



## Interim Report

Third Quarter 2009

ZhongDe Waste Technology AG

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## Table of Contents

01	Key Figures	3
02	Highlights Third Quarter 2009	4
03	Share Performance	6
04	Economic and Political Environment	7
05	Management Report	9
06	Financial Statements - ZhongDe Waste Technology	15
06.1	Interim Consolidated Balance Sheet	15
06.2	Interim Consolidated Statement of Income and Expenses	16
06.3	Statement of Recognized Income and Expenses	16
06.4	Interim Consolidated Statement of Cash Flow	17
06.5	Selected Notes to the Interim Consolidated Financial Statements	18
07	Responsibility Statement by the Management	21
08	Cautionary Note Regarding Forward-Looking Statements	22
09	About ZhongDe Waste Technology AG	23
10	Financial Calendar & Contact	24

-> Cover photo: ZhongDe Fujian Fengquan Environmental Protection Holding Co. Ltd., Beijing

# 01

## Key Figures

### Operational data

Amounts in k€	Q3 2009	Q3 2008	Change %	Q1-3 2009	Q1-3 2008	Change %
Order intake <sup>1)</sup>	24,870	9,166	>100	48,842	53,013	-8
Order backlog	55,927	36,264	54	55,927	36,264	54
Revenues	6,273	15,563	-60	24,713	35,655	-31
Gross profit	2,046	7,865	-74	9,948	21,718	-54
Gross profit margin	33%	51%	-35	40%	61%	-34
Cost of sales	4,227	7,698	-45	14,765	13,937	6
EBITDA	468	6,388	-93	5,008	17,363	-71
EBITDA margin	7%	41%	-82	20%	49%	-58
EBIT	378	6,317	-94	4,736	17,179	-72
EBIT margin	6%	41%	-85	19%	48%	-60
Net profit	433	6,515	-93	2,591	18,737	-86
Net profit margin	7%	42%	-84	10%	53%	-80
Earnings per share (in €)	0.03 <sup>2)</sup>	0.50 <sup>4)</sup>	-93	0.20 <sup>3)</sup>	1.44 <sup>4)</sup>	-86

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

2) Calculated on the basis of 12,993,447 shares

3) Calculated on the basis of 12,997,792 shares

4) Calculated on the basis of 13,000,000 shares

### Cash flow data

Amounts in k€	Q3 2009	Q3 2008	Change %	Q1-3 2009	Q1-3 2008	Change %
Cash flow from operating activities	7,174	-493	<-100	21,383	12,901	66
Cash flow from investing activities	-7,007	237	<-100	-9,446	-2,083	>100
Free cash flow before financing	167	-256	<-100	11,937	10,818	10

### Balance sheet data

Amounts in k€	30.09.2009	31.12.2008	Change %
Total assets	137,105	140,068	-2
Tangible and intangible fixed assets	19,040	11,149	71
Net working capital	102,942	115,987	-11
Cash and cash equivalents	110,527	105,740	5
Debt	15,319	12,462	23
Net cash	110,527	105,740	5
Shareholders equity	121,786	127,606	-5
Headcount	405	389	4

## Highlights Third Quarter 2009

### -> Revenues

In the third quarter of 2009, revenues fell from € 15.6 million to € 6.3 million, representing a decrease of 60% versus the same period in 2008. The fall is due to the fact that in Q3 2009 revenues originated solely from the Datong EPC project. No revenues were generated in the small- and medium-size incinerator segment. As a result of the international financial crisis, local tax income has fallen in China and many municipal authorities have decided to postpone their planned purchase of small- and medium-size incinerators. In line with the changing market demand in China, the Company quickly shifted its strategic focus to large waste-to-energy projects.

### -> Operating results

In Q3 2009, gross profit dropped to € 2 million (Q3 2008: € 7.9 million), while net profit fell to € 0.4 million, representing a decrease of 93% compared to the previous-year quarter (Q3 2008: € 6.5 million). The fall in profit and margin is mainly due to the characteristics of large-scale projects. In general, an EPC (Engineering, Procurement and Construction) project has much higher revenues, higher cost of sales and a lower margin contribution. However, the gross profit of the Datong project in Q3 2009 amounted to € 2.2 million – a significant increase of € 2.1 million compared to Q2 2009 (€ 0.1 million).

### -> Order intake and order backlog

During the period under review, the Company received orders for contracts worth € 24.9 million, compared to € 9.2 million in the same period last year. This was mainly due to the EPC order of the Zhaodong project, which is worth € 21.5 million (excluding VAT). Order backlog increased by 54% to € 55.9 million at the end of Q3 2009, compared to € 36.3 million at the end of Q3 2008. The order backlog includes our three EPC projects: Datong, Zhucheng and Zhaodong. Despite the global economic recession, demand for large-scale waste-to-energy projects is increasing due to the stimulation policies introduced by the Chinese government. The Company has reacted to this market change by shifting its strategic focus to the market segment of large-scale waste-to-energy projects. The improved order book position indicates that ZhongDe's strategy transition in 2009 is proving successful.

