b>-6,038</b>
<b>Cash flow from investing activities</b>		
Purchase property, plant, equipment, intangible assets, land use rights	-32	-6
<b>Cash flow used in investing activities</b>	<b>-32</b>	<b>-6</b>
<b>Cash flow from financing activities</b>		
Borrowing	9,964	0
Repayment of loans	-939	0
Payments received related to financial assets (BOT projects)	1,572	89
Buy back of own shares	0	-506
<b>Cash flow from financing activities</b>	<b>10,597</b>	<b>-417</b>
<b>Net increase in cash and cash equivalents</b>	<b>-1,666</b>	<b>-6,461</b>
Cash at beginning of year	117,308	83,805
Foreign exchange differences of cash and cash equivalents	-3,680	-4,211
<b>Cash fund at end of period</b>	<b>111,962</b>	<b>73,133</b>

## 05.5

### Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity  
for the period from 1 January to 31 March 2012

Amount in k€	Numbers of shares outstanding	Share capital AG	Capital Reserves	Statutory Reserves	Own shares	Retained earnings	Foreign exchange differences	Total equity
<b>Balance as at 1 January 2011</b>	<b>12,652,440</b>	<b>13,000</b>	<b>70,522</b>	<b>7,794</b>	<b>-4,104</b>	<b>26,986</b>	<b>15,461</b>	<b>129,658</b>
Total comprehensive income for this period						-1,411	-6,968	-8,379
Buy back of own shares	-52,440				-504			-504
<b>Balance as at 31 March 2011</b>	<b>12,600,000</b>	<b>13,000</b>	<b>70,522</b>	<b>7,794</b>	<b>-4,608</b>	<b>25,575</b>	<b>8,493</b>	<b>120,776</b>
<b>Balance as at 1 January 2012</b>	<b>12,600,000</b>	<b>13,000</b>	<b>62,914</b>	<b>7,972</b>	<b>-4,608</b>	<b>21,817</b>	<b>24,573</b>	<b>125,668</b>
Total comprehensive income for this period						-1,785	-3,708	-5,493
<b>Balance as at 31 March 2012</b>	<b>12,600,000</b>	<b>13,000</b>	<b>62,914</b>	<b>7,972</b>	<b>-4,608</b>	<b>20,032</b>	<b>20,865</b>	<b>120,175</b>

## 05.6

### Selected Notes to the Consolidated Financial Statements

for the period from 1 January to 31 March 2012

#### General

The interim consolidated financial statements for the period 1 January to 31 March comprise all subsidiaries of ZhongDe Waste Technology AG. These subsidiaries are located in the People's Republic of China (PRC), except for the interim holding company Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong.

On the basis of the error correction undertaken retrospectively in the consolidated financial statements as at 31 December 2010, under IAS 8, the following changes must be made to the presentation of the comparable figures for Q1 2011 in the previous publication:

## Statement of income and expenses for the period from 1 January 2011 to 31 March 2011

in thousands of EUR	Q1 2011 pre restatement.	IAS 8 restatement	Q1 2011 after restatement
Revenues	2,418	0	2,418
Cost of Sales	-1,873	0	-1,873
<b>Gross Profit</b>	<b>545</b>	<b>0</b>	<b>545</b>
Other operating income	77	0	77
Selling and distribution expenses	-596	0	-596
Administrative expenses	-1,136	9	-1,127
Research and development expenses	-37	0	-37
Other operating expenses	-376	0	-376
<b>Profit from operations</b>	<b>-1,523</b>	<b>9</b>	<b>-1,514</b>
Finance income	486	0	486
Finance costs	-277	0	-277
<b>Profit before income tax</b>	<b>-1,314</b>	<b>9</b>	<b>-1,305</b>
Income tax	-106	0	-106
<b>Profit for the period</b>	<b>-1,420</b>	<b>9</b>	<b>-1,411</b>
<b>Earnings per share (diluted and undiluted) (in EUR)</b>	<b>-0.11</b>	<b>0</b>	<b>-0.11</b>
<b>Weighted average shares outstanding (diluted and undiluted)</b>	<b>12,635,525</b>		<b>12,635,525</b>

