

ZhongDe Waste Technology AG



# Conference Call Q3 2009 Presentation

30 November 2009

→ Safe Waste Disposal Solutions...for Generations to Come

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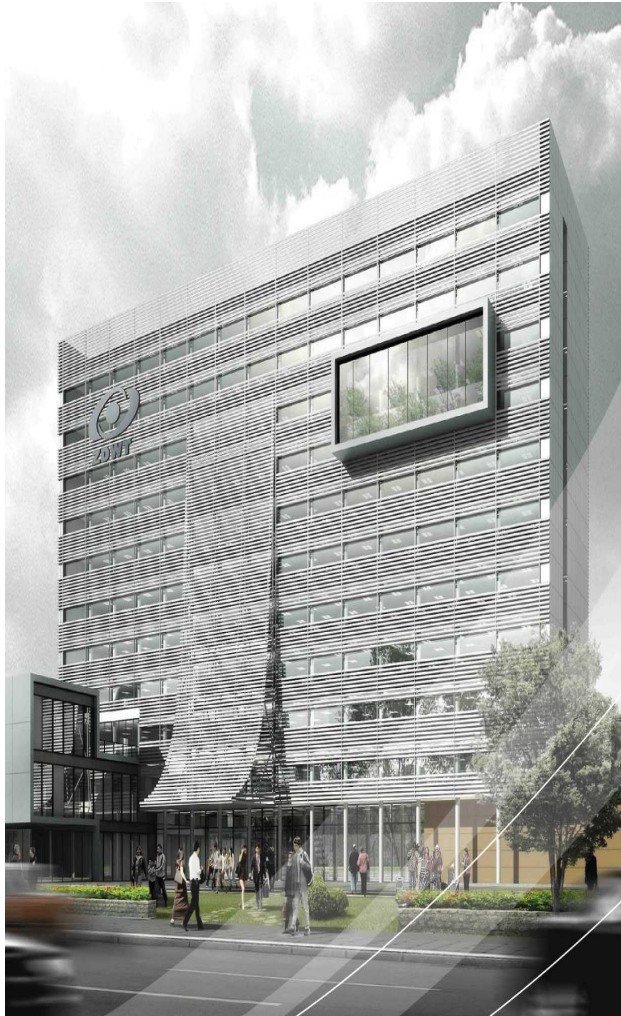
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# Agenda



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### Company Overview

- One of the leading players in the field of solid waste incinerators and waste-to-energy plants in China
- Three main business segments:
  1. Municipal and Medical Waste Incinerators
  2. Engineering, Procurement and Construction (EPC) Projects
  3. Build, Operate, Transfer (BOT) Projects
- More than 200 incinerators installed since foundation in 1996
- Beijing new R&D Centre and production facilities will operate in Q2 2010
- Number of ZhongDe employees amounts to 405 and keeps increasing
- Cooperation with famous international waste-to-energy companies



## **Main Elements of growth strategy**

- Focus on large and mid-sized waste incinerator market
- Expand market position and technological expertise
- Increase recurring revenues with BOT projects
- Increase production capacity and geographical coverage within China
- Cooperate with international companies for large-scale projects

## BOT/BOO projects in 2009



BOT/BOO projects in 2009 (Build, Operate, Transfer)				
City Province	Feicheng Shandong contracted	Zhoukou Henan contracted	Kunming Yunnan contracted	Xianning Hubei contracted
Amount invested (m €/y)	3.9	18.4	44.5	44.5
Daily disposal capacity (t/d)	160	500*	1050	1000
Concession period	BOO	30	30	30
Start of operation	03/10	03/10	12/10	06/11
City Province	Feicheng Shandong	Zhoukou Henan	Kunming Yunnan	Xianning Hubei
Waste disposal fee (m €/y)	0.5	1	2.1	1.2
Sale of Bricks and steam	N/A	N/A	N/A	N/A
Steam/hot water	1	N/A	N/A	N/A
Electric energy(m €/y)	N/A	3.6	3	4.6



## EPC projects in 2009

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### EPC projects in 2009 (Engineering, Procurement, Construction)

**Datong EPC:**

**Contract amount: € 32 million, construction completed in Oct. 2009, trial operation, expected to go into operation and connect with power grid to sell electricity at the end of Q4 2009**

