

ZhongDe Waste Technology AG



# Münchener Kapitalmarkt Konferenz 2012

December 6, 2012

William J. Wang, CFO

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

# Contents



**1** ZhongDe at a glance

**2** Chinese waste-to-energy market



**3** Financial results 9M 2012

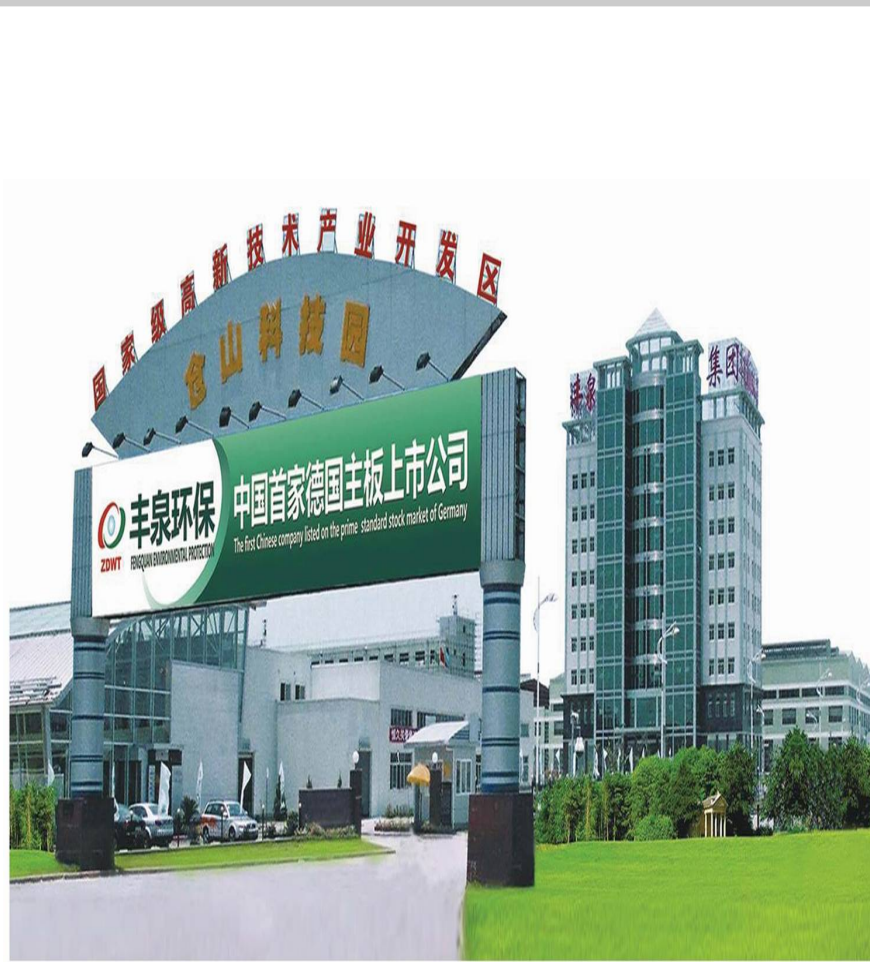
**4** Current projects



**5** Outlook

**6** Appendix

# 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



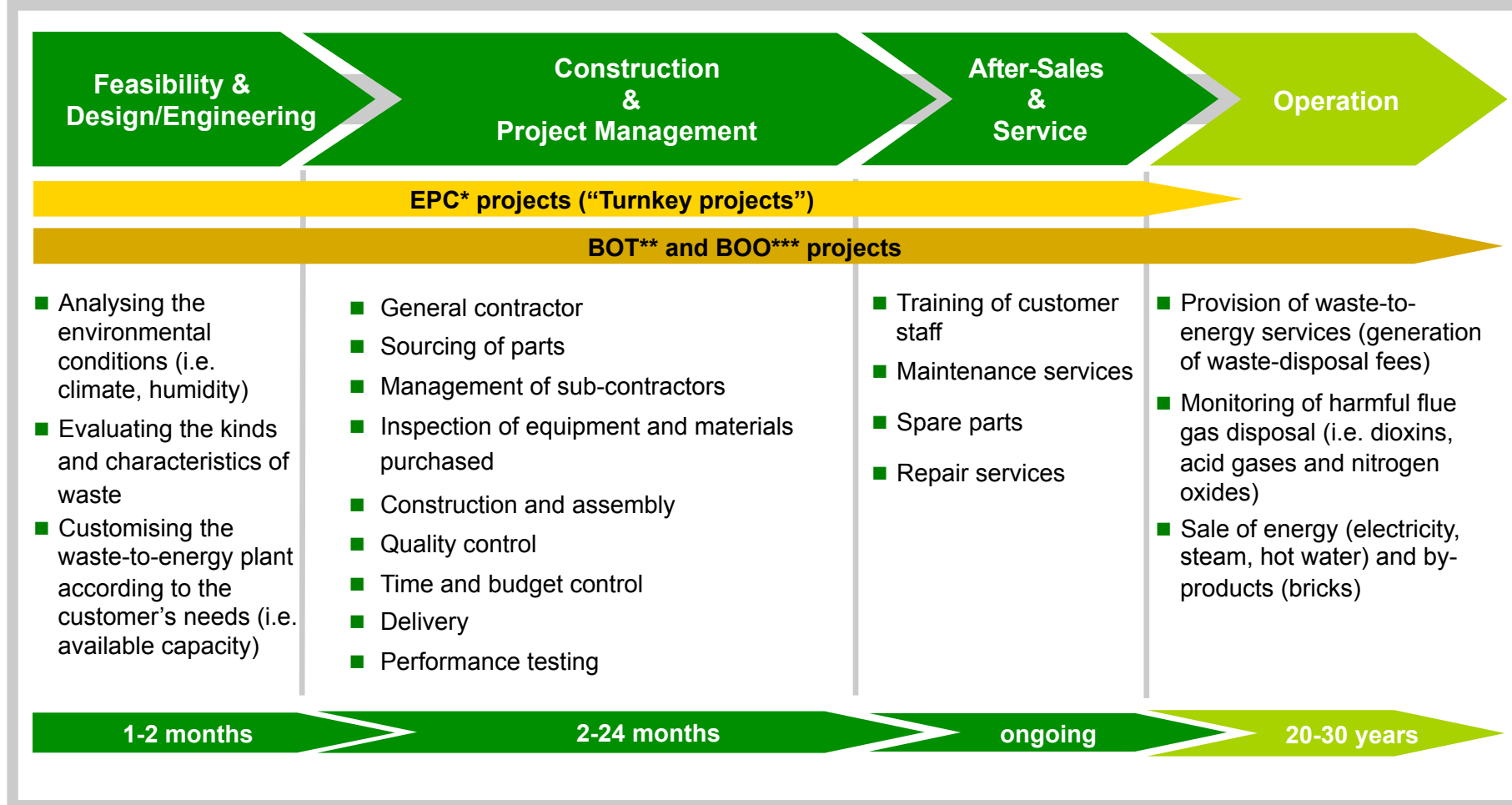
### William Jihua Wang, CFO

- 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