### -> Zhaodong EPC project

ZhongDe Waste Technology AG has signed an EPC contract for a municipal waste incineration plant in Zhaodong City, Heilongjiang Province. The waste-to-energy project has a waste disposal capacity of 500 tons of waste per day and the contract value is approximately € 25 million (RMB 251 million). The contractual partner is Zhaodong Longjie Environmental Protection Co., Ltd. This is the third largest EPC project for ZhongDe after Datong and Zhucheng.

### -> Letter of Intent with ThyssenKrupp Xervon Energy

ZhongDe Waste Technology AG has signed a letter of intent with ThyssenKrupp Xervon Energy GmbH in order to enhance ZhongDe's expertise in the field of advanced incineration technologies. The cooperation with ThyssenKrupp Xervon Energy will broaden ZhongDe's capability in conducting large-scale waste-to-energy projects and enhance its competitiveness in the international market.

## -> Letter of Intent with Covanta Energy Asia Pacific Holdings Ltd.

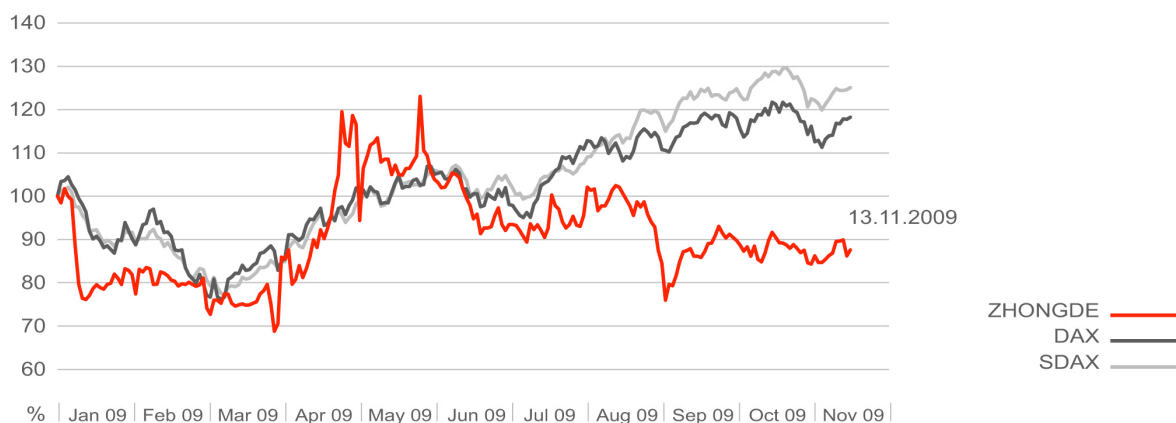
ZhongDe Waste Technology AG has signed a letter of intent in Beijing with Covanta Energy Asia Pacific Holdings Ltd., a wholly owned subsidiary of Covanta Holding Corporation, in order to cooperate in the development and operation of large-scale waste-to-energy projects. With this cooperation, ZhongDe will improve its technical and investment capabilities in the development and operation of large-scale waste-to-energy projects in both domestic and international markets.

## -> Research and Development

The patent application for a water-cooled distributor is now in progress. SCR dioxin emission technology and process research have been further improved. Research into an automatic control system for a double-loop waste incinerator with a capacity of 100 tons per day has been completed.

# 03

## Share Performance



In the third quarter of 2009, the international stock markets were still influenced by the effects of the global financial crisis. Uncertainty among capital market participants and hesitant buying behaviour made it difficult to achieve a sustainable stimulation of the ZhongDe Waste Technology AG share price. Economic support packages introduced by the Chinese government to boost demand for large-scale waste-to-energy projects had a positive effect. However, this improvement in the economic environment is not sufficiently reflected by ZhongDe's current capital market valuation.

The value of the ZhongDe Waste Technology AG share has fallen by 12.4% since the beginning of the year and was quoted at € 12.10 on 13 November 2009 (Xetra closing price). In the first quarter of the current financial year – on 27 March – the ZhongDe share reached its lowest level so far this year at € 9.51. The share reached its highest price of € 16.99 on 28 May.

In the third quarter, the share's performance was relatively stable and decreased by 5.1% to € 12.07 between 1 July and 31 August. Following publication of the ZhongDe Group's half-year report on 30 August, there was a short downward slide which ended at a share price of € 10.50 on 2 September. By mid September the share price had settled at a stable level again and moved sideways until mid November.

### Share buy-back program until 31 December 2010

The Annual General Meeting on 31 July 2009 authorized the Company to acquire up to 1,300,000 ordinary shares. The Management Board of ZhongDe Waste Technology AG decided to purchase up to 400,000 ordinary no-par value shares, each having a notional share of € 1.00 in the Company's capital stock. The share buy-back started on 8 September 2009 and will end on 31 December 2010. By 13 November, a total of 104,410 shares had already been bought back via the stock exchange.

The share buy-back program gives ZhongDe Waste Technology AG the possibility to use these treasury shares as a currency in business combination transactions, such as mergers or the acquisition of companies, parts of companies or joint ventures. The Company aims to increase its financial flexibility in this way.

