

ZhongDe Waste Technology AG

3rd Quarterly Report 2014

A red silhouette of a city skyline, featuring various skyscrapers and structures, including a prominent tower with a spherical top on the left side. The skyline is set against a white background and is positioned above a solid red horizontal bar.

modern waste management

00

Table of Contents

01	Key Figures	3
02	Share Performance	4
03	Interim Group Management Report	6
04	Condensed Consolidated Financial Statements for the period from 1 January to 30 September 2014	18
04.1	Condensed Interim Consolidated Statement of Comprehensive Income	18
04.2	Condensed Interim Consolidated Statement of Financial Position	19
04.3	Condensed Interim Consolidated Statement of Cash Flows	20
04.4	Condensed Interim Consolidated Statement of Changes in Equity	21
04.5	Selected Notes to the Condensed Interim Consolidated Financial Statements	22
05	Review Report	28
06	Cautionary Note Regarding Forward-looking Statements	30
07	About ZhongDe Waste Technology AG	31
08	Financial Calendar and Contact Information	32

01

Key Figures

Operational Data

Amount in k€	Q3 2014	Q3 2013	Change %	9M 2014	9M 2013	Change %
Order intake	0	0	0.0	0	42,070	-100.0
Order backlog ¹⁾	231,897	237,193	-2.2	231,897	237,193	-2.2
Revenues	6,949	4,881	42.4	11,510	7,432	54.9
Gross profit	2,140	(879)	>100	2,403	(702)	>100
Gross profit margin	31%	-18%	49 pp	21%	-9%	30 pp
Cost of sales	(4,809)	(5,760)	-16.5	(9,107)	(8,134)	12.0
EBITDA	96	(2,134)	>100	(2,068)	(4,561)	54.7
EBITDA margin	1%	-44%	45 pp	-18%	-61%	43 pp
EBIT	(272)	(2,307)	88.2	(3,064)	(5,145)	40.4
EBIT margin	-4%	-47%	43 pp	-27%	-69%	43 pp
Net result	(1,046)	(2,524)	58.6	(5,471)	(5,783)	5.4
Net result margin	-15%	-52%	37 pp	-48%	-78%	30 pp
Earnings per share (in €) ²⁾	(0.08)	(0.20)	60.0	(0.43)	(0.46)	6.5

¹⁾ Based on exchange rate at the end of the period.

²⁾ Calculated on the basis of 12,600,000 shares.

Cash Flow Data

Amount in k€	Q3 2014	Q3 2013	Change %	9M 2014	9M 2013	Change %
Net cash used in operating activities	(6,364)	(4,090)	-55.6	(25,286)	(12,415)	<-100
Cash flow used in / from investing activities	18	(57)	>100	1,191	(192)	>100
Cash flow used in / from financing activities	(1,152)	(2,153)	46.5	(3,255)	(1,315)	<-100

Balance Sheet Data

Amount in k€	30 September 2014	31 December 2013	Change %
Total assets	224,158	228,754	-2.0
Non-current assets	78,807	67,529	16.7
Net working capital ¹⁾	92,860	102,367	-9.3
Cash and cash equivalents	89,245	110,076	-18.9
Long-term liabilities	66,458	66,942	-0.7
Shareholders' equity	105,209	102,954	2.2
Number of employees	370	372	-0.5

¹⁾ Current asset less current liabilities

02

Share Performance



Share price developed volatile in the third quarter and could not get back to the level of the first half year

ZhongDe's share price fell significantly during the course of the year. Starting from € 4.50 (closing price 30 December 2013), the share price developed very volatile in January and February. This was followed by a significant downward trend, reaching an interim year-low of € 2.57 on May 7. This trend did not reverse until mid of May. In the following two trading days the share price went up strongly to € 3.50 as of 21 May – unfortunately just a short-term movement. As at the end of the first half-year, ZhongDe share quoted at € 3.10. During the third quarter the price went further down to a level of € 2.80 as at September 30. During the first half of October a significant downward movement was recorded – ZhongDe share reached its year low of € 2.00 as of 16 October. Afterwards the share price could stabilise and increased to € 2.55 as of 13 November. This corresponds to a market capitalisation of € 36.4 million.

DAX and SDAX also weakened especially in October. Nevertheless, both benchmark indices got nearly back to the level at the end of 2013 recording only a slight loss of 3.2% (DAX) and 0.03% (SDAX) until 13 November. The uncertain general stock market sentiment mainly stemmed from the critical situation between Russia and the European Union arising from the conflict in Ukraine. Import bans directly influence trade relationship between Russia and the EU, dampening the future economic outlook for both. The worsening political crisis in Iraq further dimmed the prospects of the equity market.