# Contents



**1 ZhongDe at a glance**

**2 Chinese waste-to-energy market**



**3 Financial results 9M 2012**

**4 Current projects**



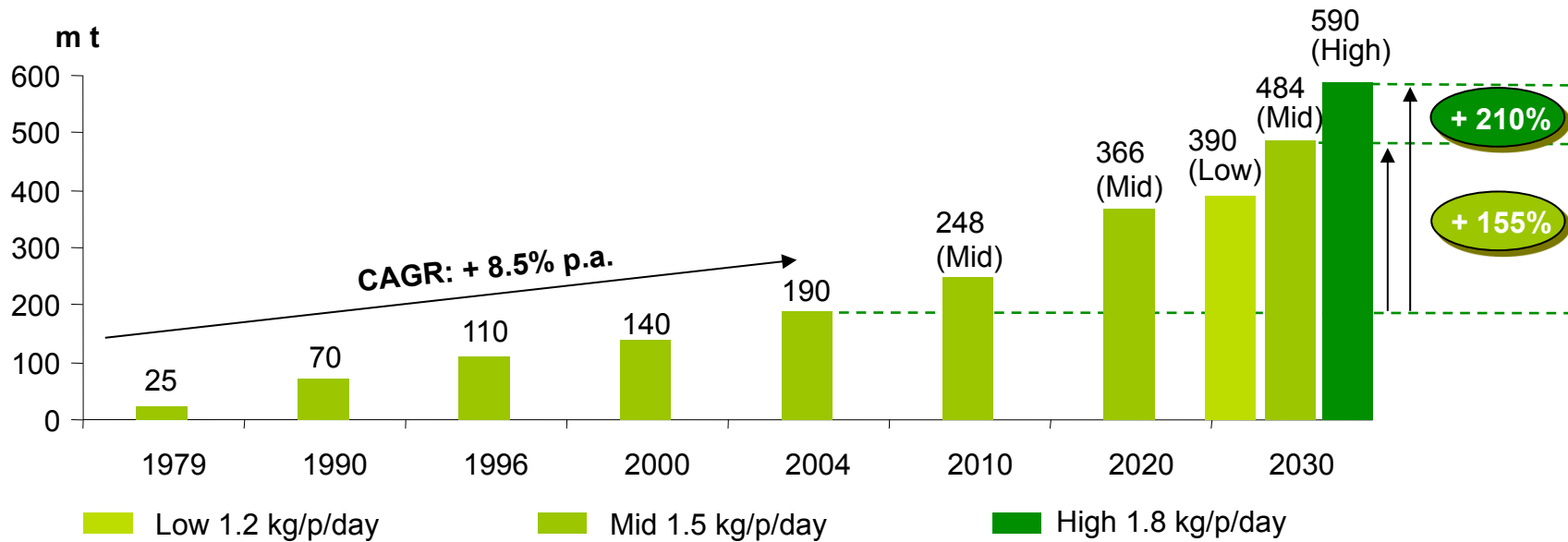
**5 Outlook**

**6 Appendix**

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



## Growth of municipal solid waste generation in China



### CAGR scenarios:

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

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



## Drivers Chinese waste-to-energy market

---

- 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

# Contents



**1 ZhongDe at a glance**

**2 Chinese waste-to-energy market**



**3 Financial results 9M 2012**

**4 Current projects**



**5 Outlook**

**6 Appendix**

# Operational and financial highlights Q3 / 9M 2012

---

