

ZhongDe Waste Technology AG



# German Equity Forum 2012

Analyst Conference – November 13, 2012

William J. Wang, CFO

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

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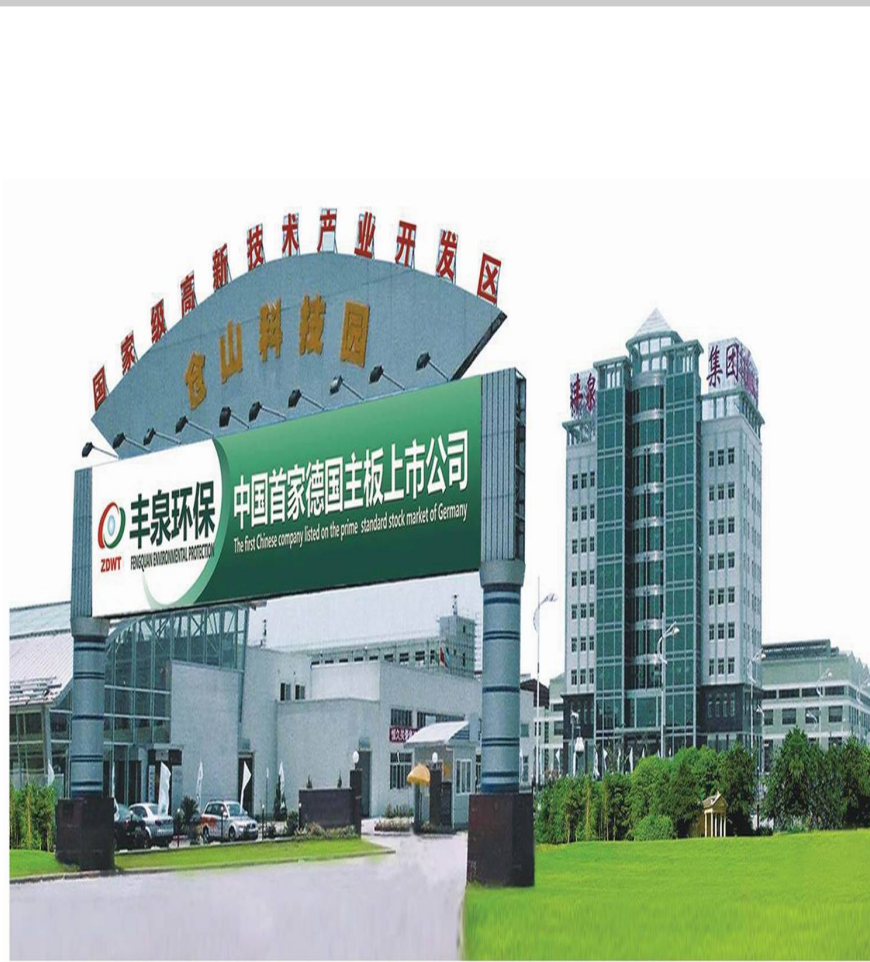
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# ZhongDe at a glance



- Founded in 1996, IPO in 2007 (Prime Standard)
- ZhongDe Waste Technology AG designs, constructs, invests in and operates waste-to-energy (wte) plants, which generate electricity from the disposal of solid municipal and industrial (including hazardous) waste
- Focus on Chinese wte market
- Key business: EPC (Engineering, Procurement and Construction) and BOT (Build, Operate and Transfer) projects
- Locations: Frankfurt am Main (German office), Beijing (Headquarters), Fuzhou (Production)

## Experienced management team



### Zefeng Chen, CEO

- Founder and main shareholder in the company (50.8%)
- More than 16 years of experience in environmental protection industry
- Deputy Director China National Association of Environmental Protection Industry (CAEPI)
- Member of the People's Congress of Fujian Province
- MBA at Tsinghua University



