



## Interim Report

Third Quarter 2010

ZhongDe Waste Technology AG

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-> Cover photo: ZhongDe (China) Environmental Protection Co. Ltd., R&D Centre in Beijing

## Key Figures

### Operational data

Amount in k€	Q3 2010	Q3 2009	Change %	9M 2010	9M 2009	Change %
Order intake <sup>1)</sup>	0	24,383	-100.0	25,761	87,042	-70.4
Order backlog <sup>2)</sup>	156,802	126,823	23.6	156,802	126,823	23.6
Revenues	4,595	7,609	-39.6	19,565	28,241	-30.7
Gross profit	1,263	2,380	-46.9	4,312	10,830	-60.2
Gross profit margin	27%	31%	-4 pp	22%	38%	-16 pp
Cost of sales	3,332	5,229	-36.3	15,253	17,411	-12.4
EBITDA	(504)	802	-	(851)	5,890	-
EBITDA margin	-11%	11%	-	-4%	21%	-
EBIT	(627)	712	-	(1,199)	5,618	-
EBIT margin	-14%	9%	-	-6%	20%	-
Net profit	328	694	-52.7	(1,384)	3,279	-
Net profit margin	7%	9%	-2 pp	-7%	12%	-
Earnings per share (in €)	0.03 <sup>3)</sup>	0.05 <sup>4)</sup>	-40.0	(0.11) <sup>5)</sup>	0.25 <sup>6)</sup>	-

1) Average exchange rate used for translation.

2) Period-end exchange rate used for translation.

3) Calculated on the basis of 12,656,200 shares.

4) Calculated on the basis of 12,993,447 shares.

5) Calculated on the basis of 12,667,497 shares.

6) Calculated on the basis of 12,997,792 shares.

### Cash flow data

Amount in k€	Q3 2010	Q3 2009	Change %	9M 2010	9M 2009	Change %
Cash flow from operating activities	(9,565)	5,039	-	(18,429)	17,604	-
Cash flow from investing activities	(242)	(6,005)	-96.0	2,582	(6,800)	-
Free cash flow before financing	(9,807)	(966)	>100.0	(15,847)	10,804	-

### Balance sheet data

Amount in k€	30 September 2010	31 December 2009	Change %
Total assets	149,421	142,178	5.1
Tangible and intangible fixed assets	32,030	17,421	83.9
Net working capital	99,413	108,266	-8.2
Cash and cash equivalents	98,063	111,899	-12.4
Long-term liabilities	1,546	593	>100.0
Shareholders' equity	129,897	125,094	3.8
Headcount	378	375	0.8

## Highlights of the 3rd Quarter 2010

### Revenues

Revenues decreased by 40% in Q3 2010, from € 7.6 million in Q3 2009 to € 4.6 million in Q3 2010. The Company is focusing on large-scale waste-to-energy EPC and BOT projects, especially the marketing and negotiation of potential waste-to-energy project contracts. ZhongDe has successfully developed a pipeline of EPC and BOT projects, which is the basis for future growth.

### Operating Results

Gross profit was € 1.3 million (decreased by 47%) and EBIT was € -0.6 million. In Q3 2010, net profit decreased by 53% from € 0.7 million in Q3 2009 to € 0.3 million in Q3 2010. And net profit margin was 7% (9% in Q3 2009).

### Order Intake and Order Backlog

Although there was no new order intake in Q3 2010, two new contracts (one BOT and one EPC project) are currently undergoing the ZhongDe approval procedure.

Order backlog still strongly increased by 24% to € 157 million year on year, although the order backlog for 2009 was greatly adapted from € 55.9 million to € 126.8 million in view of the retrospective application of IFRIC 12 to BOT projects.

### ZhongDe Moves Offices from Hamburg to Frankfurt am Main

With rapidly expanding business relations in the international market, ZhongDe has relocated its corporate offices from Hamburg to Frankfurt am Main, effective 19 July. Frankfurt is the financial centre of Germany and Europe, and ZhongDe is listed on the main board of the German Stock Exchange in Frankfurt am Main. A lot of international commercial and investment banks are based here. Located in central Germany, Frankfurt has one of the best transportation infrastructures in the country and in Europe. The move will facilitate, deepen and broaden investor relations, and will encourage mutual visits, technical exchanges and more in-depth project meetings.

### Success of Datong Project Greatly Improves ZhongDe Reputation

As ZhongDe's first EPC project, the Datong project construction work was completed on time and the quality is very high. The successful operation of the Datong plant project has been greatly appreciated by the owner and government officers. The gross profit margin of Datong reached 25% and become the standard margin of ZhongDe projects. It is welcomed by investors. Designed according to EU standards, the off-gas emission of the Datong plant not only reaches the Chinese national standard, but also reaches some EU standards (e.g. dioxin emission). The Datong plant highlights the advantages of ZhongDe as follows: the technology advantage (compared with the domestic rivals' projects) and cost advantage (compared with the international rivals' projects).