Management Board and Investor Relations team provide investors with transparent information

With our Investor Relations activities we intend to increase the awareness of ZhongDe Group within the financial community and communicate a transparent picture of business development to investors and other interested parties. We are therefore actively seeking to engage in dialogue with analysts and investors. This year, we have once again participated in the German Equity Forum in Frankfurt in November and held our annual analyst conference.

We will also carry out regular one-on-one talks and conference calls regarding our business figures. You can find additional information relevant to the capital market at www.zhongde-ag.de.

Basic data	
ISIN	DE000ZDWT018
WKN (German securities identification number)	ZDWT01
Trading symbol	ZEF
Sector	Industry
Stock category	Individual non-par value nominal shares

Key share indicators 2014 (in EUR)	
Period-end price (30 September)	2.80
High (8 January)	4.97
Low (16 October)	2.00
Earnings per share	(0.43)
Market capitalisation (as of 30 November)	33.2 million

03

Interim Group Management Report

Macroeconomic-Environment

According to the National Statistic Bureau of China, the gross domestic product (GDP) of China was 41,990.8 billion yuan in 2014, a year-on-year increase of 7.4% at comparable prices (7.4% in Q1, 7.5% in Q2, and 7.3% in Q3).

The investment (especially in real estate) and domestic consumption kept weak, while export kept strong and remained as the major engine of the economy growth. The adjustment of the economy structure has improved and the service industry has increased to 46.7% of GDP.

This tendency shows that the continuously high growth rate of 10% of China's economy in the past has been replaced by a 7% growth rate, which can be described as "normalised level". China has been declared as biggest economy in the world by IMF in October, 2014, according to PPP (Purchase Power Price).

Due to the new normalized situation in China, the companies put more focus on R&D to continuously upgrade their technology as well as their quality of products and services. The protection of the environment has also become vital issue in China.

Sector Trend

The energy-from-waste industry still benefits from the stimulating environmental protection policies and the efforts to improve environment protection in China.

The Ministry of Environmental Protection promulgated new emission standards of air pollutants from boiler (GB 13271-2014) and municipal solid waste incineration (GB 18485-2014) on 30 May 2014.

The updated “Emission standard of air pollutants for boiler” has added the mission limits for nitrogen oxides, as well as mercury and mercury compounds from coal-fired boilers, set particular emission limits of air pollutants, deleted articles about setting varied emission limits for different functional zones while considering boiler capacity, as well as about the concentration limits for initial emission of soot from coal-fired boilers, raised the bar for control of all pollutants, and in the meantime, specified that the environmental impact statement approved, shall apply, even if its environmental requirements are tougher than national or local emission standards. The new standards will help reduce particulate matters by 660,000 t and sulfur dioxide by 3.14 million t.

The updated standards for municipal waste incineration have extended the application scope, identified carbon monoxide as an indicator for operating conditions as well as an indicator for pollution control, defined the online monitoring requirements for soot emission as well as the emission requirements for start-up and halting of incineration kilns and for emergencies, and set tougher requirements for pollution control. Among others, the emission limit for dioxins is set at 0.1ngTEQ/m³, the toughest in the world. The new standards will help reduce the nitrogen oxides from solid waste incineration by 25%, the sulfur dioxide by 62%, and the dioxins by 90%.

The enforcement of those standards may help substantially cut down PM, NO_x and SO₂ pollution, promote industrial technological advances and improvement of ambient air quality, and effectively reduce and control environmental risks caused by municipal solid waste incineration. Because ZhongDe designed its projects according to higher standards, it will benefit from the enforcement.

Results of Operations

Amount in k€	Q3 2014	Q3 2013	Change %	9M 2014	9M 2013	Change %
Revenue	6,949	4,881	42.4	11,510	7,432	54.9
Cost of sales	(4,809)	(5,760)	-16.5	(9,107)	(8,134)	12.0
Gross profit	2,140	(879)	>100	2,403	(702)	>100
Other operating income	12	3	>100	398	65	>100
Selling and distribution expenses	(791)	(135)	>100	(1,011)	(316)	>100
Administrative expenses	(1,235)	(894)	38.1	(3,696)	(2,636)	40.2
Research and development expenses	(40)	(47)	-14.9	(122)	(129)	-5.4
Other operating expenses	(358)	(355)	0.8	(1,036)	(1,427)	-27.4
Loss from operations	(272)	(2,307)	88.2	(3,064)	(5,145)	40.4
Finance income	801	675	18.7	2,316	1,986	16.6
Finance costs	(1,268)	(828)	53.1	(4,057)	(2,492)	62.8
Loss before income tax	(739)	(2,460)	70.0	(4,805)	(5,651)	15.0
Income tax expense	(307)	(64)	>100	(666)	(132)	>100
Net loss for the period	(1,046)	(2,524)	58.6	(5,471)	(5,783)	5.4

During the third quarter of 2014, revenues of € 6.9 million were generated, representing an increase of 42.4% compared to the same period in 2013. Thereof € 3.9 million were contributed by the project progress in the EPC projects Dingzhou and Zhucheng and € 3.0 million were contributed by BOT projects (During the third quarter of 2013 € 0.0 million were contributed by EPC projects and € 4.9 million by BOT projects). In the nine month period ended September 2014 revenues increased from € 7.4 million to € 11.5 million by 54.9 %. Thereof € 6.2 million came from the project progress in the EPC projects, whereas € 5.3 million came from the delayed BOT projects (in 9M 2013 € 0 million from EPC projects and € 7.4 million from BOT projects).

