

NF ENERGY SAVINGS CORP. (OTC BB: NFES)

INDUSTRY: HEAVY INDUSTRY

DISCLOSURES: 1, 5

RATING: BUY
RISK: HIGH

CLOSING PRICE 07/17/09	TRAILING P/E (TTM)	SHARES OUT (MILS.)	MARKET CAP (MILS.)	3-5 YEAR REV. GROWTH	PRICE TARGET
\$0.83	9.2	39.9	\$33.1	35-50%	\$2.50

ANNUAL DATA – DEC YEAR END			
	2008A	2009E	2010E
EPS	\$ 0.10	\$ 0.16	\$ 0.25
P/E	8.3	5.2	3.3
REVENUE (MIL.)	\$15.8	\$27.7	\$40.0
P/S	2.1	1.2	0.8

EARNINGS					
	Q1	Q2	Q3	Q4	ANNUAL
2010E	N/A	N/A	N/A	N/A	\$ 0.25
2009E	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.16
2008A	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.00	\$ 0.10
2007A	\$ (0.00)	\$ 0.03	\$ 0.02	\$ 0.00	\$ 0.06

I remember learning three things about energy when taking classes for my degree in physics back in the mid-1970s:

- 1) There's plenty of energy on Earth. It just may be in the wrong places. We learned that to be the case after the gas shortages of the 1970's. After letting the market system contend with the crisis, we saw new areas of oil production come on line (i.e. Russia, Nigeria, Venezuela, Malaysia, the North Sea, new areas of Alaska, etc. all open up after 1973) and energy prices (the price of a barrel of oil in particular) dropped through the floor.
- 2) There's plenty of energy on Earth but it's often in the wrong form. We are always contending with the problem of turning one form of abundant energy into something that we can use more readily. (Back in the 1970's, solar, wind and ethanol power were playthings all overshadowed by the supremacy of nuclear-generated and to a lesser-extent coal-produced, electricity.)
- 3) And, "If we do not find a solution to fusion nuclear power, we will have windmill pollution before the year 2000," claimed Dr. Robert L. Purbrick Willamette Univ. in 1976. Well, Dr. Purbrick was off by just a couple of years, at least in the Columbia River Gorge, because out here the vistas are blighted with the towers of 1.5 megawatt windmills. Their presence is so thick it's like the quills on the back of a porcupine.



Introductory Report

In China, demand pressure for power continues to mount despite enormous capacity additions in the past fifteen years as the country and its people race into a new urban, industrial age. Consider that the average per capita energy usage in China is only 1/8th that of the US. Their power is generated from a variety of sources but predominantly from coal, which the country has a plentiful supply. China's long-term plans call for a shift to not only a more balanced sourcing between different types of power generation facilities but especially from more efficient and less polluting coal powered, power generating facilities. This combination of government priorities places NF Energy Saving Corp. right in the middle of the long-term sweet-spot regarding Chinese energy policy and spending, as well as that country's voracious appetite for electrical power.

NF ENERGY OPERATING AND INVESTMENT SYNOPSIS

NF Energy Saving Corporation of America is a leading provider of energy efficient flow control systems and wind cogeneration equipment. The Company also provides services to help their clients operating facilities improve energy efficiency and reduce emissions. Additionally, NF Energy Savings provides energy efficiency technology consulting, optimization design services, pipeline reconstruction/retrofitting and contractual energy management services for China's electric power, petrochemical, coal, metallurgy, construction, and municipal infrastructure development industries.

Besides its involvement in trying to meet China's nearly insatiable demand for electricity and the governmental efforts to reduce pollutant emissions by existing coal powered generating facilities, the Company has another avenue for opportunity: Wind power. One of the China's governmental mandates is to also shift power production to "Wind and Other" sources. Wind is therefore a major contributor. As of 2007, this category contributed about 0.7% of that Country's total power. It is expected to grow to nearly 1.7% by 2010 and contribute nearly 4.3% by 2020. NF produces several key frame components to the construction of the new, Chinese manufactured wind turbines; hence, their participation should be key to the growth and success of this aspect of power generation.

NF Energy Investment Highlights:

- NF Energy engineers and manufactures a large number of energy-efficient, flow control systems for use across numerous industries...predominately coal, hydro-power and nuclear co-generation. Their strong patent portfolio provides the Company a competitive advantage in the large-dimension, energy-efficient pipeline flow control arena permitting NF a leadership position that is well recognized throughout China.
- Not only is overall energy demand increasing but heightened environmental regulation and higher domestic energy-savings standards should help accelerate the Company's pace of activity. For example, nearly 5% of China's RMB4 trillion economic stimulus package is earmarked for environmental projects.
- NF Energy is producing a track record of consistent growth and profitability. Its current backlog points to another year of record-breaking results. In 2008, the Company grew revenues by 53% to \$15.8 million and generated a 23% net profit margin of \$3.7 million. For this year, NF has already signed 47 contracts amounting to \$35.9 million in revenues. Of this, \$21.5 million is expected to be completed this year.
- As we mentioned in our introduction, wind power is projected to play a greater role in China's energy future. NF is engaging that responsibility by adding new manufacturing capacity that is planned to be up and operational by the fourth quarter of 2009. We believe that NF investors should witness a marked ramp from the end of this year in the production of wind turbine structural components which should add dramatically to the Company's overall operating returns.