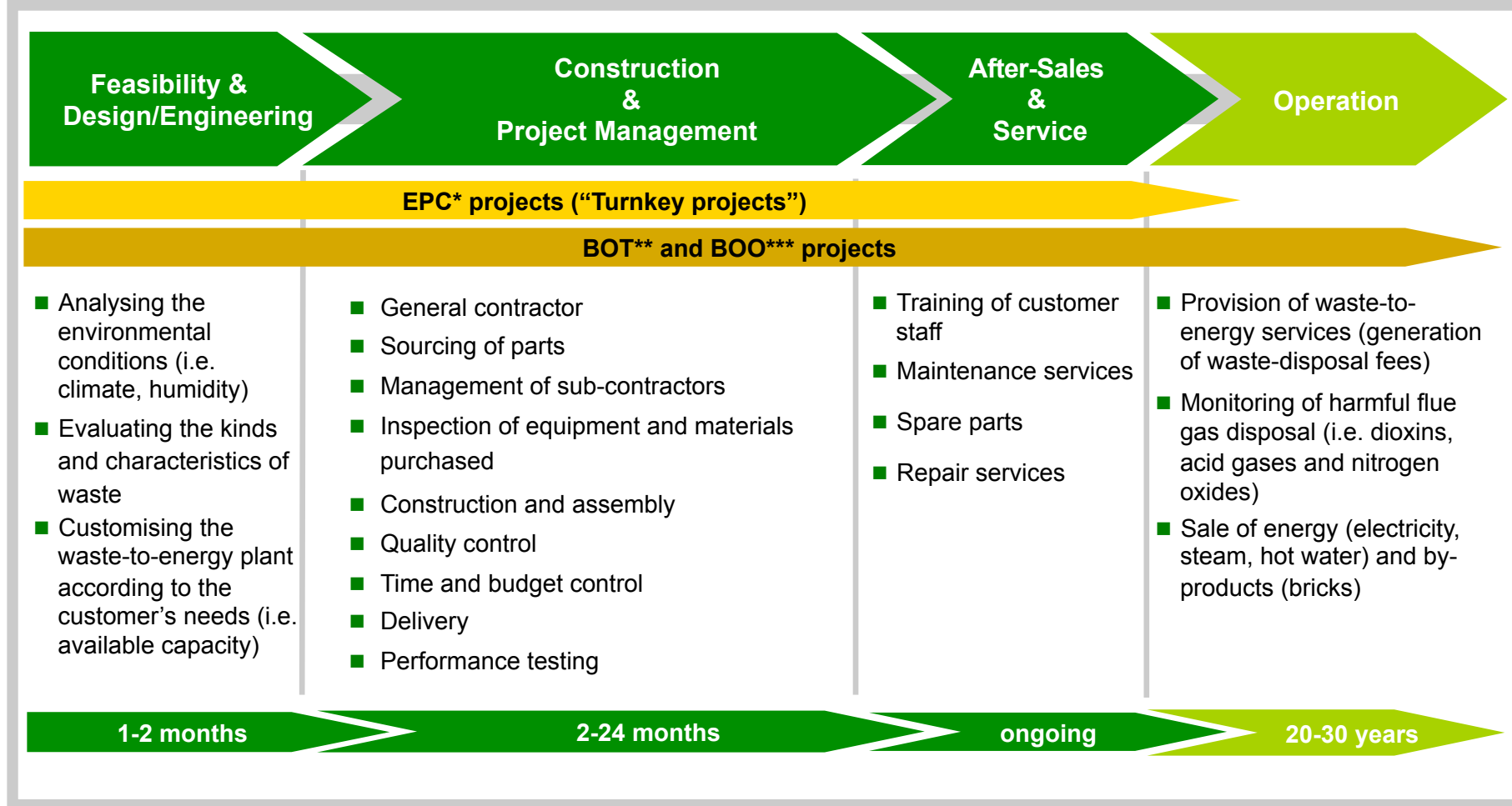
### William Jihua Wang, CFO

- Deputy General Finance Manager for China's largest commercial real estate company (Wanda Group)
- CFO for Beijing Lining Sports Co. Ltd (listed on Hong Kong Stock Exchange)
- Senior management positions in finance, accounting, controlling, investment and strategy in several "Fortune 500" multinational companies, e.g. AIG, Johnson & Johnson
- B.A. in International Economics at Fudan University, MBA at Steinbeis University Berlin
- Award of Outstanding CFO 2010 in China