# 04

## Economic and Political Environment

### Macroeconomic Environment

China's National Bureau of Statistics reported that China's gross domestic product (GDP) hit RMB 21.78 trillion in the first three quarters of this year, an increase of 7.7% year-on-year. China's consumer price index (CPI), a main gauge of inflation, dipped 1.1% year-on-year in the same period.

During the first nine months of 2009, China's producer price index (PPI), a major measurement of inflation at wholesale level, dropped 6.5% year-on-year. China's capital expenditures increased by 33.4%. In the same period, Chinese retail sales rose by 15.1% year-on-year, or by 17% after deducting price factors, and amounted to RMB 8.97 trillion (USD 1.31 trillion). Urban per capita disposable income amounted to RMB 12,973, an increase of 9.3% year-on-year. China's foreign exchange reserve went up by 19.26% year-on-year and hit a new high of USD 2.27 trillion by the end of September.

### Business Trend

#### Regulations on Planning Environmental Impact Assessment (EIA)

The State Council issued the Regulations on Planning Environmental Impact Assessment on 17 August 2009, which will come into effect as of 1 October 2009. This represents important progress in Chinese environmental legislation and marks the advent of a new era in which environmental protection is integrated into the overall decision-making process. The main elements include the following:

- Identifying the planning which needs to be carried out for EIA
- Identifying the planning department as the bearer of responsibility
- Specifying auditing work for the environmental impact statement for special planning
- Organizing the follow-up track and evaluation work for the environmental impact after implementation of the planning

#### Ministry of Environmental Protection (MEP) requires companies to enhance planning EIA work

The MEP issued a circular on 10 September 2009 which requires environmental protection departments at all levels to study and implement the regulations on planning Environmental Impact Assessment (EIA) and to practically enhance the planning of EIA work.

The Circular stresses that environmental protection departments at all levels should undertake the following:

- Establish a mechanism whereby all relevant departments pay attention to planning EIA
- Further standardize management procedures for planning EIA
- Improve the joint mechanism for planning EIA and project EIA
- Vigorously promote planning EIA in key regions
- Further improve public participation

## MEP announces national evaluation results of pollution reduction for H1 2009

MEP spokesperson Tao Detian revealed at a news conference on 28 September 2009 that the MEP had finished its evaluation of pollution reduction in all provinces, autonomous regions and municipalities for the first half of 2009, in cooperation with the National Development and Reform Committee and the National Bureau of Statistics. The evaluation results showed that total discharge of COD (Chemical Oxygen Demand) nationwide stood at 6.576 million tons, down 2.46% against the same period of 2008; SO<sub>2</sub> emissions totaled 11.478 million tons, a reduction of 5.40% as compared to that of the same period of 2008. Discharges of the two major pollutants maintained a good downward momentum.

Tao said there were still some problems with local enterprises in the operation of sewage treatment and desulphurization facilities in the first half-year. If rectification is not thorough or is overdue, the MEP will suspend approval of environmental impact assessment of construction projects that add to COD discharges on related cities. Punishment will be imposed on power plants by withdrawing the tariff subsidy and demanding full payment of SO<sub>2</sub> emission fees.

## Impact on Business Development

Thanks to the large-scale stimulus plan launched in the second half of last year, China's economic recovery is well on track, with GDP hitting RMB 21.78 trillion in the first three quarters of this year. The Company expects to benefit further from the favorable economic environment for eco-friendly waste disposal as well as the growing demand for its products both in China and throughout Asia.

Planning EIA is of great significance in controlling environmental pollution and preventing ecological damage at source, marking the advent of a new era in which environmental protection is integrated into the overall decision-making process. This places the company in an ideal position to capture the potential growth in this market and continue to drive its business forward.



# 05

## Management Report

### Results of Operations

Amounts in k€	Q3 2009	Q3 2008	Change %	Q1-3 2009	Q1-3 2008	Change %
Sales	6,273	15,563	-60	24,713	35,655	-31
Cost of sales	-4,227	-7,698	-45	-14,765	-13,937	6
<b>Gross profit</b>	<b>2,046</b>	<b>7,865</b>	<b>-74</b>	<b>9,948</b>	<b>21,718</b>	<b>-54</b>
Other operating income	166	30	>100	328	59	>100
Selling and distribution expenses	-359	-462	-22	-1,372	-1,417	-3
Administrative expenses	-530	-533	-1	-1,261	-1,488	-15
Research and development expenses	-125	-111	13	-384	-280	37
Other operating expenses	-820	-472	74	-2,523	-1,413	79
<b>Profit from operations</b>	<b>378</b>	<b>6,317</b>	<b>-94</b>	<b>4,736</b>	<b>17,179</b>	<b>-72</b>
Finance income	200	808	-75	979	2,149	-54
Finance costs	3	-675	<-100	-1,749	-717	>100
<b>Profit before income tax</b>	<b>581</b>	<b>6,450</b>	<b>-91</b>	<b>3,966</b>	<b>18,611</b>	<b>-79</b>
Income tax	-148	65	<-100	-1,375	126	<-100
<b>Net profit for the period</b>	<b>433</b>	<b>6,515</b>	<b>-93</b>	<b>2,591</b>	<b>18,737</b>	<b>-86</b>

In the third quarter of 2009, revenues fell from € 15.6 million to € 6.3 million, representing a decrease of 60% versus the same period in 2008. The fall is due to the fact that in Q3 2009 revenues originated solely from the Datong EPC project. The remaining revenue of Datong project will be recognized in Q4 2009. No revenues were generated in the small- and medium-size incinerator segment. As a result of the international financial crisis, local tax income has fallen in China and many municipal authorities have decided to postpone their planned purchase of small- and medium-size incinerators. In line with the changing market demand in China, the Company quickly shifted its strategic focus to large waste-to-energy projects.