As a result, some high-ranking Chinese officers have commended the Datong plant as being even better than some EU plants they have previously visited and as being a model plant for China's green economy. Furthermore, China Central Television (CCTV) broadcast a 45 minutes-long programme on the garden-style Datong plant, which

was the most watched programme according to prime time ratings. The Xinhua News Agency, the authority of the central government of China, regards the Datong plants in its report as the model green plant for energy-from-waste generation in China. Many media channels reported extensively on the Datong plant. This not only reduced public concerns in China about the possible pollution from energy-from-waste plant emission, but also enhanced ZhongDe's reputation and image as the leading energy-from-waste green plant in China.

## Zhucheng EPC Project

The following construction work has been completed: construction of the independent foundation of the main plant, the waterproof and thermal insulation on the exterior wall of the waste pool, the pouring and backfilling construction for the steam turbine foundation below ground level, construction of the chimney foundation, concrete structure and the chimney lining treatment. The completion percentage of the Zhucheng project is 15%. The Zhucheng EPC project will be completed in 2011.

## Dingzhou EPC Project

The Dingzhou EPC project construction work has started. The completion percentage of the Dingzhou project is 7%. The Dingzhou EPC project will be completed in 2011.

## Zhoukou BOT Project

The following construction work has been completed: the laying for the threading pipe, concrete laying of underground oil tank, installation of the exhaust pipe for the No. 1 and No. 2 safety valves and the low-voltage switchgear, installation of the steam turbine. The completion percentage of the Zhoukou project is 51%. The Zhoukou project construction work will be completed and trial operation will commence in Q1 2011. The Zhoukou project is the first ZhongDe BOT waste-to-energy project in China. It is a good showcase for ZhongDe's central Chinese market.

## Feicheng BOT Project

The emulsion painting of the exterior walls of the main plant, the installation of a waste heat boiler, and the debugging for each unit of the DCS control system have been completed, while the landscape work in the plant is proceeding smoothly.

The completion percentage of the Feicheng project is 93%. The Feicheng project construction work will be completed and trial operation will commence in Q4 2010.

## Kunming BOT Project

Construction of the infrastructure, the administration building, the main plant structure, the discharging platform and the waste pool for the main factory is fully under way. The completion percentage of the Kunming project is 14%. The Kunming BOT project will be completed in 2011. The Kunming project is located in the capital city of the Yunnan Province and is close to tourist attractions and Southeast Asian countries. It is an excellent showcase for the cities in the province and these countries.

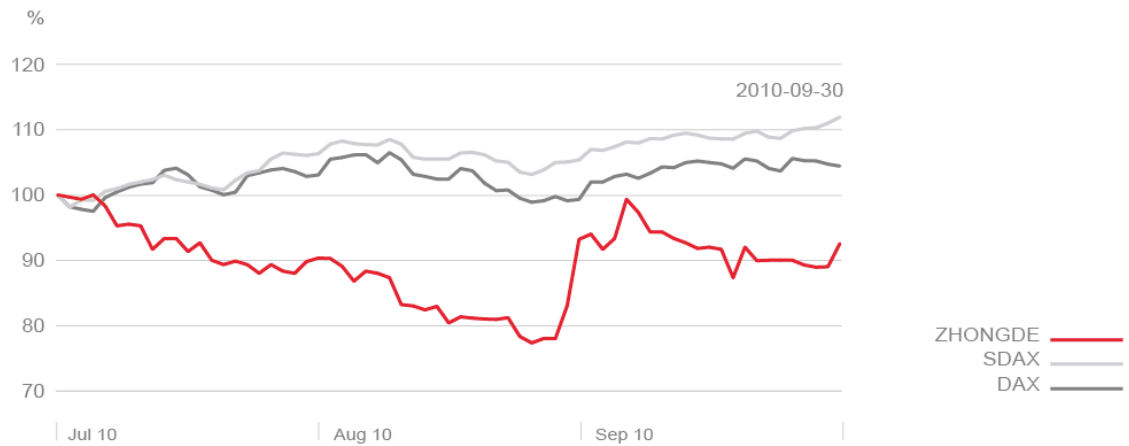
## Beijing R&D Centre and Manufacture Project

The Beijing headquarters of ZhongDe, which are located in downtown Beijing, ZhongDe (China) Environment Protection Co. Ltd, has been operating smoothly for more than 1.5 years. The construction of the R&D centre and manufacture site has been delayed. Now ZhongDe's strategy has been changed to focus on the cooperation of medium- to large-sized energy-from-waste plant. As a result, the plan has been changed fundamentally and the completion timetable depends on the schedule of the cooperation negotiations with the potential partners.

## Research & Development

The ZhongDe R&D section has cooperated with universities in relation to the creation of a post-doctoral institution, which has been approved by the Chinese government. Based on that, ZhongDe has hired several experienced technology experts to set up the ZhongDe research institute.

## Share Performance



The international stock markets continued to recover in the third quarter of 2010. The positive economic forecasts of the International Monetary Fund (IMF) have largely proved to be correct, while concerns regarding the instability of the Greek economy and the rising debt-equity ratio of a number of European countries.

The DAX increased by 4.4% to 6,229 points in the reporting period. The SDAX development was virtually identical and the index stood at 4,369 points at the end of the third quarter (+11.9%).

In contrast to the DAX and SDAX indices, the ZhongDe share depreciated by 7.5% in the third quarter. The share price increased significantly after the Q2 data was published on 30 August, appreciating by 6% on 6 September alone, for example, which reflected the recovery of the investors' confidence about ZhongDe performance. Following this rally, the share price developed a predominantly sideways trend and closed at € 13.88 on 30 September 2010.