The gross profit for the nine month period ended September 2014 amounted to € 2.4 million compared to € -0.7 million for the nine month period ended September 2013. The increase was due to the progress in the EPC projects Dingzhou and Zhucheng as well as revenues received from waste disposal and generating electricity during the trial runs in Zhoukou and Xianning. While the zero-profit-method is still applied to BOT construction progress, the stage of completion has no influence on the gross profit margin .

In the nine month period ended 30 September 2014 selling and distribution expenses increased by € 0.7 to € 1.0 million compared to the nine month period ended September 2013 mainly due to additional allowances for doubtful accounts in Feicheng. Administrative expenses went up by € 1.1 million or 40.2 % to € 3.7 million in the nine month period ended 30 September 2014 (9M 2013: € 2.6 million).

In the nine month period ended September 2014 EBITDA increased to € -2.1 million compared to € -4.6 million for the nine month period ended September 2013 while EBIT went up to € -3.1 million compared to € -5.1 million. Net loss went down to € -5.5 million compared to € -5.8 million for the nine month period ended September 2013.

Until 30 September 2014, shareholders' equity increased by 2.2% to € 105.2 million compared to 31 December 2013 due to foreign currency translation effects compensating the negative result for the three quarters 2014. As total assets decreased by 2.0% compared to 31 December 2013, ZhongDe's equity ratio went up from 45.0% as at 31 December 2013 to 46.9% as at 30 September 2014.

The cash position as at 30 September 2014 amounted to € 89.2 million, compared to € 110.1 million as at 31 December 2013 (-18.9%). Besides the regular cash outflow due to the company's normal operation, the reduction was also caused by repayments of loans.

The management is engaged to secure the cash position of ZhongDe, for example by obtaining more loans and by selling BOT projects.

Current status of energy-from-waste projects

(as of 30 September 2014)

EPC Projects under Construction	EPC		
	Zhucheng	Dingzhou	Wuhai
Daily capacity (tons/day)	500	600	1,000
PoC as at 30 September 2014	69.5%	35.6%	0.0%
PoC as of 31 December 2013	63.8%	20.3%	0.0%
Estimated time of completion	2015	2015	2017

BOT projects under Construction	BOT			
	Zhoukou	Kunming	Xianning	Lanzhou
Daily capacity (tons/day)	500	700	600	2,000
Average annual power generation capacity (MWh)	> 50	> 70	> 60	>200
PoC as at 30 September 2014	89.8%	79.0%	94.3%	2.1%
PoC as of 31 December 2013	88.9%	72.6% ¹⁾	91.2%	0.2%
Estimated time of completion	2015	2016	2015	2018

¹⁾ The amount for Kunming was corrected retrospectively due to a print error in 2013.

EPC Projects

Zhucheng EPC project

At the end of Q3 2014, the percentage of completion of the project in Zhucheng is 69.5% (30 June 2014: 68.3%).

Floor coating work for waste discharging platform has been completed. The installation work for the steam turbine generator has been completed. Electrical panel has been installed in place and the wiring work has been finished. Reverse power transmission for the whole plant has been completed.

The remaining work relates to the following:

- **Civil construction**

The ending works for the main factory, boiler, and steam gas purification room are under construction. The constructions for pipeline network and cable duct outside the main factory are fully underway.

- **Installation**

Boiler ending works are under construction. The installation works for boiler auxiliaries are being improved, the same as for the ending work for gas purification system. The installation work for steam turbine auxiliary equipment is fully underway. Single debugging work for equipment is being carried out. The Zhucheng project is expected to be completed in 2015.

Dingzhou EPC project

At the end of Q3 2014, the percentage of completion of the project in Dingzhou is 35.6% (30 June 2014: 24.3%).

The floor construction, wall plastering and the net rack construction for the main factory have been completed. Corrosion prevention works for waste pool and slag pool have been finished. Waste haulage gantry, clean water basin, clear water reservoir, cooling tower corrosion prevention, road bed constructions in the factory have been completed. The main construction works for complex pumping house, oil pump house, weigh bridge room have been finished. The installation works for the steam turbine generator, the equipment in complex water pump house, oil pump house, air compressor machine room, chemical water workshop have been completed.