**Zhucheng EPC:**

**Contract amount: € 30 million, to be completed by the end of 2010**

**Zhaodong EPC:**

**Contract amount: € 25 million (RMB 251 million), 500 tons per day, to be completed by the end of 2010**

### Beijing R&D Centre and Production Facilities

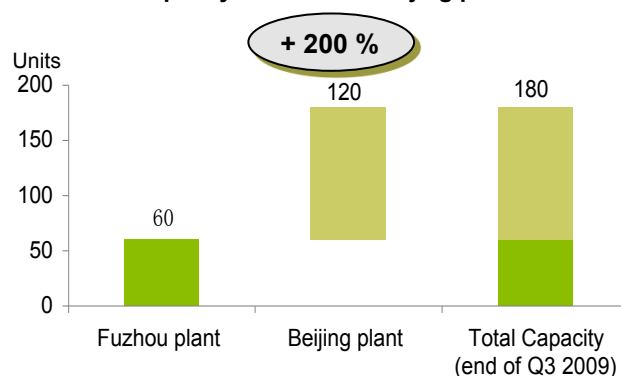
**Beijing new R&D Centre and production facilities will operate in Q2 2010**



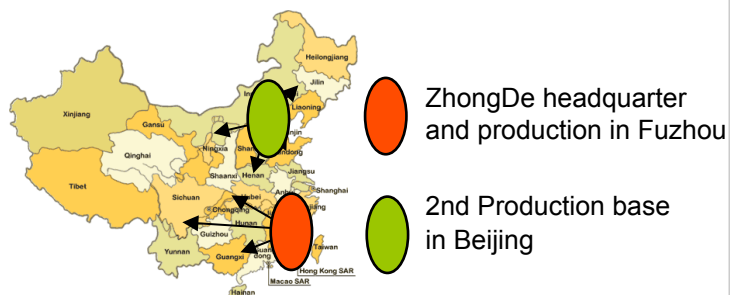
# Enhanced production capacity and geographical coverage

## New production base in Beijing

Capacity increase of Beijing plant



Optimal geographical coverage



## Current status and further process

- ZhongDe's second production base in Beijing will be finished at the second quarter of 2010
- The new plant will triple ZhongDe's capacity enabling to benefit from the full future growth potential of the global waste-to-energy market
- Beijing will have the technological capabilities to produce both medical and municipal solid waste incinerators
- The Beijing production plant will also increase ZhongDe's geographical coverage leading to a faster delivery and lower logistics costs

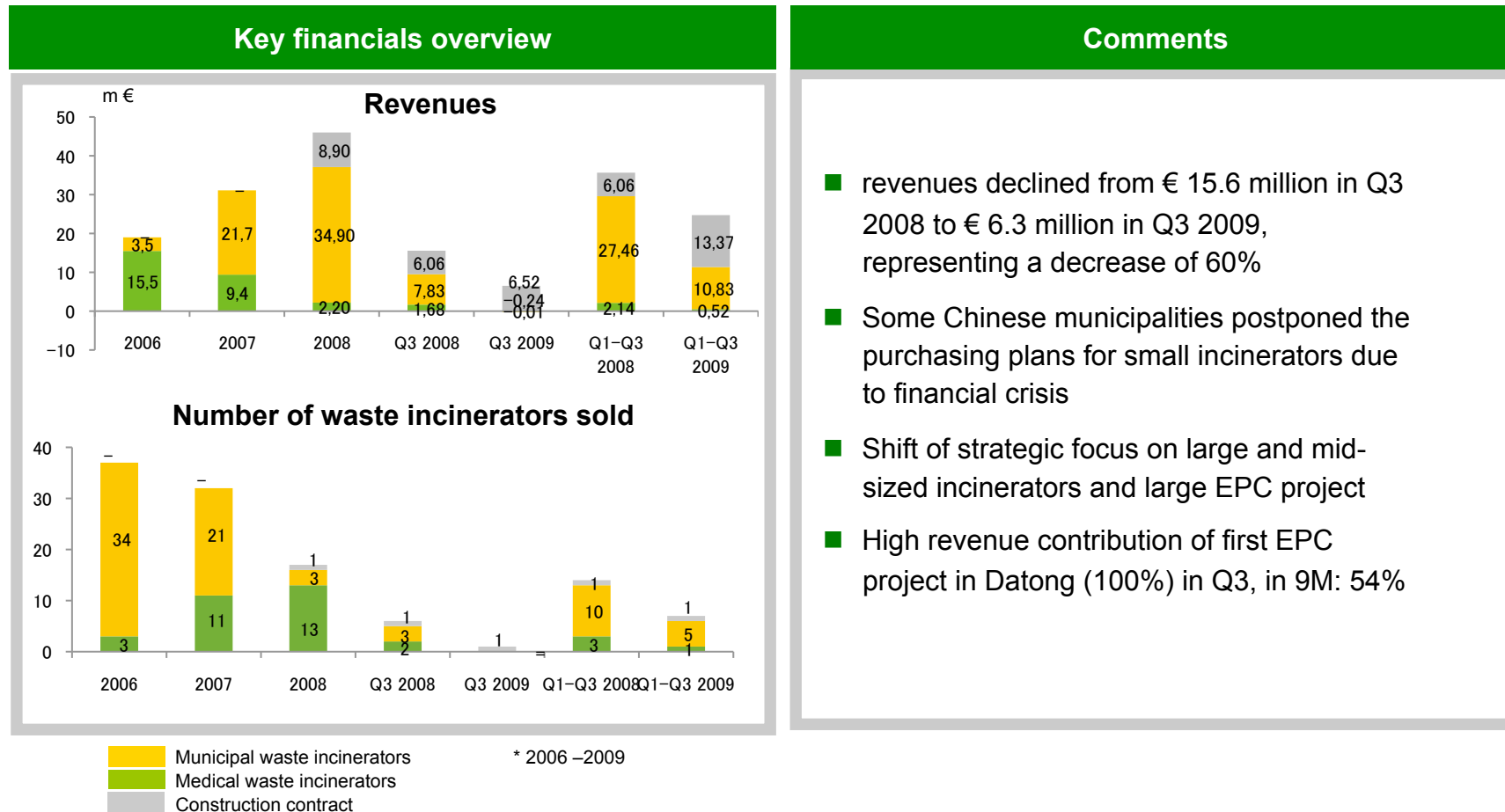
→ Increase in production capacity and higher geographical coverage will enable ZhongDe to fully benefit from the globe growing waste market and continue to generate outstanding growth