## Statement of comprehensive income for the period from 1 January 2011 to 31 March 2011

in thousands of EUR	2010 pre restatement	2010 IAS 8 restatement	2010 after restatement
<b>Profit for the period</b>	<b>-1,420</b>	<b>9</b>	<b>-1,411</b>
<b>Other income</b>			
Foreign exchange differences recognized directly in equity	-6,968	0	-6,968
<b>Total changes recognized directly in equity</b>	<b>-6,968</b>	<b>0</b>	<b>-9,968</b>
<b>Total income</b>	<b>-8,388</b>	<b>9</b>	<b>-8,379</b>

For further information, please see the presentation in the Notes as at 31 December 2011.

### Basis of preparation

The interim consolidated financial statements were prepared in accordance with the 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) of the German Commercial Code (HGB). The interim consolidated financial statements comply with all IFRSs where adoption was mandatory as of the balance sheet date. 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 may differ from these estimates.

### Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2011. For further details, please refer to the consolidated financial statements available on the Company's website: [www.zhongdetech-ag.com](http://www.zhongdetech-ag.com).

Income recognised during the reporting period for seasonal reasons, whether due to cyclical developments or one-off developments, is not allocated accurately in the interim consolidated financial statements. Non-recurring expenses that are incurred during the reporting period have been allocated as they would be at year-end.

In accordance with IFRIC 12 "Service Concession Arrangements", revenue relating to construction services under a service concession arrangement (BOT) is recognised based on the percentage of completion of the work. Revenue relating to operation services is recognised in accordance with IAS 18.

### Segment analysis and information

#### -> A. Business segments

The Group's operating activities are divided into three business segments: incinerator sales, which includes municipal waste incinerators and medical waste incinerators, its EPC (engineering, procurement and construction) projects, and its BOT (build – operate – transfer) and BOOT (build – operate – own – transfer) projects.

#### -> B. Business by region

The Group is principally engaged in the design and manufacture of various incinerators in the PRC, where all of its customers are based. In addition, all assets attributable to the Group's operating activities are likewise located in the PRC. As such, no geographical segment analysis is necessary.

#### -> C. Allocation basis

Revenues and the cost of sales of the services rendered in generating revenues are directly attributable to the business segments. Income and expenses which are not directly attributable to a business segment are recognised separately as unallocated income and expenses.

Inter-segmental revenues are eliminated on consolidation.

The following table presents revenues and results information regarding the Group's business segments for the first quarter of 2012:

in k€	Incinerators		EPC		BOT		Total reportable segments		Unallocated		Consolidation		Group	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	0	0	301	1,058	914	1,360	1,216	2,418	0	0	0	0	1,216	2,418
Intercompany revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	301	1,058	914	1,360	1,216	2,418	0	0	0	0	1,216	2,418
Total gross profit from reportable segments	0	0	59	227	79	319	138	546	0	0	0	0	138	546
Order intake	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Order Backlog	2,613	1,521	88,162	85,645	47,906	62,612	138,681	149,778	0	0	0	0	138,681	149,778

#### Functional and presentation currency

	31 March 2012	31 March 2011
Exchange rate RMB/€ at the end of the period	8,4089	9,3036
Average exchange rate RMB/€ for Q1	8,2692	9,0028
	31 March 2012	31 March 2011
Exchange rate HKD/€ at the end of the period	10,3705	11,0559
Average exchange rate HKD/€ for Q1	10,1738	10,6535

The functional currency of the consolidated subsidiaries is the RMB.

#### Income tax

The income taxes shown in the interim consolidated financial statements mainly comprise income taxes of Fujian FengQuan Environmental Protection Holding Ltd. and all subsidiaries which are located in the People's Republic of China (PRC). Due to the tax status of Fujian FengQuan as a foreign-owned entity, the tax rate for 2009, 2010 and 2011 amounts to half of the normal tax rate of 25%. The Group tax rate may differ considerably from the applicable local Chinese income tax rate due to the different treatment of exchange rate gains and exchange rate losses for the consolidated financial statements and for tax purposes.