The remaining work relates to the following:

- **Installation**

The installation works for outdoor pipeline, ignition oil pipeline system, dosing system, sampling system, and for travelling crane in steam turbine machine room and complex pump house are fully underway. The boiler auxiliary equipment installation with 25% uncompleted, steam turbine auxiliary equipment installation with 30% uncompleted, and gas purification system installation with 15% uncompleted. Instrument measuring and lighting installation works for the boiler body, and the cabinet installation for the electric equipment room are being carried out. The main steam pipeline system is being improved. Steam turbine oil circulation and hydraulic test for 1# boiler are in progress. The Dingzhou project is expected to be completed in 2015.

Wuhai EPC Projects

For the project in Wuhai basic preparation works have started. Wuhai project is expected to be completed in 2017.

BOT Projects

Zhoukou BOT project

At the end of Q3 2014, the percentage of completion of the project in Zhoukou is 89.8% (30 June 2014: 89.5%).

Civil construction works have been 100% completed. Boiler, steam turbine generator unit and auxiliary equipment have been put into the normal operation.

The remaining work relates to the following:

- **Installation**

The technical reform works for heat preservation of thermal equipment, as well as for the boiler soot blower are fully underway. Currently, the sorting and reporting work for environmental protection acceptance is being prepared.

- **Delays**

Currently Zhoukou undergoes trial runs and the acceptance process by the customer. During these procedures it became apparent that some reworks are required. After the reworks have been completed a second acceptance process is required. As it is unsecure when the customer, a local governmental organization, is ready to perform the second acceptance process, the estimated finalization of the Zhoukou project is postponed to the end of 2015.

Kunming BOT project

At the end of Q3 2014, the percentage of completion of the project in Kunming is 79.0% (30 June 2014: 74.7%).

Interior and exterior wall painting for oil pump house, weigh bridge room, complex water pump house, clean water basin and clear water reservoir have been completed. The civil work for leachate has been fully completed. Blinding layer for the factory road, hydraulic testing for the firefighting equipment have been completed. The backfill work for the greening landscape has been finished. Insulation and oil painting for gas system equipment, oil circulation for steam turbine generator, insulation and painting for #1 boiler, debugging work for incinerator hydraulic station, reverse power transmission for the whole plant, furnace drying for #2 boiler, and testing for auxiliary equipment have been completed.

The remaining work relates to the following:

- **Civil works**

The decoration work for the complex building is fully underway. The ending work for civil construction of main factory is in progress.

- **Installation**

Insulation and painting for 2# boiler with 15% uncompleted.

- **Delays**

The project in Kunming is delayed due to various reasons including problems with the connection to the state grid. Due to the experience in other projects the trial run and acceptance process needs more time than expected. Therefore the estimated finalization date for the project is postponed to 2016.

Xianning BOT project

At the end of Q3 2014, the percentage of completion of the project in Xianning is 94.3% (30 June 2014: 93.0%).

Road laying for plant landscape has been completed. The steam turbine generator unit has been connected to the grid for power generation. Flying ash transmission equipment has been put into the production. The approval for electric price has been finished. The two licenses for power generation and electricity business have been obtained.

The remaining work relates to the following:

- **Civil construction**

The decoration for complex building is fully underway. The ending work for the civil construction and firefighting engineering are in progress.

- **Installation**

The defect elimination works and ending works for the whole factory equipment is underway.

- **Delays**

The project in Xianning is already in the trial run phase. The official acceptance process is expected to start in 2015 and will take more time than expected before. The estimated finalization date for the project is postponed to the end of 2015.

Lanzhou BOT Project

At the end of Q3 2014, the percentage of completion at Lanzhou is 2.1 % (30 June 2014: 1.0%).

Pile foundation works for the whole factory have fully been completed. The foundation bearing beams for discharging platform have already been completed. The foundation platform for the gas treatment equipment has also been finished.

The next steps of work relate to the following:

- **Civil Construction:**

The foundation platform construction for loading ramp is fully underway. Hand rack erection for discharging platform is now in progress. The structural construction for the main waste pool wall, the frame foundation of the waste heat boiler, and for the steam turbine foundation are fully underway. The structure constructions for dormitory building, complex building, office building, and canteen building are now in progress.

- **Installation**

Steel structure for 2# waste-heat boiler is being assembled after all the arrival. Lanzhou project is expected to be completed in 2018.