# Agenda

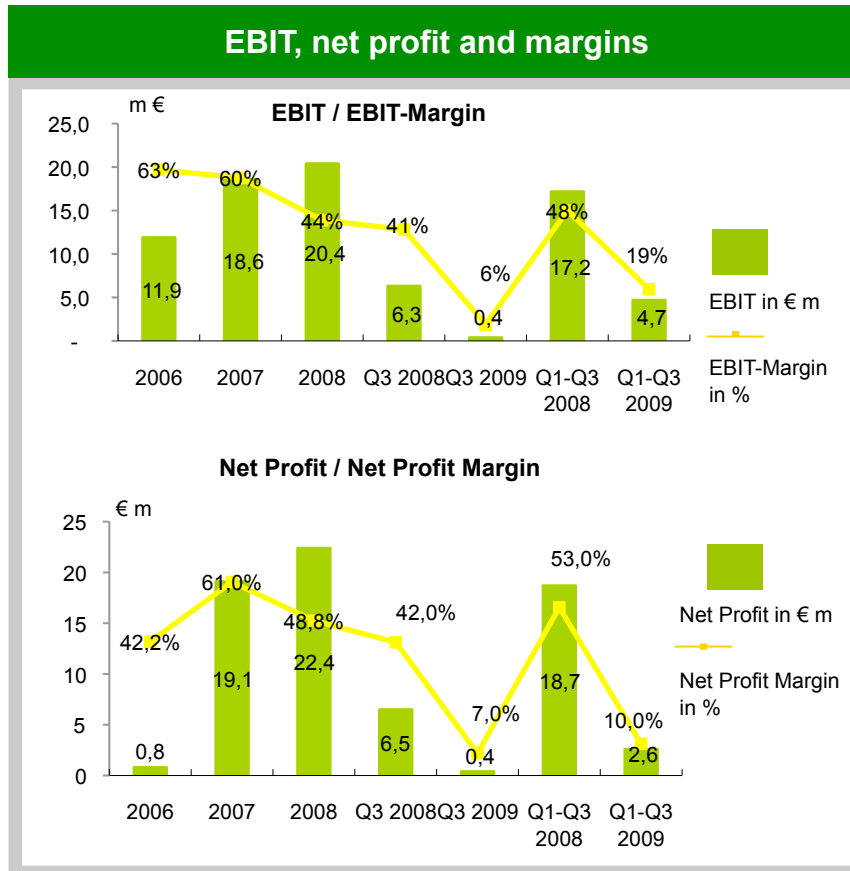


- Shift of strategic focus to the large and mid-sized waste incinerator market and large size Waste-to-Energy EPC projects
- Signing of two large BOT projects in Kunming and Xianning
- Letters of Intent with Jilin provincial government
- Relocation of its Chinese headquarter from Fuzhou to Beijing
- Cooperation with **ThyssenKrupp Xervon Energy GmbH**
- Signing of Zhaodong EPC project
- Letter of Intent with **Covanta Energy Asia Pacific Holdings Ltd**

