Q2

2nd Quarterly Report 2018

ZhongDe Waste Technology AG

ZDWT

TABLE OF CONTENTS

1 KEY FIGURES

Operational Data

in k€	Q2 2018	Q2 2017	Change %	HY1 2018	HY1 2017	Change %
Order intake	0	0	0.0	0	0	0.0
Order backlog [1]	60,278	58,678	2.7	60,278	58,678	2.7
Revenues	14	14,725	-99.9	277	41,893	-99.3
Gross profit	3	365	-99.2	55	445	-87.6
Gross profit margin	21%	2%	19 pp	20%	1%	19 pp
Cost of sales	-11	-14,360	-99.9	-222	-41,448	-99.5
EBITDA	-602	-839	28.2	-1,883	-1,902	1.0
EBITDA margin	<-100%	-6%	<-100 pp	<-100%	-5%	<-100 pp
EBIT	-606	-839	27.8	-1,891	-1,902	0.6
EBIT margin	<-100%	-6%	<-100 pp	<-100%	-5%	<-100 pp
Net result	-600	-721	16.8	-1,878	-1,744	-7.7
Net result margin	<-100%	-5%	<-100 pp	<-100%	-4%	<-100 pp
Earnings per share (in €) [2]	-0.05	-0.06	16.7	-0.15	-0.14	-7.1

[1] Based on exchange rate at the end of the period.
[2] Calculated on the basis of 12,600,000 shares.

Cash Flow Data

in k€	Q2 2018	Q2 2017	Change %	HY1 2018	HY1 2017	Change %
Cash flow used in (-) / generated from (+) operating activities	-76	85	<-100	-12,237	-1,104	<-100
Cash flow used in investing activities	-50	-1	<-100	-50	-22	<-100
Cash flow generated from financing activities	0	0	0.0	0	0	0.0

Balance Sheet Data

in k€	30 Jun. 2018	31 Dec. 2017	Change %
Total assets	132,325	134,332	-1.5
Non-current assets	89	46	93.5
Net working capital [1]	113,992	114,613	-0.5
Cash and cash equivalents	693	435	59.3
Long-term liabilities	0	0	0.0
Shareholders' equity	114,081	117,351	-2.8
Headcount (as at 30 June)	82	79	3.8

[1] Current assets less current liabilities

2 INTERIM GROUP MANAGEMENT REPORT

Macroeconomic Environment

In 2018, the Chinese economy was generally stable with growing momentum, the development quality and returns were steadily raised, sustainable and healthy economic development and overall social stability were maintained.

According to preliminary estimation, the gross domestic product (GDP) in 2018 was 90,030.9 billion yuan, up by 6.6 percent over the previous year. Of this total, the value added of the primary industry was 6,473.4 billion yuan, up by 3.5 percent, that of the secondary industry was 36,600.1 billion yuan, up by 5.8 percent and that of the tertiary industry was 46,957.5 billion yuan, up by 7.6 percent.

In 2018, the per capita disposable income nationwide was 28,228 yuan, an increase of 8.7 percent. The national per capita consumption expenditure was 19,853 yuan, up by 8.4 percent.

The total value of imports and exports of goods in 2018 reached 30,505.0 billion yuan, up by 9.7 percent over the previous year. Of this total, the value of goods exported was 16,417.7 billion yuan, up by 7.1 percent; the value of goods imported was 14,087.4 billion yuan, up by 12.9 percent. The surplus of trade in goods reached 2,330.3 billion yuan, down by 521.7 billion yuan over the previous year. At the end of 2018, China's foreign exchange reserves reached 3,072.7 billion US dollars, 67.2 billion US dollars less compared with that at the end of 2017.

In 2018, the fixed assets investment (excluding by rural households) in ecological protection and treatment of environmental pollution went up by 43.0 percent compared with 2017. The business revenue of the strategic emerging service industries went up by 14.6 percent compared with the previous year. In 2018, the investment in high technology industries increased by 14.9 percent over the previous year; the investment in industrial technological transformation increased by 12.8 percent.