In Q3 2009, gross profit dropped to € 2 million (Q3 2008: € 7.9 million), while net profit fell to € 0.4 million, representing a decrease of 93% compared to the previous-year quarter (Q3 2008: € 6.5 million). The fall in profit and margin is mainly due to the characteristics of large-scale projects. In general, an EPC (Engineering, Procurement and Construction) project has much higher revenues, higher cost of sales and a lower margin contribution. However, the gross profit of the Datong project in Q3 2009 amounted to € 2.2 million – a significant increase of € 2.1 million compared to Q2 2009 (€ 0.1 million).

Selling and distribution expenses decreased by 22% to k€ 359 in Q3 2009, compared with k€ 462 for the same period last year. Other operating expenses increased from k€ 472 in Q3 2008 to k€ 820 in Q3 2009. Compared to Q3 2008, administrative expenses fell from k€ 533 in Q3 2008 to k€ 530 in Q3 2009.

Overall, the fall in profit reflects the fact that the international financial crisis has had a negative impact on our results of operations. However, this negative influence is expected to have only a temporary effect and will not cause any fundamental change in our core business value. The business outlook for our Chinese operations remains positive.

The net cash position as at 30 September 2009 was improved, standing at € 110.5 million, compared with € 105.7 million on 31 December 2008. Under the circumstances of the international financial crisis, strong cash positions can reduce the liquidity risk and provide flexibility for ZhongDe with regard to investment and finance.

## Current status of Beijing plant, BOT projects, and EPC projects

### Beijing R&D Center and Plant

New R&D and production facilities are under construction in Beijing as part of the Company's long-term capacity expansion program. Due to the slowdown in the small- to medium-size incinerator market segment, the design and function of the plant has been changed in order to manufacture the most valuable components of a large-scale waste-to-energy plant, instead of manufacturing small- to medium-size incinerators. As a result, the operation launch date of the Beijing plant has been postponed until the end of Q2 2010. At present, steel frame installation has been completed. Construction of the main building and the installation of steel grating key keel are now proceeding swiftly. The installation work for fire-fighting equipment and air-conditioning equipment is fully under way.

### Feicheng BOT Project

The daily waste disposal capacity of the Feicheng project is 160 tons and the concession period has been extended indefinitely. That means it has become a BOO (Build Own Operate) project. Construction of the external electricity supply (electricity for production) and installation of an incineration boiler, as well as a second combustion and waste-heat boiler, have been completed. The interior decoration of the complex is fully under way. Waterproof treatment of the water-pumping house has been completed. ZhongDe expects to put it into operation at the end of Q1 2010.

### Xianning BOT Project

The Xianning project has obtained approval with regard to the Safety Pre-evaluation Report. Construction plans for the complex have been completed. The Xianning project will be finished at the end of Q2 2011.

### Kunming BOT Project

The Kunming project is expected to be finished at the end of 2010.

### Zhoukou BOT Project

The project is expected to be finished at the end of Q1 2010.

### Datong EPC Project

Construction work on the main factory, the waste water treatment and deep well pumping house, and the outdoor pipeline has been completed. Furthermore, the building of roads within the plant area, the factory front door and the fence wall have also been finished. The construction of incinerator matching equipment and the installation of a waste gas treatment system are fully under way. The project is expected to go into operation and connect with the power grid to sell electricity at the end of Q4 2009.

### Zhucheng EPC Project

Bricklaying work for the complex, and pre-buried work for the water supply, drainage, electricity and gas pipeline have all been completed. The waste storage tank and chimney blinding layer have been completed. Foundation excavation for the waste storage tank of the main factory has been virtually completed. The project is expected to be completed at the end of 2010.

## Zhaodong EPC Project

The project comprises the construction of a 500-ton-per-day waste incineration plant with electricity generation and has a contract value of approximately € 25 million (RMB 251 million). This is the third largest EPC project after Datong and Zhucheng. At present, the foundation-stone-laying ceremony for the Zhaodong project has been completed. The project is expected to be completed at the end of 2010.

## Order development

Order intake amounted to € 24.9 million in Q3 2009, compared with € 9.2 million in the same period last year. The significantly higher order intake is due to the order for the Zhaodong EPC project, which is worth € 21.5 million (excluding VAT). The order backlog was € 55.9 million at the end of Q3 2009, compared with € 36.3 million at the end of Q3 2008. The order backlog includes the Datong, Zhucheng and Zhaodong EPC projects.