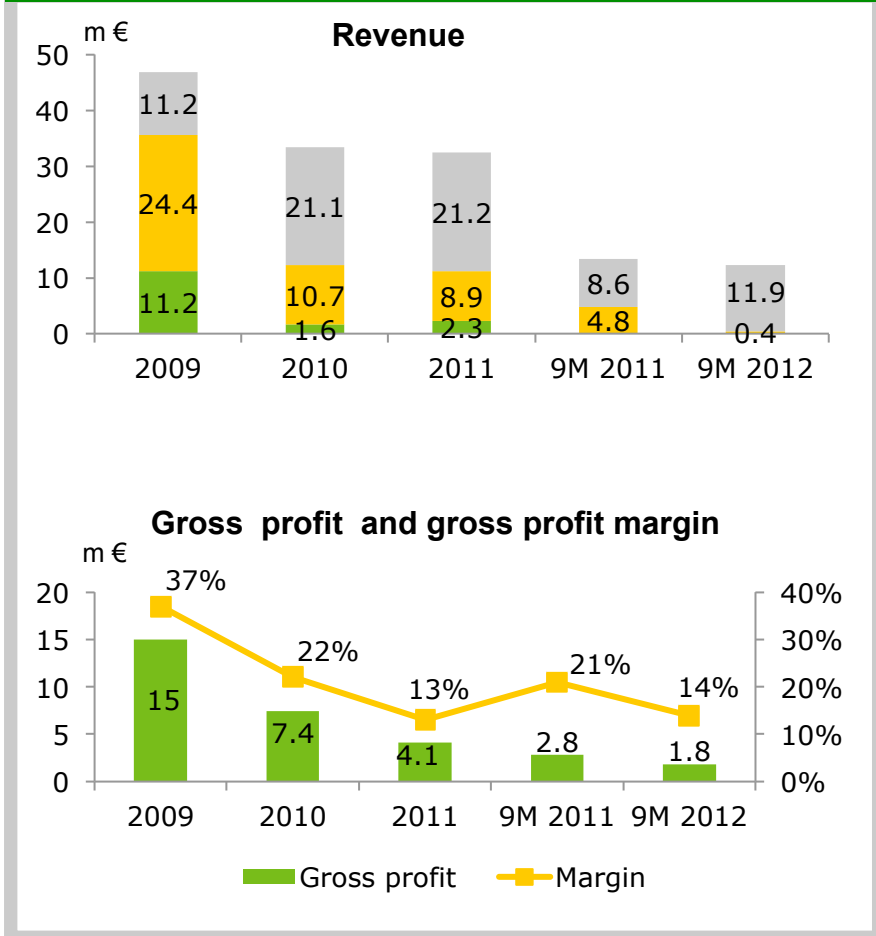


- In Q3 2012, revenues increased by 15.8% to € 7.4 million driven by positive one-off effects
- In 9M 2012 revenues decreased by 8% to € 12.3 million
- Net profit increased from € -5.1 million by € 7.2 million to € 2.1 million in 9M 2012, mainly due to the appreciation of the facility in Beijing amounting to € 6.7 million after the land use rights had been granted
- Weak operative financial performance in 9M 2012 due to project delays
- Order backlog remained strong with € 131.6 million