## Economic and Political Environment

### Macroeconomic Environment

According to a preliminary estimation, the gross domestic product (GDP) of China in the first three quarters of this year was RMB 26,866.0 billion, a year-on-year increase of 10.6%. The value added of the primary industry was RMB 2,560.0 billion, up by 4.0%; that of the secondary industry was RMB 12,932.5 billion, up by 12.6%; and that of the tertiary industry was RMB 11,373.5 billion, up by 9.5%.

In the first three quarters of this year, the investment in fixed assets of the country was RMB 19,222.8 billion, a year-on-year growth of 24.0%. Of this total, the investment in urban areas reached RMB 16,587.0 billion, up by 24.5%, while that in rural areas was RMB 2,635.8 billion, up by 20.5%. During this period, total retail sales of consumer goods reached RMB 11,102.9 billion, a year-on-year rise of 18.3%. The per capita total income of urban households was RMB 15,756. Of this total, the per capita disposable income of the urban population was RMB 14,334, a year-on-year growth of 10.5%.

The total value of imports and exports for the first three quarters of this year was US\$ 2,148.7 billion, up by 37.9% year on year. The value of exports was US\$ 1,134.6 billion, up by 34.0%, and the value of imports was US\$ 1,014.0 billion, up by 42.4%. The trade surplus was US\$ 120.6 billion, a decline of US\$ 14.9 billion over the same period last year.

### Political Environment

#### The Sixth China International Forum on Environment and Development Held in Beijing

The Sixth China International Forum on Environment and Development was opened at the Beijing Exhibition Hall on 16 September. MEP minister Zhou Shengxian stressed that during the process of new industrialization and urbanization, we should actively explore a new path to environmental protection with minimum cost, good benefits, low emission and sustained development. Emission reduction is an important component for the exploration of new environmental protection avenues in China. During the 11th Five-Year Plan period, we have met emission reduction targets ahead of schedule through identifying the reduction of the total discharge of major pollutants as the compulsory indicator in the 11th Five-Year Plan, materializing emission reduction responsibility level by level with strict examination and giving full play to the synergy of different policies and innovations of environmental supervision approaches. This year is the last year of the 11th Five-Year Plan period and is a key year for designing the environmental philosophy of the 12th Five-Year Plan. We will:

- further establish such ideas as green development, clean development and development with conservation of resources;
- focus on the addressing of pre-eminent environmental problems affecting sustainable development and threatening public health,
- finish the environmental protection task during the 11th Five-Year Plan period in an all-round way
- design the ways for environmental protection during the 12th Five-Year Plan and strive for a new situation in environmental protection.



### **Demand for “Green Funds” Increasing**

Demand for financing China’s new energy industry, emission reduction and environmental protection could amount to RMB 8 trillion (US\$ 1.2 trillion) in the coming decade, according to a senior provincial official.

China could also devise favourable policies, including the issuance of RMB “green bonds”, to meet demands, Gao Cailin, director general of the Office of Financial Affairs of Jilin Province, told China Daily. By 2020, financing demand from the new energy industry could total RMB 2 trillion. In addition, emission reduction, resource recycling and environmental protection are predicted to exceed RMB 600 billion per year, Gao said.

The soaring demand would create huge space for the development of “green finance”. Green finance, or G-finance, refers to credit aimed to support those low-carbon green sectors, such as new energy. China has launched new policies, including lending guidelines, to support new energy efficient industries.

### **Impact on Business Development**

In the first three quarters of 2010, the good developing momentum of the economy was further consolidated, and the national economy kept moving towards the expected direction of macroeconomic control. The company expects to further benefit from the favourable economic environment.

The Chinese government has always attached great importance to environmental protection. The statement of Chinese MEP minister Zhou Shengxian further consolidate our company’s confidence for the good prospects for the waste-to-energy industry. The company also expects that the development of green finance will create good opportunities to drive our business forward.

# Management Report

## Results of Operations

Amount in k€	Q3 2010	Q3 2009	Change %	9M 2010	9M 2009	Change %
Revenue	4,595	7,609	(40)	19,565	28,241	(31)
Cost of sales	(3,332)	(5,229)	(36)	(15,253)	(17,411)	(12)
<b>Gross profit</b>	<b>1,263</b>	<b>2,380</b>	<b>(47)</b>	<b>4,312</b>	<b>10,830</b>	<b>(60)</b>
Other operating income	84	166	(49)	118	328	(64)
Selling and distribution expenses	(331)	(359)	(8)	(823)	(1,372)	(40)
Administrative expenses	(683)	(530)	29	(2,033)	(1,261)	61
Research and development expenses	(66)	(125)	(47)	(131)	(384)	(66)
Other operating expenses	(894)	(820)	9	(2,642)	(2,523)	5
<b>Profit from operations</b>	<b>(627)</b>	<b>712</b>	<b>-</b>	<b>(1,199)</b>	<b>5,618</b>	<b>-</b>
Finance income	729	200	>100.0	1,677	979	71
Finance costs	(228)	3	-	(753)	(1,749)	(57)
<b>Profit before income tax</b>	<b>(126)</b>	<b>915</b>	<b>-</b>	<b>(275)</b>	<b>4,848</b>	<b>-</b>
Income tax	454	(221)	-	(1,109)	(1,569)	(29)
<b>Net profit for the period</b>	<b>328</b>	<b>694</b>	<b>(53)</b>	<b>(1,384)</b>	<b>3,279</b>	<b>-</b>

Revenues decreased by 40% year on year, from € 7.6 million in Q3 2009 to € 4.6 million in Q3 2010. The Company is focusing on large-scale waste-to-energy EPC and BOT projects, especially the marketing and negotiation of potential waste-to-energy project contracts. ZhongDe has successfully developed a pipeline of EPC and BOT projects, which is the basis for future growth.