## Business Segments Overview

Amounts in k€	Q3 2009	Q3 2008	Change %	Q1-3 2009	Q1-3 2008	Change %
<b>Medical waste incinerators</b>						
Units sold	-	2	-100	1	3	-67
Revenues	-13	1,677	<-100	517	2,136	-76
Gross profit	-7	1,371	<-100	376	1,731	-78
<b>Municipal solid waste incinerators</b>						
Units sold	-	3	-100	5	10	-50
Revenues	-238	7,826	<-100	10,834	27,459	-61
Gross profit	-155	5,536	<-100	6,974	19,029	-63
<b>EPC Projekt *</b>						
PoC Datong project	6,524	6,060	8	13,362	6,060	>100
PoC Datong gross profit	2,208	958	>100	2,598	958	>100
<b>Total Revenues</b>	<b>6,273</b>	<b>15,563</b>	<b>-60</b>	<b>24,713</b>	<b>35,655</b>	<b>-31</b>
<b>Total Gross Profit</b>	<b>2,046</b>	<b>7,865</b>	<b>-74</b>	<b>9,948</b>	<b>21,718</b>	<b>-54</b>

\*PoC: Percentage of Completion

### Medical Waste Incinerators

No medical waste incinerators were sold in the third quarter of 2009, due to changing market demand in China. The Company anticipated this lower demand for medical waste incinerators and its focus therefore remains on generating orders for municipal waste incinerators and large-scale projects. The Company has decided to shift production from medical waste incinerators to the more promising sector of medium and large-scale municipal waste incinerators and its more valuable components.

### Municipal Solid Waste Incinerators

No municipal solid waste incinerators were sold in the third quarter of 2009. The Management Board is striving to expand the Company's EPC market share. The new Zhaodong EPC project secured in July clearly shows that our strategy transition is heading in the right direction.

### Engineering, Procurement and Construction Projects (EPC)

In the third quarter of 2009, our Datong project recognized revenues of € 6.5 million, an increase of 8% compared to Q3 2008. The role of the EPC project has gradually been brought into full play and its profitability has been enhanced. The Datong project is basically completed and currently on the way to the next stage of commissioning and trial operation. The Datong project will start to generate electricity and the remaining revenue will be recognized in Q4 2009. This shows that the EPC business segment has made a great breakthrough and underlines the success of our strategy transition in 2009.

## Net Worth

Amounts in k€	30.09.2009	31.12.2008	Change %
Non current assets	19,315	11,808	64
Current assets	117,790	128,260	-8
Equity	121,786	127,606	-5
Liabilities	15,319	12,462	23
Balance sheet total	137,105	140,068	-2

As at 30 September 2009, the balance sheet total amounted to € 137.1 million. The increase in non-current assets to € 19.3 million (+64%) is primarily due to the increase of the position construction in progress. About € 8 million of this increase results from the Beijing site construction. Current assets decreased from € 128.3 million to € 117.8 million, mainly as a result of decreasing trade receivables in the amount of € 11.6 million. Equity decreased by € 5.8 million to € 121.8 million as a result of foreign exchange differences. The Company maintains a very strong equity ratio of 88.8%. The Group has no bank debts.

## Financial Position

Amounts in k€	Q3 2009	Q3 2008	Change %	Q1-3 2009	Q1-3 2008	Change %
Cash flow from operating activities	7,174	-493	<-100	21,383	12,901	66
Cash flow from investment activities	-7,007	237	<-100	-9,446	-2,083	>100
Cash flow from financing activities	-2,359	-1,950	21	-2,359	-1,950	21

In the third quarter of 2009, the ZhongDe Group generated a negative net cash flow of € 2.2 million. Due to the change of receivables and other payables, provisions and accruals, cash flow from operating activities amounted to € 7.2 million. The cash flow from investment activities amounted to € -7 million, due to investment in our current projects. Cash flow from financing activities amounted to € -2.4 million, as a result of the dividend payment and the current share buy-back program. However, ZhongDe's cash position has still improved by 13% from € 94.6 million at the end of Q3 2008 to € 107.7 million at the end of Q3 2009. This improvement resulted from the positive net cash flow of € 9.6 million in the first nine months of 2009 (9M 2008: € 8.9 million).

## Production

Manufacturing processes have been optimized to further strengthen cost and quality control and to improve production efficiency.

## Research & Development

The patent application for a water-cooled distributor is now in progress. SCR dioxin emission technology and process research have been further improved. Design works for heating, catalytic and cooling equipment, as well as the overall layout drawing, have also been completed. In addition, the selection work for an air blower has also been finished.

The research works on an automatic control system for a 100-ton per day double-loop waste incinerator has been completed and work on progress tracking and quality supervision is proceeding swiftly. The research department is currently compiling training documents for the operation of environmental pollution treatment equipment. The declaration for the Cangshan District Science & Technology Planning Program (municipal waste incinerator double-loop vertical pyrolysis incineration system) has been completed.