By the end of 2018, the installed power generation capacity was 1,899.67 million kilowatts, up by 6.5 percent over that at the end of 2017. Preliminary estimation indicated that the total energy consumption in 2018 amounted to 4.64 billion tons of standard coal equivalent, up by 3.3 percent over 2017. The carbon dioxide emission per 10,000 yuan worth of GDP was cut by 4.0 percent.

Source from:http://www.stats.gov.cn/english/PressRelease/201902/t20190228_1651335.html

Sector Trend

In 2018, ecological conservation was incorporated into the CPC Constitution which was highly emphasized in national overall planning. "Building beautiful China" has become one of our national goals to realize the modernization.

With the support of national policies and the development of green environmental protection concepts, China's energy consumption structure has undergone tremendous changes. The proportion of clean energy consumption has been increasing, and the importance of renewable energy has become increasingly prominent.

On October 8 of 2018, the International Energy Agency (IEA) released the "2018 Renewable Energy: 2018-2023 Market Analysis and Forecast" report, which showed that renewable energy will keep the robust growth in the next five years, accounting for 40% of consumption growth for global energy. Although solar and wind energy have attracted countless eyeballs, the IEA believes that from 2018 to 2023, biomass energy will become the world's fastest growing renewable resource. And it is estimated that China will surpass the EU to become the world's largest consumer of renewable energy by 2023.

Source from: http://huanbao.bjx.com.cn/news/20190301/966115.shtml

Results of Operations

in k€	Q2 2018	Q2 2017	Change %	HY1 2018	HY1 2017	Change %
Revenues	14	14,725	-99.9	277	41,893	-99.3
Cost of sales	-11	-14,360	-99.9	-222	-41,448	-99.5
Gross profit	**3**	**365**	**-99.2**	**55**	**445**	**-87.6**
Other operating income	0	0	0.0	0	0	0.0
Selling and distribution expenses	0	-353	-100.0	0	-1,118	-100.0
Administrative expenses	-459	-653	-29.7	-1,685	-895	88.3
Research and development expenses	0	0	0.0	0	0	0.0
Other operating expenses	-150	-198	-24.2	-261	-337	-22.6
Loss from operations	**-606**	**-839**	**27.8**	**-1,891**	**-1,904**	**0.7**
Finance income	15	118	-87.3	34	161	-78.9
Finance costs	-9	0	<-100	-21	-1	>100
Loss before income tax	**-600**	**-721**	**16.8**	**-1,878**	**-1,744**	**-7.7**
Income tax expenses	0	0	0.0	0	0	0.0
Loss for the period	**-600**	**-721**	**16.8**	**-1,878**	**-1,744**	**-7.7**

During the second quarter of 2018, revenues of k€ 14 were generated, representing a decrease of 99.9% compared to the same period in 2017. In the first half year, the revenues reached k€ 277, representing a decrease of 99.3% compared to the same period in 2017. This development was due to the fact that there was no material progress in the existing EPC projects.

The gross profit for the Q2 2018 amounted to k€3 compared to € -14.4 million for Q2 2017. In the first half year the gross profit amounted to k€ 55 compared to € 0.4 million in the same period in 2017.

In Q2 2018 administrative expenses decreased by € 0.2 million to € 0.5 million compared to Q2 2017.

Accordingly, EBITDA increased to € -0.6 million in Q2 2018 compared to € -0.8 million for the same period of 2017. In the first half year 2018 EBITDA remained stable at € -1.9 million compared with the first half year 2017.

In Q2 2018 EBIT went up to € -0.6 million compared to € -0.8 million in Q2 2017. In the first half year 2018 EBIT remained stable at € -1.9 million compared with the first half year 2017.

