

COMING UP...



Key Financials for the year 2017

Wednesday, March 28, 2018

at 10:00 a.m. (CET)



presented by

**Dr Thomas Kneip, CFO**



# CENTROTEC Sustainable AG

## Annual Results 2017 and Outlook 2018

*March 28, 2017*



# AGENDA

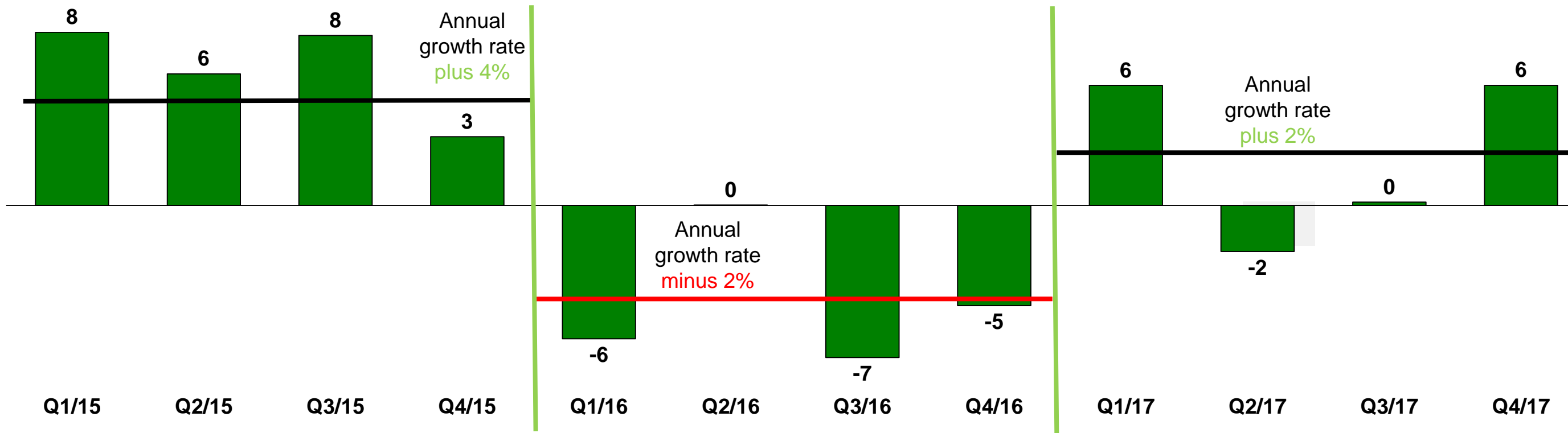
- 
- **Market Overview**
  - Key Financial Results 2017
  - Major Events and Operational Achievements
  - Outlook
-

Slower than expected growth, but good Q4 in German heating



## MARKET DEVELOPMENT

Quarterly market growth rate of oil and gas heat generating units in Germany   
[in percent compared to same quarter of previous year]



Approx. 1/3rd of Centrotec's revenues are linked to the German heating market



## MARKET DEVELOPMENT – OTHER

### Ventilation

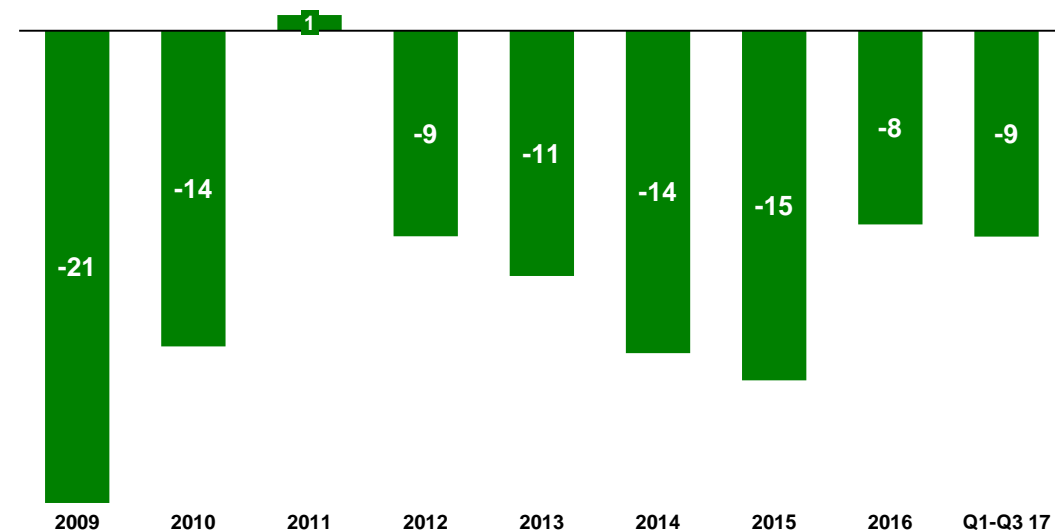
- + High single digit growth in 2017 with centralized and decentralized solutions in DE
- + Stagnation or slight growth in other relevant European markets

### Combined Heat and Power

- o Stable sewage gas market
- + Growth in first nine month of 2017 in the biogas segment
- + The positive trend of the first half of 2017 in the German natural gas market continued in second half

### Solar thermal

Market development p.a.  
European core markets\*



- Negative trend in Europe since 2009
- All big European markets decreased in 2016
- Negative trend in Europe in 2017 again
- Again double digit decrease in DE in 2017
- Limited exposure of Centrotec to the solar thermal market (5,6 Mio. EUR)