## Outlook

Entering into the third quarter of 2009, the government's stimulus package is having a sustained impact. China's gross domestic product (GDP) grew by 8.9% in Q3 2009, resulting in an average increase of 7.7% for the first nine months of 2009.

Although the Company's performance suffered temporarily from the impact of the global financial crisis, the large-scale waste-to-energy market is still booming in China. This is largely due to the stimulation policy of the Chinese central government. ZhongDe was quick to react to the market change and has shifted its strategic focus to the new market segment of large-scale waste-to-energy projects.

Cooperation with well-established international companies, such as ThyssenKrupp Xervon Energy GmbH and Covanta Energy Asia Pacific Holdings Ltd. etc., will strengthen ZhongDe's expertise in the field of technology, investment and operation. This cooperation will broaden ZhongDe's capacity to implement large-scale waste-to-energy EPC and BOT projects and improve its competitiveness in the international market by enhancing its reputation, profitability and quality control.

In Q3 2009, our strong cash position, the improved profitability of the Datong EPC project and the new order for the Zhaodong EPC project clearly indicate that ZhongDe's strategy transition in 2009 has been successful and will bring attractive results in the coming years.

## 06

# Financial Statements - ZhongDe Waste Technology AG

## 06.1

## Interim Consolidated Balance Sheet

for the period from 1 January to 30 September 2009

Amounts in k€	30 September 2009	31 December 2008
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	2,225	2,314
Equipment	1,307	1,298
Construction in progress	15,508	7,537
Deferred tax assets	275	659
	<b>19,315</b>	<b>11,808</b>
<b>Current assets</b>		
Inventories	2,181	4,094
Trade receivables	3,755	15,403
Other receivables and prepayments	1,321	3,013
Amounts due from related parties	6	10
Cash and cash equivalents	110,527	105,740
	<b>117,790</b>	<b>128,260</b>
<b>Total assets</b>	<b>137,105</b>	<b>140,068</b>
<b>Liabilities and Equity</b>		
<b>Capital and reserves</b>		
Share capital	13,000	13,000
Capital reserves	69,822	69,822
Statutory reserves	6,348	6,348
Own shares	-409	0
Retained earnings	32,645	32,002
Foreign exchange difference	380	6,434
	<b>121,786</b>	<b>127,606</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Deferred tax liabilities	471	189
	<b>471</b>	<b>189</b>
<b>Short-term liabilities</b>		
Trade payables	5,390	4,353
Other payables and accruals	5,873	6,809
Provisions	842	830
Amounts due to related parties	47	199
Income tax payable	2,696	82
	<b>14,848</b>	<b>12,273</b>
<b>Total liabilities</b>	<b>15,319</b>	<b>12,462</b>
<b>Total liabilities and equity</b>	<b>137,105</b>	<b>140,068</b>

## 06.2

### Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 30 September 2009

Amounts in k€	Q3 2009	Q3 2008	Q1-3 2009	Q1-3 2008
Sales	6,273	15,563	24,713	35,655
Cost of sales	-4,227	-7,698	-14,765	-13,937
<b>Gross profit</b>	<b>2,046</b>	<b>7,865</b>	<b>9,948</b>	<b>21,718</b>
Other operating income	166	30	328	59
Selling and distribution expenses	-359	-462	-1,372	-1,417
Administrative expenses	-530	-533	-1,261	-1,488
Research and development expenses	-125	-111	-384	-280
Other operating expenses	-820	-472	-2,523	-1,413
<b>Profit from operations</b>	<b>378</b>	<b>6,317</b>	<b>4,736</b>	<b>17,179</b>
Finance income	200	808	979	2,149
Finance costs	3	-675	-1,749	-717
<b>Profit before income tax</b>	<b>581</b>	<b>6,450</b>	<b>3,966</b>	<b>18,611</b>
Income tax	-148	65	-1,375	126
<b>Profit for the period</b>	<b>433</b>	<b>6,515</b>	<b>2,591</b>	<b>18,737</b>
<b>Earnings per share</b>	<b>0.03</b> <sup>1)</sup>	<b>0.50</b> <sup>3)</sup>	<b>0.20</b> <sup>2)</sup>	<b>1.44</b> <sup>3)</sup>

1) Calculated on the basis of 12,993,447 shares

2) Calculated on the basis of 12,997,792 shares

3) Calculated on the basis of 13,000,000 shares

## 06.3

### Statement of Recognized Income and Expenses

for the period from 1 January to 30 September 2009

Amounts in k€	Q3 2009	Q3 2008	Q1-3 2009	Q1-3 2008
Foreign exchange differences recognized directly in equity	-3,993	7,941	-6,053	7,545
<b>Total changes recognized directly in equity</b>	<b>-3,993</b>	<b>7,941</b>	<b>-6,053</b>	<b>7,545</b>
Net income	433	6,515	2,591	18,737
<b>Total recognized income and expense</b>	<b>-3,560</b>	<b>14,456</b>	<b>-3,462</b>	<b>26,282</b>



