

modern waste management



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Key Figures

Operational Data

Amount in k€	Q3 2013	Q3 2012	Change %	9M 2013	9M 2012	Change %
Order intake ¹⁾	0	1,528	0.0	42,070	1,528	>100.0
Adjustment of Order backlog ²⁾	0	0	0.0	(53,888)	0	100.0
Order backlog ²⁾	237,193	131,594	80.2	237,193	131,594	80.2
Revenues	4,881	7,390	(34.0)	7,432	12,337	(39.8)
Gross profit	(879)	1,311	<(100.0)	(702)	1,752	<(100.0)
Gross profit margin	(18%)	18%	(36pp)	(9%)	14%	(23pp)
Cost of sales	5,760	6,079	(5.2)	8,134	10,585	(23.2)
EBITDA	(2,134)	(906) ⁴⁾	<(100.0)	(4,561)	(4,115) ⁴⁾	(10.8)
EBITDA margin	(44%)	(12%)	(32pp)	(61%)	(33%)	(28pp)
EBIT	(2,307)	(760) ⁴⁾	>100.0	(5,145)	(4,224) ⁴⁾	(21.8)
EBIT margin	(47%)	(10%)	(37pp)	(69%)	(34%)	(35pp)
Net result	(2,524)	6,274	<(100.0)	(5,783)	2,128	<(100.0)
Net profit margin	(52%)	85%	(33pp)	(78%)	17%	(95pp)
Earnings per share (in €) ³⁾	(0.20)	0.50	<(100.0)	(0.46)	0.17	<(100.0)

¹⁾ Based on average exchange rate of the period

²⁾ Based on exchange rate at the end of the period

³⁾ Calculated on the basis of 12,600,000 shares

⁴⁾ EBITDA / EBIT adjusted for special effects, as described on page 4, paragraph 02 Operating Results

Cash Flow Data

Amount in k€	Q3 2013	Q3 2012	Change %	9M 2013	9M 2012	Change %
Cash flow from operating activities	(4,090)	(8,554)	52.2	(12,415)	(25,146)	50.6
Cash flow from investing activities	(57)	250	<(100.0)	(192)	(6,786)	97.2
Cash flow from financing activities	(2,153)	1,040	<(100.0)	(1,315)	21,057	<(100.0)

Balance sheet data

Amount in k€	30 September 2013	31 December 2012	Change %
Total assets	195,252	200,741	(2.7)
Non-current assets	75,879	67,942	11.7
Net working capital	77,043	94,530	(18.5)
Cash and cash equivalents	86,075	100,309	(14.2)
Long-term liabilities	46,464	49,713	(6.5)
Shareholders' equity	106,458	112,759	(5.6)
Number of employees	390	391	0.0

02

Highlights of the Third Quarter 2013

Revenues

During the third quarter of 2013 revenues of € 4.9 million were generated, representing a decrease of € 2.5 million or 34.0% compared to the same period of 2012.

Operating Results

In Q3 2013, gross profit amounted to k€ -879, representing a decrease more than 100% compared to Q3 2012. The decrease of gross profit is partly due to changes in the accounting method for the BOT-projects to the zero-profit method and partly due to and an adjustment of the estimated total costs of the projects in Xianning and Kunming.

EBITDA decreased by € 1.2 million to € -2.1 million (Q3 2012: € -0.9 million), while EBIT down by more than 100% to € -2.3 million (Q3 2012: € -0.8 million). Net loss amounted to € -2.5 million in Q3 2013. This corresponds to a decrease of € 8.8 million compared to the same period of the previous year. The net profit of Q3 2012 amounting to € 6.3 million was mainly due to the appreciation of the facility in Beijing amounting to € 6.7 million in Q3 2012 which was reversed at year-end 2012 as it became obvious that the development plans of the site were not stable enough to substantiate the book value of the site. Another major effect on the result of the third quarter 2012 relates to the reversal of a provision amounting to € 1.0 million to cover penalties which were settled at a more favourable amount for ZhongDe in October 2012.

Selling and distribution expenses went down by 71.7% to k€ 135 (Q3 2012: k€ 477) in the third quarter of 2013. Administrative expenses remained on the same level of € 0.9 million in the third quarter of 2013 (Q3 2012:€ 0.9 million).

Order Intake and order Backlog

During Q3 of 2013, order intake was € 0.

Order backlog increased by 80.2% to € 237.2 million year-on-year. On one hand this was a result of the new contract of the Wuhai EPC project in Q2 2013 amounting to €42.1 million and the BOT project in Lanzhou which contributes with € 136.3 million to the order backlog On the other hand the elimination of the order backlog concerning the projects in Zhaodong (€ 26.0 million) and Shouguang (€ 27.9 million) in Q2 2013 reduced the order backlog. These projects were removed from the order backlog because from today's perspective it is probable that these projects will be cancelled.

Cash position

The net cash position as at 30 September 2013 went down by -14.2% to € 86.1 million, compared to € 100.3 million as at 31 December 2012. The decrease in cash is mainly due to payments to suppliers and the payment of interest and principal of loans. ZhongDe's strong cash position generally ensures the flexibility of ZhongDe in the fields of BOT investment and project finance.