- Cash position amounting to € 108.7 million ensures future flexibility
- Total assets increased by 9.4% to € 217.5 million
- Shareholders' equity increased by 2.3% to € 128.6 million

# 9M 2012 results still burdened by project delays



## Revenue and Gross Profit



■ Incinerators 
 ■ EPC 
 ■ BOT

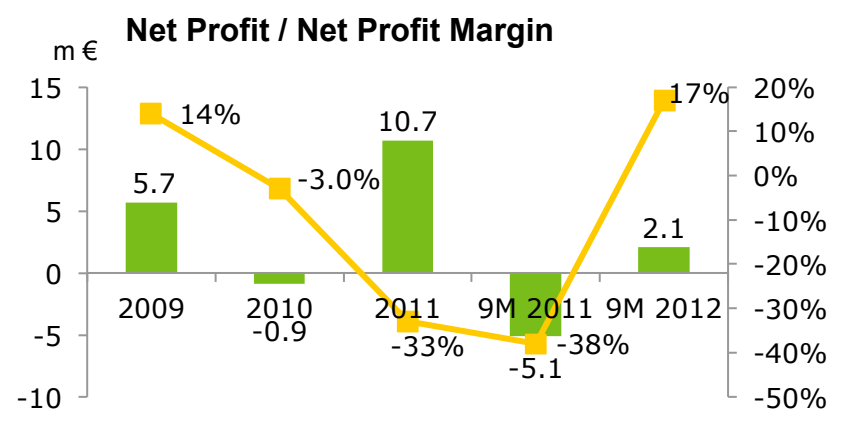
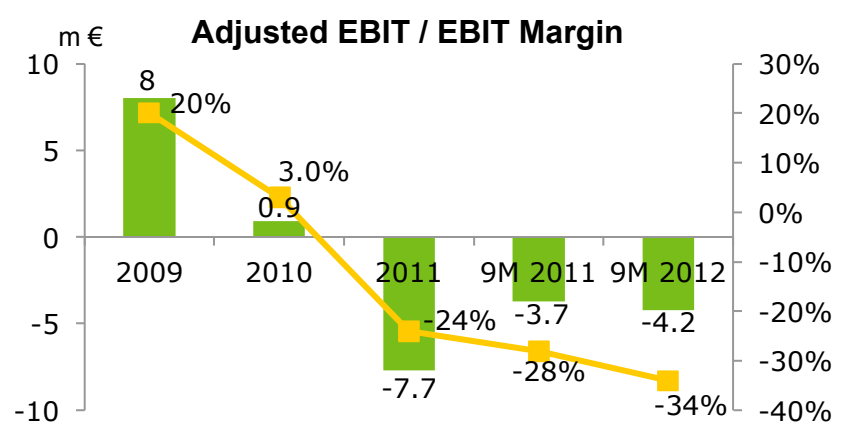
## Comments

- In 9M 2012, revenues decreased by 8% to € 12.3 million
- EPC projects accounted for 3% of total revenues in 9M 2012, BOT for 97%
  
- Gross profit amounted to € 1.8 million, a 37.2% decrease year-on-year
- Gross profit margin went down to 14%