Finance income and finance costs (net) Q2 2018 amounted to k€ 6 compared to € 0.1 million in Q2 2017. The finance income represents mainly the exchange rate gains. Finance income and finance costs (net) for the first half year 2018 amounted to k€ 13 compared to € 0.2 million in the first half year 2017.

Accordingly, net loss decreased to € -0.6 million compared to € -0.7 million for the three-month period ended June 2018 compared to the same period in 2017. In the first half year 2018 net loss went up to € -1.9 million compared to € -1.7 million in the first half year 2017.

in k€	30 Jun. 2018	31 Dec. 2017	Change %
Current liquidity ratio [1)]	7.2	8.1	-10.0
Equity ratio [2)]	86.2%	87.6%	-1 pp
Net working capital [3)]	113,992	114,613	-0.5
Cash and cash equivalents	693	435	59.3
Current assets	132,236	134,286	-1.5
Non-current assets	89	46	93.5
Total assets	132,325	134,332	-1.5
Current liabilities	18,244	16,981	7.4
Long-term liabilities	0	0	0.0
Shareholders' equity	114,081	117,351	-2.8

[1)] Current assets / current liabilities
[2)] Equity / total assets
[3)] Current assets less current liabilities

As at 30 June 2018, shareholders' equity decreased by 2.8% to € 114.1 million compared to 31 December 2017 due to the negative result for the first half year of 2018 and foreign currency translation effects. Total assets decreased by 1.5% compared to 31 December 2017.

The cash position as at 30 June 2018 amounted to € 0.7 million, compared to € 0.4 million as at 31 December 2017.

In 2016, ZhongDe sold its wholly owned subsidiary Chung Hua Environment Protection (Holding) Group Ltd., Hong Kong ("Chung Hua"). Chung Hua and its subsidiaries are the entities where the BOT projects in China were managed. The current assets include receivables from this sale. We expect to receive the remaining receivables from Chung Hua amounting to € 105 million over the next few years. Furthermore, the EPC projects of Dingzhou and Wuhai as well as new expected EPC projects will contribute cash inflow.

Current status of waste-to-energy projects

(as of 30 June 2018)

EPC projects under construction	Dingzhou	Wuhai
Daily capacity (tons/day)	600	1,000
PoC as at 30 Jun. 2018	78.0%	22.0%
PoC as at 31 Dec. 2017	78.0%	22.0%
Estimated time of completion	2019	2019

EPC Projects

Dingzhou EPC project

At the end of Q2 2018, the percentage of completion of the project in Dingzhou was 78%, only the power access system and the secondary electrical wiring work have not yet been finalized. The construction progress was postponed due to the financial stress of the project owner. It is expected to enter normal operation in 2019.

Wuhai EPC project

At the end of Q2 2018, the percentage of completion of the project in Wuhai was 22%. All civil works for the main plant, the office building, the complex building and the other key units have been finished. Over 80% of the secondary structure, masonry and plastering work of the main building and the attached house have been completed. The equipment has been completely ordered and partly been installed. The project progress was delayed due to the financial stress of the project owner. It is expected to enter trial operation and to be completed during the year 2019.

Order Development

in k€	EPC	Total
Order Backlog as at 1 Jan. 2018	**60,552**	**60,552**
Order intake in HY1 2018	0	**0**
Revenues in HY1 2018	277	**277**
Currency translation differences	3	**3**
Order Backlog as at 30 Jun. 2018	**60,278**	**60,278**

During the first half year of 2018 no new order intake was recorded. Order backlog increased by 0.1% to € 60.3 million in first half year of 2018 compared to 31 December 2017 due to the foreign currency translation differences.