03

Share Performance



Positive market sentiment during the first nine months of 2013

The overall market sentiment continued to be very positive in the second half of 2013. This reflects the relatively strong development of the German economy within a challenging European environment. After a short downwards trend in June, DAX further increased and reached its new high with 9,168.69 points on November 15 with a continuing upwards rally. This represents a gain of 20.4% since the beginning of the year. The SDAX ran parallel and reached its highest level on November 14 at 6,724.23 points. It closed at 6,721.11 points on November 15 (+28.0%).

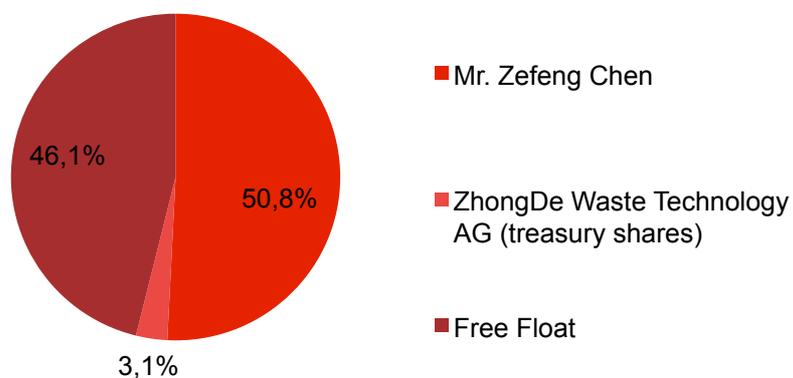
Improved performance of ZhongDe share

The ZhongDe share showed a volatile, but positive performance during the reporting period. The share price gained significantly during the first couple of months of 2013, reaching its interim-high of EUR 2.33 on March 1. It maintained at a level of above EUR 2.00 in March until it declined during April and May and fell to its year-low of EUR 1.45 on 27 June. The share recovered quickly and appreciated in July, even reaching the level of EUR 2.00 again. After a short downwards trend in the first half of September the share price increased strongly to its year high of EUR 2.50 as of November 14. On the following trading day it closed at EUR 2.21 representing a gain of 21.4% compared to the previous year's end price and a market capitalisation of EUR 28.7 million.

Management Board and Investor Relations team provide investors with transparent information

With our Investor Relations activities we would like to increase the awareness of ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and interested parties. We are therefore actively seeking to engage in dialogue with analysts and investors. Again the CFO, William Wang, together with his Investor Relations team participated at the German Equity Forum in Frankfurt this November. We will also carry out regular one-on-one talks and conference calls regarding our business figures. For additional capital market relevant information please visit our website: www.zhongde-ag.de.

Shareholder Structure as of November 15, 2013



Basic data

ISIN	DE000ZDWT018
WKN (German securities identification number)	ZDWT01
Trading symbol	ZEF
Sector	Energy-from-waste industry
Stock category	Individual non-par value nominal shares
Share capital	13,000,000 shares
Stock market segment	Prime Standard, Frankfurt Stock Exchange

Key share indicators 9M 2013 in EUR

Share price	
Period-end price (Sep 30)	2.25
High (Nov 14)	2.50
Low (Jun 27)	1.45
Earnings per share	-0.46
Market capitalization (as of 15 November 2013)	28.7 million

04

Interim Group Management Report

Economic and Political Environment

Macroeconomic Environment

In the first three quarters of 2013, the overall national economy realized steady growth. China's gross domestic product (GDP) rose 7.7 percent in Q1, 7.6 percent in Q2 and 7.7 percent in Q3 2013 compared with one year earlier. The growth in Q3 was mainly a result of government mini-stimulus since late June that featured increased rail and urban fixed-asset investment, tax cuts and loose monetary policy.

Fixed asset investment, a crucial growth driver and a measure of government spending on infrastructure, rose in the first nine months of 2013 by 20.2% compared with a year earlier.

The total retail sales of consumer goods reached 16,881.7 billion RMB, an increase of 12.9 percent. In the first three quarters, the per capita disposable income of urban households was 20,169 RMB, a year-on-year growth of 9.5 percent. The per capita cash income of rural households was 7,627 RMB, up by 12.5 percent year-on-year. The growth of consumer price was generally stable, up by 2.5 percent year-on-year.

The growth rates of exports declined while that of imports accelerated slightly. The total value of imports and exports in the first three quarters of 2013 was 3,060.4 billion US dollars, a year-on-year growth of 7.7 percent. The total value of exports was 1,614.9 billion US dollars, up by 8.0 percent and that of imports was 1,445.5 billion US dollars, up by 7.3 percent. The trade surplus was 169.4 billion US dollars.

The Chinese government is now seeking to restructure its economic mix and boost domestic consumption. The government has sped up projects in infrastructure to support growth. Overall investment in water, environment and other public infrastructure facilities expanded by 29 percent between January and September, which will propel the further development of the WTE plants market in China.

Sector Trend

With the increasing need to dispose of the enormous amount of waste and the growing concerns about safeguarding the environment, the demand for renewable energy and a cleaner environment in China is increasing. China's twelfth five-year plan accordingly includes the installation more than 100 Waste to energy plants during 2011-2015.