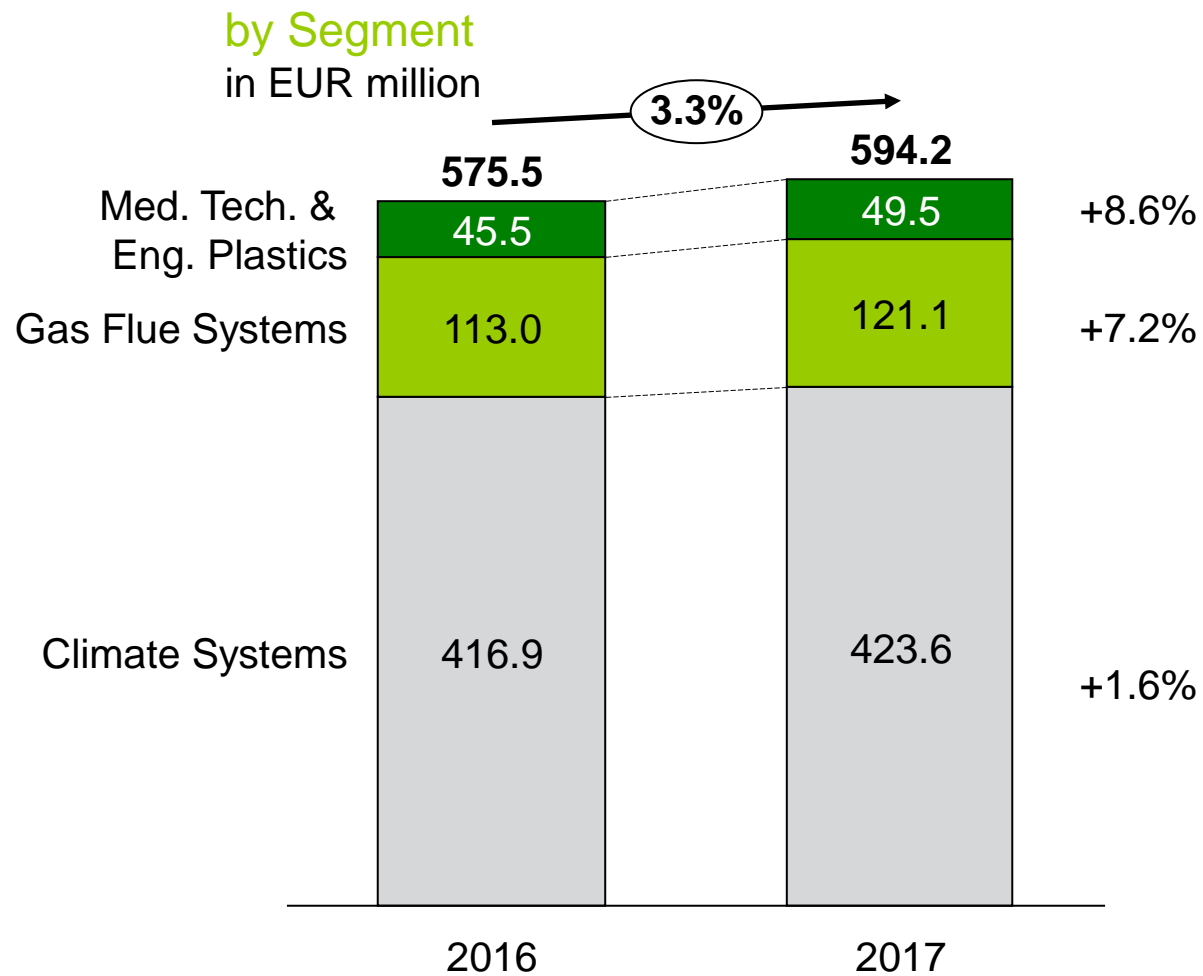
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Increase of sales in all segments; weak development in German heating business limits growth in Climate Systems segment



## REVENUE DEVELOPMENT



### Drivers of Revenue Development

- + Continued growth in many international markets
- + Market share gains in Air Handling Unit business
- + Gas Flue Systems with good development in almost all product groups
- Climate Systems with weak development in German heating business
- Again poor development with Solar Thermal all over Europe