Business Segments Overview

in k€	Q2 2018	Q2 2017	Change %	HY1 2018	HY1 2017	Change %
EPC						
Revenues (PoC)	14	2,541	-99.4	277	2,773	-90.0
Gross profit	3	323	-99.1	55	350	-84.3
Other (commodity trading; prior years: incinerators)						
Revenues	0	12,184	-100.0	0	39,120	-100.0
Gross profit	0	42	-100.0	0	95	-100.0
Total Revenues	14	**14,725**	**-99.9**	277	**41,893**	**-99.3**
Total Gross Profit	3	**365**	**-99.2**	55	**445**	**-87.6**

EPC projects

Two EPC projects contributed with k€ 14 to consolidated revenues in Q2 2018 (€ 2.5 million in Q2 2017).

Net Worth

in k€	30 Jun. 2018	31 Dec. 2017	Change %
Non-current assets	89	46	93.5
Current assets	132,236	130,856	1.1
Equity	114,081	114,659	-0.5
Liabilities	18,244	16,243	12.3
Balance sheet total	132,325	130,902	1.1

The balance sheet total amounted to € 132.3 million as of 30 June 2018 increasing by 1.1% compared to 31 December 2017, while equity went down by € 0.6 million or 0.5% to € 114.2 million. Consequently, the Company's equity ratio decreased to 86.2% as at 30 June 2018 compared to 87.6% as at 31 December 2017. The current assets mainly include receivables from the sale of Chung Hua in 2016.

Cash Flow

in k€	Q2 2018	Q2 2017	Change %	HY1 2018	HY1 2017	Change %
Cash flow used in (-) / generated from (+) operating activities	-76	85	n.m.	-12,237	-1,104	<-100
Cash flow used in investing activities	-50	-1	<-100	-50	-22	<-100
Cash flow generated from financing activities	0	0	0.0	0	0	0.0

In Q2 2018 the cash flow used in operating activities decreased to k€ 76 thousand compare to k€ 85 in Q2 2017 and decreased to € 12.2 million in H1 2018.

Opportunities and Risks

For the information on opportunities and risks, please refer to our Risk Report in the Group Management Report as at 31 December 2016. Please note that these expectations are subject to uncertainty even if currently we do not have any information as to any other developments. There were no significant changes in opportunities and risks compared to 31 December 2016.

Outlook

After disposal of BOT projects at the end of 2016, ZhongDe is focusing on developing new EPC projects in waste-to-energy industry. Currently our marketing department exploits the market in Hebei, Shanxi, Gansu, Henan and Fujian province and several projects are under negotiation. The management is confident that more EPC contracts will be concluded. Nevertheless, the final closing of new contracts always depends on conditions which are not within the sole decision of the management and therefore cannot be forecasted with absolute certainty.

The revenues in full year 2018 are to be generated mostly from the existing EPC project in Dingzhou and Wuhai. It is expected to have a revenue decrease in 2018 compared with the results of 2017 due to the delayed project progress. The acceleration of the project completion is highly depending on the improvement of the financing ability of the project owner. Regarding the earnings situation, the management board expects a net loss for the full year. Earnings are not expected to improve in the second half of 2018 due to the delayed projects.

The further business development of ZhongDe in 2019 and onwards is dependent on new EPC projects and the financing of these projects. In order to enhance our ability to win new EPC projects the company has set up close cooperations with some big state-owned companies, who have better access to the waste-to-energy projects in China than other market player. In addition, the management is seeking new business opportunities in environmental protection industry, which can contribute to the revenues to the company. However, due to the uncertainty relating to the success in the new EPC projects and new business areas, results for 2019 can currently not be forecasted.