# High revenue contribution of first EPC project (Q3/ 9M figures)



# Large-scale business with lower margins (Q3 / 9M figures)



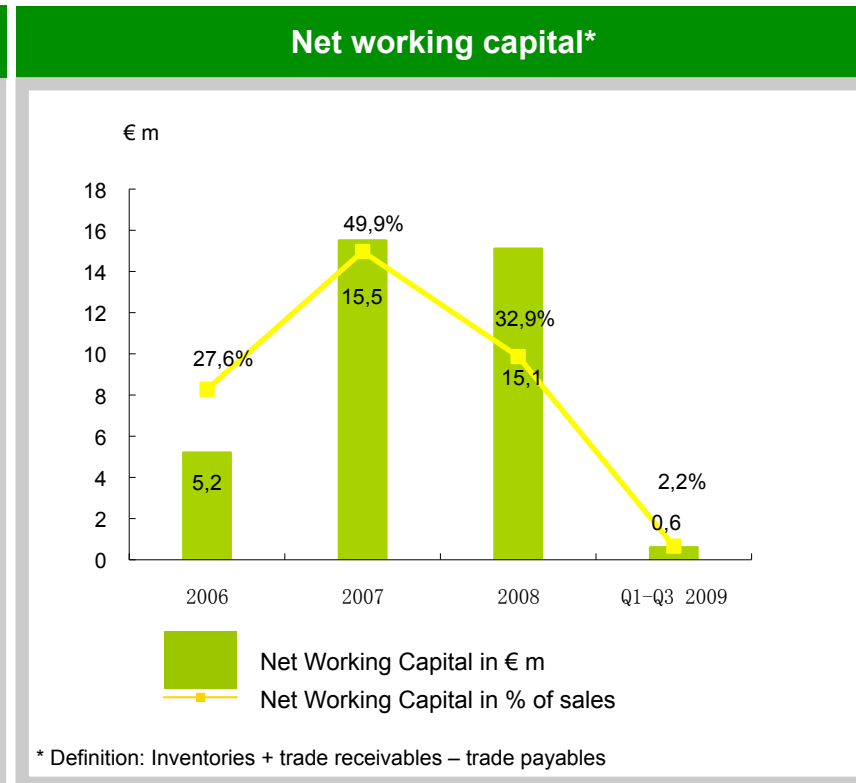
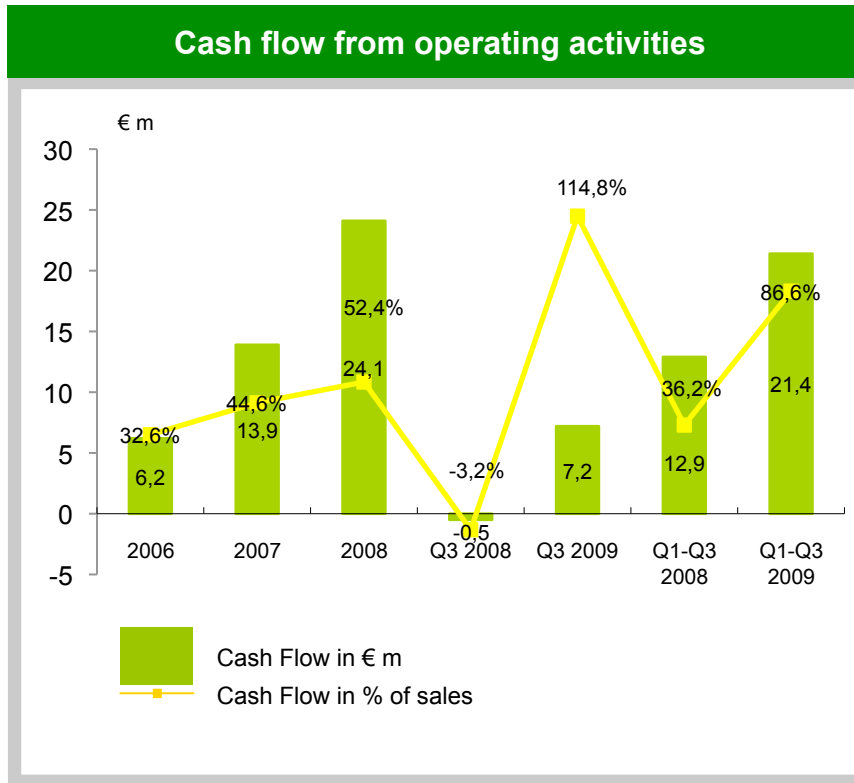
### Comments