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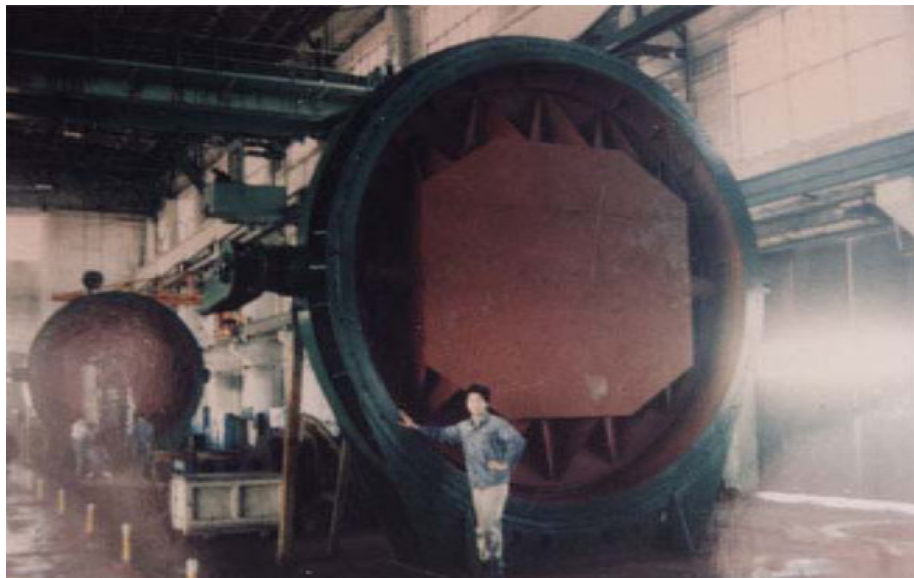
BUSINESS/PRODUCTS

The Company operates three business units targeting the energy efficiency markets within the People's Republic of China (PRC): Flow Control Equipment, Energy Conservation and Emission Reduction Services, and Wind Cogeneration Equipment.

Flow Control Equipment

The Company's flow control products regulate the transportation of water, oil, heat and gas through pipeline systems, improving efficiency and reducing energy usage by 20% over conventional designs. NFES flow control products have been utilized in projects in China and internationally. The Company received the “Number One Energy Saving Value of China” by the Chinese Energy Conservation Association for this flow regulation technology.

NFES Flow Control Products



During 2008, the Company completed orders for flow control equipment for three sections of the “Redirect the Water from the Rivers in the South to the North Middle Section Jingshi Section Water Supply Engineering Project”, an enormous multi-year diversion project underway. Further, the Company recently received substantial flow control equipment contracts for large water supply systems in seven cities in Liaoning Province.

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Energy Conservation and Emission Reduction Services

The China State Council in its 11th Five-Year Plan (2005-2010) set energy conservation and emission reduction targets to be achieved by local governments and industries and has committed to invest no less than 1 trillion RMB to reach these energy savings goals by 2010. The Company's project services consist of energy audits and conservation planning services for entities like large factories, hospitals, schools or other sizable institutions. Then, based on the findings, an energy efficiency plan is developed and implemented with the goal being a reduction per unit of energy consumption and emissions.

The Central Government has made available 7 billion RMB in subsidies to support ten key energy saving measures. Funds are available to enterprises demonstrating specific target reductions and energy savings. Further, such standards and measures have been developed in the Five-Year Plan for evaluating the performance of the leaders of local governments and large state-owned enterprises, creating a political urgency for increased energy conservation and emission reduction.

Wind Cogeneration Equipment

In response to tremendous growth in the use of wind power in China, NFES began developing wind turbine components during 2008, with test components installed in 1Q 2009 for field testing. Current products include hubs, forward engine room foundations, bearing seats, and principal axles for standard 1.5MW wind systems. Company management expects wind energy equipment to be an important revenue source in 2010 and beyond for the Company (see diagram below).

In China, total wind farm power generating capacity is currently 12GW (2007, IEA), but it is growing at the fastest pace among all of the world's economies. The country is currently the fourth largest producer of wind energy in the world, behind the United States, Germany and Spain and is aiming to have 40 percent of all its energy originate from renewable energy sources by 2050. It is expected to expand at nearly a 20% rate for the next 20 years and reach 100GW by 2020, according to the Global Wind Energy Council.