# ZhongDe's business model



## Design and development of waste-to-energy process solutions

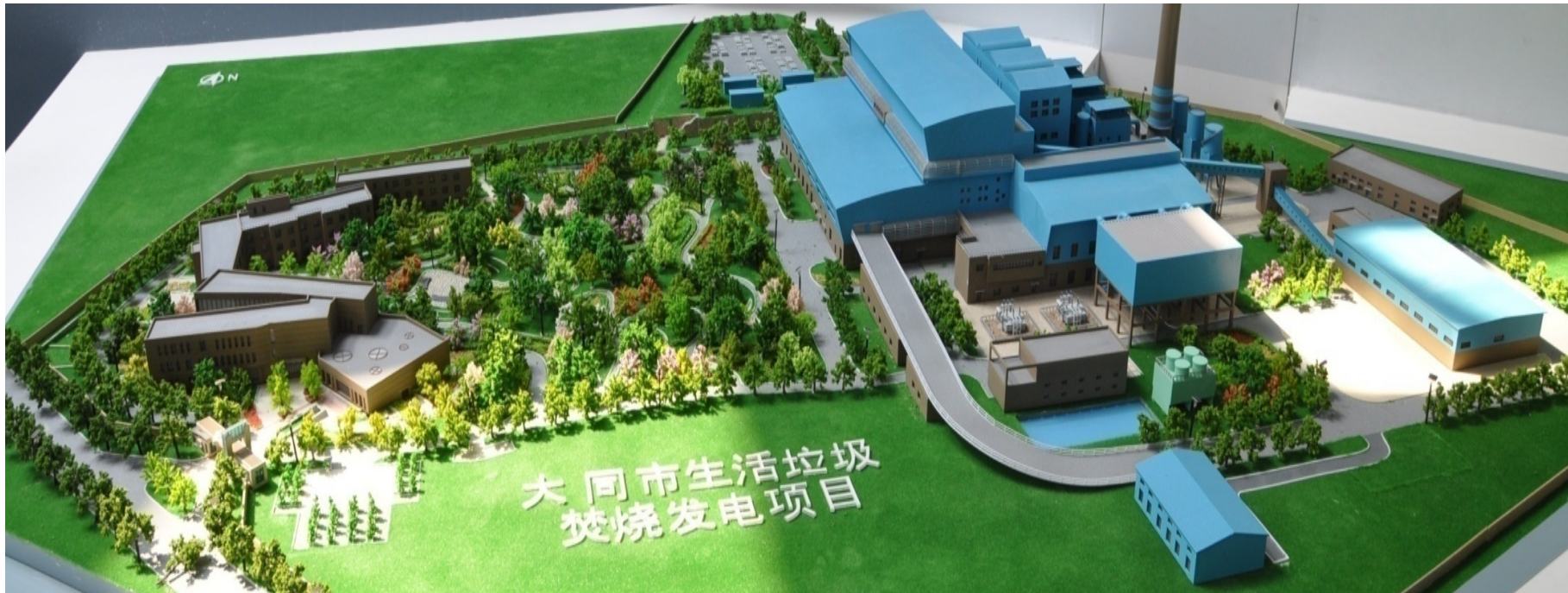


\* Engineering-Procurement-Construction

\*\*Build-Operate-Transfer

\*\*\*Build-Operate-Own

# Datong project serves as “Green Plant Model”



## Key data:

- EPC project, reference example
- Start of operation: November 2009
- Annual waste-disposal capacity: 360,000 tons

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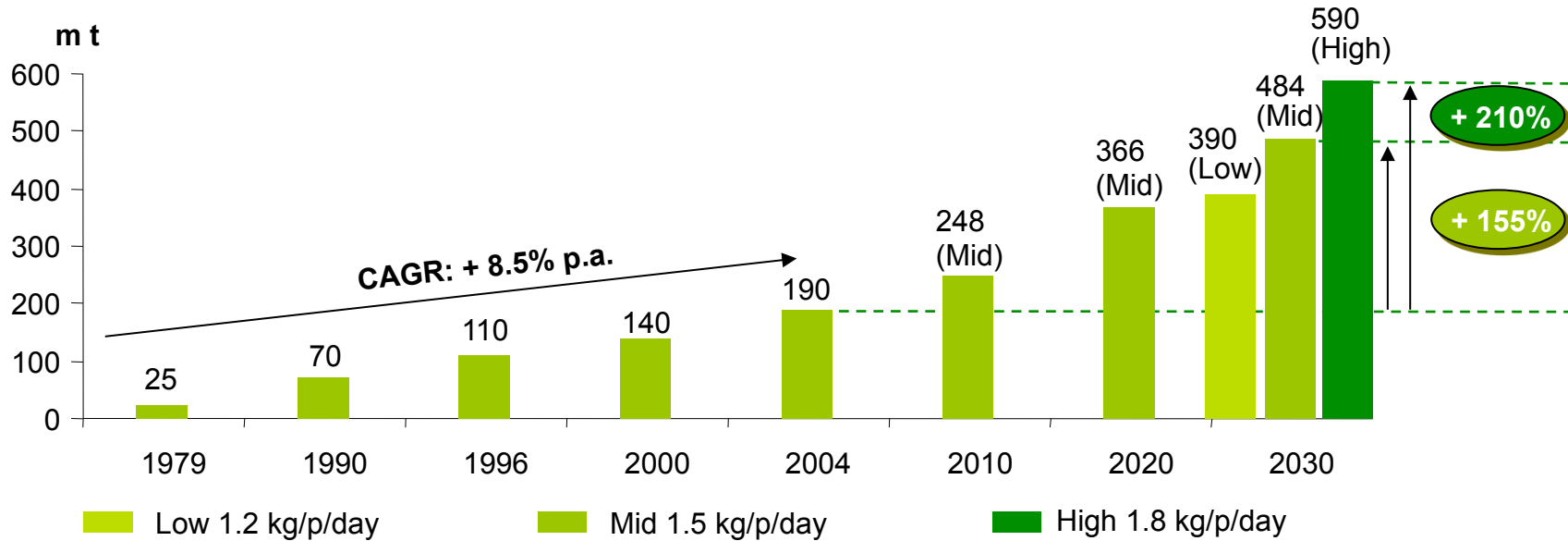
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# Chinese waste-to-energy market is growing at a high pace