Order Development

Amount in k€	BOT				EPC			Incinerators			Total
	Zhoukou	Xianning	Kunming	Lanzhou	Zhucheng	Dingzhou	Wuhai	Qixian	Xiangyin	Zhejiang	
Order Backlog as at 1 January 2014	3,155	4,090	10,122	124,783	10,464	24,497	44,825	1,228	1,403	1,484	226,051
Order intake in 2014 9M	0	0	0	0	0	0	0	0	0	0	0
Revenues in 2014 9M	213	875	2,168	1,957	1,472	4,732	32	0	0	0	11,449
Currency translation differences	238	259	640	9,901	724	1,590	3,611	99	113	120	17,295
Order Backlog as at 30 September 2014	3,180	3,474	8,594	132,727	9,716	21,355	48,404	1,327	1,516	1,604	231,897

During the third quarter of 2014, there is no order intake.

Order backlog increased by 2.6% to € 231.9 million compared to 31 December 2013 due to foreign currency translation differences which were partly compensated by the project progress.

Business Segments Overview

Amount in k€	Q3 2014	Q3 2013	Change %	9M 2014	9M 2013	Change %
Waste incinerators						
Units sold	0	0	0.0	0	0	0.0
Revenues	0	0	0.0	0	0	0.0
Gross profit	0	0	0.0	0	0	0.0
EPC Project						
Revenues (PoC)	3,864	0	>100	6,239	0	>100
Gross profit	747	0	>100	1,179	0	>100
BOT Project						
Revenues (thereof PoC in 9M 2014: k€ 5,212/9M 2013: k€ 6,376)	3,085	4,881	-36.8	5,271	7,432	-29.1
Gross profit	1,393	(879)	>100	1,224	(702)	>100
Total Revenues	6,949	4,881	42.4	11,510	7,432	54.9
Total Gross Profit	2,140	(879)	>100	2,403	(702)	>100

Incinerators

In Q3 2014 as well as Q3 2013, no small-size incinerators were sold, because within its strategy the Group is focussed on large-size energy-from-waste projects. As this segment will contribute revenues to the Group in the next years, it is still disclosed in the table above.

EPC projects

Two EPC projects contributed with € 3.9 million to consolidated revenues in Q3 2014 and with € 6.2 million in 9M 2014 (€ 0 in Q3 2013 and € 0 million in 9M 2013).

BOT projects

In Q3 2014, the current four BOT projects contributed with € 3.1 million to consolidated revenues and € 5.3 million in 9M 2014 (€ 4.9 million in Q3 2013 and € 7.4 million in 9M 2013).

Net Worth

Amount in k€	30 September 2014	31 December 2013	Change %
Non-current assets	78,807	67,529	16.7
Current assets	145,351	161,225	-9.8
Equity	105,209	102,954	2.2
Liabilities	118,949	125,800	-5.4
Balance sheet total	224,158	228,754	-2.0

The balance sheet total amounted to € 224.2 million as of 30 September 2014 decreasing by 2.0% compared to 31 December 2013, while equity went up by € 2.3 million or 2.2% to € 105.2 million. Consequently the Company's equity ratio increased to 46.9% as at 30 September 2014 from 45.0% as at 31 December 2013.

Cash Flow

Amount in k€	Q3 2014	Q3 2013	Change %	9M 2014	9M 2013	Change %
Net cash used in operating activities	(6,364)	(4,090)	-55.6	(25,286)	(12,415)	<-100
Cash flow used in / from investing activities	18	(57)	>100	1,191	(192)	>100
Cash flow used in / from financing activities	(1,152)	(2,153)	46.5	(3,255)	(1,315)	<-100

Cash Position

Cash and cash equivalents amounted to € 89.2 million as at 30 September 2014, a decrease of 18.9% compared to € 110.1 million as at 31 December 2013. Besides € 18.4 million regular cash outflow for the projects construction and company's operation which was partly compensated by foreign exchange differences amounting to € 6.5 million, the reduction was also caused by € 9.0 million repayment of principal and interest for the loans of BOT projects.

The company's cash represents an amount of € 6.9 (Q3 2013: € 6.8) cash per share and € 1.2 (Q3 2013: € 1.5) net cash per share (total cash amount minus the loan amount as at 30 September 2014 divided by the amount of shares). The existing funds are planned to be invested in budgeted projects such as the BOT projects in Kunming and Lanzhou, and EPC projects in Zhucheng, Dingzhou and Wuhai. In addition, they are expected to serve to finance further business activities. Generally cash transfers from China to Hong Kong, Germany or other countries, are restricted as they require a formal approval from the State Administration of Foreign Exchange ("SAFE").

Financing

As at 30 September 2014, the company's total loans amounted to € 74.0 million compared to € 73.0 million as at 31 December 2013. The increase of € 1.0 million consists of an increase of € 5.5 million due to the decrease of the exchange rate between the Euro and the RMB from 8.3491 at 31 December 2013 to 7.7262 at 30 September 2014, which is offset by the repayments of current loans amounting to € 4.5 million according to the Company's repayment plan.