Gross profit was € 1.3 million (decreased by 47%), and EBIT was € -0.6 million. In Q3 2010, net profit was decreased by 53% from € 0.7 million in Q3 2009 to € 0.3 million in Q3 2010. And the net profit margin was 7% (9% in Q3 2009).

Selling and distribution expenses fell in the third quarter of 2010, by 8% to k€ 331 (Q3 2009: k€ 359). Administrative expenses rose from k€ 530 to k€ 683 in Q3 2010 because of the expansion of the Beijing headquarters and increase of public relations expense and the marketing expense.

At the end of the third quarter of 2010, shareholders' equity had increased by 4% to € 130 million. The Company maintains a very strong equity ratio of 87%. Although the cash position was reduced by € 14 million because of more BOT investment, it still stands as high as € 98 million in Q3 2010. With the strong equity ratio and cash position, ZhongDe maintains flexibility in the fields of investment and financing in spite of the background of the remaining influence of the international financial crisis and economic turmoil.

## Current Status of Waste-to-Energy Projects

### Success of Datong Project Greatly enhanced ZhongDe Reputation

As ZhongDe's first EPC project, the Datong project construction work was completed on time and its quality is at a very high level. The successful operation of the Datong plant project has been greatly appreciated by the owner and government officers. The gross profit margin of Datong reached 25% and become the standard margin of ZhongDe projects. It is welcomed by investors. Designed according to EU standards, the off-gas emission of the Datong plant not only reaches the Chinese national standard, but also reaches some EU standards (e.g. dioxin emission). The Datong plant highlights the advantages of ZhongDe as follows: the technology advantage (compared with the domestic rivals' projects) and cost advantage (compared with the international rivals' projects).

### Zhucheng EPC Project

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## Beijing R&D Centre and Manufacture Project

The Beijing headquarters of ZhongDe, which are located in downtown Beijing, ZhongDe (China) Environment Protection Co. Ltd, has been operating smoothly for more than 1.5 years. The construction of the R&D centre and manufacture site has been delayed. Now ZhongDe's strategy has been changed to focus on the cooperation medium- to large-sized energy-from-waste plant. So is its function of the R&D and manufacture site. As a result, the plan has been changed fundamentally and the completion timetable depends on the schedule of the cooperation negotiations with the potential partners, several international waste-to-energy companies.

## Research & Development

The ZhongDe R&D section has cooperated with universities in relation to the creation of a post-doctoral institution, which has been approved by the Chinese government. Based on that, ZhongDe has hired several experienced technology experts to set up the ZhongDe research institute.

## Order Development

Although there was no new order intake in Q3 2010, two new contracts (one BOT and one EPC project) are currently undergoing the ZhongDe approval procedure. Order backlog still strongly increased by 24% to € 157 million year on year, although the order backlog for 2009 was greatly adapted from € 55.9 million to € 126.8 million in view of the retrospective application of IFRIC 12 to BOT projects.

## Business Segments Overview

Amount in k€	Q3 2010	Q3 2009	Change %	9M 2010	9M 2009	Change %
<b>Medical waste incinerators</b>						
Units sold	1	0	>100.0	1	1	0
Revenues	191	(13)	-	191	517	(63)
Gross profit	50	(7)	-	50	376	(87)
<b>Municipal solid waste incinerators</b>						
Units sold	1	0	>100.0	1	5	(80)
Revenues	1,429	(238)	-	1,429	10,834	(87)
Gross profit	554	(155)	-	554	6,974	(92)
<b>EPC Project</b>						
Revenues (POC)	1,052	6,524	(84)	5,292	13,362	(60)
Gross profit	222	2,208	(90)	1,100	2,598	(58)
<b>BOT Project</b>						
<b>Zhoukou Project</b>						
Revenues (POC)	273	834	(67)	5,587	2,190	>100.0
Gross profit	68	207	(67)	1,386	548	>100.0
<b>Feicheng Project</b>						
Revenues	328	502	(35)	2,457	1,338	84
Gross profit	34	128	(73)	71	335	(79)
<b>Kunming Project</b>						
Revenues	1,320	0	>100.0	4,607	0	>100.0
Gross profit	327	0	>100.0	1,143	0	>100.0
Total Revenues	4,593	7,609	(40)	19,563	28,241	(31)
Total Gross Profit	1,255	2,380	(47)	4,304	10,830	(60)

### Incinerators

One medical waste incinerator and one municipal solid waste incinerator were sold in Q3 2010 because only the two old order backlog were turned into sales. This showed the small- to medium-sized incinerators market has not yet recovered in China. The Company anticipated that the demand for incinerators would be slow this year and the Board of Directors is striving to expand the Company's EPC and BOT market share in China and explore the international waste-to-energy market.