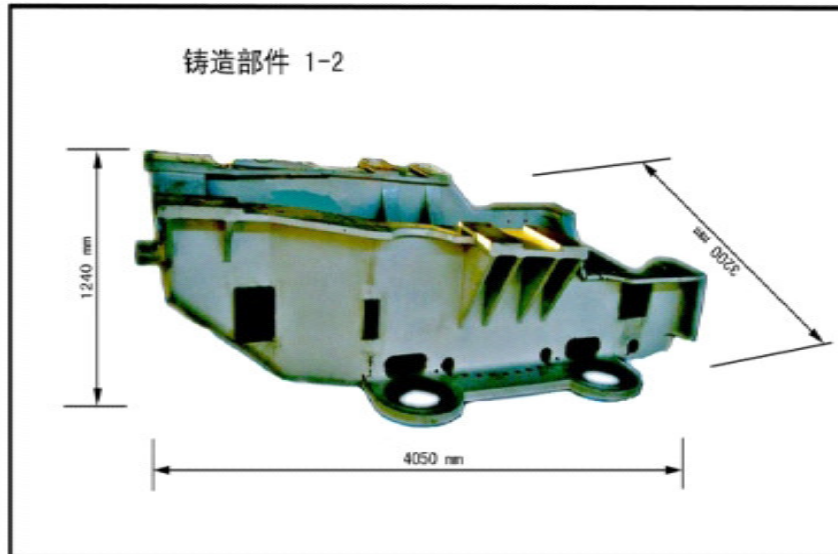
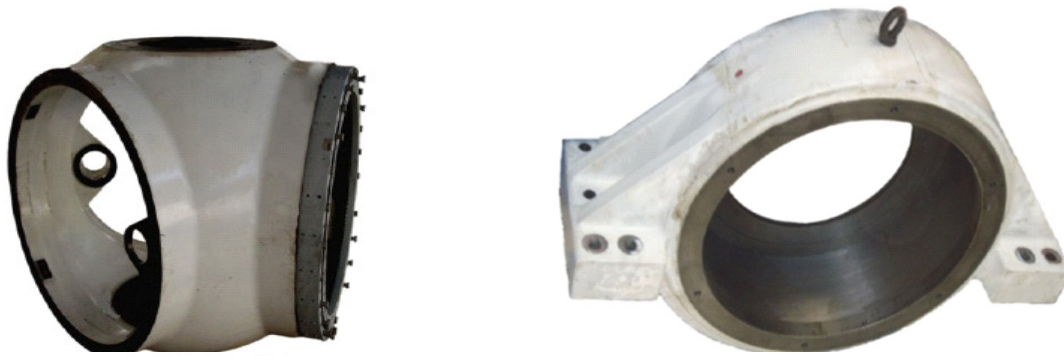
Against the backdrop of these spectacular macro-economic indicators, NF Energy has to work to dramatically increase production capacity to meet expectations. That said, plans have already been started to establish and complete a new facility in 2009 that will double or triple existing production capacity.

As our report was readied for publication NF Energy announced that its shipment of wind turbine components—such as the hub, engine foundation and bearing seat, etc. as illustrated—was successfully installed this past February. The Company reports that the operating machinery has been running smoothly for over 3,000 hours at the Dali Wind Farm located in Inner Mongolia. This wind generating facility is one of the largest wind farms in China and currently has nearly 300Megawatts of operating capacity.

Additionally, on July 16, 2009 NFES announced an order for \$5.2 million of energy-efficient flow control systems for Guangdong Huizhou Pinghai Power Plant and Guangdong Yuedian Huilai Power Plant to be delivered in Q3 and Q4 2009.

Both facilities are China's new Ultra-Supercritical coal power plants being built to replace small, dirty and inefficient coal power plants with design capacity of 2 x 1000MW of generation capacity and provide supply to the Pearl River Delta Area. Guangdong Huizhou Pinghai Power Plant is a key project in China's "11th Five Year Plan."

NFES Wind Turbine Components



Clockwise from the upper left: Wind Turbine Hub; Wind Bearing Block and Wind Turbine Under Frame

OPERATING ENVIRONMENT

We've all been made patently aware by the media of China's crackdown on internet pornography by either blocking sites or shipping faulty filtering software to eliminate access to unacceptable web material. This controversy has helped me better understand something about China. It is not a nation of producers wanting to

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flood the market with unacceptably inexpensive products that will deal unemployment to the rest of the civilized world. Rather, China's population, because of the internet, has rapidly become an immense nation of consumers! Because of its 300 million web users, the grand majority of its masses now know and realize what it is like to live like Americans (pornography, Pontiacs and all) and they want the same thing!!!!

So, the environment in China is not that much different than that here in the US. But there are increasingly more citizens in the population that want to have domestic goods and modern amenities. The country has a lot more infrastructure to build in order to catch-up. There is a lot more growth to experience just to bring the standard of living within reasonable close proximity with that of most western nations. For instance, according to the U.S. Energy Information Administration (EIA), the average residence in China has around 300 square feet of living space or less per person, compared with the United States at about 680 square feet of living space per person.

In terms of standard of living and energy consumption the differences are even more stark: 2006 per capita GDP in the US (in real 2005 dollars) was about \$43,000 and residential energy use 36 million btu/capita. By contrast, the average per capita income in China was \$4,550, roughly one-tenth the U.S. level, and residential energy was 4.0 million btu per capita (1/9th). This means a lot of expansion and additional power generation if average consumption is to approach world mean levels. While China's energy production would have to increase by a factor of 8x-9x in order to match US or EU levels of energy intensity, the EIA projects energy generation only doubling between now and 2020; the chasm has significant growth potential.

Rapid GDP growth has helped to drive China's growth in power consumption over the last decade. Conservative projections indicate that this growth should continue to expand between 8.5% and 9.4% year-on-year for the period running between 2010 and 2015. Lastly, just like the US population trends in the latter half of the 1800s and first half of the 1900s where family members moved off the farms and to the cities; China's agrarian population is making a speedy shift away from rural areas and to factories. This rapid urbanization is further augmenting growth in consumer income levels as well as helped to drive growth in per capita electrical consumption to 11% annually for the past decade.

The trends are not expected to attenuate anytime in the near future. The Chinese electric power industry has grown into the second largest in the world, behind only the US. Installed capacity rose from 1.85 GW in 1949 to 713.29 GW in 2007 according to the China Electricity Council, an astonishing 10.8 percent CAGR. Virtually all of the existing generation plants are either coal powered (~78% in 2007) or hydro powered (just over 20%). Nuclear plants account for only about 1 percent of capacity, although this is growing rapidly. Wind and 'other' sources comprise less than 1%; however, wind is the most rapidly growing segment.