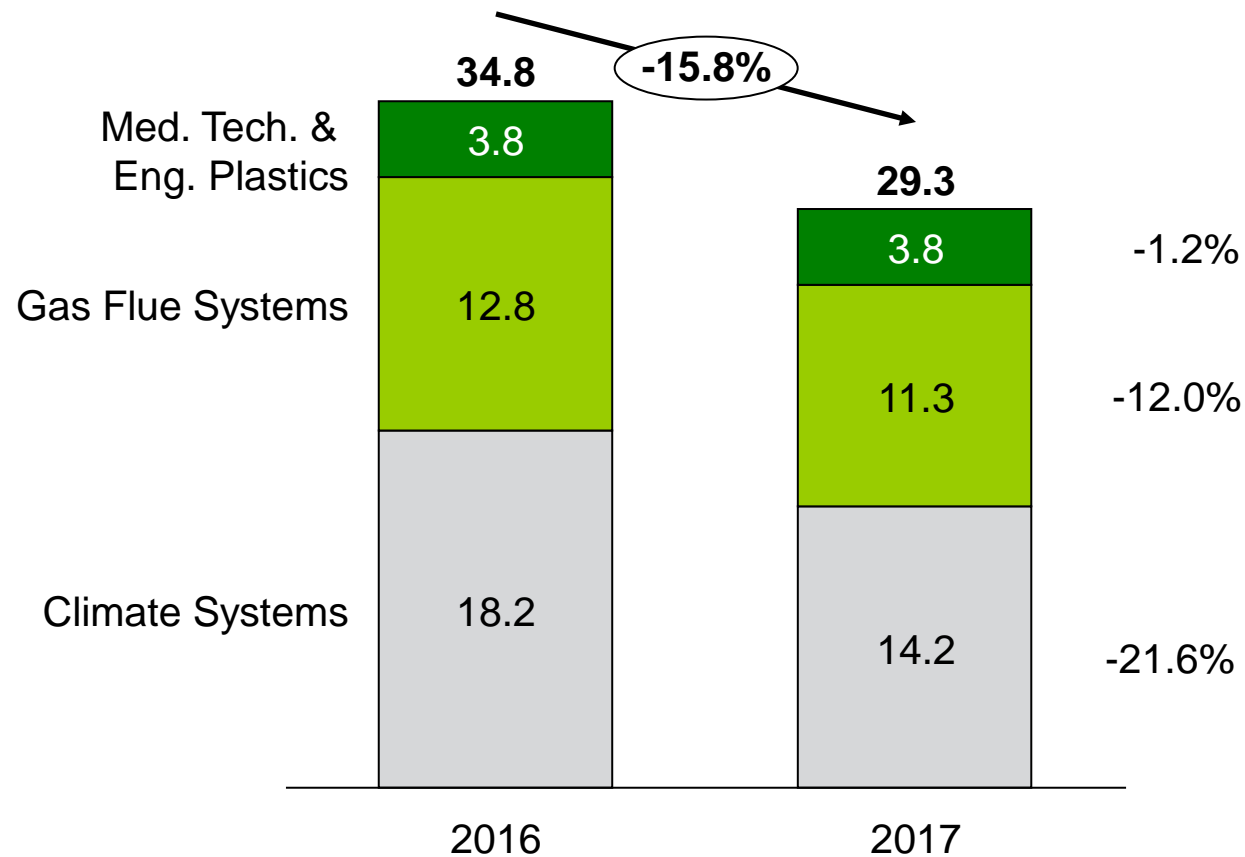
### Drivers of Regional Sales

- + Good development in Spain, Netherlands, Russia, Austria, Italy, US etc.
- + Good growth in China with heating
- Weak development in German heating market

EBIT below expectations due to product mix shift and poor development in German heating business

## EBIT DEVELOPMENT

by Segment  
[in EUR million]



### Drivers of EBIT Development

#### Climate Systems

- + Strong performance in AHU business (with lower gross margin than heating)
- Poor performance of heating systems in Germany
- Growing expenses for R&D, sales, service linked to investment in future growth

#### Gas Flue Systems

- + Further growth in most markets
- Higher material prices and depreciation
- One-off costs due to shift from external sales agents to internal sales staff in France

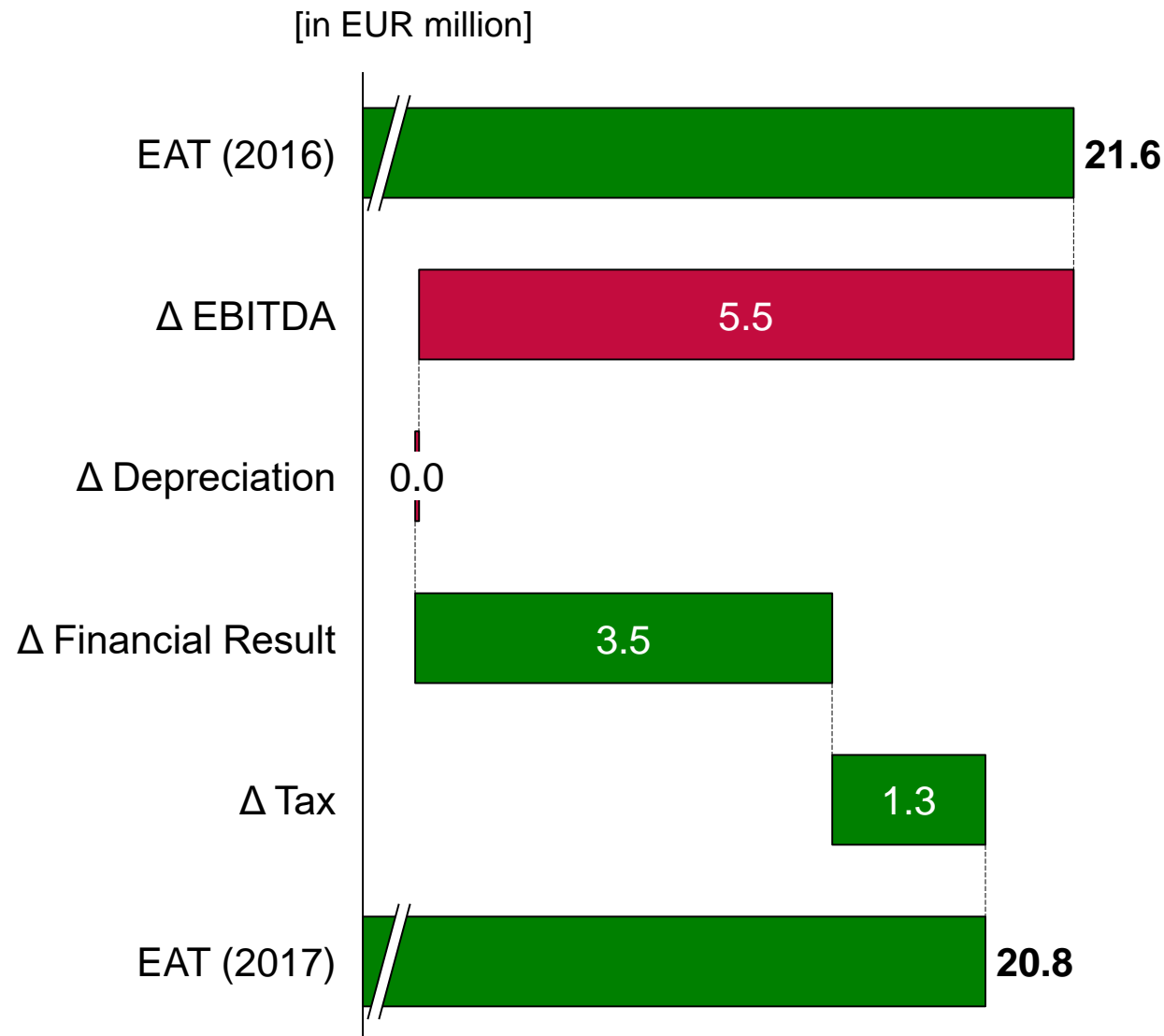
#### Med. Tech. & Eng. Plastics

- + Sales growth
- Higher personnel costs and depreciations



# Poor operating result partly offset by improved financial result

## EAT TRANSITION 2016 VS. 2017



### Explanation

- Lower operating result
- Depreciations on last years level
- Lower interest
- Positive result of financial investments
- Tax decrease due to lower earnings; slightly reduced tax rate