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

The Datong project, our first large-scale EPC project, is operating smoothly and off-gas emission has not only reached Chinese national standard, but has also surpassed some EU standards (e.g. dioxin emission). CCTV recently reported on the plant in a heavily watched programme which lasted about 45 minutes and which regarded the Datong plant as a model green plant. It greatly enhanced ZhongDe's reputation and image as a leading player in energy from waste in China. It helped to strengthen our confidence and further consolidate our strategy direction.

According to the PoC method, the Zhucheng and Dingzhou projects contributed € 0.7 million, and € 0.4 million respectively to revenues. In Q3 2010, the total revenues of the EPC segment amounted to € 1.1 million, while the gross profit of the EPC segment amounted to € 0.2 million. Meanwhile, we focused on marketing and negotiating potential waste-to-energy project contracts in Q3 2010, which will ensure future revenues in the coming quarters.

## BOT Projects

The € 1.9 million BOT revenues are recognized according to the PoC method. During this reporting period, the Zhoukou, Feicheng and Kunming projects contributed € 0.3 million, € 0.3 million and € 1.3 million respectively to revenues. In Q3 2010, the gross profit of the BOT segment amounted to € 0.4 million.

## Net Worth

Amount in k€	30 September 2010	31 December 2009	Change %
Non current assets	32,030	17,421	84
Current assets	117,391	124,757	(6)
Equity	129,897	125,094	4
Liabilities	19,524	17,084	14
Balance sheet total	149,421	142,178	5

The balance sheet total amounted to € 149.4 million on 30 September 2010. The increase in non-current assets is primarily due to an increase of approximately € 13.7 million in BOT project receivables. Current assets decreased by just 6% from € 124.8 million to € 117.4 million while equity rose by € 4.8 million to € 129.9 million. The Company's equity ratio consequently remained very high and the Company had no bank debts as at 30 September 2010.

## Financial Position

Amount in k€	Q3 2010	Q3 2009	Change %	9M 2010	9M 2009	Change %
Cash flow from operating activities	(9,565)	5,039	<-100.0	(18,429)	17,604	<-100.0
Cash flow from investment activities	(242)	(6,005)	-96.0	2,582	(6,800)	<-100.0
Free cash flow before financing	(9,807)	(966)	>100.0	(15,847)	10,804	<-100.0

Because of the more BOT investments the cash flow from operating activities amounted to € -9.6 million in the third quarter of 2010, compared with € 5.0 million in the same period last year.

## Outlook

The weak performance of the US economy and the global recession continued to impact on the Chinese and international markets in the first three quarters of 2010. Other negative factors are the real estate market bubble, high inflation expectations in China and the international “currency wars”. In Q3 2010, the central government of China continued with its tighter credit policy and severe price controls to cool down the real estate market in China. The USA trade protection policy and currency policy caused the depreciation of US dollar and triggered the international “currency wars”. The economies of China and the whole world are expected to remain considerably uncertain in 2010.

However, the positive factors are listed as following:

Firstly, the green-tech stimulating policies of China and the gross domestic product (GDP) of China in the first three quarters of this year was RMB 26,866.0 billion, a year-on-year increase of 10.6%. Secondly, the Zhoukou project is the first ZhongDe BOT waste-to-energy project in China. The Zhoukou BOT project will be completed in Q1 2011. It will generate more revenues and profits in 2010 and will be a good showcase for ZhongDe’s central Chinese market. Thirdly, China Central Television (CCTV) recently broadcast a 45 minutes-long programme on the garden-style Datong plant, which was the most watched programme according to prime time ratings. The Xinhua News Agency, the authority of the central government of China, regards the Datong plants in its report as the model green plant for energy-from-waste generation in China. Many media channels heavily reported on the Datong plant. This not only reduced public concerns in China about the possible pollution from energy-from-waste plant emission, but also greatly enhanced ZhongDe’s reputation and image as the leading energy-from-waste green plant in China. As a result of the progress of the ZhongDe EPC and BOT projects in China, some high-ranking Chinese officers have commended the Datong plant as being even better than some EU plants they have previously visited and as being a model plant for China’s green economy.

ZhongDe will take advantage of the above-mentioned favourable factors, which place ZhongDe in an ideal position to capture the potential growth in this market and continue to drive the business forward. Although there was no new order intake in Q3 2010, two new contracts (one BOT and one EPC project) are currently undergoing the ZhongDe approval procedure. We are confident of signing more EPC and BOT waste-to-energy LOIs and contracts in the coming quarters. This confidence is based on recent negotiations. The management of ZhongDe remains optimistic regarding the Company’s performance in 2010 and the coming years.

ZhongDe is now the leading player in the energy-from-waste industry in China. ZhongDe has successfully realized the strategy transition target of the ZhongDe management team. The ZhongDe management will focus on China’s energy-from-waste market and we will do our best to realize the next strategic target – to be the biggest energy-from-waste company in China in the near future.