COMPETITION

The Company confronts two principle competitors within the PRC in its flow control systems business:

- **Hubei Hongcheng General Machinery Co., Ltd.** Publicly-traded; listed on the Shanghai Stock Exchange. The Company specializes in the engineering and manufacturing of valves for hydro stations, dams, water transfer systems, power plants, environmental, and many other gas and water related projects.
- **Watts Valve (Changsha) Co., Ltd.;** is a wholly-owned subsidiary of Watts Water Technologies Inc. (NYSE: WTS) in China established in 2006. Watts Valve specializes in the design and manufacture of large valve systems for water source projects, water diversion and transmission projects, power projects, water works, wastewater treatment plants, metallurgical, petrochemical and other industrial projects.

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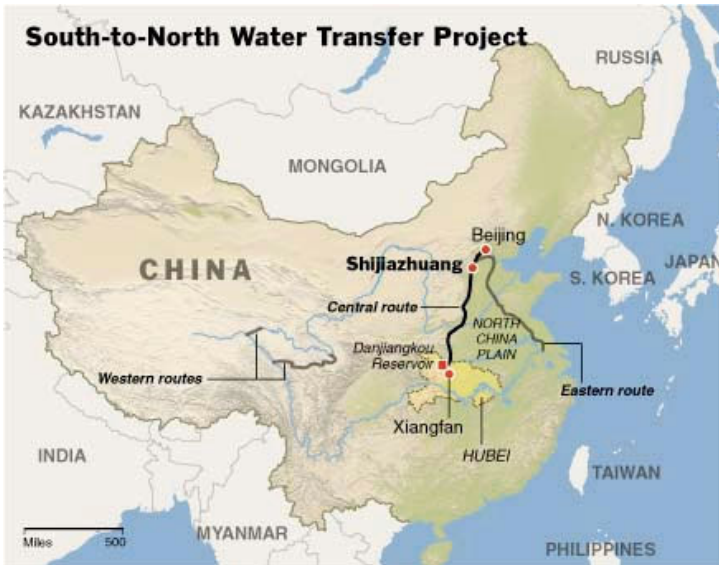
Both of these companies are larger and better capitalized than NFES, however, management believes its innovative technologies and strong industry relationships (in other words the government) provide this company with a substantial competitive advantage in the flow-control marketplace. Management estimates that NFES controls approximately 20%-30% market share in the thermal power device market and approximately 10% in the hydro power device market in China.

In the wind turbine segment, there are numerous global and regional manufacturing giants vying for a share of the largest wind turbine market in the world. Most turbine components remain on back-order or on allocation from the myriad existing suppliers. This creates an entree for small and nimble companies like NFES to leverage their engineering and heavy manufacturing experience. The Company believes it can replicate its success in its flow-control business in this new growth area, and is bringing new production capacity online in 2010 to meet growing demand.

GROWTH STRATEGY

The Company's growth strategy focuses on meeting the societal need for more energy generation and energy efficiency and the mandate to reduce pollution within China. Projects are underway that will create thousands of miles of large diameter pipeline for water diversion and hydroelectric generation projects. Further, dozens

and perhaps hundreds of super-critical and smaller coal-fired generation and co-generation facilities are in production or in planning stages to meet growing demand for power. This segment largely consumes the Company's flow control and valve products, and has been the major growth driver for the past several years.



The wind turbine market appears to offer great promise as a growth driver into 2010, as NFES capitalizes on the extraordinary demand in China for wind power and hence wind turbines. China is expected to account for 30% of world energy capacity additions through 2030, exceeding the additions for all other nations, according to the IEA. Company management indicates that the current situation in China is characterized by substantial backlogs and shortages, and that

indications of interest have been very high for this new product area. As a result of this expectation, management is greatly expanding its capacity to produce the three new products discussed earlier. The capacity additions, expected to come online later in the year will enable the Company to double or triple its current production capacity.

Lastly, the Company's re-engineering/reconstruction business addresses both efficiency and pollution, which go hand-in-hand due to the country's enormous installed base of antiquated coal-fired boilers. These are typically used for co-generation or in industrial applications and comprise the vast



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majority of such systems in China. Many are twenty to thirty year old technology and operate at only 60% - 70% efficiency, compared to the 90% global mean. As part of the 11th Five Year Plan, China intends to mothball and replace 50GW of smaller, inefficient coal-fired power plants between 2006-2010, with 10GW targeted for replacement each year beyond 2010.

As further incentive in this area, in 2007 the Chinese government implemented rigid energy efficiency and pollution control standards against which local and provincial authorities will be measured, while increasing enforcement scrutiny. Company management indicates that NFES is one of only 75 companies approved by authorities for such work and currently ranks #8 in quantity of

jobs completed.

MANAGEMENT AND FACILITIES

As of March 31, 2009, the Company employed 220 people including 26 management personnel, 40 in sales/marketing/field service and 35 engineers working in Company subsidiaries located in and throughout China. The Company's production facility has been certified to the Management System Standard ISO9001:2000.

The principal business location of NFES:

21-Jia Bei Si Dong Road, Tie Xi Qu, Shenyang, P. R. China 110021.

- **Shenyang**, the largest city in northeastern China and capital of Liaoning, is the political, economic and cultural center of the province. Liaoning encompasses roughly 150 thousand square kilometers and has a population of about 40 million. The province is bounded by the Yellow Sea, the Bohai Gulf, and the Yalu River, providing Liaoning a natural gateway to the Korean Peninsula.



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During 2008, the Company received approval from local authorities to begin construction on a new manufacturing facility in Yingzhou District Industrial Park, Tieling City, Liaoning. The project will have two phases, with the first phase increasing capacity to develop and produce valves systems and wind generation components. Total capex for this phase will be roughly \$5 million, of which \$2.8 million has been capitalized as construction in progress as of the March quarter. The new facility will be highly automated and will greatly expand the Company's manufacturing capacity.