Frankfurt, 31 July 2012

ZhongDe Waste Technology AG

On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**William Jihua Wang**  
Executive Director of the  
Management Board (CFO)

## Responsibility Statement by the Management

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the condensed interim management report of the Group includes a fair view 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 for the remaining months of the financial year.”

Frankfurt, 31 July 2012  
ZhongDe Waste Technology AG  
On behalf of the management



**Zefeng Chen**  
Chairman of the  
Management Board (CEO)



**William Jihua Wang**  
Executive Director of the  
Management Board (CFO)

## Cautionary Note Regarding Forward-looking Statements

This interim report contains certain forward-looking statements. These statements may be identified by words such as “expects”, “looks forward to”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will”, or words of similar meaning. Such statements are based on current assumptions, expectations and forecasts on future sector trends, on future legal and commercial developments, and on the future development of the ZhongDe Group. These assumptions, expectations and forecasts are no guarantee of future performance and are subject to change at any time, and are thus subject to certain risks and uncertainties. A variety of factors, many of which are beyond the ZhongDe Group’s control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of the ZhongDe Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions, changes in the regulatory environment, the introduction of competing products or technologies by other companies, changes in business strategy, our analysis of the potential impact of such matters on our financial statements, as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe’s Securities Prospectus, which is available on the ZhongDe website, [www.zhongdetech.com](http://www.zhongdetech.com). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. ZhongDe does not intend, or assume any obligation, to update or revise these forward-looking statements in the light of developments which differ from those anticipated, unless otherwise required by law.

The English translation of this interim report is for convenience purposes only. The German version of this interim report is binding for legal purposes.

## About ZhongDe Waste Technology AG



ZhongDe Waste Technology AG is listed on the Frankfurt Stock Exchange (German securities identification number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF). Correspondingly, with effect from 1 January 2005, the Company is obliged to prepare its consolidated interim reports in compliance with the International Accounting Standards, as required by the “EU Regulation adopting certain international accounting standards”, Article 6 (2). This condensed interim report was prepared and published pursuant to IAS 34 of the International Financial Reporting Standards (IFRS). The interim report’s scope of consolidation comprises all fully consolidated affiliates.

ZhongDe Waste Technology is an energy-from-waste company that designs, invests in, constructs and operates energy-from-waste plants, which generate electricity through the disposal of solid municipal, industrial (including hazardous) and medical waste. Since 1996, ZhongDe Group has completed approximately 200 waste disposal projects in about 13 provinces in China, of which more than 80 projects have been completed in the last three years.

## Financial Calendar and Contact

### Financial calendar

Date*	Event
30 August 2012	Annual General Meeting
30 August 2012	Interim report on the 1st half of 2012
12-14 November 2012	German Equity Forum, Frankfurt/Main
30 November 2012	Interim report on the 3rd quarter 2012

\* All dates are provisional and may be subject to change.

### Contact Information

This interim report, recent publications, and additional information are all available on the internet at: [www.zhongde-ag.com](http://www.zhongde-ag.com) and [www.zhongde-ag.de](http://www.zhongde-ag.de).

#### ZhongDe Waste Technology AG

William Jihua Wang  
Executive Director and CFO  
Email: [william.jw@zhongdetech.com](mailto:william.jw@zhongdetech.com)

Ying Sun  
Investor Relations  
Herriotstr. 1  
60528 Frankfurt am Main  
Germany  
Phone.: +49 69 67733 172  
Fax: +49 69 67733 200  
Email: [ying.sun@zhongde-ag.de](mailto:ying.sun@zhongde-ag.de)

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#### Kirchhoff Consult AG (Investor & Public Relations)

Herrengaben 1  
20459 Hamburg  
Germany  
Phone.: +49 40 609186 0  
Fax: +49 40 609186 60  
Email: [ir@zhongde-ag.de](mailto:ir@zhongde-ag.de)