# 9M 2012 results still burdened by project delays



## Adjusted EBIT / Net Profit (unadjusted)



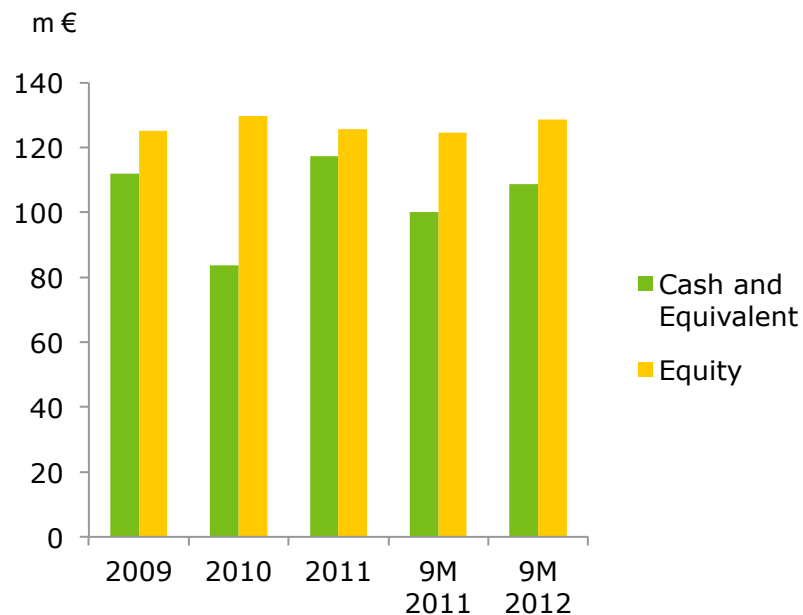
## Comments

- Adjusted EBIT decreased by 13.2% to € -4.2 million in 9M 2012
- Adjusted EBIT margin down to -34% (9M 2011: -28%)
- Net profit of € 2.1 million in 9M 2012 (9M 2011: € -5.1 million)
- Net profit margin up to 17% (including one-off effects)

# Strong cash position ensures flexibility



## Cash and Equity



## Comments

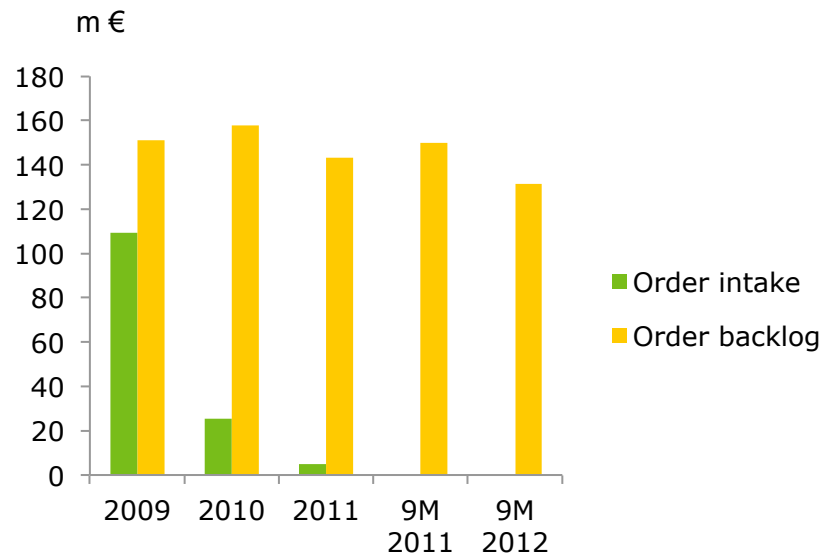
- As of 30 September 2012, cash and cash equivalents amounted to € 108.7 million (-7.3%)
- Net cash amounted to € 55.3 million (after deducting € 53.4 million of loan volume)
- Strong cash position ensures flexibility for BOT investments and bank loan negotiations
- Shareholders' equity increased by 2.3% to € 128.6 million
- € 8.4 cash per share (€ 4.3 net cash per share)



# Strong order position for future growth



## Order intake & Order backlog



## Comments

- New order intake of € 1.5 million in 9M 2012 relating to one small-size incinerator sale with HaiZheng in Zhejiang province
- Order backlog decreased by 12.2% to € 131.6 million in 9M 2012, mainly as a result of construction phases being recognised acc. to PoC method and foreign exchange differences
- The proportion of small-size incinerators accounted for 2%, EPC projects for 69%, and BOT projects for 29% of total order backlog in 9M 2012