# Financial Statements – ZhongDe Waste Technology AG

## 06.1

## Interim Consolidated Balance Sheet

for the period from 1 January to 30 September 2010

Amount in k€	30 September 2010	31 December 2009	30 September 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8,141	3,067	2,489
Land	2,269	2,140	2,117
Equipment	1,492	1,387	1,307
Construction in progress	5,889	5,400	10,344
Receivables from BOT projects	13,719	5,248	4,513
Deferred tax assets	520	179	275
	<b>32,030</b>	<b>17,421</b>	<b>21,045</b>
<b>Current assets</b>			
Inventories	1,819	4,032	2,181
Trade receivables	5,742	5,581	3,755
Other receivables and prepayments	11,760	3,239	1,321
Amounts due from related parties	7	6	6
Cash and cash equivalents	98,063	111,899	110,527
	<b>117,391</b>	<b>124,757</b>	<b>117,790</b>
<b>Total assets</b>	<b>149,421</b>	<b>142,178</b>	<b>138,835</b>
<b>Liabilities and Equity</b>			
<b>Capital and reserves</b>			
Share capital	13,000	13,000	13,000
Capital reserves	69,822	69,822	69,822
Statutory reserves	7,225	7,225	6,348
Own shares	(4,056)	(2,408)	(409)
Retained earnings	32,288	35,571	34,015
Foreign exchange difference	11,618	1,884	349
	<b>129,897</b>	<b>125,094</b>	<b>123,125</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Deferred tax liabilities	1,546	593	862
	<b>1,546</b>	<b>593</b>	<b>862</b>
<b>Short-term liabilities</b>			
Trade payables	11,864	9,398	5,390
Other payables and accruals	4,888	5,456	5,873
Provisions	1,098	1,067	842
Amounts due to related parties	118	37	47
Income tax payable	10	533	2,696
	<b>17,978</b>	<b>16,491</b>	<b>14,848</b>
<b>Total liabilities</b>	<b>19,524</b>	<b>17,084</b>	<b>15,710</b>
<b>Total liabilities and equity</b>	<b>149,421</b>	<b>142,178</b>	<b>138,835</b>

## 06.2

### Interim Consolidated Statement of Income and Expenses

for the period from 1 January to 30 September 2010

Amount in k€	Q3 2010	Q3 2009	9M 2010	9M 2009
Revenue	4,595	7,609	19,565	28,241
Cost of sales	(3,332)	(5,229)	(15,253)	(17,411)
<b>Gross profit</b>	<b>1,263</b>	<b>2,380</b>	<b>4,312</b>	<b>10,830</b>
Other operating income	84	166	118	328
Selling and distribution expenses	(331)	(359)	(823)	(1,372)
Administrative expenses	(683)	(530)	(2,033)	(1,261)
Research and development expenses	(66)	(125)	(131)	(384)
Other operating expenses	(894)	(820)	(2,642)	(2,523)
<b>Profit from operations</b>	<b>(627)</b>	<b>712</b>	<b>(1,199)</b>	<b>5,618</b>
Finance income	729	200	1,677	979
Finance costs	(228)	3	(753)	(1,749)
<b>Profit before income tax</b>	<b>(126)</b>	<b>915</b>	<b>(275)</b>	<b>4,848</b>
Income tax	454	(221)	(1,109)	(1,569)
<b>Profit for the period</b>	<b>328</b>	<b>694</b>	<b>(1,384)</b>	<b>3,279</b>
Earnings per share (diluted and undiluted) (in EUR)	0.03	0.05	-0.11	0.25
Weighted average shares outstanding (diluted and undiluted)	12,656,200	12,993,447	12,667,497	12,997,792

## 06.3

### Interim Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September 2010

Amount in k€	Q3 2010	Q3 2009	9M 2010	9M 2009
<b>Profit for the period</b>	<b>328</b>	<b>694</b>	<b>(1,384)</b>	<b>3,279</b>
Other comprehensive income				
Foreign exchange differences recognized directly in equity	(12,645)	(4,040)	9,734	(6,136)
<b>Total changes recognized directly in equity</b>	<b>(12,645)</b>	<b>(4,040)</b>	<b>9,734</b>	<b>(6,136)</b>
<b>Total recognized income and expense</b>	<b>(12,317)</b>	<b>(3,346)</b>	<b>8,350</b>	<b>(2,857)</b>