On 1 August of 2013, the State Council issued the 'Opinions on Accelerating the Development of Energy-saving Environmental Industry' including the following key points:

- Acceleration of the upgrading of energy-saving technical equipment and promoting the installation of high-efficient boilers, development a batch of manufacturing base and large-sized backbone production enterprises for high-efficient boilers.
- Prioritization of large-sized waste incineration grate furnace and drive systems, circulating fluidized bed pretreatment techniques, incineration gas purification technology and waste leachate treatment technology, etc, especially on municipal waste incinerator with daily capacity above 300 tons per day and complete sets of gas purification equipment.
- The development of the energy-saving environmental service industry including .the promotion of EPC and BOT model for environmental protection and environment treatment, including system design, equipment package, engineering construction, debugging and operation, maintenance management in the key areas, such as sewage treatment, municipal waste treatment, flue gas desulfurization and denitrification, industrial pollution treatment, etc.

Result of operations

Amount in k€	Q3 2013	Q3 2012	Change %	9M 2013	9M 2012	Change %
Revenue	4,881	7,390	(34.0)	7,432	12,337	(39.8)
Cost of sales	(5,760)	(6,079)	5.2	(8,134)	(10,585)	23.2
Gross profit	(879)	1,311	<(100.0)	(702)	1,752	<(100.0)
Other operating income	3	7,764	(100.0)	65	7,845	(99.2)
Selling and distribution expenses	(135)	(477)	71.7	(316)	(1,127)	72.0
Administrative expenses	(894)	(863)	(3.6)	(2,636)	(2,677)	1.5
Research and development expenses	(47)	(47)	0.0	(129)	(137)	5.8
Other operating expenses	(355)	(685)	48.2	(1,427)	(2,117)	32.6
Result from operations	(2,307)	7,003	<(100.0)	(5,145)	3,539	<(100.0)
Finance income	675	756	(10.7)	1,986	2,266	(12.4)
Finance costs	(828)	(1,210)	31.6	(2,492)	(3,001)	17.0
Result before income tax	(2,460)	6,549	<(100.0)	(5,651)	2,804	<(100.0)
Income tax expense	(64)	(275)	76.7	(132)	(676)	80.5
Net loss/profit for the period	(2,524)	6,274	<(100.0)	(5,783)	2,128	<(100.0)

Total revenues for the period from 1 January to 30 September amounted to € 7.4 million. Thereof € 6.4 million have accounted for under the PoC-method for BOT projects and € 1.0 million for trial run operations of Zhoukou.

During the third quarter of 2013 revenues of € 4.9 million were generated, representing a decrease of € 2.5 million or 34.0% compared to the same period of 2012. The revenues mainly relate to the progress of the construction of BOT projects in Xianning € 2.4 million and Kunming € 1.9 million.

As the development in the past documents, that the BOT-projects do not show a sufficiently predictable development, the revenues presented according to the stage of completion of the referring projects do not include the profit margin since the beginning of the second quarter (zero-profit-method). This led to a reduction of revenues amounting to k€ 922.

In Q3 2013, gross profit decreased to k€ -879, representing a decrease of more than 100% compared to Q3 2012. The decrease of gross profit is partly due to changes in the accounting method for the BOT-projects to the zero-profit-method and partly due to an adjustment of the estimated total costs of the BOT-projects in Xianning and Kunming. Furthermore the slow progress of completion of the projects had a negative impact.

EBITDA decreased by € 1.2 million to € -2.1 million (Q3 2012: € -0.9 million), while EBIT down by more than 100% to € -2.3 million (Q3 2012: € -0.8 million). Net loss amounted to € -2.5 million in Q3 2012 representing a decrease of € 8.8 million compared to the same period of the previous year. The net profit of Q3 2012 amounting to € 6.3 million was mainly due to the appreciation of the facility in Beijing amounting to € 6.7 million in Q3 2012 which was reversed at year-end 2012 as it became obvious that the development plans of the site were not stable enough to substantiate the book value of the site. Another major effect on the result of the third quarter 2012 related to the reversal of a provision amounting to € 1.0 million to cover penalties which were settled at a more favourable amount for ZhongDe in October 2012.

Selling and distribution expenses went down by 71.7% to k€ 135 (Q3 2012: k€ 477) in the third quarter of 2013. Administrative expenses stayed on the same level as € 0.9 million in the third quarter of 2013 (Q3 2012: € 0.9 million).

At the end of Q3 2013, shareholders' equity decreased by 5.6% to € 106.5 million. The Company maintains an equity ratio of 54.5%.

The cash position as at 30 September 2013 went down by 14.2% to € 86.1 million, compared to € 100.3 million as at 31 December 2012, mainly due to payments to suppliers and the payment of interest and principal of loans. ZhongDe's cash position still remains strong and ensures the flexibility of ZhongDe in the fields of BOT investment and project finance.

Current status of energy-from-waste projects

(as of 30 September 2013)

EPC Projects under Construction	EPC	
	Zhucheng	Dingzhou
Daily capacity (tons/day)	500	600
PoC as of 30 Sept. 2013	59.2%	16.7%
Estimated time of completion	2014	2014

BOT Projects under Construction	BOT		
	Zhoukou	Kunming	Xianning
Daily capacity (tons/day)	500	700	600
Average annual power generation capacity (MWh)	> 50	> 70	> 60
PoC as of 30 Sept. 2013	88.3%	73.4%	83.4%
Estimated time of completion	2014	2014	2014

EPC Projects

Zhucheng

According to a notice which was sent by customer in August, 2013, the Zhucheng project was resumed. At the end of Q3 2013 the percentage of completion of the EPC project in Zhucheng remained at 59.2%, as the restart of the project required preparatory work before resuming the construction. We expect that the construction of the Zhucheng EPC project will be completed in the middle of 2014.