## Growth of Municipal Solid Waste (MSW) generation in China



### CAGR scenarios:

- High: +4.5%
- Mid: +3.6%
- Low: +2.8%

→ China surpassed the US as the world's largest MSW generator at an unprecedented growth rate



## Drivers Chinese waste-to-energy market

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- Huge population and limited land resources
- Urbanisation
  - Urban population growth: From previous 35% to 50% in 2011
  - Urban residents produce 2-3 times more waste than rural residents
- Increasing affluence and higher average incomes
- Increase in waste collection rates from 30% today to 60-70% (Korea 66%, Taiwan 55%)

# Waste-to-energy solutions for a better environment



Dumps

Landfill



- Predominant disposal method in China
- Risk of leakage and toxic gas emissions
- No hazard-free disposal

Waste-to-Energy



- Lower space requirements
- Low environmental impact
- By-products: Electricity / hot water / steam / bricks
- Key element of an integrated waste management solution in China

# Stimulating government policies



## **The State Council for municipal waste disposal supports the waste-to-energy industry:**

On 23 March, 2011, Premier Wen Jiabao presided over the State Council routine conference. The conference identified the following policies and measures:

- Control of the municipal waste generation
- Increase the disposal capacity for municipal waste
- Enhance the supervision and administration of municipal waste disposal
- Support and stimulate the waste-to-energy industry

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## Operational highlights H1 2012

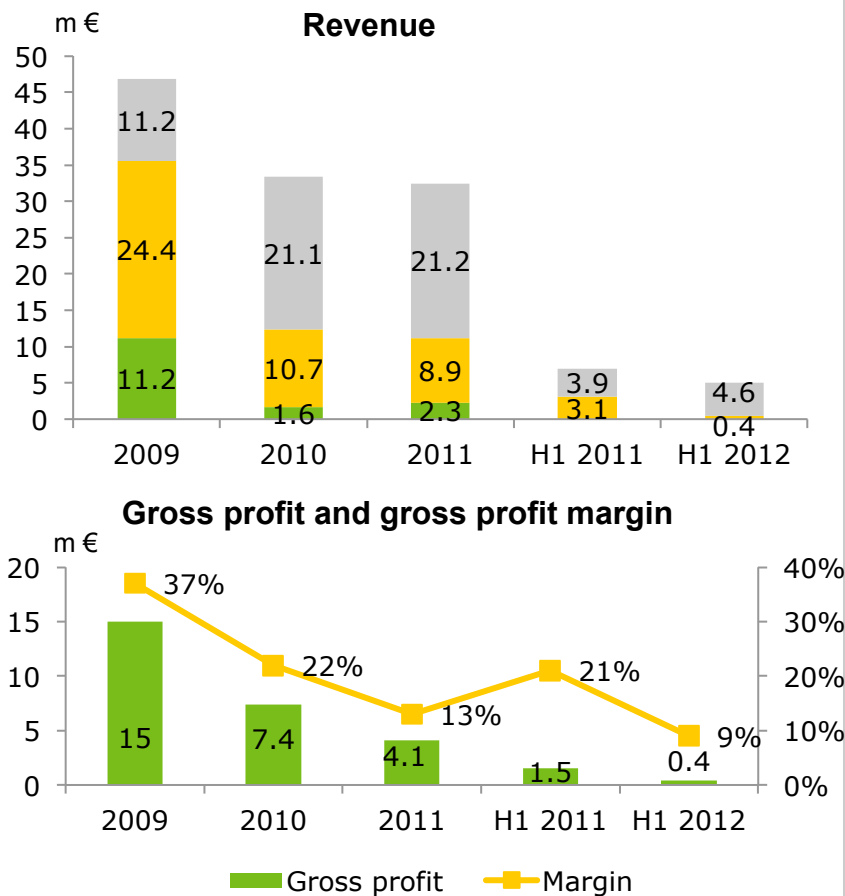
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- Revenues amounted to € 4.9 million; a decrease of 29.6% year on year
- Net profit decreased from € 3.3 million to € -4.1 million
- Weak financial performance in H1 2012 due to project delays
- Order backlog of € 141.9 million
- Cash position remained strong with € 106.7 million and ensures future flexibility
- Total assets increased by 3.4% to € 205.6 million
- Shareholders' equity of € 123.9 million