## 06.4

### Interim Consolidated Statement of Cash Flow

for the period from 1 January to 30 September 2010

Amount in k€	9M 2010	9M 2009
<b>Profit before income tax</b>	(275)	4,848
<b>Adjustments for:</b>		
Amortization of intangible assets	17	42
Allowance for doubtful trade debts	(8)	(328)
Provision for warranty	(53)	0
Depreciation of property, plant and equipment and land	331	230
Gains/losses PPE	45	24
Finance income	(1,677)	(979)
Finance expense	753	1,749
<b>Operating cash flows before working capital changes</b>	<b>(867)</b>	<b>5,586</b>
<b>Working capital changes:</b>		
<b>(Increase)/decrease in:</b>		
Inventories	2,213	1,913
Trade receivables	(152)	11,976
PoC receivables from BOT projects	(13,164)	(3,528)
Other receivables and prepayments	(8,521)	1,691
Amounts due from related parties	(1)	4
<b>Increase/(decrease) in:</b>		
Trade payables	2,466	1,038
Other payables, provisions and accruals	(484)	(924)
Amounts due to related parties	81	(152)
<b>Cash generated from/(used in) operations</b>	<b>(18,524)</b>	<b>18,736</b>
Interest received/exchange gains	1,677	979
Interest paid/exchange losses	(753)	(1,749)
Income tax paid	(1,019)	1,902
<b>Net cash generated from operating activities</b>	<b>(18,524)</b>	<b>18,736</b>
<b>Cash flow from investing activities</b>		
Payments in connection with the short-term financial management of cash investments	(22,590)	(3,000)
Receipts in connection with the short-term financial management of cash investments	25,590	3,000
Purchase property, plant, equipment, intangible assets, land use rights	(418)	(6,800)
<b>Cash flow used in investing activities</b>	<b>2,582</b>	<b>(6,800)</b>
<b>Cash flow from financing activities</b>		
Dividend	(1,898)	(1,950)
Buy back of own shares	(1,648)	(409)
<b>Cash flow from financing activities</b>	<b>(3,546)</b>	<b>(2,359)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(19,488)</b>	<b>9,577</b>
Cash at beginning of year	88,563	102,740
Foreign exchange differences	7,087	(4,790)
<b>Cash fund at end of period</b>	<b>76,162</b>	<b>107,527</b>

## 06.5

### Selected Notes to the Interim Consolidated Financial Statements

for the period ending 30 September 2010

#### Interim Consolidated Statement of Changes in Equity for the Period from 1 January to 30 September 2010

Amount in k€	Numbers of shares out-standing	Share capital AG	Capital Reserves	Statutory Reserves	Own shares	Retained earnings	Foreign ex-change differences	Total equity
<b>Balance as at 1 January 2009</b>	<b>13,000,000</b>	<b>13,000</b>	<b>69,822</b>	<b>6,348</b>	<b>0</b>	<b>32,684</b>	<b>6,486</b>	<b>128,340</b>
Total comprehensive income for this period						3,279	(6,136)	(2,857)
Buy back of own shares					(409)			(409)
Dividend distribution of the year 2008						(1,950)		(1,950)
<b>Balance as at 30 September 2009</b>	<b>13,000,000</b>	<b>13,000</b>	<b>69,822</b>	<b>6,348</b>	<b>(409)</b>	<b>34,013</b>	<b>350</b>	<b>123,124</b>
<b>Balance as at 1 January 2010</b>	<b>12,798,800</b>	<b>13,000</b>	<b>69,822</b>	<b>7,225</b>	<b>(2,408)</b>	<b>35,570</b>	<b>1,884</b>	<b>125,093</b>
Total comprehensive income for this period						(1,384)	9,734	8,350
Buy back of own shares	(142,600)	0	0	0	(1,648)	0	0	(1,648)
Dividend distribution of the year 2009	0	0	0	0	0	(1,898)	0	(1,898)
<b>Balance as at 30 September 2010</b>	<b>12,656,200</b>	<b>13,000</b>	<b>69,822</b>	<b>7,225</b>	<b>(4,056)</b>	<b>32,288</b>	<b>11,618</b>	<b>129,897</b>

#### General

The interim consolidated financial statements for the period 1 January to 30 September combine 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 the 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) of the German Commercial Code (HGB). The interim consolidated financial statements comply with all IFRSs 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, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can 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 2009. 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 developments or occasional developments, is not cut off accurately in the interim consolidated financial statements. Expenses that are incurred irregularly during the reporting period have been cut off in those cases where they would also be cut off at year-end.

EPC construction contracts were recognized in accordance with the percentage-of-completion (PoC) method, with the percentage of completion being calculated using the cost-to-cost method. PoC receivables were carried as trade receivables on the assets side or, in the case of impending losses, as PoC liabilities. Insofar as prepayments exceed the cumulative work completed, they are recognized as liabilities.

Revenues of € 4.6 million in Q3 2010 include contract revenues of € 1.1 million from ongoing EPC production contracts recognized in accordance with the PoC method. The cumulative costs of EPC construction contracts still in progress as at the balance sheet date amounted to k€ 830, with a cumulative profit total of k€ 222.

In accordance with the second Annual Improvements Project (AIP 2009), the classification regulation of leases of land was extended from 2010. The transition provision stipulates that (new) classification of leasing agreements of land shall be applied retrospectively. For this reason, the "land use right" will no longer be presented as an "intangible asset", but as "land". As a result, the amount of intangible assets decreased from € 4.6 million (30.09.2009), € 5.2 million (31.12.2009) and € 10.4 million (30.09.2010) to € 2.5 million (30.09.2009), € 3.1 million (31.12.2009) and € 8.1 million (30.09.2010). The amount of "land" increased from € 2.1 million (30.09.2009), € 2.1 million (31.12.2009) and € 2.3 million (30.09.2010). The amount of amortization (depreciation) in the profit and loss statement will not be influenced.

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

## Segment Analysis and Information

### -> A. Business segments

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

### -> B. Market

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 recognized separately as non-attributable income and expenses.

Inter-segmental revenues are eliminated on consolidation.