Dingzhou Project

According to a notice which was sent by customer in August 2013, the Dingzhou project was resumed. At the end of Q3 2013 the percentage of completion of the EPC project in Dingzhou still remained at 16.7% due to preparatory work required before resuming the construction. We expect that the construction of Dingzhou EPC project will be completed in the middle of 2014.

For both EPC projects the company received prepayments from the customers covering the PoC-receivable capitalized.

BOT Projects

Zhoukou BOT project

At the end of Q3 2013 the percentage of completion of the project in Zhoukou remained nearly unchanged at 88.3% (30 June 2013 87,7%). The Department of Henan Environmental Conservation approved the official start of the trial runs on 10 August 2013 which will last until the 10 February 2014. The outstanding work relates to decoration for the complex office building. The Zhoukou project is expected to be completed by mid-2014.

Kunming BOT project

At the end of Q3 2013 the percentage of completion of the project in Kunming is 73.4% (30 June 2013 67.8%).

The construction work for cooling tower and complex water pump house has been completed.

The remaining work relates to the following:

- 1) Civil construction
the construction work for the fence of the front door 30%, the construction work for the factory road 50%, the construction work for trestle bridge 40%, the construction work for the plant's net rack 10%. The decoration work for main plant,
- 2) Installation
The No.1 & No.2 incinerator remaining installation, pipeline construction for water cycle system, chemical water equipment installation; firefighting equipment installation; pipeline installation for extraneous water.

The construction for the Kunming project is expected to be completed at the end of 2014. Afterwards, trial runs will be started, followed by the approval from the customer.

Xianning BOT project

At the end of Q3 2013 the percentage of completion of the project in Xianning was 83.4% (30 June 2013 74.8%).

Construction work for main plant and auxiliary building has been completed. Construction work for **percolate** treatment system has been completed. No.1 incinerator has been devoted into operation, steam electricity-generator were ready for Grid-Connected. Installations for No.2 boiler, No.2 furnace grate; auxiliary equipment to No.2 incinerator and No.2 gas purified system has been completed. The installation work for pipeline inside the plant has been completed

The remaining work relates to the following:

- 1) Civil construction
The improvement of plant road, construction for landscape engineering, construction for the flying ash solidification treatment workshop; decoration tail works for the main factory and the furnace building construction for #2 boiler.
- 2) Installation
Debugging of Leachate system pipeline.and of No.2 incinerator has begun.

The construction for the Xianning project is expected to be completed by mid-2014. Afterwards, trial runs will be started, followed by the approval from the customer.

Lanzhou BOT Project

The project is still in the preparatory stage as the approvals, such as the environment evaluation, the land use right, etc. have still not been granted and the project planning has to be completed. After the design of the project is finalized, the original budget will be adjusted to actual planning figures. The Lanzhou project company is currently negotiating with potential partners to set up a joint venture to invest in the biggest BOT project of ZhongDe.

Feicheng BOO Project

In Q3 2013 the plant in Feicheng generated guaranteed payments for its operating business. As the plant does not generate electricity, ZhongDe has decided to sell the site. Although the sale of the plant was planned to be completed by September, negotiations are continuing. However, management is convinced that the sale will be completed before year end.

Order development

Amount in k€	BOT				EPC					Incinerators			Total
	Zhou-kou	Xian-ning	Kun-ming	Lanz-hou	Zhao-dong	Shou-guang	Zhu-cheng	Dingz-hou	Wuhai	Qixi-an	Xiang-yin	Zhe-jiang	
Order Backlog as at 1 January 2013	3,408	9,198	13,326	137,073	26,104	28,072	11,383	24,620	0	1,248	1,425	1,508	257,365
Order intake in 2013	0	0	0	0	0	0	0	0	42,070	0	0	0	42,070
Revenues in 2013	160	2,895	3,321	0	0	0	0	0	0	0	0	0	6,376
Adjustments in 2013	0	0	0	0	(25,965)	(27,923)	0	0	0	0	0	0	(53,888)
Currency translation differences	(16)	1	(14)	(726)	(139)	(149)	(60)	(129)	(723)	(7)	(8)	(8)	(1,978)
Order Backlog as at 30 September 2013	3,232	6,304	9,991	136,347	0	0	11,323	24,491	41,347	1,241	1,417	1,500	237,193

During Q3 of 2013, order intake was € 0.

Order backlog increased by 80.2% to € 237.2 million year-on-year. On one hand this was a result of the new contract of the Wuhai EPC project in Q2 2013 amounting to €42.1 million and the BOT project in Lanzhou which contributes with €136.3 million to the order backlog, and on the other hand the reduction of the order backlog concerning the projects in Zhaodong (€26.0 million) and Shouguang (€27.9 million) in Q2 2013.