## 06.4

### Interim Consolidated Statement of Cash Flow

for the period from 1 January to 30 September 2009

Amounts in k€	Q3 2009	Q3 2008	Q1-3 2009	Q1-3 2008
<b>Profit before income tax</b>	<b>582</b>	<b>6,450</b>	<b>3,967</b>	<b>18,611</b>
<b>Adjustments for:</b>				
Amortization of intangible assets	13	11	42	32
Allowance for doubtful trade debts	-166	-3	-328	71
Provision for warranty	0	18	0	82
Depreciation of property, plant and equipment	77	60	230	152
Gains/losses PPE	16	4	24	5
Finance income	-200	-808	-979	-2,149
Finance expense	-3	675	1,749	717
<b>Operating cash flows before working capital changes</b>	<b>319</b>	<b>6,407</b>	<b>4,705</b>	<b>17,521</b>
<b>Working capital changes:</b>				
<b>(Increase)/decrease in:</b>				
Inventories	-23	-1,172	1,913	-1,345
Trade receivables	7,561	-2,900	11,976	-5,991
Other receivables and prepayments	5,010	1,936	1,691	-1,890
Amounts due from related parties	326	-1	4	-7
<b>Increase/(decrease) in:</b>				
Trade payables	1,289	748	1,038	783
Other payables, provisions and accruals	-10,320	-5,686	-924	2,328
Amounts due to related parties	26	66	-152	94
<b>Cash generated from/(used in) operations</b>	<b>4,188</b>	<b>-602</b>	<b>20,251</b>	<b>11,493</b>
Interest received/exchange gains	200	808	979	2,149
Interest paid/exchange losses	3	-675	-1,749	-717
Income tax paid	2,783	-24	1,902	-24
<b>Net cash generated from operating activities</b>	<b>7,174</b>	<b>-493</b>	<b>21,383</b>	<b>12,901</b>
<b>Cash flow from investing activities</b>				
Payments in connection with the short-term financial management of cash investments	0	-3,000	-3,000	-8,200
Receipts in connection with the short-term financial management of cash investments	0	5,200	3,000	10,200
Purchase property, plant, equipment, intangible assets, land use rights	-7,007	-1,963	-9,446	-4,083
<b>Cash flow used in investing activities</b>	<b>-7,007</b>	<b>237</b>	<b>-9,446</b>	<b>-2,083</b>
<b>Cash flow from financing activities</b>				
Dividends paid to shareholders	-1,950	-1,950	-1,950	-1,950
Buy back of own shares	-409	0	-409	0
<b>Cash flow from financing activities</b>	<b>-2,359</b>	<b>-1,950</b>	<b>-2,359</b>	<b>-1,950</b>
<b>Net increase in cash and cash equivalents</b>	<b>-2,192</b>	<b>-2,206</b>	<b>9,578</b>	<b>8,868</b>
Cash at beginning of year	112,852	89,521	102,740	78,827
Foreign exchange differences	-3,133	7,292	-4,791	6,912
<b>Cash fund at end of period</b>	<b>107,527</b>	<b>94,607</b>	<b>107,527</b>	<b>94,607</b>

## 06.5

### Selected Notes to the Interim Consolidated Financial Statements

for the period ending 30 September 2009

#### Interim Consolidated Statement of changes in equity for the period from 1 January to 30 September 2009

Changes in equity (k€)	Share capital AG	Capital reserves / other reserves	Own shares	Retained earnings	Foreign exchange differences	Total equity
Balance as at 1 January 2008	13,000	73,079	0	14,213	-1,664	98,628
Recognised income and expense	0	0	0	18,737	7,545	26,282
Dividend paid for the year 2007	0	0	0	-1,950	0	-1,950
Balance as at 30 September 2008	13,000	73,079	0	31,000	5,881	122,960
Balance as at 1 January 2009	13,000	76,170	0	32,004	6,433	127,607
Recognised income and expense	0	0	0	2,591	-6,053	-3,462
Buy back of own shares	0	0	0	-1,950	0	-1,950
Dividend paid for the year 2008	0	0	-409	0	0	-409
<b>Balance as at 30 September 2009</b>	<b>13,000</b>	<b>76,170</b>	<b>-409</b>	<b>32,645</b>	<b>380</b>	<b>121,786</b>

#### General

The interim consolidated financial statements for the period 1 January to 30 September 2009 comprise all subsidiaries of ZhongDe Waste Technology AG. These subsidiaries are located in the People's Republic of China (PRC) except for the interim holding company Chung Hua Environmental Protection Assets (Holdings) Group Ltd., Hong Kong.

#### Basis of preparation

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU at the balance sheet date, and the additional requirements of German commercial law pursuant to sec. 315a (1) »Handelsgesetzbuch«; the German Commercial Code (HGB). The interim consolidated financial statements comply with all IFRS regulations that had to be adopted by the balance sheet date.

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

#### Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2008. For further details please refer to the consolidated financial statements available on the company's website: [www.zhongde-ag.com](http://www.zhongde-ag.com).

Income that may have been recorded during the reporting period for seasonal reasons, whether due to cyclical or occasional developments, is not cut off in the interim consolidated financial statements. Expenses that are incurred irregularly during the reporting period are cut off in those cases where they would also be cut off at year-end.