# H1 2012 results still burdened by project delays



## Revenue and Gross Profit



Incinerators EPC BOT

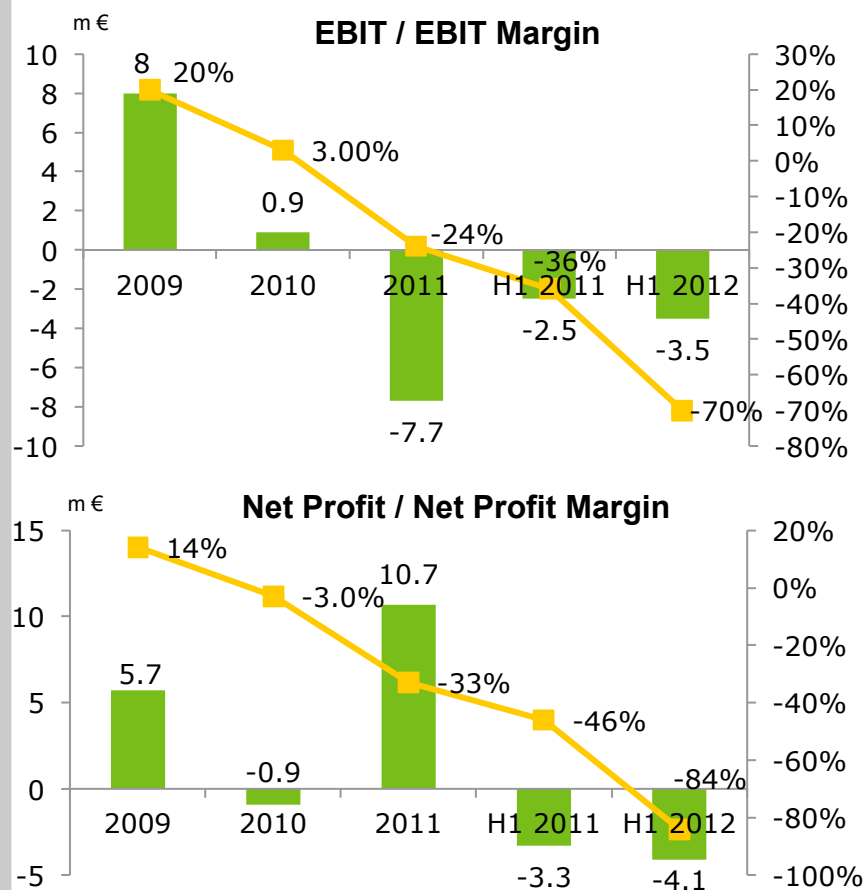
## Comments

- In H1 2012, revenue decreased by 29.6% to € 4.9 million
- EPC projects accounted for 7.6% of revenue in H1 2012, BOT for 92.4%
- Gross profit amounted to € 0.4 million, a 70.3% decrease year-on-year
- Gross profit margin went down to 9%