Business segments overview

Amount in k€	Q3 2013	Q3 2012	Change %	9M 2013	9M 2012	Change %
EPC Project						
Revenues (POC)	0	4	0.0	0	381	0.0
Gross profit	0	1	0.0	0	72	0.0
BOT Project						
Revenues (thereof POC in 9M 2013: k€ 6,376)	4,881	7,386	(33.9)	7,432	11,956	(37.8)
Gross profit	(879)	1,310	<(100.0)	(702)	1,680	<(100.0)
Total Revenues	4,881	7,390	-34.0	7,432	12,337	(39.8)
Total Gross Profit	(879)	1,311	<-100.0	(702)	1,752	<-100.0

EPC projects

At the end of Q3 2013 the EPC projects are restarted after being temporarily suspended since May 2012. After the preparatory works, construction will resume in Q4 2013 and then lead to further revenues.

BOT projects

In Q3 2012, the current four BOT projects contributed € 4.9 million to consolidated revenues. The slow progress in the first half of the year is on one hand due to the long Chinese Spring Festival and extreme cold weather in the north of China and delayed approvals for work already performed by subcontractors. On the other hand the application of the zero-profit-method is applied from second quarter on. Accordingly total revenues recognizable in Q3 are lower. The Q3 revenues mainly relate to the progress of the construction of the BOT projects in Xianning € 2.4 million and Kunming € 1.9 million.

Net worth

Amount in k€	30 September 2013	31 December 2012	Change %
Non current assets	75,879	67,942	11.7
Current assets	119,373	132,799	-10.1
Equity	106,458	112,759	-5.6
Liabilities	88,794	87,982	0.9
Balance sheet total	195,252	200,741	-2.7

The balance sheet total amounted to € 195.3 million as of 30 September 2013. Current assets edged down by 10.1% from € 132.8 million to € 119.4 million, while equity went down by € 6.3 million to € 106.5 million. The Company's equity ratio consequently went down to 54.5% as at 30 September 2013 compared to 56.2% as at 31 December 2012.

Cash flow

Amount in k€	Q3 2013	Q3 2012	Change %	9M 2013	9M 2012	Change %
Cash flow from operating activities	(4,090)	(8,554)	52.2	(12,415)	(25,146)	50.6
Cash flow from investing activities	(57)	250	<(100.0)	(192)	(6,786)	97.2
Cash flow from financing activities	(2,153)	1,040	<(100.0)	(1,315)	21,057	<(100.0)

Cash Position

The net cash position as at 30 September 2013 decreased to € 86.1 million, compared to € 100.3 million as at 31 December 2012. This mainly due to payments to suppliers and the payment of interest and principal of loans. The existing funds are planned to be invested in budgeted projects such as the BOT project of Lanzhou. In addition, they are expected to serve to finance further business activities.

Financing

As at 30 September 2013, the group's loans amounted to €50.9 million compared to € 52.9 million as at 31 December 2012.

Please refer to the detailed presentation below:

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term	Received as of	Received as of
		in EUR	in RMB	in %		in years	30 Sept. 2013
						in EUR	in RMB
Zhoukou	Bank of China	12,099,946	100,000,000	7.45	10	12,099,946	100,000,000
Kunming	China Merchants Bank	21,779,902	180,000,000	8.07	10	21,779,902	180,000,000
Kunming	Huarong Leasing	14,519,935	120,000,000	11.58	5	9,041,079	74,720,000
Xianning	China Merchants Bank	14,277,936	118,000,000	8.20	10	14,277,936	118,000,000
Xianning	Huarong Leasing	10,889,951	90,000,000	11.95	5	7,117,188	58,820,000

Opportunities and risks

For the information on opportunities and risks, please refer to our Risk Report in the Group Management Report as of 31 December 2012. There were no significant changes in opportunities and risks as of 30 September 2013.

Outlook

In the new five-year plan of China's Central Government, the environment protection industry is chosen to be one of the seven strategic key industries. These strategic industries will benefit from Chinese Government's special financial supporting policies. They will account for 8% of GDP in 2015 and are expected to reach 15% of GDP in 2020.

In 2013, China's Central Government issued a series of new stimulating policies promoting the Environment protection industry in China and will spend 5 billion RMB (0.6 billion EUR) to clean the air pollution around Beijing. During the 11th five-year plan period (from 2006 to 2010), the investment for solid waste treatment reached RMB 210 billion, with an average annual growth rate of 18.5%. The Chinese Academy for Environmental Planning estimated that during the 12th five-year plan period (from 2011 to 2015), the investment for solid waste industry will amount to RMB 800 billion, quadrupling 11th five-year plan period. The waste-to-energy industry should experience rapid development during the 12th five-year plan.

For ZhongDe 2013 is still a very challenging transition period. Our financial performance in 2013 will be highly affected by our ability to achieve the planned construction progress of the EPC projects in Zhucheng and Dingzhou and the progress of the BOT projects in Xianning and Kunming. The BOT project in Zhoukou is expected to pass the trial run period in 2014 and will then be finally approved by the local municipal government. We plan to complete the sale of Feicheng Project and Beijing Miyun manufacturing site at the end of 2013. The delay of the sale of both sites is due to further negotiations. The management is nevertheless confident to close the transactions in 2013. According to the current planning and by adopting that no unforeseeable events will happen, we expect that ZhongDe Group can generate a better result in 2013 compared to 2012.