3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

3.1 Condensed Six-Month Consolidated Statement of Profit or Loss and Comprehensive Income

in k€	Q2 2018	Q2 2017	HY1 2018	HY1 2017
Revenues	14	14,725	277	41,893
Cost of sales	-11	-14,360	-222	-41,448
Gross profit	**3**	**365**	**55**	**445**
Other operating income	0	0	0	0
Selling and distribution expenses	0	-353	0	-1,118
Administrative expenses	-459	-653	-1,685	-895
Research and development expenses	0	0	0	0
Other operating expenses	-150	-198	-261	-337
Loss from operations	**-606**	**-839**	**-1,891**	**-1,904**
Finance income	15	118	34	161
Finance costs	-9	0	-21	-1
Loss before income tax	**-600**	**-721**	**-1,878**	**-1,744**
Income tax expenses	0	0	0	0
Loss for the period	**-600**	**-721**	**-1,878**	**-1,744**
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange differences	307	-5,913	1,910	-6,652
Items that will not be reclassified subsequently to profit or loss:				
Foreign exchange differences	8	-96	19	-108
Other comprehensive income	**315**	**6,009**	**1,929**	**-6,760**
Total comprehensive income	**-285**	**-6,730**	**51**	**-8,504**
Loss attributable to owners of the parent	**-600**	**-721**	**-1,878**	**-1,744**
Total comprehensive income attributable to owners of the parent	**-285**	**-6,730**	**51**	**-8,504**
Earnings per share (in €) (diluted and undiluted)	-0.05	-0.06	-0.15	-0.14
Weighted average shares outstanding (diluted and undiluted)	12,600,000	12,600,000	12,600,000	12,600,000

3.2 Condensed Interim Consolidated Statement of Financial Position

as at 30 June 2018

in k€	30 Jun. 2018	31 Dec. 2017	30 Jun. 2017
Assets			
Non-current assets			
Intangible assets	0	0	0
Property, plant and equipment	89	46	37
Receivables from BOT	0	0	0
Deferred tax assets	0	0	0
	89	**46**	**37**
Current assets			
Inventories	0	0	0
Trade receivables	42,048	41,577	42,675
Other receivables and prepayments	80,939	88,844	84,033
Amounts due from related parties and companies	0	0	0
Contract asset	8,556	0	0
Other financial assets	0	0	15,500
Cash and cash equivalents	693	435	170
	132,236	**130,856**	**142,378**
Total Assets	**132,325**	**130,902**	**142,415**
Liabilities and Equity			
Capital and Reserves			
Issued capital	13,000	13,000	13,000
Own shares	-4,608	-4,608	-4,608
Capital reserves	62,914	62,914	62,914
Chinese statutory reserves	0	0	0
Retained earnings	53,152	55,658	55,029
Foreign currency translation reserve	-10,377	-12,305	-8,563
Total Equity	**114,081**	**114,659**	**117,772**
Liabilities			
Long-term liabilities			
Long-term loans	0	0	0
Deferred tax liabilities	0	0	0
	0	**0**	**0**
Current liabilities			
Trade payables	214	5,857	4,045
Other payables and prepayments	569	10,098	20,307
Provisions	292	288	291
Amounts due to related parties and companies	0	0	0
Tax liabilities	0	0	0

Contract liability	17,169	0	0
Other financial liabilities	0	0	0
	18,244	**16,243**	**24,643**
Total Liabilities	**18,244**	**16,243**	**24,643**
Total Liabilities and Equity	**132,325**	**130,902**	**142,415**