# H1 2012 results still burdened by project delays



## EBIT and Net Profit



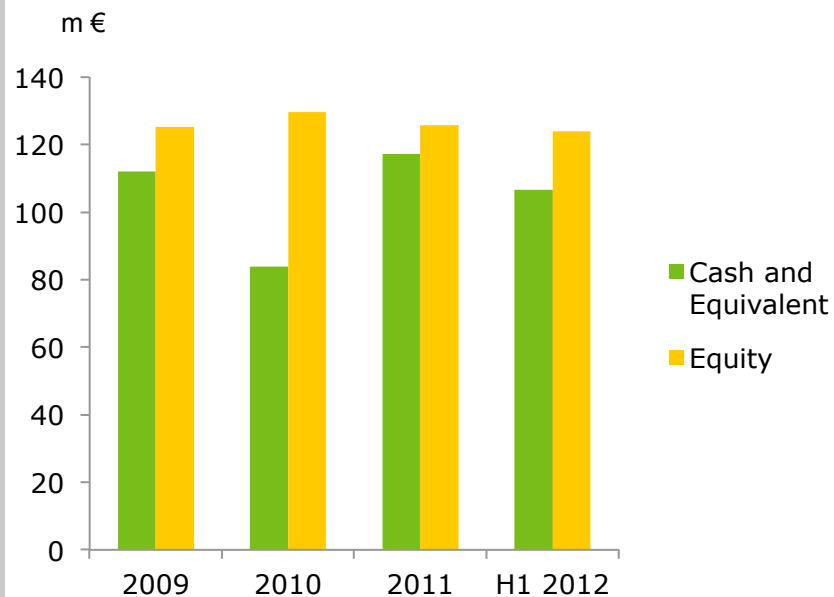
## Comments

- EBIT decreased by € 6.0 million to € -3.5 million
- Net loss of € 4.1 million

# Strong cash position ensures flexibility



## Cash and Equity



## Comments

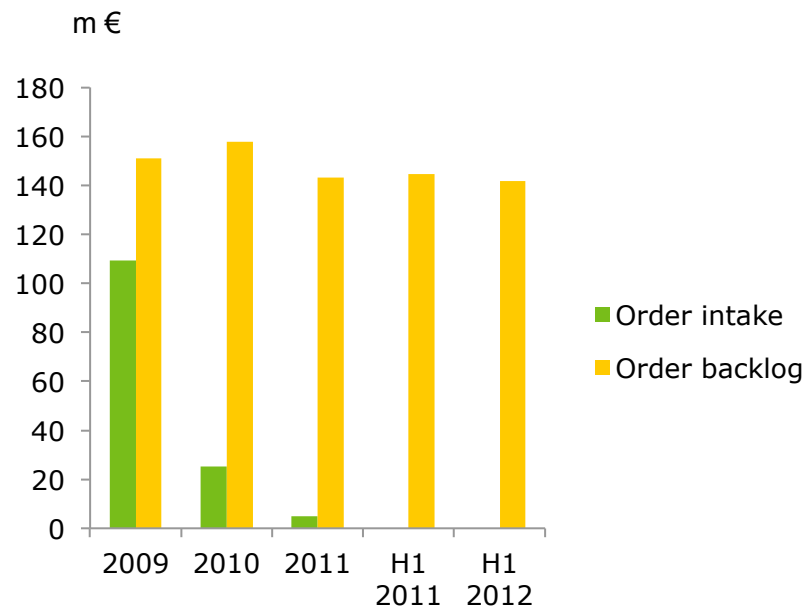
- As of 30 June 2012, cash and cash equivalents amounted to € 106.7 million
- Net cash amounted to € 59.8 million (after deducting € 46.9 million of loan volume)
- Strong cash position ensures flexibility in BOT investments and bank loan negotiations
- Shareholders' equity amounted to € 123.9 million
- € 8.2 cash per share (€ 4.6 net cash per share)



# Strong order position for future growth



## Order intake & Order backlog



## Comments

- No order intake H1 2012
- Order backlog slightly decreased by 1.8% to € 141.9 million
- The proportion of EPC projects accounted for 65% and of BOT projects 33% of total order backlog in H1 2012

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# Projects under construction (Feicheng BOT)