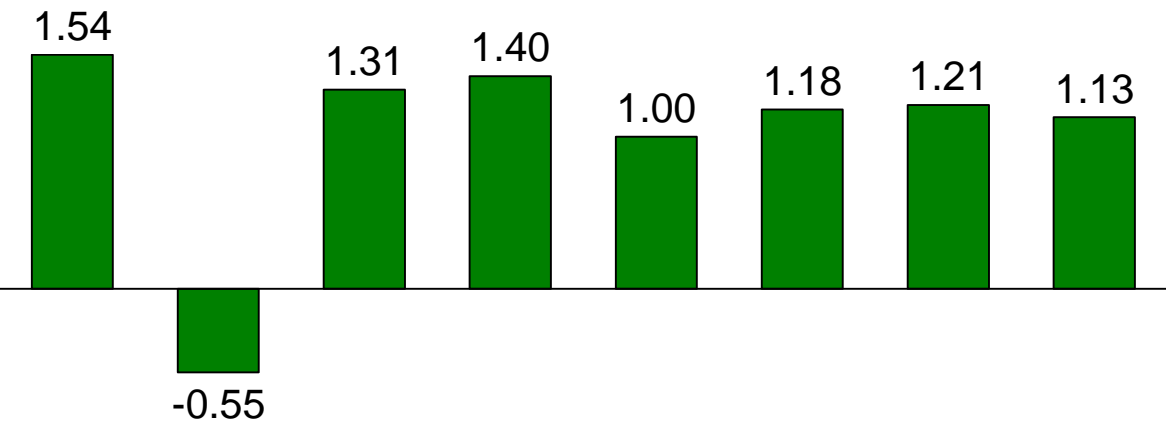
Centrotec intends to continue its steady dividend growth path



## DIVIDENDS PROPOSAL TO THE GENERAL ASSEMBLY

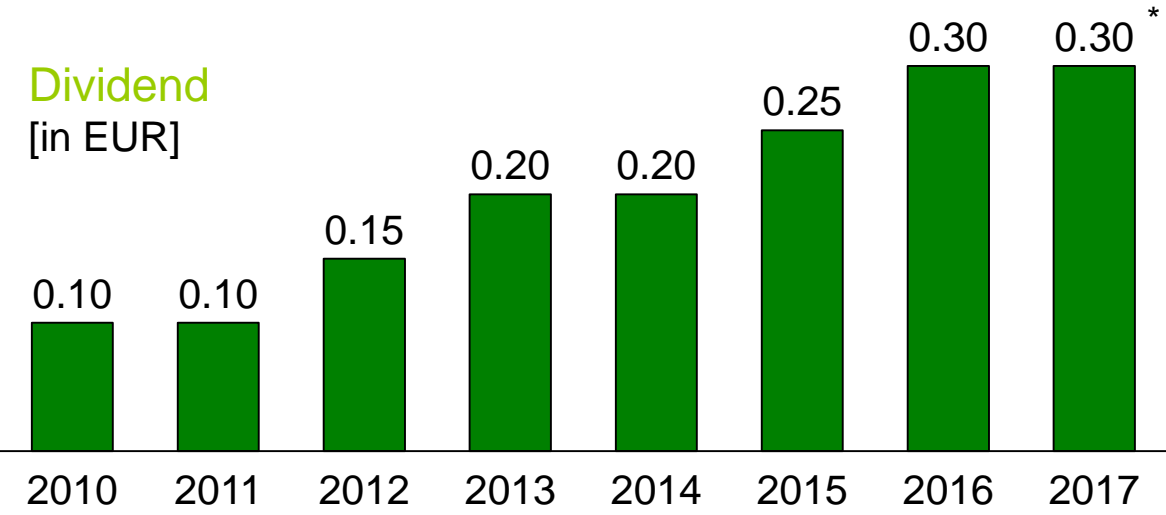
EPS

[in EUR]