# Contents



**1 ZhongDe at a glance**

**2 Chinese waste-to-energy market**



**3 Financial results 9M 2012**

**4 Current projects**



**5 Outlook**

**6 Appendix**

# Projects under construction (Feicheng BOT)



# Projects under construction (Zhoukou BOT)

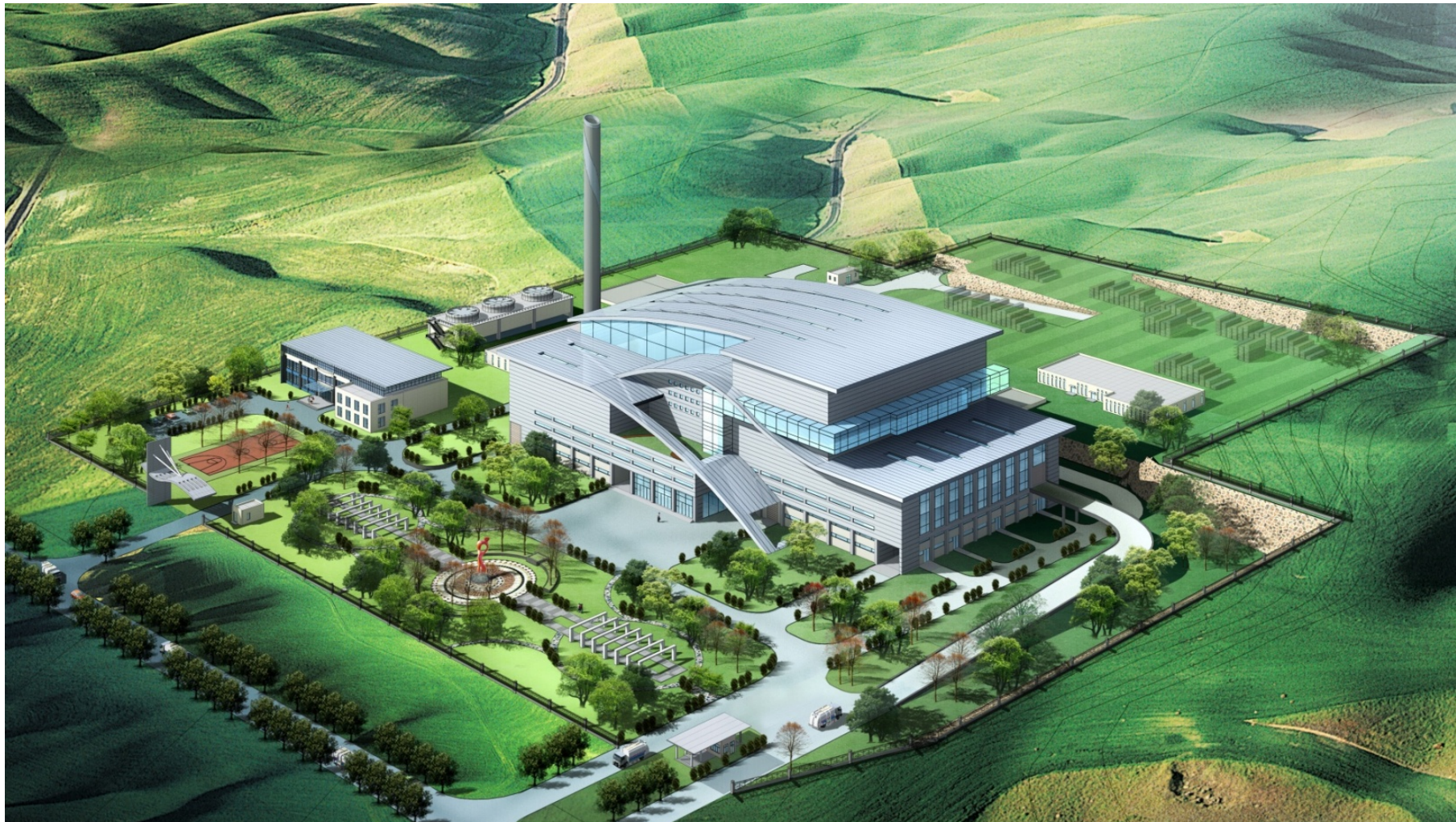


周口市丰泉垃圾无害化处理中心

# Projects under construction (Zhoukou BOT)



# Projects under construction (Kunming BOT)



# Projects under construction (Kunming BOT)

---



# 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)

---



# Projects under construction (Zhucheng EPC)



# Projects under construction (Zhucheng EPC)

---



# Projects under construction (Dingzhou EPC)



# Expected completion of wte projects

| <b>BOT</b>      | <b>As of 30 September 2012<br/>Percentage of Completion</b> | <b>Expected<br/>completion time</b> |
|-----------------|---|-------------------------------------|
| Feicheng        | Trial Operation   | -                                   |
| Zhoukou (500T)  | 82%   | End of 2012                         |
| Kunming (700T)  | 50%   | End of 2013                         |
| Xianning (600T) | 57%   | End of 2013                         |