Gang Li; President and Chief Executive Officer. Appointed Chairman and Chief Executive Officer and President of the Company in November 2006, he graduated from Tianjin University with a bachelor degree in science and a master degree in law.

Prior to founding Liaoning Nengfa Weiye Group, Mr. Li was the director of the Technology Innovation Department under the Liaoning Province Planning and Economy Commission as well as the Director of the Economic Operation Department under Liaoning Province Economic and Trade Commission, during which time he participated in the preparation of the Eighth and the Ninth Five-Year Plan regarding the technological improvement in eight industries including energy, transportation, and other various metallurgical industries. Further, Mr. Li has helped to organize and implement several projects in connection with technological improvements spanning across over 500 key products, 100 major projects, 100 enterprises and 8 industries, including the famous “115 engineering projects”. Due to Mr. Li’s leadership on the “115 engineering projects” and as a result of the above-mentioned technological improvements, he was awarded the Enterprise Technology Advancement Award by China’s National Technology Improvement Commission.

Mr. Li is also an accomplished author with several published papers and books discussing various industry topics. His book “An Introduction to Technological Improvement” was published by the prestigious Xinhua Publishing House. In addition, the Liaoning Provincial Government awarded his paper titled “Macro-indicator Review Systems in Enterprise Technology Improvement” with the National Major Outcome prize and a second-place award in the category of Technological Advancement.

Mr. Li founded the “Liaoning Nengfa Weiye Group” in 1999 where he currently serves as the President and Chairman. In addition, Mr. Li serves as the Deputy Director of the Liaoning Provincial Resource Saving and Comprehensive Application Association. He also holds the offices of Deputy Director for the China Energy Conservation Association and Deputy Director for the Energy Conservation Committee under the China Energy Research Association.

Li Hua Wang; Chief Financial Officer. Ms. Wang became the Director and Chief Financial Officer of the Company on November 15, 2006. She is also the general manager of the 100% owned subsidiary Liaoning Nengfa Weiye Energy Technology Company Ltd. in China. Ms. Wang graduated with a master degree in accounting from the Graduate School of the Ministry of Finance in the Peoples Republic of China.

Since May 1996, Ms. Wang has been involved in the building of Liaoning EMC, which is one of three EMCs established by the World Bank. Ms. Wang is the chief financial officer of Liaoning EMC. In August 2003, the World Bank recommended her as the premier expert to the Chinese EMC Association.

Hong Li; Director. Ms. Li became Director of the Company on November 15, 2006. Since September 2001, Ms. Li has been working as in-house counsel within the legal department of Liaoning Nengfa Weiye Group. She is currently responsible for regulatory compliance and corporate governance at Nengfa Energy. She has strong professional experience in the fields of human resources and management.

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She graduated with a bachelor of art degree in Chinese Law from Northeastern University in the People's Republic of China.

RECENT HIGHLIGHTS:

- ✓ 2008 revenue increased from 53% from \$10.3 million in 2007 to \$15.8 million.
 - 69% was generated from the production and sales of energy-saving valves, intelligent valves and flow control equipment. For 2009 management expects this segment to increase to nearly 90% of revenue.
 - 31% of 2008 revenue was generated from energy efficiency consulting and retrofitting services.
- ✓ Commenced construction on the first phase of a \$5 million automated production facility in Yingzhou District Industrial Park, Tieling City, Liaoning Province that is scheduled for completion by 2010.
- ✓ Supplied \$1.7 million of flow control systems for Phase I & Phase II of South-to-North Water Diversion project, with follow-on deliveries anticipated as construction progresses.
- ✓ NFES supplied \$2.7 million of flow control systems for Phase III of the Guodian Zhejiang Beilun Power Plant, a 2 x 1000MWh ultra super-critical coal-fired generating unit.
- ✓ In Q1 2009, the Company completed a \$2 million private placement with institutional investors for 6,645,376 shares of restricted common stock at \$0.30/ share, with the proceeds used to fund working capital.

OUTLOOK

NFES has experienced rapid growth in recent years as it has stamped a footprint in its core flow control market and invested in the emerging wind power market. While the company competes against significantly larger players, it has been effective due to its superior design and execution. Management has considerable experience and skill operating large enterprises, and has deep knowledge of both the policy and operational workings of the governing bodies and planning authorities involved in the energy infrastructure projects underway or in design. We believe these relationships have significant value and enable the Company to compete effectively in its core niche markets.

The Company has been awarded 48 contracts and has a ~\$38 million backlog of orders as of July 13, 2009, of which about \$23 million will be completed in 2009. Nine additional contracts with a total value of \$27 million remain in final negotiations with some expected for completion in 2009.

RISK FACTORS

NFES is domiciled in The People's Republic of China, which is governed by the Chinese Communist Party, hence, any investment in the Company carries with it the associated geo-political and economic risks inherent to one hosted in a non-democratic state. The Company is experiencing very rapid growth that will strain internal financial and managerial resources. NFES shares trade on the US OTC exchange denominated in dollars, while financial transactions for NFES occur in the native currency of PRC, the *renminbi*, as a result, valuation could be impacted by currency fluctuations. There are also potentially adverse tax implications depending on where the Company's business is conducted. Insiders control 47.8% of outstanding shares as of July 7, 2009. The Company has two large customers that comprised 86% of March 31, 2009 period revenues, and is dependent on

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large orders to conduct its business, the timing of shipments which could significantly impact quarterly revenues. For a more complete discussion of risk factors see the Company's SEC documents at www.sec.gov.