3.3 Condensed Six-Month Consolidated Statement of Cash Flows

for the period from 1 January to 30 June 2018

in k€	HY1 2018	HY1 2017
Loss before income tax	-1,878	-1,744
Adjustments for:		
Amortization of intangible assets	0	0
Allowance for doubtful trade and other receivables	0	1,118
Depreciation of property, plant and equipment	8	3
Write off of inventories	0	0
Interest income / exchange gains	-34	-161
Interest expense / exchange losses	21	1
Operating cash flows before working capital changes	**-1,883**	**-783**
Working capital changes:		
(-) Increase)/ (+) decrease in:		
Inventories	0	0
Trade receivables	747	-41,801
PoC receivables from BOT projects	0	0
Other receivables and prepayments	-11,058	40,721
Amounts due from related parties	0	0
(+) Increase)/ (-) decrease in:		
Trade payables	-2,364	-981
Other payables, provisions and accruals	2,666	1,939
Amounts due to related parties	0	0
Cash used in operations	**-11,892**	**-905**
Interest received	34	161
Interest paid	-21	-1
Income tax paid	-358	-359
Net cash used in operating activities	**-12,237**	**-1,104**
Cash flow from investing activities		
Proceeds from disposal of consolidated companies	0	0
Proceeds from disposal of intangible assets	0	0
Purchase of property, plant, equipment and intangible assets	-50	-22
Cash flow used in (-) / generated from (+) investing activities	**-50**	**-22**
Cash flow from financing activities		
Bank loans obtained	0	0
Bank loans repaid	0	0
Cash repayments of financial assets (BOT projects)	0	0
Cash flow used in financing activities	**0**	0
Net decrease before income tax	**-12,287**	**-1,126**
Cash and cash equivalents at beginning of period	438	1,324

Foreign exchange differences	12,542	-28
Cash and cash equivalents at end of period	**693**	**170**

3.4 Condensed Six-Month Consolidated Statement of Changes in Equity

for the period from 1 January to 30 June 2018

in k€	Number of shares outstanding	Share capital AG	Own shares	Capital reserves	Chinese statutory reserves	Retained earnings	Foreign currency translation reserve (other compre-hensive income)	Total equity
Balance as at 1 Jan. 2017	**12,600,000**	**13,000**	**-4,608**	**62,914**	**0**	**56,773**	**-1,803**	**126,276**
Total compre-hensive income for the period	0	0	0	0	0	-1,744	-6,760	-8,504
Balance as at 30 Jun. 2017	**12,600,000**	**13,000**	**-4,608**	**62,914**	**0**	**55,029**	**-8,563**	**117,772**
Total compre-hensive income for the period	0	0	0	0	0	0	0	0
Balance as at 1 Jan. 2018	**12,600,000**	**13,000**	**-4,608**	**62,914**	**0**	**55,029**	**-8,563**	**117,772**
Total compre-hensive income for the period	0	0	0	0	0	-1,877	-1,814	-3,691
Balance as at 30 Jun. 2018	**12,600,000**	**13,000**	**-4,608**	**62,914**	**0**	**53,152**	**-10,377**	**114,081**

3.5 Selected Notes to the Condensed Interim Consolidated Financial Statements

Business of the ZhongDe Group

As a general contractor of EPC projects, the ZhongDe Group is responsible for the design, engineering, procurement, construction and installation of waste incinerators with a power generation with the above mentioned techniques (waste-to-energy). The work and services required in connection with EPC projects are not carried out by the ZhongDe Group itself but by Chinese subcontractors.

General

ZhongDe Waste Technology AG ("the Company" or “ZhongDe AG”) is the parent company of the ZhongDe Group. The condensed interim consolidated financial statements for the period 1 January to 30 June 2018 comprise ZhongDe Waste Technology AG and its subsidiary ZhongDe (China) Environmental Protection Co. Ltd. The subsidiary is located in the People’s Republic of China (PRC).

Basis of preparation

The condensed six-month consolidated financial statements of the ZhongDe Group are prepared for the period ended 30 June 2018 with comparative financial statements as at 31 December 2017 and 30 June 2017.

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

With regard to the preparation of the condensed interim consolidated financial statements, in accordance with IAS 34 “Interim Financial Reporting”, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company and the reporting of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates. The condensed interim consolidated financial statements have been reviewed. In the opinion of ZhongDe Waste Technology AG’s Management Board, the condensed six-month consolidated financial statements for the period ended 30 June 2018 include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods.

Results of the period ended 30 June 2018 are not necessarily indicative for future results.

The condensed six-month consolidated financial statements for the period from 1 January to 30 June 2018 are drawn up in Euro. Amounts are stated in thousands of Euros (k€) except where otherwise indicated.