# Projects under construction (Zhoukou BOT)

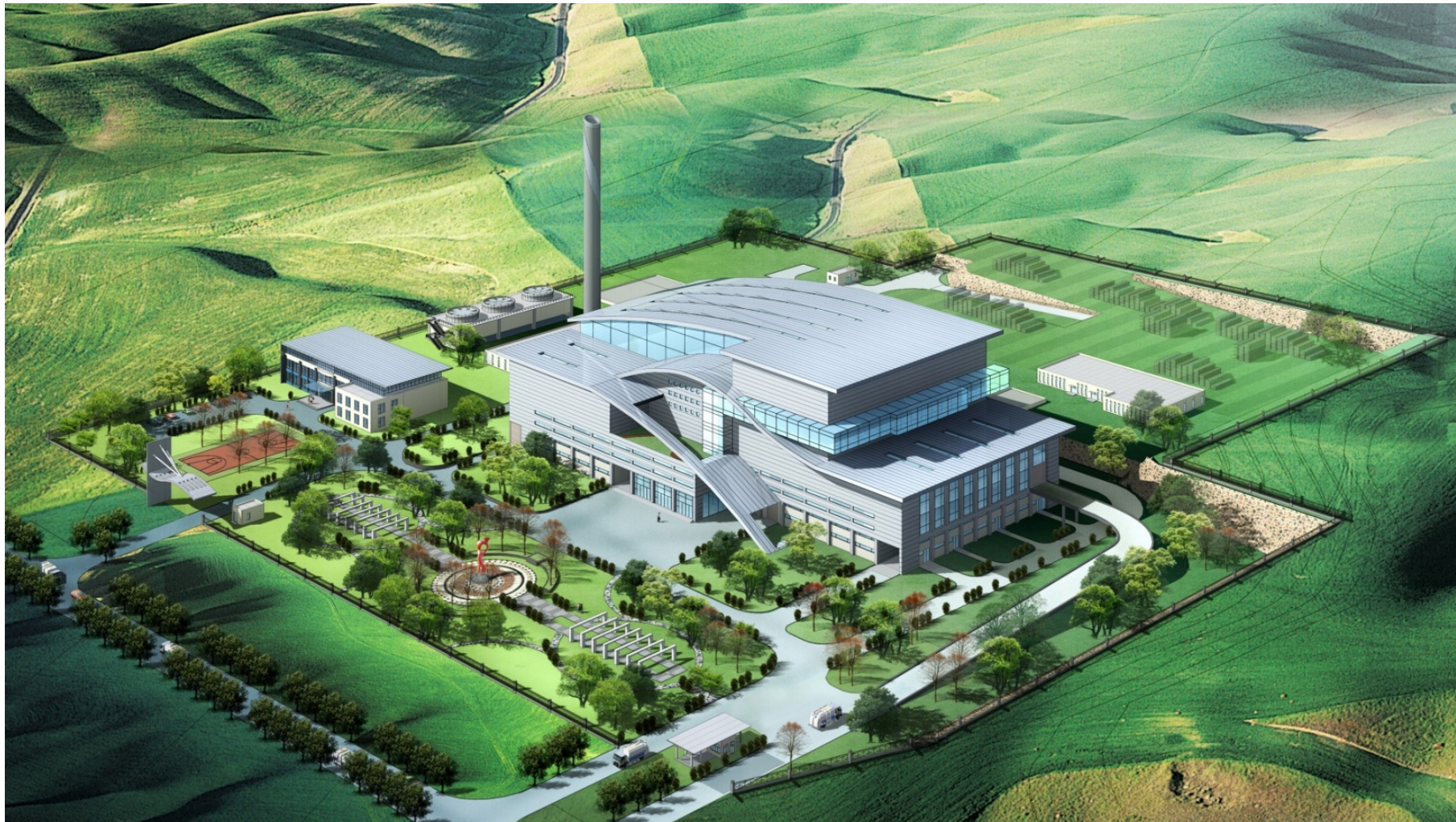


周口市丰泉垃圾无害化处理中心

# Projects under construction (Zhoukou BOT)



# Projects under construction (Kunming BOT)



# Projects under construction (Kunming BOT)

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# Projects under construction (Xianning BOT)



咸宁市丰泉垃圾焚烧发电厂鸟瞰图





# Projects under construction (Xianning BOT)

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# Projects under construction (Zhucheng EPC)



# Projects under construction (Zhucheng EPC)

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# Projects under construction (Dingzhou EPC)



# Expected completion of wte projects

<b>BOT</b>	<b>As of 30 June 2012 Percentage of Completion</b>	<b>Expected completion time</b>
Feicheng	Trial Operation	-
Zhoukou (500T)	82%	End of 2012
Kunming (700T)	44%	End of 2013
Xianning (600T)	43%	End of 2013

<b>EPC</b>	<b>As of 30 June 2012 Percentage of Completion</b>	<b>Expected completion time</b>
Dingzhou (500T)	17%	End of 2014
Zhucheng (600T)	59%	End of 2013
Zhaodong	Preliminary preparation stage	
Shouguang	Preliminary preparation stage	