VALUATION AND RECOMMENDATION

NFES management executed a strong growth plan the past three years, as revenue nearly tripled from \$5.3 million in 2006 to \$15.8 in 2008 (+72.7% CAGR), driven largely by strong sales of innovative flow-control products. Management intends to continue focusing on significant opportunities in these areas, while augmenting this growth with new product entries targeting the rapidly growing wind power markets. The Company has successfully field tested several of its turbine components with prospective customers and is in active discussions regarding production orders.

Several publicly-traded companies exist that play in the same or a similar market space, however, none are directly comparable to NFES. Hubei Hongcheng General Machinery Co., Ltd., probably the most direct comp is listed on the Shanghai Stock Exchange and trades with a TTM P/E multiple of 112x and has a market capitalization of nearly 5x sales, probably more reflective of stratospheric valuations than Hubei's growth prospects. Revenue has been flat to down for several years.

NFES Comparables

Company Name	Ticker	Price*	Mkt Cap	Ent. Value	TTM Revs	TTM EBITDA	TTM NI	EPS	EV/Revs	EV/EBITDA	P/E
SmartHeat Inc.	HEAT	\$ 6.30	152.33	154.03	35.80	8.63	6.89	0.29	4.30	17.85	22.11
Energy Recovery, Inc.	ERII	\$ 7.12	357.07	282.56	55.60	15.15	9.72	0.19	5.08	18.65	36.74
Flowsolve Corp.	FLS	\$ 67.41	3,776.98	4,144.67	4,500.00	720.30	446.65	7.86	0.92	6.25	8.57
Watts Water Tech., Inc.	WTS	\$ 21.29	779.43	1,018.13	1,410.00	163.70	36.90	0.99	0.72	8.61	21.51
Fuel-Tech, Inc.	FTEK	\$ 8.60	207.43	198.30	77.92	5.01	0.41	0.02	2.54	15.55	430.00

*price at close 7/15/2009

Source: Company documents and Catalyst Research estimates

Average 2.71 13.38 103.78

Median 2.54 15.55 22.11

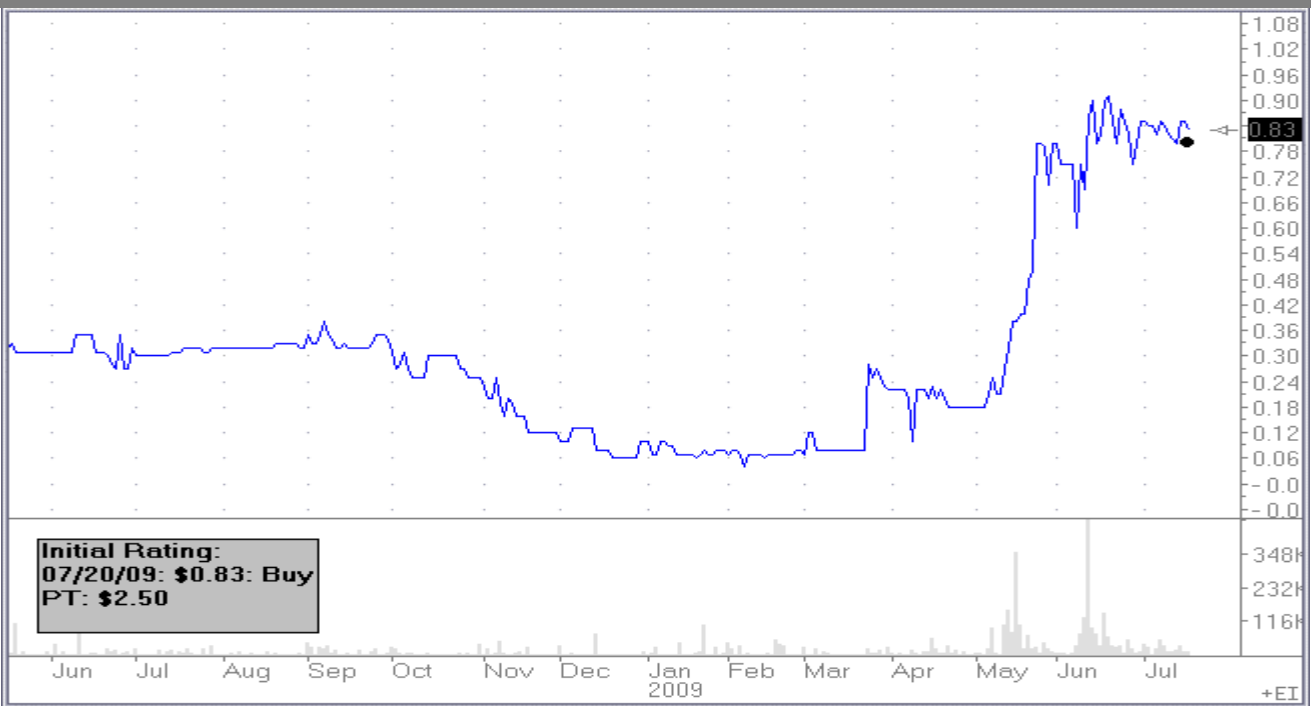
While the multiples for the comps provide a fairly wide valuation window, we believe the central tendencies provide a reasonable guidepost for stock valuation given our financial expectation.

We are forecasting 2009 sales of \$27.7 million and EPS of \$0.16 for NFES; for 2010 we expect sales of \$40 million and \$0.25 EPS, based on expected shipments of existing orders and anticipated order rates for future projects. Better margin wind components are expected to substantially increase the revenue growth trajectory in 2010 with completion of the new automated production facility.