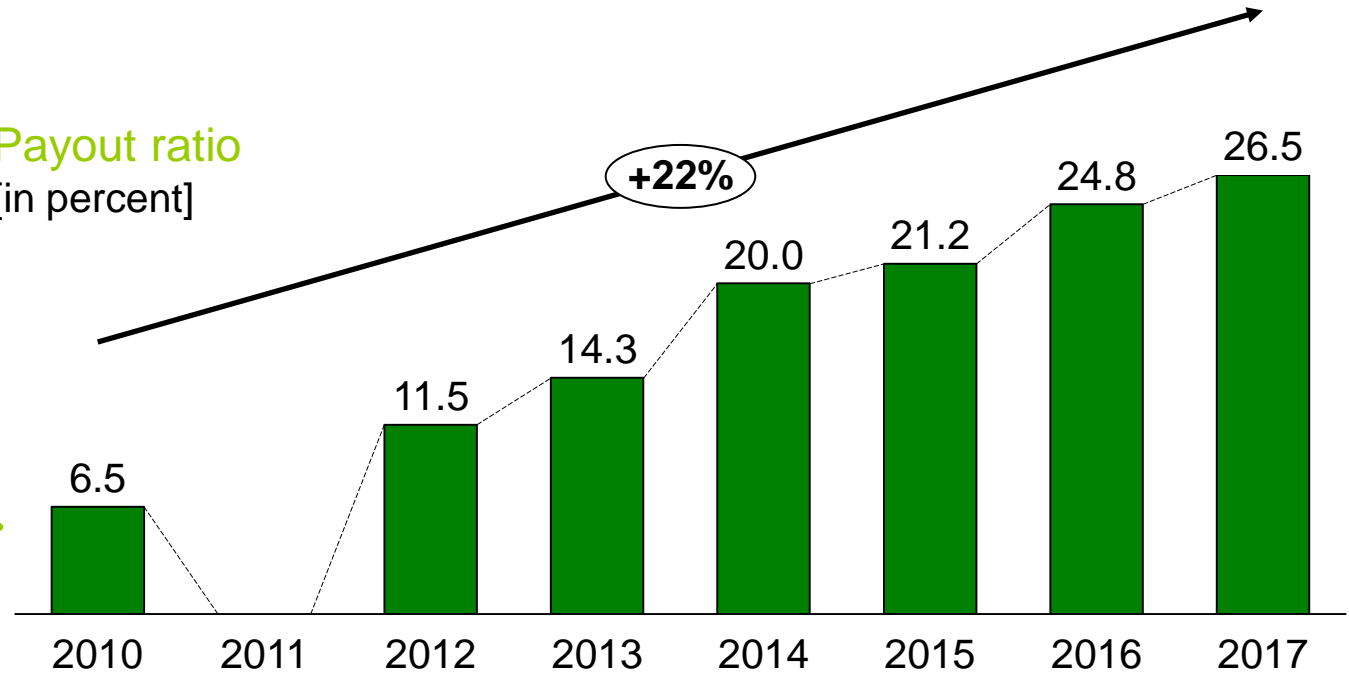
Dividend

[in EUR]



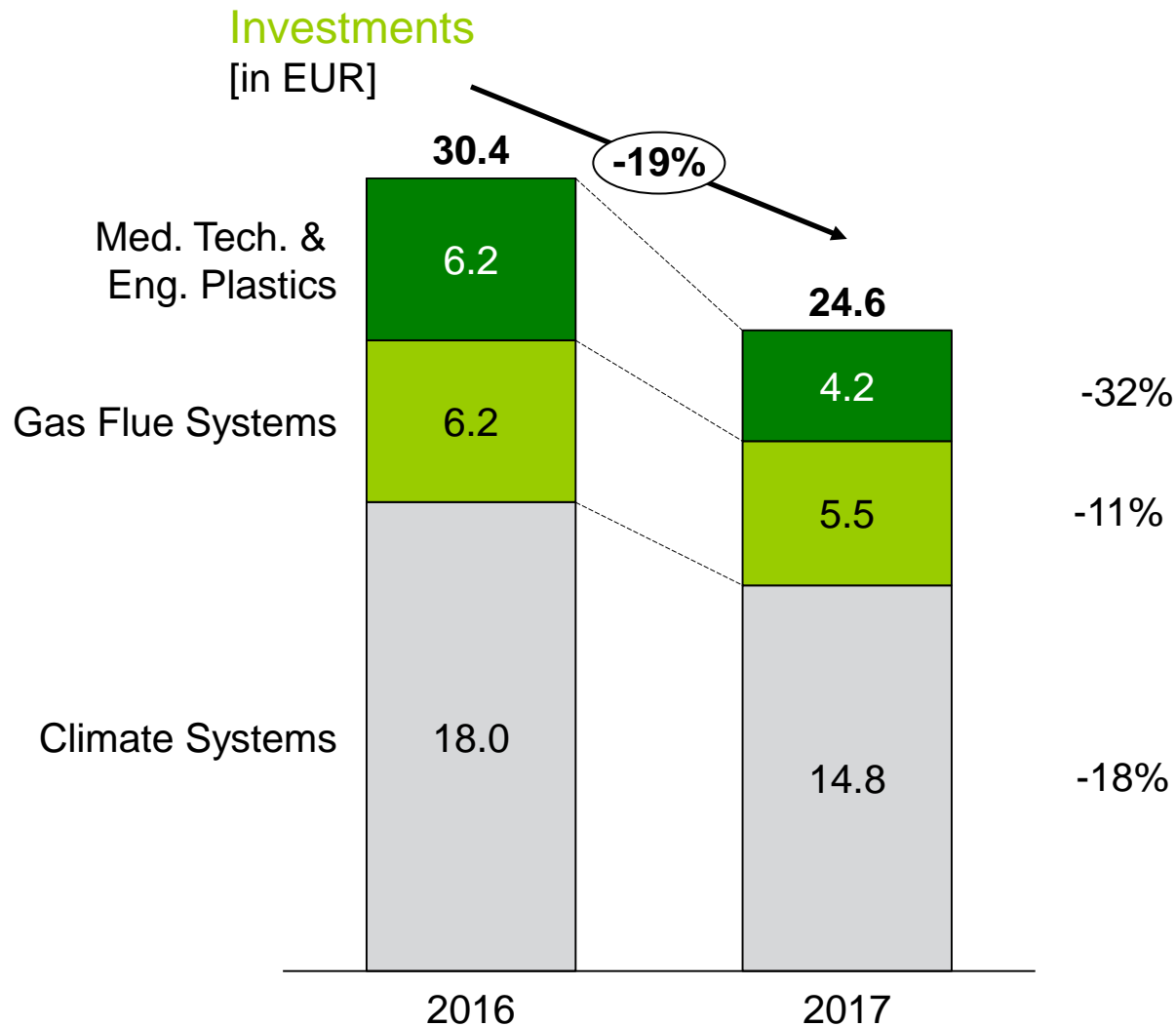
Payout ratio

[in percent]



\* 2017 value suggested for approval by AGM

## INVESTMENTS BY SEGMENT



### Key Investments

#### Climate Systems:

- Production infrastructure
- Small building purchase for production expansion CHP
- New product developments (heat pump, low-nox boiler, etc.)