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

# Contents



**1** ZhongDe at a glance

**2** Chinese waste-to-energy market



**3** Financial results 9M 2012

**4** Current projects



**5** Outlook

**6** Appendix

# ZhongDe's strategic milestones for future growth

---



- **Focus on large-size waste-to-energy 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

---



- Favorable economic environment for eco-friendly waste-disposal solutions in China
- Growing demand for waste-to-energy plants in China and throughout Asia due to increasing industrialisation and urbanization
- Finalisation of Zhoukou BOT project construction until the end of 2012 and further construction progress of Kunming and Xianning BOT projects
- Besides the new project contract for “Lanzhou” in Oct 2012, the largest wte-BOT project in China, ZhongDe expects to sign one additional new project contract 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!**

# Contents



**1** ZhongDe at a glance

**2** Chinese waste-to-energy market



**3** Financials 9M 2012

**4** Current projects



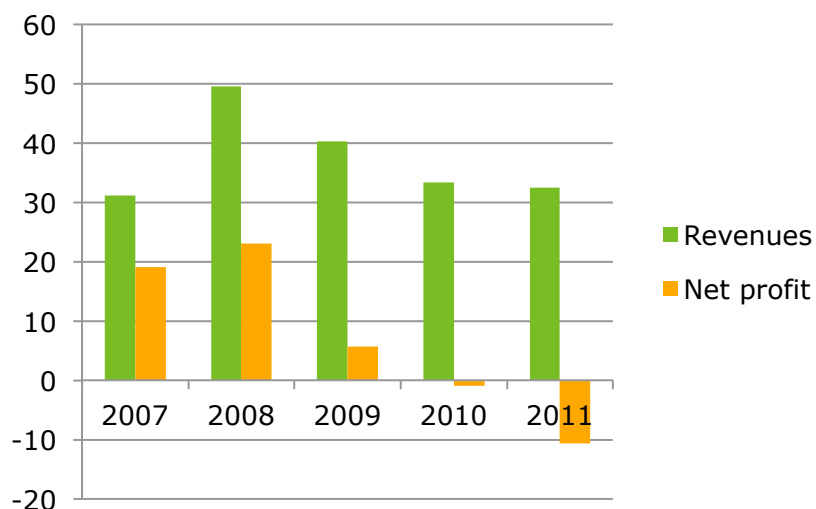
**5** Outlook

**6** Appendix

# 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%  |

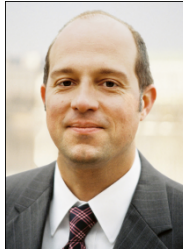
## Comments

- 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

# Important Notices

---



This presentation was prepared by ZhongDe Waste Technology AG solely for use at the Management presentation. It is furnished to you solely for your information, should not be treated as giving investment advice and may not be copied, distributed or otherwise made available to any other person by any recipient.

The facts and information contained herein are as up to date as is reasonably possible and are subject to revision in the future. Neither ZhongDe Waste Technology AG nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation. Neither ZhongDe Waste Technology AG nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for losses howsoever arising, directly or indirectly, from any use of this presentation.

Whilst all reasonable care has been taken to ensure that the facts stated herein are accurate and that the opinions contained herein are fair and reasonable, this document is selective in nature and is intended to provide an introduction to, and overview of, the business of ZhongDe Waste Technology AG. Any opinions expressed in this document are subject to change without notice and neither ZhongDe Waste Technology AG nor any other person is under any obligation to update or keep current the information contained herein. In addition, institutions mentioned in this document, their affiliates, agents, directors, partners and employees may make purchases and/or sales as principal or agent or may act as market maker or provide investment banking or other services. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by ZhongDe Waste Technology AG as being accurate.

This presentation contains forward-looking statements, which involve risks uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements reflect ZhongDe Waste Technology AG's current expectations and projections about future events and may be identified by words such as "expectation" or "target" or "forecast" and similar expressions, or by their context. These forward-looking statements are made on the basis of current knowledge and assumptions. Various factors could cause actual future results, performance or events to differ materially from those described in these forward-looking statements. No obligation is assumed to update any forward-looking statements. This presentation does not constitute an offer or invitation purchase shares of ZhongDe Waste Technology AG and neither this document nor anything contained herein shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.