The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements. The condensed six months consolidated financial statements of ZhongDe AG and subsidiaries for the period from 1 January to 30 June 2018 were authorised for issue in accordance with a resolution of the Management Board on 08 March, 2019.

Significant accounting policies

The accounting policies applied by the Group in the condensed interim consolidated financial statements generally correspond to the methods applied by ZhongDe Waste Technology AG in its consolidated financial statements for the year ending 31 December 2016. For further details, please refer to the consolidated financial statements available on the Company's website: www.zhongde-ag.com.

Non-recurring expenses that are incurred during the reporting period have been allocated as they would be at year-end.

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

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

Title	Content	Material effect on ZhongDe Group
IFRS 9: Financial Instruments	Rules for recognition, measurement, derecognition, and accounting for financial assets and financial liabilities	none
IFRS 15: Revenue from Contracts with Customers	New framework to recognize and measure revenue, as well as relevant disclosure	See explanation
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	Clarified the date of transaction for the purpose of determining the exchange rate	none

IFRS 15 Revenue from Contracts with Customers applies to all revenue arising from contracts with customers; it supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations, unless those contracts are in the scope of other standards. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company
recognises revenue in accordance with that core principle by applying the following steps:
Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the Contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the method to contracts with their customers.
IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Specifically, it requires an entity to provide information about:
(a) revenue recognized from contracts with customers, including the disaggregation of revenue into appropriate categories;
(b) contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities;
(c) performance obligations, including when the entity typically satisfies its performance obligations and the transaction price that is allocated to the remaining performance obligations in a contract;
(d) significant judgments, and changes in judgments, made in applying the requirements to those contracts; and
(e) assets recognized from the costs to obtain or fulfill a contract with a customer.

The Company adopted IFRS 15 with expedient retrospective method after considering relevant factors: The comparative information for each of the primary financial statements would be presented as the same in previous period; The cumulative adjustment to the opening balance of retained profits (or other components of equity) as at 1 January 2018, would be not material and thus not adjusted retrospectively in the consolidated statement of changes in equity for the six months ended 30 June 2018.

The new standard affects mainly the reclassification of certain items in the financial statements: amounts due from customers for contract works are reclassified into contract assets, while amounts due to customers for contract works, such as advances from customers, provisions for quality guarantee and other liability are reclassified into contract liabilities. Generally, there is no substantial impact on our condensed interim financial statements for applying the new standard.

Published but not yet applied standards, amendments and interpretations

At the time of the preparation of the group condensed interim consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable in the first six months of 2018, and were therefore not applied by the ZhongDeGroup.

Title	IASB Effective Date	Endorsed by the EU on	EU Effective Date	Expected material effect on ZhongDe Group
IFRS 14: Regulatory Deferral Accounts	January 1, 2016	(not endorsed by the EU)	(not applicable)	none
IFRS 16: Leases	January 1, 2019	October 31, 2017	January 1, 2019	see explaination
Amendments to IFRS 9: Prepayment Featureswith Negative Compensation	January 1, 2019	March 22, 2018	January 1, 2019	none
IFRS 17 Insurance Contracts	January 1, 2021	(to be determined)	(to be determined)	none
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019	(October 23, 2018)	(January 1, 2019)	none
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019	(February 8, 2019)	(January 1, 2019)	none
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019	(expected in 2019)	(to be determined)	none
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	(March 13, 2019)	(January 1, 2019)	none
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	(expected in 2019)	(to be determined)	none
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020	(expected in 2019)	(to be determined)	none
Amendment to IFRS 3 Business Combinations	January 1, 2020	(expected in 2019)	(to be determined)	none

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the ZhongDe Group from the 2019 financial year or later. ZhongDe generally does not early adopt new standards but applies them from the compulsory application date onwards.