#### Gas Flue Systems:

- General invest in production infrastructure

#### Med. Tech. & Eng. Plastics

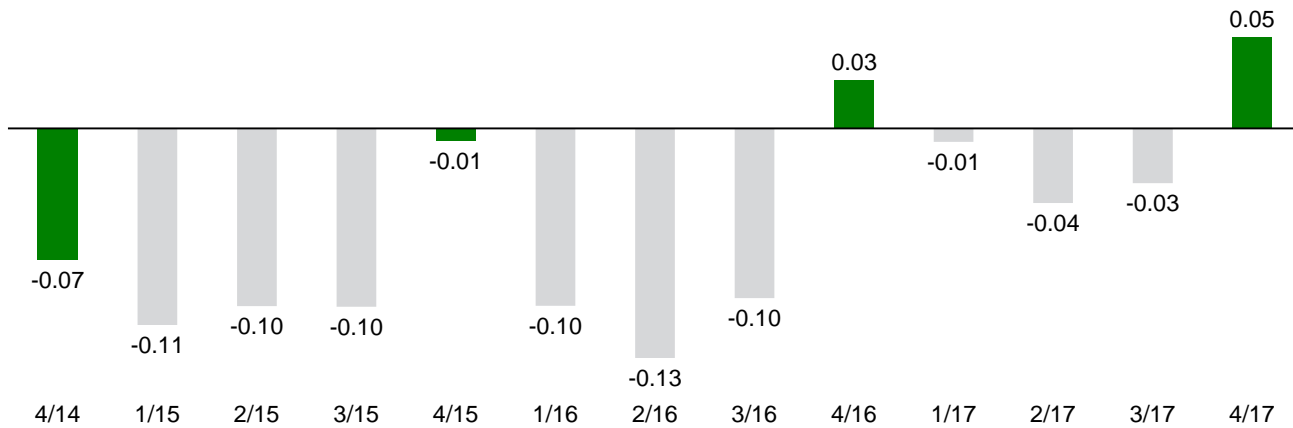
- Production infrastructure at Danish site
- Further development of production infrastructure at German sites

Key financial ratios still on a high level; promissory note led to extended balance sheet

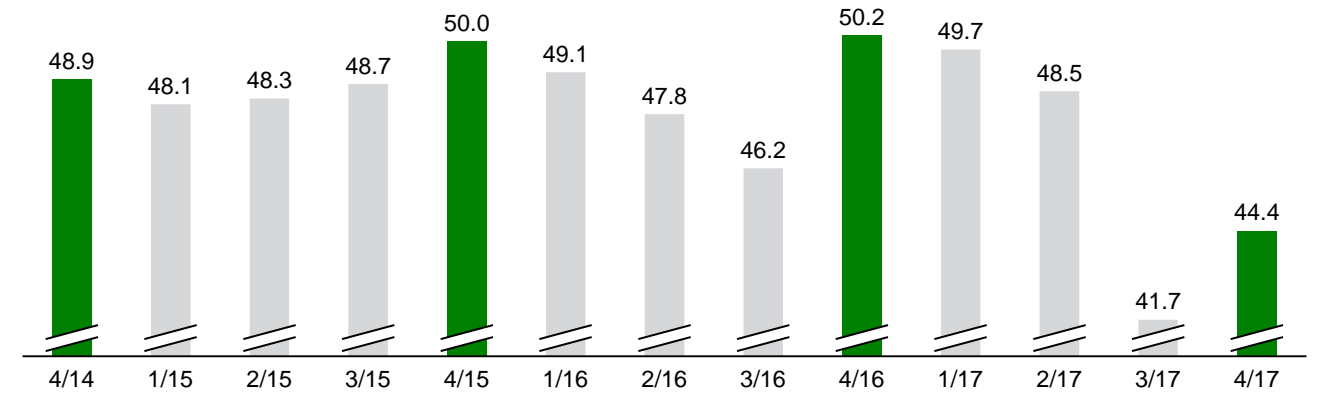


## KEY BALANCE SHEET AND CASH FLOW RATIOS

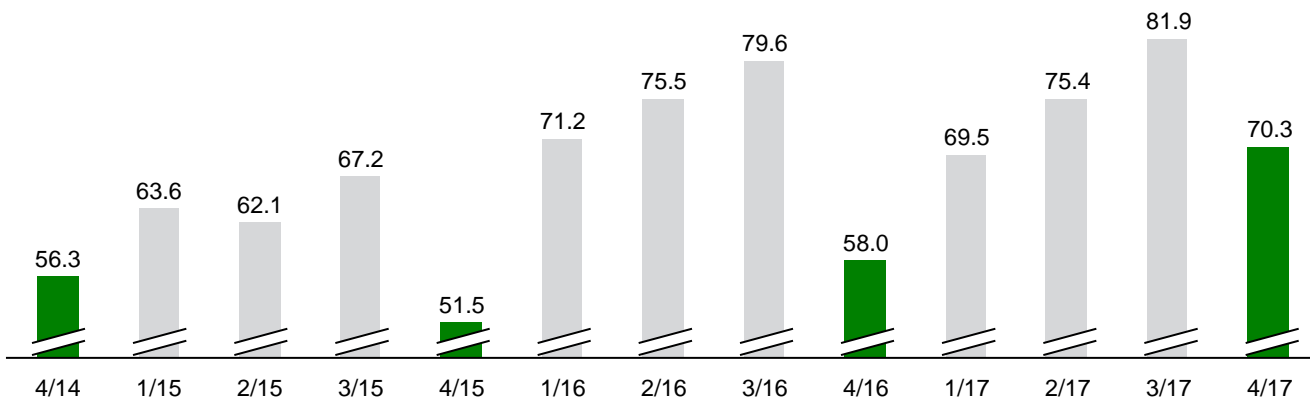
### Net Financial Position / Equity Ratio