- Negative impact of EPC projects with gross profit margin at 33% in Q3 and 40% in 9M
- EBITDA decreased from € 17.4 m in 9M 2008 to € 5.0 m in 9M 2009
- Net profit decreased from € 18.7 m in 9M 2008 to € 2.6 m in 9M 2009

Reasons:

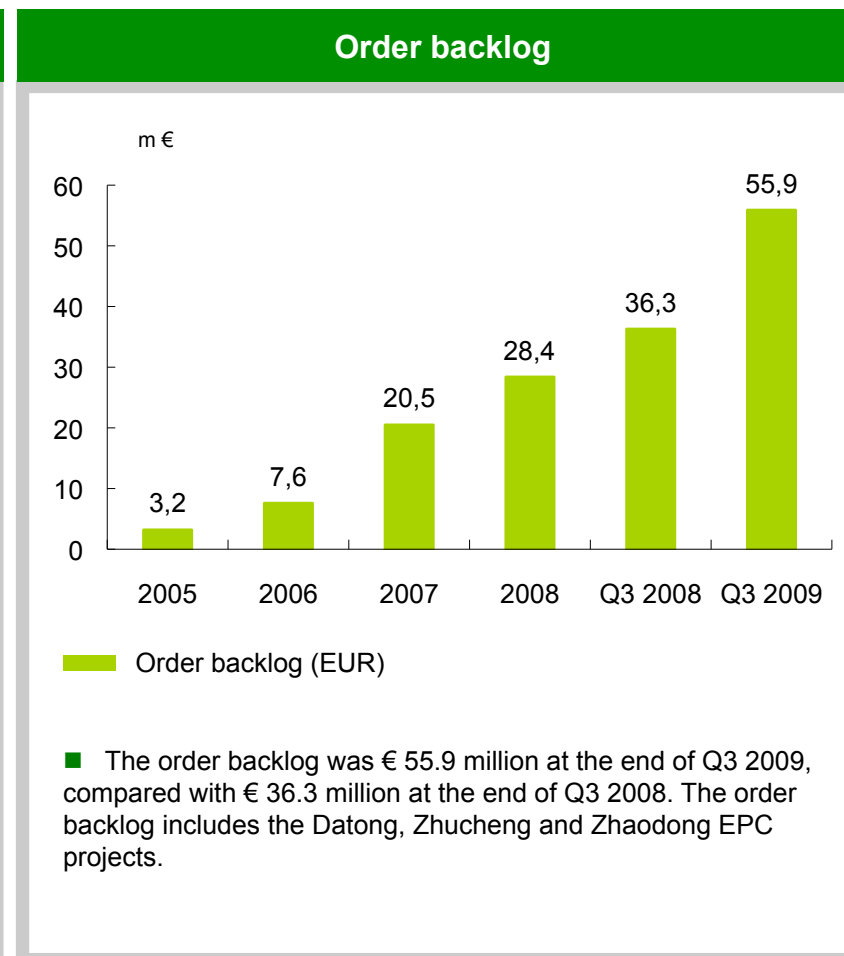
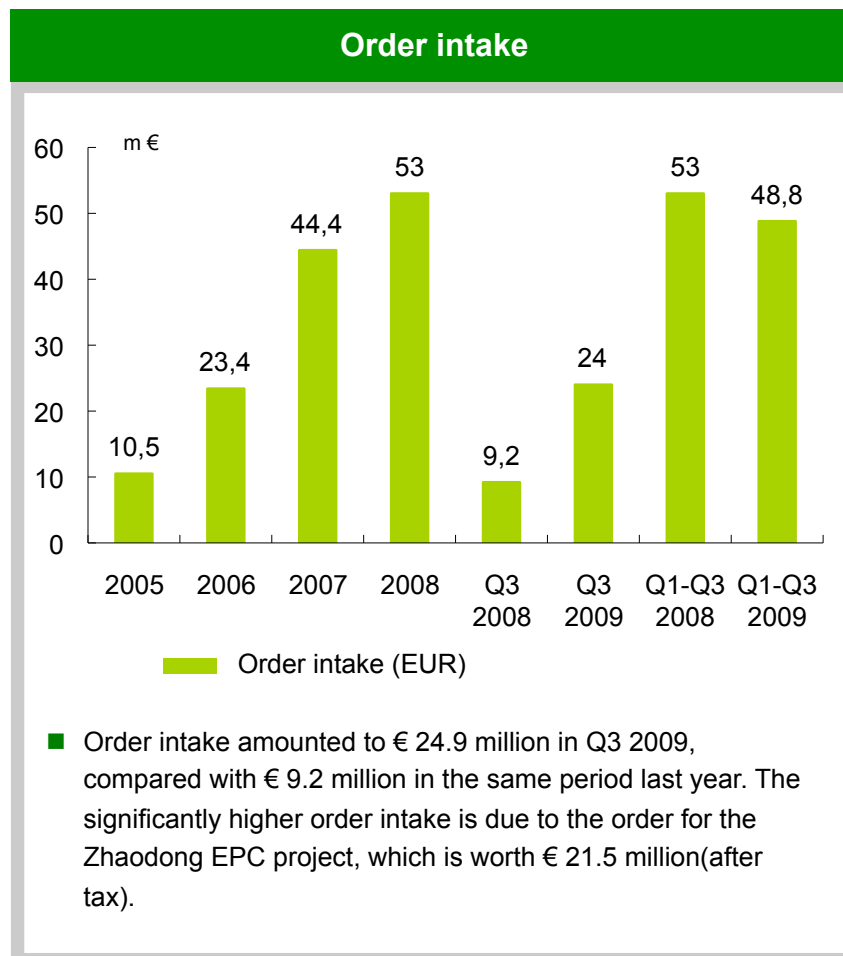
- ◆ EPC project with lower margin contribution
- ◆ The sale decrease of small and medium-sized incinerators