Looking ahead, ZhongDe expects to benefit from the favourable economic environment for eco-friendly waste disposal as well as from the growing demand for waste-to-energy plants in China and throughout Asia. The Company plans to generate more construction revenues from the EPC projects in Wuhai, Zhucheng and Dingzhou and the BOT projects in Lanzhou, Xianning and Kunming and recurring revenues from the operation of the Zhoukou BOT projects (and later the Xianning and Kunming BOT projects) in 2014, by delivering sustainable earnings stream from electricity sales. The operation of the BOT projects will further lead to cash flows from guaranteed payments from the customers which will reduce the existing BOT-receivables according to the accounting model.

We must point out, however, that these expectations are subject to uncertainties, even though currently we do not have any information as to other developments.

05

Condensed Consolidated Financial Statements for the period from 1 January to 30 September 2013

05.1

Condensed Nine-Month Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2013

Amount in k€	Q3 2013	Q3 2012	9M 2013	9M 2012
Revenue	4,881	7,390	7,432	12,337
Cost of sales	(5,760)	(6,079)	(8,134)	(10,585)
Gross profit	(879)	1,311	(702)	1,752
Other operating income	3	7,764	65	7,845
Selling and distribution expenses	(135)	(477)	(316)	(1,127)
Administrative expenses	(894)	(863)	(2,636)	(2,677)
Research and development expenses	(47)	(47)	(129)	(137)
Other operating expenses	(355)	(685)	(1,427)	(2,117)
Result from operations	(2,307)	7,003	(5,145)	3,539
Finance income	675	756	1,986	2,266
Finance costs	(828)	(1,210)	(2,492)	(3,001)
Result before income tax	(2,460)	6,549	(5,651)	2,804
Income tax expenses	(64)	(275)	(132)	(676)
Result for the period	(2,524)	6,274	(5,783)	2,128
Foreign exchange differences	(3,183)	(1,569)	(518)	810
Other comprehensive income	(3,183)	(1,569)	(518)	810
Total comprehensive income	(5,707)	4,705	(6,301)	2,938
Result attributable to owners of the parent	(2,524)	6,274	(5,783)	2,128
Total comprehensive income attributable to owners of the parent	(5,707)	4,705	(6,301)	2,938
Earnings per share (diluted and undiluted)(in EUR)	-0.20	0.50	-0.46	0.17
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

05.2

Condensed Nine-Month Consolidated Statement of Financial Position

As at 30 September 2013

Betrag in TEUR	30 September 2013	31 December 2012	30 September 2012
Assets			
<i>Non-current assets</i>			
Intangible assets	18,597	16,411	21,627
Prepayments for land use rights	3,415	3,484	897
Property, plant and equipment	613	805	940
Construction in progress	151	0	9,433
Receivables from BOT projects	52,849	47,070	43,958
Deferred tax assets	254	172	174
	75,879	67,942	77,030
<i>Current assets</i>			
Inventories	3,272	2,387	2,142
Trade receivables	295	201	727
Other receivables and prepayments	22,211	22,606	28,854
Amounts due from related parties	19	47	13
Cash and cash equivalents	86,075	100,309	108,737
Assets held for sale	7,501	7,249	0
	119,373	132,799	140,473
Total assets	195,252	200,741	217,503
Liabilities and Equity			
<i>Equity</i>			
Capital and reserves			
Issued capital	13,000	13,000	13,000
Own shares	(4,608)	(4,608)	(4,608)
Capital reserves	62,914	62,914	62,914
Statutory reserves	7,972	7,972	7,972
Retained earnings	3,804	9,587	23,945
Foreign exchange difference	23,376	23,894	25,383
Total Equity	106,458	112,759	128,606
<i>Long-term liabilities</i>			
Long-term loans	44,800	47,927	48,865
Deferred tax liabilities	1,664	1,786	3,699
	46,464	49,713	52,564
<i>Current liabilities</i>			
Trade payables	16,300	15,784	15,329
Other payables and prepayments	15,717	13,081	13,691
Provisions	2,710	2,725	2,475
Amounts due to related parties	1	215	30
Tax liabilities	135	251	294
Other Financial liabilities	6,093	4,984	4,514
Liabilities associated with assets held for sale	1,374	1,229	0
	42,330	38,269	36,333
Total liabilities	88,794	87,982	88,897
Total liabilities and equity	195,252	200,741	217,503