Based on these factors, we are establishing a price target of \$2.50, or 10x our 2010 EPS estimate of \$0.25 and 2.5x revs/share estimate.

Our detailed income statement model is presented below.

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NF ENERGY SAVING CORPORATION OF AMERICA																	
Historical and Projected Statement of Operations (\$ in millions except per share amounts)	2006	1Q2007 Mar-07	2Q 2007 Jun-07	3Q 2007 Sep-07	4Q 2007 Dec-07	2007	1Q Y2008 Mar-08	2Q 2008 Jun-08	3Q 2008 Sep-08	4Q 2008 Dec-08	2008	1Q 2009 Mar-09	2Q 2009E Jun-09	3Q 2009E Sep-09	4Q 2009E Dec-09	2009E	2010E
REVENUES:																	
Products	\$ 4.79	\$ 0.93	\$ 3.01	\$ 1.38	\$ 0.90	6.22	\$ 2.24	\$ 3.04	\$ 3.56	\$ 2.80	11.63	\$ 2.10	\$ 1.80	\$ 8.41	\$ 12.71	25.02	36.00
Services	0.48	0.07	1.02	0.21	0.74	2.04	0.33	0.84	0.94	1.22	3.33	0.32	0.60	0.90	0.90	2.72	4.00
Projects	-	-	-	0.44	1.64	2.08	0.29	0.42	0.11	0.05	0.87	-	-	-	-	-	-
Total Revs	5.27	1.00	4.03	2.03	3.27	10.34	2.86	4.30	4.60	4.07	15.83	2.42	2.40	9.31	13.61	27.74	40.00
COST OF REVENUES:																	
Cost of products	3.60	0.74	2.27	0.88	0.51	4.40	1.66	2.09	2.64	1.99	8.38	1.57	1.35	6.06	8.90	17.87	25.20
Cost of services	0.23	0.04	0.26	0.09	1.14	1.53	0.21	0.58	0.71	0.92	2.42	0.17	0.41	0.65	0.65	1.88	2.72
Cost of projects	-	-	-	0.33	0.70	1.04	0.24	0.37	0.01	0.01	0.63	-	-	-	-	-	-
Total cost of revenues	3.83	0.78	2.52	1.31	2.36	6.96	2.11	3.05	3.37	2.92	11.44	1.74	1.76	6.70	9.55	19.75	27.92
GROSS PROFIT	1.44	0.23	1.50	0.73	0.92	3.37	0.76	1.25	1.24	1.16	4.40	0.68	0.64	2.61	4.07	7.99	12.08
OPERATING EXPENSES:																	
Sales and marketing	-	-	0.01	0.01	0.01	0.04	0.01	0.05	0.02	0.09	0.17	0.05	0.05	0.10	0.15	0.35	0.50
Research and development	-	-	0.33	0.01	0.03	0.37	0.38	0.47	0.01	(0.76)	0.11	-	0.05	0.05	0.05	0.15	0.40
General and administrative	0.29	0.06	0.07	0.41	0.37	0.91	0.13	0.11	0.15	0.25	0.64	0.15	0.13	0.25	0.50	1.03	1.35
Stock compensation exp	-	0.26	0.26	-	(0.51)	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	0.29	0.31	0.67	0.15	0.19	1.32	0.18	0.21	0.18	0.35	0.92	0.19	0.23	0.40	0.70	1.52	2.25
INCOME FROM OPERATIONS	1.15	(0.09)	0.83	0.58	0.09	2.05	0.58	1.04	1.06	(0.07)	3.48	0.49	0.41	2.21	3.37	6.47	9.83
Other income:																	
Interest income	0.00	-	0.00	0.00	0.00	0.01	-	0.01	0.01	0.01	0.03	0.01	-	-	-	0.01	-
Other income	0.02	0.01	0.00	(0.00)	0.00	0.01	0.00	0.01	0.00	0.09	0.11	0.01	-	-	-	0.01	-
Total other income	0.02	0.01	0.01	0.00	0.00	-	0.00	0.02	0.01	0.11	0.04	0.02	-	-	-	0.02	-
INCOME BEFORE INCOME TAXES	1.17	(0.08)	0.84	0.58	0.09	2.07	0.58	1.06	1.07	0.04	3.65	0.50	0.41	2.21	3.37	6.49	9.83
Income tax expense	(0.38)	-	0	-	-	-	0.00	(0.00)	(0.00)	0.00	0.00	0.06	(0.06)	-	-	0.00	0.00
NET INCOME	1.55	(0.08)	0.84	0.58	0.09	2.07	0.58	1.06	1.07	0.04	3.65	0.57	0.35	2.21	3.37	6.49	9.83
Other comprehensive income:																	
- Foreign currency translation gain	0.07	0.04	0.04	0.21	0.21	0.49	0.41	0.28	0.08	(0.03)	0.73	0.01	-	-	-	-	-
COMPREHENSIVE INCOME	1.62	(0.04)	0.87	0.78	0.30	2.56	0.99	1.34	1.14	0.01	4.38	0.58	0.35	2.21	3.37	6.49	9.83
Net income per share – basic and diluted	\$ 0.40	\$ (0.00)	\$ 0.03	\$ 0.02	0.00	\$ 0.06	\$ 0.02	0.03	\$ 0.03	0.00	\$ 0.10	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.16	\$ 0.25
Weighted avg. shrs out. – basic and dil.	3,877,328	31,249,550	31,527,328	32,320,661	32,200,939	32,081,217	33,227,328	36,033,153	33,227,328	37,269,173	37,269,173	39,872,704	40,000,000	40,000,000	40,000,000	39,968,176	40,000,000
Gross Profit Total %	27.4%	22.4%	37.3%	35.7%	28.0%	32.6%	26.4%	29.1%	26.9%	28.4%	27.8%	28.1%	26.8%	28.0%	29.9%	28.8%	30.2%
Products GM %	24.9%	20.5%	24.8%	36.3%	43.1%	29.3%	26.0%	31.1%	25.8%	28.8%	27.9%	25.5%	25.0%	28.0%	30.0%	28.6%	30.0%
Services GM %	52.2%	48.4%	74.6%	56.0%	-54.5%	24.9%	36.8%	30.4%	24.2%	24.9%	27.3%	45.1%	32.0%	28.0%	28.0%	30.9%	32.0%
Projects GM %	NA	NA	NA	24.1%	57.0%	50.1%	17.5%	12.3%	86.6%	86.1%	27.5%	NM	NM	NM	NM	NM	NM
Operating Margin %	21.9%	-8.7%	20.7%	28.4%	2.6%	19.9%	20.1%	24.2%	23.0%	-1.6%	22.0%	20.1%	17.2%	23.7%	24.7%	23.3%	24.6%
Tax rate %	-32.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	1.0%	0.0%	12.2%	15.0%	15.0%	15.0%	0.0%	0.0%
Net margin %	29.4%	-8.1%	20.8%	28.5%	2.7%	20.0%	20.2%	24.7%	23.1%	1.0%	23.1%	23.3%	14.6%	23.7%	24.7%	23.4%	24.6%
YTY Chg Total Revs	NA	NA	NA	NA	NA	96.2%	-15.5%	-100.0%	-100.0%	-100.0%	-15.5%	-15.5%	-44.1%	102.3%	234.3%	75.2%	1553.0%
YTY Chg Product Revs	NA	NA	NA	NA	NA	30.0%	-6.3%	-100.0%	-100.0%	-100.0%	-6.3%	-6.3%	-40.7%	136.4%	354.6%	115.1%	1612.8%
YTY Chg Services Revs	NA	NA	NA	NA	NA	323.4%	-4.0%	-100.0%	-100.0%	-100.0%	-4.0%	-4.0%	-28.4%	-4.2%	-26.3%	-18.4%	1157.8%
YTY Chg Projects Revs	NA	NA	NA	NA	NA	NA	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	NM
Sequential Chg Revs	NA	NA	301.9%	-49.6%	61.2%	96.2%	-12.5%	50.0%	7.1%	-11.5%	53.2%	-40.6%	-0.8%	287.9%	46.2%	75.2%	44.2%
YTY Chg Op. Inc	NA	NA	NA	NA	NA	78.3%	-75.1%	25.1%	83.2%	-176.5%	69.3%	-15.6%	-60.4%	-60.4%	-5214.6%	86.1%	1925.0%
YTY Chg Net Inc,	NA	NA	NA	NA	NA	33.7%	-816.8%	26.8%	84.3%	-54.7%	76.6%	-2.4%	-67.0%	107.2%	8331.9%	77.6%	1639.9%
YTY Chg EPS	NA	NA	NA	NA	NA	-83.8%	-774.1%	0.0%	50.0%	-60.8%	55.1%	-16.7%	-70.8%	83.9%	7756.2%	62.3%	1593.5%