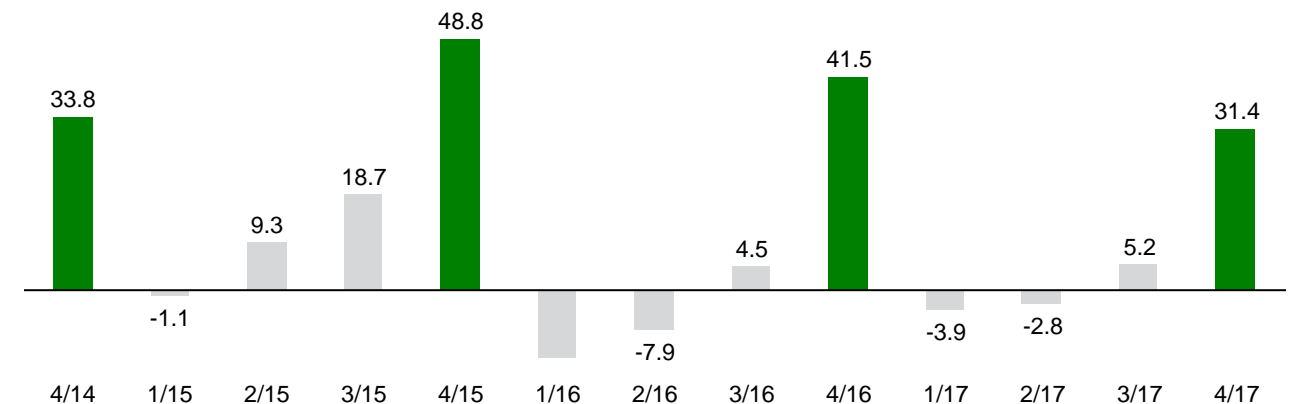
### Equity Ratio [percent]



### Net Working Capital [EUR million]



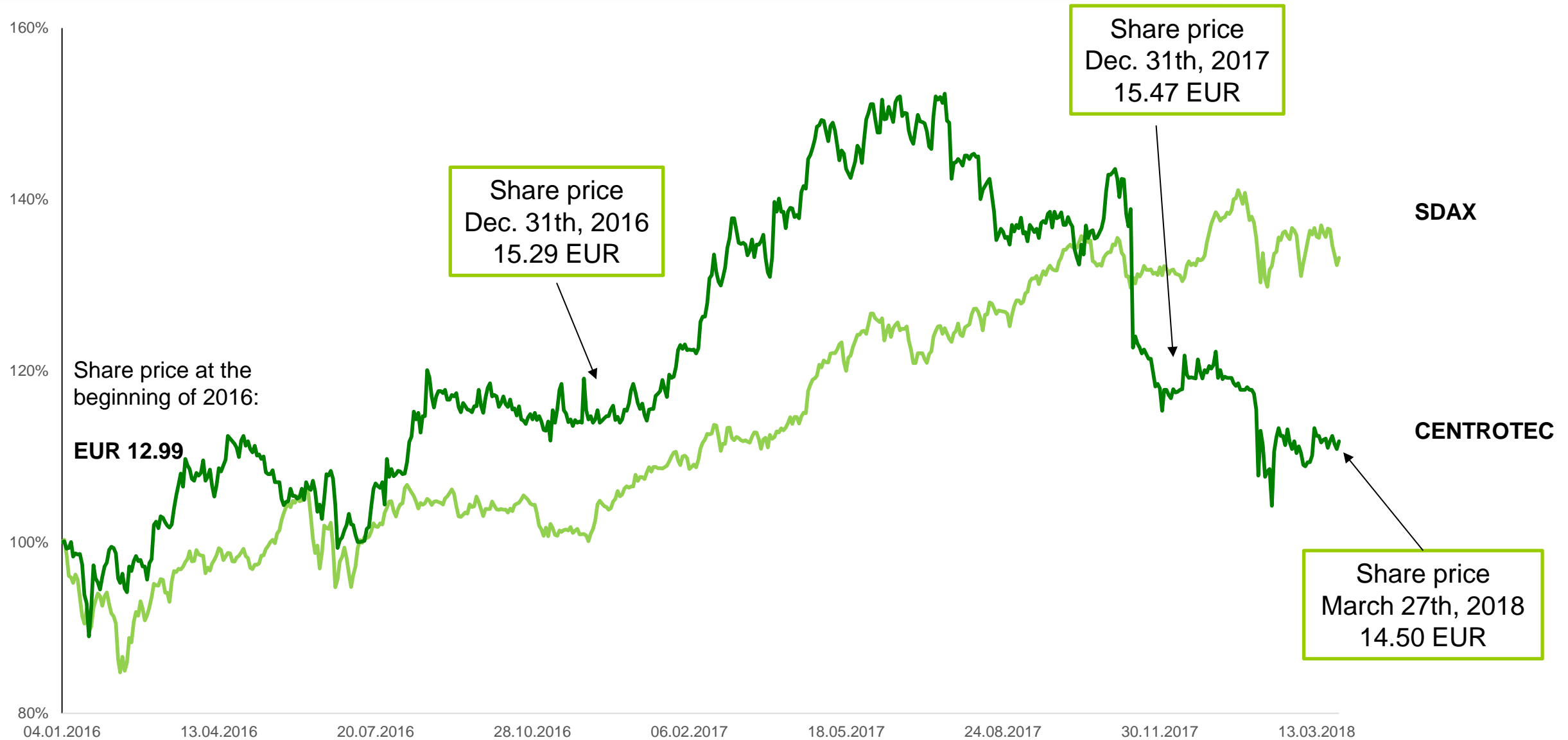
### Operating Cash Flow (YTD) [EUR million]