Construction contracts were reported using the percentage-of-completion-method (POC method). The stage of completion is determined by the ratio of costs incurred compared to the expected total cost (cost-to-cost-method). The contracts are disclosed under »receivables from POC«, or in the case of anticipated losses under »payables from POC«. If payments exceed the cumulative contract output, the construction contract is disclosed under payables.

Sales of k€ 24,713 for the first three quarters include order income of k€ 13,362 from ongoing production orders identified using the POC method. EPC revenue for the first three quarters amounted to k€ 13,362 and gross profit to k€ 2,598. Since the payments (k€ 26,940) exceed the »receivables from POC« (k€ 25,238), the resulting amount of k€ 1,702 is disclosed under other payables and accruals.

## Segment analysis and Information

### -> A. Business segments

The Group's operating businesses are organized into three business segments: municipal waste incinerators, medical waste incinerators and construction contract business (complete sets of incineration plants with electricity generation).

### -> B. Geographical business

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 identifiable assets of the Group are principally located in the PRC. Therefore no geographical segment analysis is presented.

### -> C. Allocation basis

Revenue and cost of sales are directly attributable to the segments. Operating expenses and income are allocated to the segments on a reasonable basis.

Inter-segment sales are eliminated on consolidation.

The following table presents revenue and results information regarding the Group's business segments for the first three quarters of 2009:

Amounts in k€	Q3 2009	Q3 2008	Q1-3 2009	Q1-3 2008
<b>Sales to external customers</b>				
Incinerator special for disposal of medical waste	-13	1,677	517	2,136
Incinerator special for disposal of urban household waste	-238	7,826	10,834	27,459
Sale of construction contract	6,524	6,060	13,362	6,060
	<b>6,273</b>	<b>15,563</b>	<b>24,713</b>	<b>35,655</b>
<b>Results</b>				
Incinerator special for disposal of medical waste	-7	1,371	376	1,731
Incinerator special for disposal of urban household waste	-155	5,536	6,974	19,029
Sale of construction contract	2,208	958	2,598	958
Unallocated income/expenses	-1,465	-1,415	-5,982	-3,107
<b>Profit from operations before tax</b>	<b>581</b>	<b>6,450</b>	<b>3,966</b>	<b>18,611</b>
Income tax expenses	-148	65	-1,375	126
<b>Profit for the year</b>	<b>433</b>	<b>6,515</b>	<b>2,591</b>	<b>18,737</b>

## Functional and presentation currency

The functional currency of the mainland Chinese subsidiaries is RMB.

	30. September 2009	30. September 2008
Exchange rate RMB/€ at the end of the period	9.9958	9.7954
Average exchange rate RMB/€ for Q1-3	9.3259	10.6304

## Income tax

The income taxes, shown in the interim consolidated financial statements, include mainly income taxes of Fujian FengQuan Environmental Protection Holding Co., Ltd. Due to its tax status as a »Foreign owned entity«, the tax rate 2009 amounts to half of the normal tax rate of 25%. FengQuan has been exempted from income taxes for 2007 and 2008. Due to the different treatment of exchange gains and losses in connection with net investments for consolidated financial statements and tax purposes the group tax rate may differ from the applicable local Chinese income tax rate.

## Cash fund

Amounts in k€	Q1-3 2009	Q1-3 2008
Cash at end of period	107,527	94,607
Short-term financial management of cash investments	3,000	3,000
<b>Cash and cash equivalents (balance sheet)</b>	<b>110,527</b>	<b>97,607</b>

## Events after the balance sheet date

During its trial operation in October, the Datong EPC project began to generate electricity from waste incineration, providing further confirmation that the project will be completed at the end of 2009.

Hamburg, 30 November 2009  
ZhongDe Waste Technology AG

On behalf of the management



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



**William Jiu-hua Wang**  
Executive Director of the  
Management Board (CFO)

## Responsibility Statement by the Management

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

Hamburg, 30 November 2009  
ZhongDe Waste Technology AG  
On behalf of the management



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



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

## Cautionary Note Regarding Forward-Looking Statements

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

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

The English translation of this interim report is for convenience purposes only. Exclusively binding in legal terms is the German Version of this interim report.

## About ZhongDe Waste Technology AG



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

The ZhongDe Group designs, manufactures and installs pyrolytic, grate and rotary kiln waste incinerators for the disposal of solid municipal, industrial (including hazardous) and medical waste, as well as complete large-scale incineration plants with electricity generation.

Since 1996, the ZhongDe Group has installed approximately 200 waste incinerators in about 13 provinces and more than 80 waste incinerators in the last three financial years alone. Its waste incinerators are principally constructed for small and mid-size Chinese cities in developed areas of the People's Republic of China, as well as for operators of medical disposal centers in the hospital and healthcare industry. The ZhongDe Group is one of the leading suppliers of small and mid-size solid waste incinerators in China, supplying state-of-the-art products.

## Financial Calendar & Contact

### Financial Calendar

Date*	Event
April 2010	Annual Financial Statement 2009
May 2010	Interim report on the 1st quarter 2010

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

### Contact

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

#### **ZhongDe Waste Technology AG**

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