Project	Financial Institution	Total loan amount	Total loan amount	Effective interest rate	Term	Balance as of	Balance as of
		in EUR	in RMB			30 September 2014	30 September 2014
		in EUR	in RMB	in %	in years	in EUR	in RMB
Zhoukou	Bank of China	12,942,973	100,000,000	7.45%	8	9,100,624	70,313,240
Kunming	China Merchants Bank	23,297,352	180,000,000	8.07%	10	23,297,352	180,000,000
Kunming	Huarong Leasing	15,531,568	120,000,000	11.58%	2	949,697	7,337,546
Xianning	China Merchants Bank	15,272,708	118,000,000	8.20%	9	13,913,696	107,500,000
Xianning	Huarong Leasing	11,648,676	90,000,000	11.95%	3	880,519	6,803,064
Lanzhou	Bank of China	25,885,947	200,000,000	8.30%	3	25,885,947	200,000,000
						74,027,834	

Opportunities and Risks

For the information on opportunities and risks, please refer to our Risk Report in the Group Management Report as at 31 December 2013. There were no significant changes in opportunities and risks compared to 31 December 2013. Due to the slow progress of the projects the management board is currently evaluating the risks and opportunities from the current projects and analyses the strategic options.

Outlook

The revenue, gross profit, EBITDA, EBIT, net profit and the gross profit margin improved in Q3 and the nine months period ended 30 September 2014, compared to those in Q3 2013 and the nine months in 2013.

Looking ahead to Q4 in 2014 we expect that especially the construction progress of the EPC projects (Dingzhou, Zhucheng), the construction progress of the BOT projects (Lanzhou etc.) and the trial run of the BOT projects (Zhoukou, Xianning) will continue to contribute to the ZhongDe's revenues.

Regarding the future development of the company the management board currently evaluates all strategic opportunities on a regular basis, which refers to the acquisition of new BOT or EPC contracts as well as to the potential sale of existing BOT projects.

The BOT projects in Zhoukou and Xianning are in their trial operation. The trial operations in the BOT project in Kunming is expected to start in Q1 2015. After the end of the trial runs the projects will receive the final approval of the referring customers which marks the finalization of the projects.

In summary, we are expecting that 2014 will still be transition period.

For 2014, an improvement of the operating result, although still leading to a loss before taxes, is to be expected. We will try our best to improve the ZhongDe Group's profitability in 2014 and to balance the cash position of the Group.

There have been no changes to the outlook, as per 31 December 2013.

Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments.

04

Condensed Consolidated Financial Statements for the period from 1 January to 30 September 2014

04.1

Condensed Interim Consolidated Statement of Comprehensive Income

Amount in k€	Q3 2014	Q3 2013	9M 2014	9M 2013
Revenue	6,949	4,881	11,510	7,432
Cost of sales	(4,809)	(5,760)	(9,107)	(8,134)
Gross profit	2,140	(879)	2,403	(702)
Other operating income	12	3	398	65
Selling and distribution expenses	(791)	(135)	(1,011)	(316)
Administrative expenses	(1,235)	(894)	(3,696)	(2,636)
Research and development expenses	(40)	(47)	(122)	(129)
Other operating expenses	(358)	(355)	(1,036)	(1,427)
Result from operations	(272)	(2,307)	(3,064)	(5,145)
Finance income	801	675	2,316	1,986
Finance costs	(1,268)	(828)	(4,057)	(2,492)
Profit before income tax	(739)	(2,460)	(4,805)	(5,651)
Income tax expenses	(307)	(64)	(666)	(132)
Loss for the period	(1,046)	(2,524)	(5,471)	(5,783)
Items that may be reclassified subsequently to profit or loss				
- Foreign exchange differences	9,329	(3,183)	7,726	(518)
Other comprehensive income	9,329	(3,183)	7,726	(518)
Total comprehensive income	8,283	(5,707)	2,255	(6,301)
Loss attributable to owners of the parent	(1,046)	(2,524)	(5,471)	(5,783)
Total comprehensive income attributable to owners of the parent	8,283	(5,707)	2,255	(6,301)
Earnings per share (diluted and undiluted)(in EUR)	(0.08)	(0.20)	(0.43)	(0.46)
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