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## Strategic milestones for future growth

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- Focus on large-size WtE projects
  - Construction of Zhoukou BOT project will be completed by the end of 2012
  - Largest BOT project contract was signed in Oct 2012, with a capacity of 3,000 tons per day and an investment volume of € 168 million
- Professional project management
  - Strengthen the project controlling system
  - Standardisation to reduce the risk of construction delay and wte plant operation
- Internationalization
  - Joint-venture negotiations with multinational companies
  - International marketing

# Outlook

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- Favorable economic environment for eco-friendly waste-disposal solutions
- Growing demand for waste-to-energy plants in China and throughout Asia
- Finalisation of Zhoukou BOT project construction until the end of 2012
- The company has signed one new project contract for “Lanzhou”, the largest wte-BOT project in China
- ZhongDe expects to sign one or two new project contracts in 2012, which will increase order intake and order backlog
- ZhongDe’s financial group results 2012 will be above 2011 results





**Thank you very much for your attention,  
we look forward to your questions!**

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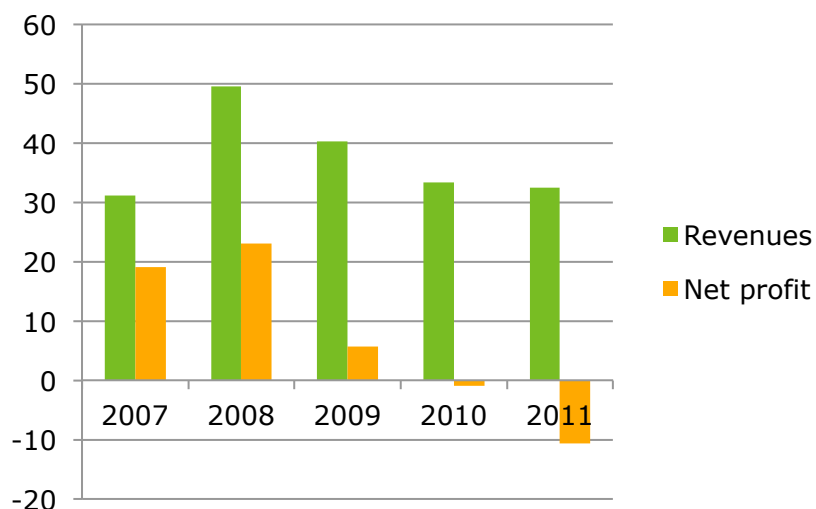
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# Overview financial performance 2007 – 2011



## Revenues and Net profit



in m €	2007	2008	2009	2010	2011
Revenues	31.1	49.5	40.2	33.4	32.4
Growth rate	63.7%	59.2%	-18.8%	-16.9%	-3.0%
EBIT	18.6	21.3	8	0.9	-7.7
Net profit	19.1	23.1	5.7	-1	-10.7
Net profit margin	61.0%	47.0%	14.2%	-3%	-33%

## Comments

- In 2011, revenues decreased by 3% to € 32.4 million
- EBIT decreased by € 8.6 million to € -7.7 million
- Net loss of € 10.7 million
- Construction delays due to delayed local government approvals
- Being still in a learning curve of the transition to large-size WtE-projects

# Supervisory Board with strong dedication to Corporate Governance



## Mr. Gerrit Kaufhold // Chairman of the Supervisory Board



- Auditor and tax consultant
- Since 2005 at Dr. Schmitz & Partner / HRG Hansische Revisions-Gesellschaft mbH, Hamburg; prior Senior Management positions at Deutsche Bank, Arthur Andersen and Esche Schumann Commichau
- Since 2011 Chairman of the Supervisory Board of Kinghero AG

## Prof. Dr. Bernd Neukirchen // Deputy Chairman of the Supervisory Board



- Experienced process engineer & 35 years of professional experience in waste management
- Prior Senior Management positions at special waste treatment plants, e.g. at Gesellschaft zur Beseitigung von Sondermüll in Bayern mbH (GSB, Bavarian hazardous waste management company) and led several subsidiary companies of STEAG AG

## Mr. Frank Feng-Chang-Chang // Member of the Supervisory Board



- Business Consultant/CPA/CTA in Taiwan
- Non-Executive Director of Yamada Green Resources Ltd., Singapore
- Previously senior partner and head of international services at Grant Thornton Zhonghua CPAs and BDO Shanghai Zhonghua CPAs

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