# ZhongDe's cash position further improved (Q3 / 9M figures)





# Strong order book allows sustained growth of the business (Q3 / 9M)



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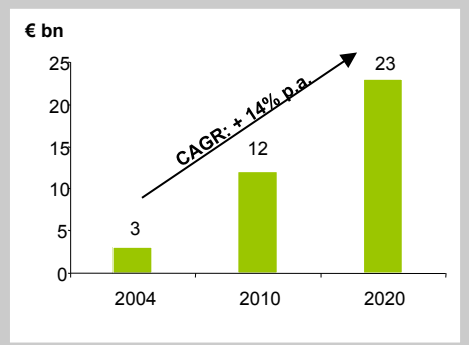
# Investment in Solid Waste Disposal is expected to reach 1 billion Euro annually



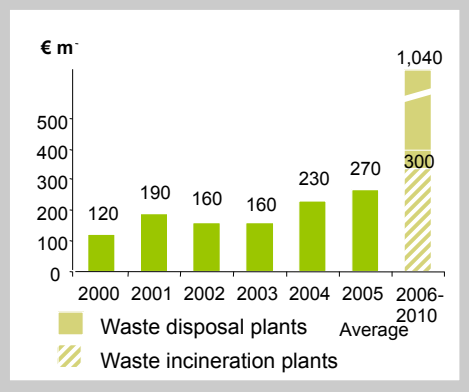
- Growing amount of municipal solid waste generated by the expanding population in urban areas and fast economic development
- Shortage and inadequacies of existing waste-disposal facilities and landfill sites is leading to rampant open dumping in the city outskirts
- Determination of the Chinese Government to improve municipal solid-waste management before the showcase 2010 World EXPO in Shanghai
- Some provinces in China have issued a series of favorable policies to encourage investment in incinerators
- As waste-to-energy process, incineration is a high value added waste recovery technology

**Growth drivers**

Countrywide waste management budget



Investment in solid waste disposal



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## Outlook remains positive

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- 1 The demand for small- and medium-size incinerators is postponed by the influence of the financial crisis
- 2 The market-share of large-size waste-to-energy projects continues to be increasing
- 3 Increasing contribution of revenue from larger projects (such as the Datong project)
- 4 Strong order backlog and several LOI, e.g. Jilin Provincial government
- 5 The cooperation ThyssenKrupp Xeron Energy GmbH strengthen our capacity in large-sized “waste-to-energy” projects and in the international market
- 6 Sound balance sheet (equity ratio >90%) and cash position



**Increased revenues**

**Attractive profit margins**

**Stable cash flows**

**Successful company  
strategy transition**

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## IR Contact

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