04.2

Condensed Interim Consolidated Statement of Financial Position

as at 30 September 2014

Amount in k€	30 September 2014	31 December 2013	30 September 2013
Assets			
<i>Non-current assets</i>			
Intangible assets	7,918	6,353	18,597
Prepayments for land use rights	0	0	3,415
Property, plant and equipment	467	517	613
Construction in progress	0	0	151
Receivables from BOT projects	70,422	60,659	52,849
Deferred tax assets	0	0	254
	78,807	67,529	75,879
<i>Current assets</i>			
Inventories	4,465	3,605	3,272
Trade receivables	1,114	720	295
Other receivables and prepayments	45,283	35,546	22,211
Amounts due from related parties	14	20	19
Others financial assets	5,230	11,258	0
Cash and cash equivalents	89,245	110,076	86,075
Assets held for sale	0	0	7,501
	145,351	161,225	119,373
Total Assets	224,158	228,754	195,252
Liabilities and Equity			
<i>Capital and reserves</i>			
Issued capital	13,000	13,000	13,000
Own shares	(4,608)	(4,608)	(4,608)
Capital reserves	62,914	62,914	62,914
Chinese statutory reserves	8,062	8,062	7,972
Retained earnings	(4,234)	1,237	3,804
Foreign exchange difference	30,075	22,349	23,376
Total Equity	105,209	102,954	106,458
<i>Long-term liabilities</i>			
Long-term loans	65,189	66,109	44,800
Deferred tax liabilities	1,269	833	1,664
	66,458	66,942	46,464
<i>Short-term liabilities</i>			
Trade payables	12,785	19,554	16,300
Other payables and prepayments	27,172	27,623	15,717
Provisions	3,599	3,168	2,710
Amounts due to related parties	7	1	1
Tax liabilities	89	0	135
Other financial liabilities	8,839	8,512	6,093
Liabilities associated with assets held for sale	0	0	1,374
	52,491	58,858	42,330
Total Liabilities	118,949	125,800	88,794
Total Liabilities and Equity	224,158	228,754	195,252

04.3

Condensed Interim Consolidated Statement of Cash Flows

for the period from 1 January to 30 September 2014

Amount in k€	9M 2014	9M 2013
Profit before income tax	(4,805)	(5,651)
Adjustments for:		
Amortization of intangible assets	886	328
Expensing of land use rights	0	51
Allowance for doubtful trade debts	400	4
Depreciation of property, plant and equipment and land	110	205
Interest income / exchange gains	(2,316)	(1,986)
Interest expense / exchange losses	4,058	2,492
Operating cash flows before working capital changes	(1,667)	(4,557)
Working capital changes:		
(-) Increase/ (+) decrease in:		
Inventories	(526)	(913)
Trade receivables	(711)	(417)
PoC receivables from BOT projects	(5,271)	(6,395)
Other receivables and prepayments	(65)	591
Amounts due from related parties	7	28
(+) Increase/ (-) decrease in:		
Trade payables	(7,717)	684
Other payables, provisions and accruals	(5,008)	2,419
Amounts due to related parties	6	(216)
Cash used in operations	(20,952)	(8,776)
Interest received	401	256
Interest paid	(4,499)	(3,542)
Income tax paid	(236)	(353)
Net cash used in operating activities	(25,286)	(12,415)
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	1,197	0
Proceeds from disposal of intangible and fixed assets	25	0
Purchase property, plant, equipment and intangible assets, land use rights	(31)	(192)
Cash flow generated from (used in) investing activities	1,191	(192)
Cash flow from financing activities		
Borrowings	0	2,770
Repayments of loans	(4,497)	(4,538)
Cash repayments of financial assets (BOT-Projects)	1,242	453
Cash flow used in financing activities	(3,255)	(1,315)
Net increase (+) / decrease (-) in cash and cash equivalents	(27,350)	(13,922)
Cash at beginning of the year	110,076	100,313
Foreign exchange differences	6,519	(313)
Cash fund at end of period	89,245	86,078
of which: included in assets held for sale	0	(3)
Cash and cash equivalents	89,245	86,075

04.4

Condensed Interim Consolidated Statement of Changes in Equity

for the period from 1 January to 30 September 2014

Amount in k€	Number of shares outstanding	Share capital AG	Own shares	Capital Reserves	Chinese Statutory Reserves	Retained earnings	Currency translation reserve (other comprehensive income)	Total equity
Balance as at 1 January 2013	12,600,000	13,000	(4,608)	62,914	7,972	9,587	23,894	112,759
Total comprehensive income for this period	0	0	0	0	0	(5,783)	(518)	(6,301)
Balance as at 30 September 2013	12,600,000	13,000	(4,608)	62,914	7,972	3,804	23,376	106,458
Total comprehensive income for this period	0	0	0	0	0	(2,477)	(1,027)	(3,504)
Appropriation of current year's income	0	0	0	0	90	(90)	0	0
Balance as at 1 January 2014	12,600,000	13,000	(4,608)	62,914	8,062	1,237	22,349	102,954
Total comprehensive income for this period	0	0	0	0	0	(5,471)	7,726	2,255
Balance as at 30 September 2014	12,600,000	13,000	(4,608)	62,914	8,062	(4,234)	30,075	105,209

04.5

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. Generally, in the first quarter of the year, business activities are seasonally slow mainly due the Chinese Spring Festival when all workers are off for holidays. In third quarter, government approvals and some project management problems caused the slow progress of the projects.