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.The application of IFRS 16 will require that ZhongDe as lessee for a couple of leasing contracts will have to capitalise the leased assets formerly been treated as operating lease under IAS 17, when the lease term is longer than 12 months unless such bearers are immaterial. As a result, the fixed assets and financial liabilities will increase, other operating expense will decrease while depreciation and interest expense will increase as well. ZhongDe is currently evaluating the impact the standard will have on the consolidated financial statements.

Aside from additional or modified disclosure requirements ZhongDe Group currently expects only marginal effect on the consolidated financial statements from the first-time application of the other standards, interpretations and amendments.

Segment analysis and information

A. Business segments

In the first half year of 2018 mainly the EPC projects contributed to gross profit.

B. Business by region

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

C. Allocation basis

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

The following table presents revenues and results regarding the Group's business segments for the first six months of 2018:

in k€	BOT projects		EPC projects		Other (commodity trading; prior years: incinerators)		Group	
	HY1 2018	HY1 2017	HY1 2018	HY1 2017	HY1 2018	HY1 2017	HY1 2018	HY1 2017
Total revenue for reportable segments	**0**	0	**277**	2,773	**0**	39,120	**277**	41,893
Total gross profit from reportable segments	**0**	0	**55**	350	**0**	95	**55**	445
Order intake	0	0	0	0	0	0	**0**	0
Order backlog	0	0	60,278	58,678	0	1,588	**60,278**	60,266

Functional and presentation currency

Development of exchange rates (€ / foreign currency rate)	ISO code	Average rate		Ending rate		
		HY1 2018	HY1 2017	30 Jun. 2018	31 Dec. 2017	30 Jun. 2017
Chinese Yuan	CNY	7.7086	7.4448	7.7170	7.3202	7.7385

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

Related Party Information

No transactions between the Group and related parties during the six-month period from 1 January to 30 June 2018 were noted.

Subsequent Events

The progress of the Dingzhou EPC project was speeding up in the second half year of 2018. In November 2018. The power access system was completed and successfully connected to the state grid. The project settlement will take place within a short period of time. The Dingzhou plant is expected to be transferred to the owner in the second half of 2019.

According to the project owner, the EPC project in Wuhai is expected to receive the bank financing in June 2019. The project is expected to be completed at the end of 2019.

Frankfurt/Main, 27 March 2019
ZhongDe Waste Technology AG

Zefeng Chen
Chairman of the
Management Board (CEO)

4 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements from 1 January to 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt/Main, 27 March 2019

ZhongDe Waste Technology AG
Management Board

Zefeng Chen
Chairman of the
Management Board (CEO)

5 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

For us, particular uncertainties arise, among others, from: changes in general economic and business conditions, changes in the regulatory environment, the introduction of competing products or technologies by other companies, changes in business strategy, our analysis of the potential impact of such matters on our financial statements, as well as various other factors. More detailed information about our risk factors and key factors affecting our results and operations is contained in ZhongDe’s Group Management Report 2016, which is available on the ZhongDe website: 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 binding for legal purposes.

6 ABOUT ZHONGDE WASTE TECHNOLOGY AG

ZhongDe Waste Technology AG is listed on the Frankfurt Stock Exchange (German securities identification number ZDWT01, ISIN DE000ZDWT018, ticker symbol ZEF).

ZhongDe Waste Technology is a waste-to-energy company that designs, invests in, constructs and operates waste-to-energy plants, which generate electricity through the disposal of solid municipal, industrial (including hazardous) and medical waste. Since 1996, ZhongDe Group has completed approximately 200 waste disposal projects in about 13 provinces in China. ZhongDe is one of the most well-known players in the field of waste-to-energy projects in China. As a general contractor of EPC projects, ZhongDe is responsible for the design, procurement, construction and installation of waste-to-energy plants applying different technologies, such as grate, fluidized bed, pyrolytic or rotary kiln.

The registered office of ZhongDe Waste Technology AG is located in Frankfurt, Germany. The Chinese headquarter is located in Beijing, China.

7 CONTACT INFORMATION

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

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