Source: Company documents and Catalyst Research estimates

NF ENERGY SAVING CORPORATION OF AMERICA - Consolidated Balance Sheet and Key Ratios

(\$ in millions except for per share amounts)

ASSETS	03/31/09	12/31/08	Key Ratios:	03/31/09
Current assets:			Current Ratio	3.88
Cash and equivalents	\$ 1.44	\$ 2.25	Acid Test	3.31
Accounts rec'able, trade	10.15	8.91	Days in Inventory	111.99
Inventories	2.17	1.52	Days in AR	377.49
Prepay & other receiv's	0.92	0.65	Asset TO	0.81
Total current assets	14.68	13.33	Debt/cap	0%
Plant and equipment, net	2.32	2.39	ROA	16.2%
Construction in progress	2.79	2.33	ROE	19.4%
TOTAL ASSETS	\$ 19.79	\$ 18.05	Revs/ Employee	\$ 69,954
 LIAB. & STKHLDRS' EQ				
Current liabilities:				
Accounts payable, trade	\$ 3.29	\$ 2.04		
Customer deposits	0.12	0.12		
Value added tax payable	0.05	0.01		
Other pay & accrued liab	0.32	0.33		
Total current liabs	3.78	2.50		
Commitments and contingencies	-			
Stockholders' equity:	-			
Comm. Stk	0.04	0.04		
Additional paid-in capital	7.71	7.71		
Statutory reserve	0.92	0.92		
Accumulated other comprehensive income	1.30	1.29		
Retained earnings	6.04	5.60		
Total stockholders' equity	16.00	15.55		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19.79	\$ 18.05		

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Buy	Immediate purchase is recommended. The security expected to outperform the market over the next 12 to 18 months.
Accumulate	Purchase of the stock is recommended for above average appreciation over the next 12 to 18 months, but the buyer may have an opportunity to acquire the stock within a 10% trading range.
Hold	Holding the stock is recommended because the share price has moved above the specific "Buy" range and, therefore, appreciation potential is less than or equal to the market.
Sell	The stock has reached the target price objective and/or conditions have changed sufficiently to alter the outlook for the stock.

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