The following table presents revenue and results information regarding the Group's business segments for the first nine months of 2010:

Amount in k€	Q3 2010	Q3 2009	9M 2010	9M 2009
<b>Revenue</b>				
<b>Incinerators</b>	<b>1,620</b>	<b>(251)</b>	<b>1,620</b>	<b>11,351</b>
incinerator special for disposal of medical waste	191	(13)	191	517
incinerator special for disposal of urban household waste	1,429	(238)	1,429	10,834
<b>EPC project business</b>	<b>1,052</b>	<b>6,524</b>	<b>5,292</b>	<b>13,362</b>
Zhucheng	695	0	3,618	0
Dingzhou	357	0	1,674	0
Datong	0	6,524	0	13,362
<b>BOT project business</b>	<b>1,921</b>	<b>1,336</b>	<b>12,651</b>	<b>3,528</b>
Zhoukou	273	834	5,587	2,190
Feicheng	328	502	2,457	1,338
Kunming	1,320	0	4,607	0
<b>Total revenue from reportable segments</b>	<b>4,593</b>	<b>7,609</b>	<b>19,563</b>	<b>28,241</b>
Unallocated revenues	2	0	2	0
<b>Total revenues</b>	<b>4,595</b>	<b>7,609</b>	<b>19,565</b>	<b>28,241</b>
<b>Results</b>				
<b>Incinerators</b>	<b>604</b>	<b>(162)</b>	<b>604</b>	<b>7,350</b>
incinerator special for disposal of medical waste	50	(7)	50	376
incinerator special for disposal of urban household waste	554	(155)	554	6,974
<b>EPC project business</b>	<b>222</b>	<b>2,208</b>	<b>1,100</b>	<b>2,598</b>
Zhucheng	151	0	767	0
Dingzhou	71	0	333	0
Datong	0	2,208	0	2,598
<b>BOT project business</b>	<b>429</b>	<b>334</b>	<b>2,600</b>	<b>882</b>
Zhoukou	68	207	1,386	548
Feicheng	34	128	71	335
Kunming	327	0	1,143	0
<b>Total profit or loss for reportable segments</b>	<b>1,255</b>	<b>2,380</b>	<b>4,304</b>	<b>10,830</b>
Unallocated results	(1,381)	(1,465)	(4,579)	(5,982)
<b>Total profit or loss from operations before tax</b>	<b>(126)</b>	<b>915</b>	<b>(275)</b>	<b>4,848</b>
Income tax	454	(221)	(1,109)	(1,569)
<b>Profit for the year</b>	<b>328</b>	<b>694</b>	<b>(1,384)</b>	<b>3,279</b>

## Functional and Presentation Currency

	30 September 2010	30 September 2009
Exchange rate RMB/€ at the end of the period	9.1321	9.9958
Average exchange rate RMB/€ for Q1-Q3	8.9581	9.3259

	30 September 2010	30 September 2009
Exchange rate HKD/€ at the end of the period	10.5918	11.3485
Average exchange rate HKD/€ for Q1-Q3	10.2263	10.5806

The functional currency of the consolidated subsidiaries is RMB.

## Income Tax

Lower-than-usual income taxes are recognized in the interim consolidated financial statements because of the status of the main operating subsidiaries Fujian FengQuan Environmental Protection Holding Co., Ltd., Zhoukou FengQuan Environmental Protection Electric Power Co. Ltd., Feicheng FengQuan Waste Disposal Co., Ltd. And Kunming FengDe Environmental Protection Electric Power Co., Ltd. Due to the tax status of Fujian FengQuan as a foreign-owned entity, the tax rate for 2009, 2010 and 2011 amounts to half of the normal tax rate of 25%. The Group tax rate may differ from the applicable local Chinese income tax rate majorly due to different treatment of exchange gains and exchange losses for consolidated financial statements and tax purposes.

## Cash Fund

Amount in k€	9M 2010	9M 2009
Cash at end of period	76,162	107,527
Short-term deposits (duration over 3 months)	21,901	3,000
<b>Cash and cash equivalents (balance sheet)</b>	<b>98,063</b>	<b>110,527</b>

Hamburg, 30 November 2010  
ZhongDe Waste Technology AG

On behalf of the Management



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



**William Jiuhua Wang**  
Executive Director of the  
Board of Directors (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 2010  
ZhongDe Waste Technology AG  
On behalf of the Management



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



**William Jiuhua Wang**  
Executive Director of the  
Board of Directors (CFO)

## Cautionary Note Regarding Forward-Looking Statements

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

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions; changes in the regulatory environment; the introduction of competing products or technologies by other companies; changes in business strategy; our analysis of the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe’s Securities Prospectus, which is available on the ZhongDe website, [www.zhongde-ag.com](http://www.zhongde-ag.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 exclusively binding in legal terms.

## 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 the International Accounting Standards, as required by the “EU Regulation adopting certain international accounting standards”, Article 6 (2). This condensed interim report was prepared and published pursuant to IAS 34 of the International Financial Reporting Standards (IFRS). The interim report’s scope of consolidation comprises eight fully consolidated affiliates.

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

# Financial Calendar and Contact

## Financial Calendar

Date*	Event
8-9 December 2010	Munich Capital Market Conference
29 April 2011	Annual Report 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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