General

ZhongDe Waste Technology AG ("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 2014 with comparative financial statements as at 31 December 2013 and 30 September 2013.

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 first 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 third quarter consolidated financial statements for the period ended 30 September 2014 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 2014 are not necessarily indicative for future results.

The condensed interim consolidated financial statements for the nine month period from 1 January to 30 September 2014 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements. The condensed nine months consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 September 2014 were authorised for issue in accordance with a resolution of the Management Board on 26 November 2014.

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 2013. For further details, please refer to the consolidated financial statements available on the Company’s website: www.zhongdetech-ag.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.

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 27 (Amendments) – Separate Financial Statements
- IAS 28 (Amendments) – Investments in Associates and Joint Ventures
- IAS 32 (Amendments) – Financial Instruments – Presentation (Offsetting a Financial Asset and a Financial Liability)
- IAS 36 (Amendments) – Impairment of Assets (Recoverable Amount Disclosures for Non-Financial Liabilities)
- IAS 39 (Amendments) – Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 10, IFRS 11, IFRS 12 (Amendments) – Transition Guidance
- IFRS 10, IFRS 12, IAS 27 (Amendments) – Investment Entities

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 2014, and were therefore not applied by the ZhongDe Group.

- IAS 16 / IAS 38 (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 and IAS 41 (Amendments) - Bearer Plants
- IAS 19 (Amendments) –Employee Contributions
- IAS 27 (Amendments) - Equity-Method in Separate Financial Statements
- IFRS 9 – Financial Instruments
- IFRS 10 and IAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and it's Associate or Joint Venutre
- IFRS 11 (Amendments) – Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers
- IFRIC 21 - Levies
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- Annual Improvements to IFRSs 2012 – 2014 Cycle

Management generally does not expect the standards to have a material effect on the Group's financial statements. The potential impact of the application of IFRS 15 'Revenue from Contracts with Customers' is currently analysed.

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 2014 only the BOT projects and the EPC projects contributed to gross profit and the recovery of the small-size incinerator market is not in sight.

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 regarding the Group's business segments for the nine months of 2014:

Amount in k€	Incinerators		EPC		BOT		Group	
	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
Revenues	0	0	6,239	0	5,271	7,432	11,510	7,432
Intercompany revenues	0	0	0	0	0	0	0	0
Total revenue for reportable segments	0	0	6,239	0	5,271	7,432	11,510	7,432
Total gross profit from reportable segments	0	0	1,179	0	1,224	(702)	2,403	(702)
Order intake	0	0	0	42,070	0	0	0	42,070
Order Backlog	4,447	4,158	79,475	77,161	147,975	155,874	231,897	237,193

Functional and presentation currency

	30 September 2014	30 September 2013
Exchange rate RMB/€ at the end of the period	7.7262	8.2645
Average exchange rate RMB/€ for 9M	8.3544	8.1225
	30 September 2014	30 September 2013
Exchange rate HKD/€ at the end of the period	9.7740	10.4722
Average exchange rate HKD/€ for 9M	10.5067	10.2176

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

Related Party Information

The following transactions took place between the Group and the above-listed related parties during the three-month period from 1 January to 30 September 2014:

Amount in k€	9M 2014	9M 2013
Related parties		
Rental, water and electricity fee	100	105

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:

Amount in k€	9M 2014	9M 2013
Due from related parties		
Other receivables	14	19
	14	19
Allowance for doubtful trade debts	0	0
	14	19
Due to related parties		
Trade	7	1
	7	1

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, 26 November 2014

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 condensed statement of financial position, the condensed interim statement of comprehensive income, the condensed interim statement of cash flows, the condensed interim statement of changes in equity and selected notes – and the interim group management report of ZhongDe Waste Technology AG, Frankfurt/Main, for the period from 1 January 2014 to 30 September 2014 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 2014

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Clemens	von Oertzen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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.

Financial Calendar and Contact Information

Financial calendar 2015

Date	Event
29 April	Annual report of 2014
28 May	Interim report on the first quarter of 2015
26 June	Annual General Meeting
28 August	Interim report on the first half of 2015
November	German Equity Forum 2015, Deutsche Börse, Frankfurt/Main
27 November	Interim report on the third quarter of 2015

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

William Jihua Wang

Executive Director and CFO

Email: william.jw@zhongdetech.com

Ying Sun

Investor Relations

Messeturm 25th Floor

Friedrich-Ebert-Anlage 49

60308 Frankfurt am Main

Germany

Tel.: +49 69 50 95 65 655

Fax: +49 69 50 95 65 567

Email: ying.sun@zhongde-ag.de

Kirchhoff Consult AG (Investor & Public Relations)

Herrengaben 1

20459 Hamburg

Germany

Tel.: +49 40 609186 0

Fax: +49 40 609186 60

Email: ir@zhongde-ag.de