05.3

Condensed Nine-Month Consolidated of Cash Flows

for the period from 1 January to 30 September 2013

Amount in k€	9M 2013	9M 2012
Loss / Profit before income tax	(5,651)	2,804
Adjustments for:		
Amortization of intangible assets	328	19
Expensing of land use rights	51	0
Allowance for doubtful trade debts	4	(12)
Provision for warranty	0	90
Depreciation of property, plant and equipment	205	364
Gains/losses PPE	0	26
Appreciation Beijing Building	0	(6,739)
Interest income / exchange gains	(1,986)	3,001
Interest expense / exchange losses	2,492	(931)
Operating cash flows before working capital changes	(4,557)	(1,378)
Working capital changes:		
(-) Increase)/ (+) decrease in:		
Inventories	(913)	(327)
Trade receivables	(417)	678
Other receivables and prepayments	591	(10,417)
Amounts due from related parties	28	294
PoC receivables from BOT projects	(6,395)	(8,618)
(+) Increase)/ (-) decrease in:		
Trade payables	684	(3,211)
Other payables, provisions and accruals	2,419	(3,050)
Amounts due to related parties	(216)	24
Cash used in operations	(8,776)	(26,005)
Interest received	256	930
Interest paid	(3,542)	0
Income tax paid	(353)	(71)
Net cash used in operating activities	(12,415)	(25,146)
Cash flow from investing activities		
Purchase property, plant, equipment and intangible assets	(192)	(6,786)
Cash flow used in investing activities	(192)	(6,786)
Cash flow from financing activities		
Borrowings	2,770	23,096
Repayments of loans	(4,538)	(4,035)
Cash repayments of Financial Assets (BOT-Projects)	453	4,996
Interest paid/exchange losses	0	(3,000)
Cash flow from financing activities	(1,315)	21,057
Net increase (+) / decrease (-) in cash and cash equivalents	(13,922)	(10,875)
Cash at beginning of year	100,313	117,308
Foreign exchange differences	(313)	2,304
Cash at end of period	86,078	108,737
of which: included in assets held for sale	(3)	0
of which: cash and cash equivalents as presented in the condensed consolidated statement of financial position	86,075	108,737

05.4

Condensed Nine-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 30 September 2013

Amount in k€	Numbers of shares outstanding	Share capital ZhongDe Technology AG	Capital Reserves	Statutory Reserves	Own shares	Retained earnings	Currency translation reserve (other comprehensive income)	Total equity
Balance as at 1 January 2012	12,600,000	13,000	62,914	7,972	(4,608)	21,817	24,573	125,668
Total comprehensive income for this period						2,128	810	2,938
Balance as at 30 September 2012	12,600,000	13,000	62,914	7,972	(4,608)	23,945	25,383	128,606
Balance as at 1 January 2013	12,600,000	13,000	62,914	7,972	(4,608)	9,587	23,894	112,759
Total comprehensive income for this period						(5,783)	(518)	(6,301)
Balance as at 30 September 2013	12,600,000	13,000	62,914	7,972	(4,608)	3,804	23,376	106,458

05.5

Selected Notes to the Condensed Interim Consolidated Financial Statements

Business of the ZhongDe Group

The ZhongDe Group designs, manufactures and installs incinerators for the disposal of solid medical, municipal (mixed household refuse) and industrial (including hazardous) waste. This involves a variety of incineration techniques: grate, pyrolytic and rotary kiln incineration as well as fluidized bed combustion. The ZhongDe Group waste incinerators are designed primarily for dedicated operators responsible for the disposal of medical waste produced by hospitals and the health industry, and also for small and medium-sized municipalities in developed areas of the People's Republic. Furthermore, as a general contractor of EPC projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction and installation of waste incinerators with a power generation with the above mentioned techniques (energy-from-waste). In addition to the above EPC-role, the ZhongDe Group also produces and operates the energy-from-waste plants as an investor in BOT projects. The work and services required in connection with EPC and BOT projects are not carried out by the ZhongDe Group itself but by Chinese subcontractors.

General

ZhongDe Waste Technology AG, Frankfurt am Main, ("the Company" or "ZhongDe AG") is the parent company of the ZhongDe Group. The condensed interim consolidated financial statements for the period 1 January to 30 September 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., which is located in Hong Kong.

Basis of preparation

The condensed interim consolidated financial statements of the ZhongDe Group are prepared for the nine months period ended 30 September 2013 with comparative financial statements as at 31 December 2012 and 30 September 2012.

The condensed interim consolidated financial statements were prepared in accordance with Section 37w German Securities Trading Act (WpHG), the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), its interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) for condensed interim financial information effective within the European Union and the additional requirements of German commercial law pursuant to sec. 315a (1) of the German Commercial Code (HGB). Accordingly, these condensed third quarter consolidated financial statements do not include all of the information required in annual consolidated financial statements by IFRS.

With regard to the preparation of the condensed 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. The condensed interim consolidated financial statements have been reviewed. In the opinion of ZhongDe Waste Technology AG's Management Board, the condensed second quarter consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods.

Results of the period ended 30 September 2013 are not necessarily indicative for future results.

The condensed interim consolidated financial statements for the Q3 of 2013 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The third quarter financial statements of the individual consolidated companies are prepared as of the closing date for the Group third quarter financial statements. The condensed third quarter consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 September 2013 were authorised for issue in accordance with a resolution of the Management Board on 27 November 2013.

Significant accounting policies

The accounting policies applied by the Group in the condensed 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 2012. For further details, please refer to the consolidated financial statements available on the Company's website: www.zhongdetech.com.

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.

Changes in accounting policies

Our BOT-projects in Zhoukou, Xianning and Kunming are again delayed, which probably leads to an increase of project costs. Consequently, the management could not reliably estimate total revenues and/or costs for such projects so that the POC-method could no longer be applied. Therefore, the zero-profit-method has been applied for these projects from Q2 on, because the stage of completion appears to be not reliably measureable. Under the zero-profit-method revenues are only recognised to the extent costs incurred are recoverable on the referring project. Due to the application of this method revenues amounting to about €0.9 million EUR have not been accounted for.

Standards, amendments and interpretations to existing standards applied for the first time in the reporting period

The Group had to apply the following new standards, amendments to existing standards or new interpretations for the first time:

- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income
- IAS 12 (Amendments) – Deferred Tax: Recovery of Underlying Assets
- IAS 19 (Amendments) – Employee Benefits
- IFRS 1 (Amendments) – Government Loans
- IFRS 1 (Amendments) – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters
- IFRS 7 (Amendments) – Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13 – Fair Value Measurement
- IFRIC Interpretation 20 - Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs 2009-2011

The first-time application of these standards and interpretations did not have a significant impact on the net-assets, financial position and results of operations of the Group.

Published but not yet applied standards, amendments and interpretations

At the time of the preparation of the group condensed interim consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable in the third quarter 2013, and were therefore not applied by the ZhongDe Group.

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 32 (Amendments) – Presentation – Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- IFRS 9 - Financial Instruments and Subsequent Amendments (amendments to IFRS 9 and IFRS 7)
- IFRIC 21- Levies
- IAS 19 – Employee Benefits (Amendments to IAS 19)

Management does not expect the standards to have a material effect on the Group's financial statements.

Segment analysis and information

A. Business segments

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

In the third quarter of 2013 only the BOT projects contributed to gross profit, as the EPC projects which were temporarily suspended, resumed construction only after the end of the third quarter and the recovery of the small-size incinerator market is very slow.

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 nine months of 2013:

Amount in k€	Incinerators		EPC		BOT		Total reportable segments		Unallocated		Consolidation		Group	
	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012
Revenues	0	0	0	381	7,432	11,956	7,432	12,337	0	0	0	0	7,432	12,337
Intercompany revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	0	381	7,432	11,956	7,432	12,337	0	0	0	0	7,432	12,337
Total gross profit from reportable segments	0	0	0	72	(702)	1,680	(702)	1,752	0	0	0	0	(702)	1,752
Order intake	0	1,528	42,070	0	0	0	42,070	1,528	0	0	0	0	42,070	1,528
Adjustment of Order backlog	0	0	(53,888)	0	0	0	(53,888)	0	0	0	0	0	(53,888)	0
Order Backlog	4,158	2,704	77,161	91,156	155,874	37,735	237,193	131,594	0	0	0	0	237,193	131,594

Functional and presentation currency

	30 September 2013	30 September 2012
Exchange rate RMB/€ at the end of the period	8.2645	8.1261
Average exchange rate RMB/€ for Q3	8.1225	8.1104
	30 September 2013	30 September 2012
Exchange rate HKD/€ at the end of the period	10.4722	10.0258
Average exchange rate HKD/€ for Q3	10.2176	9.9448

The functional currency of the consolidated subsidiaries and ZhongDe Waste Technology AG is the RMB.

Related Party Information

ZhongDe is related in the course of its normal business activities to its CEO and majority shareholder Mr. Chen Zefeng and several companies attributable to Mr. Chen Zefeng. These companies are disclosed in the list of related parties in the notes to the consolidated financial statements for the year ending 31 December 2012.

The following transactions took place between the Group and the above-listed related parties during the nine-month period from 1 January to 30 September 2013:

in kEUR	Q3 2013	Q3 2012
Related parties		
Rental, water and electricity fee	105	113
Purchase of goods	0	0

The transactions with related parties were based on market prices.

Receivables from and liabilities to related companies as a result of related party transactions are disclosed in the table below.

in kEUR	30. September 2013	31. December 2012
Due from related parties		
Other receivables	19	47
	19	47
Allowance for doubtful trade debts	0	0
	19	47
Due to related parties		
Trade	1	215
Other payables	0	0
	1	215

Subsequent Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of the condensed consolidated financial statements.

Frankfurt, 27 November, 2013

ZhongDe Waste Technology AG



Zefeng Chen
Chairman of the
Management Board (CEO)



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

Review Report

To ZhongDe Waste Technology AG, Frankfurt/Main

We have reviewed the condensed interim consolidated financial statements –comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected notes – and the interim group management report of ZhongDe Waste Technology AG, Frankfurt/Main, for the period from 1 January 2013 to 30 September 2013 which form part of the quarterly financial reporting in accordance with section 37x paragraph 3 in conjunction with section 37w paragraph 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Hamburg, 27 November 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Clemens
Wirtschaftsprüfer
(German Public Auditor)

von Oertzen
Wirtschaftsprüfer
(German Public Auditor)

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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 Group Management Report 2012, which is available on the ZhongDe website: 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).

ZhongDe Waste Technology is a waste-to-energy company that designs, invests in, constructs and operates waste-to-energy 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. ZhongDe is one of the most well-known players in the field of energy-from-waste EPC and BOT projects in China. As a general contractor of EPC projects, ZhongDe is responsible for the design, procurement, construction and installation of energy-from-waste plants applying different technologies, such as grate, fluidized bed, pyrolytic or rotary kiln. As an investor in BOT projects, ZhongDe also operates energy-from-waste plants.

The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany. The Chinese headquarter is located in Beijing, China. ZhongDe's production facility is in Fuzhou, China.

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Financial Calendar

Date	Event
29 April 2014	Annual Report 2013
28 May 2014	Interim report on the first quarter of 2014
27 June 2014	Annual General Meeting
28 August 2014	Interim report on the first half of 2014
24-26 November 2014	German Equity Forum of Deutsche Börse, Frankfurt/Main
28 November 2014	Interim report on the third quarter of 2014

Contact Information

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

ZhongDe Waste Technology AG

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