# Share price negatively affected by profit warning in October



## SHARE PRICE SINCE BEGINNING OF 2016



\*Quelle: Bloomberg, last share price from March 27, 2018

# AGENDA



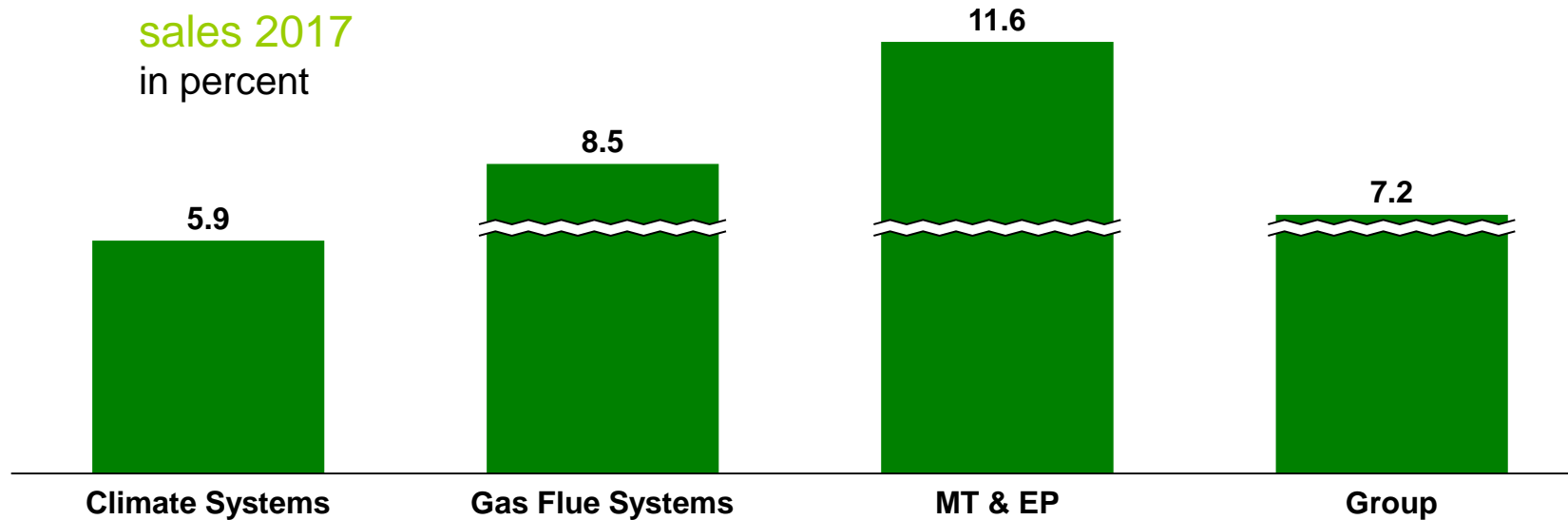
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# Further positive impact of internationalization strategy

## INTERNATIONAL SALES

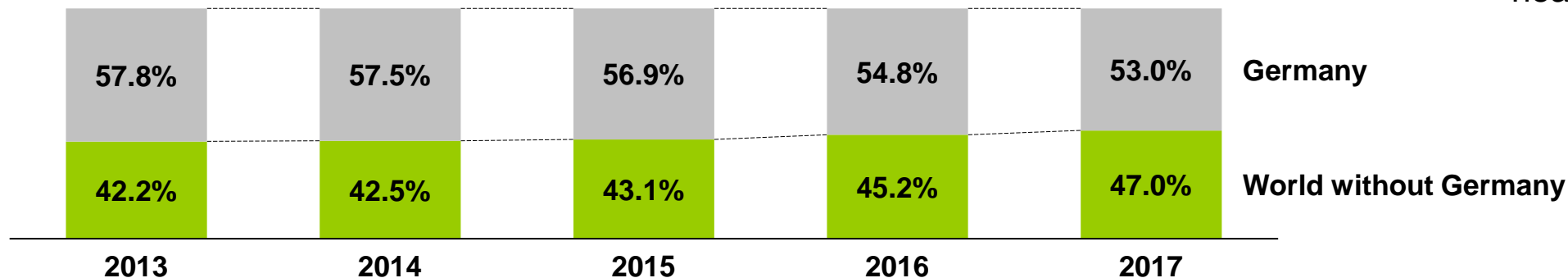
### Growth of international sales 2017 in percent



### Situation

- Focused activities in international markets, like Italy, Spain, Eastern Europe and China show success
- New management installed at Wolf France, Italy and Russia
- Adjusted products and sales strategies for the identified target markets
- Sales in Germany only nearly at par with last year

### Sales by Region in percent of total revenue

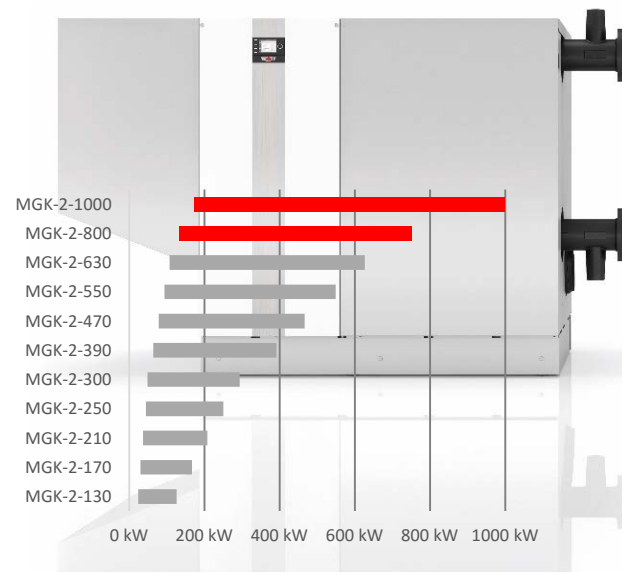


# Broad array of new products introduced

## PRODUCT PORTFOLIO ENHANCEMENTS

### Gas condensing boiler MGK-2 800-1000

- Rounding up the performance spectrum at the upper end
- 800 and 1.000 kW
- Very compact/ easy to install
- Fully integrated in the Wolf control and regulation system



### Heatpump Centers CHC

- Modular System, 200 and 300 l storage tanks
- All-in-one Solution: Heatpump, Hotwater, Controller, Wi-Fi
- Attractive and compact Design
- Rapid Installation



### Distribution boxes 200 Series

- ventilation ductwork for central mechanical ventilation systems
- Standard 6 or 8 ductwork connections
- Horizontal and/ or vertical extendable offering stacked configurations
- All common mass flow ductwork connectable



# Significant digital enhancements with regards to usability and comfort

## DIGITAL PRODUCT ENHANCEMENTS

### Two Minute Configurator

- Design an Airhandling Unit in only 2 min
- 100% online with Smartphone and Browser



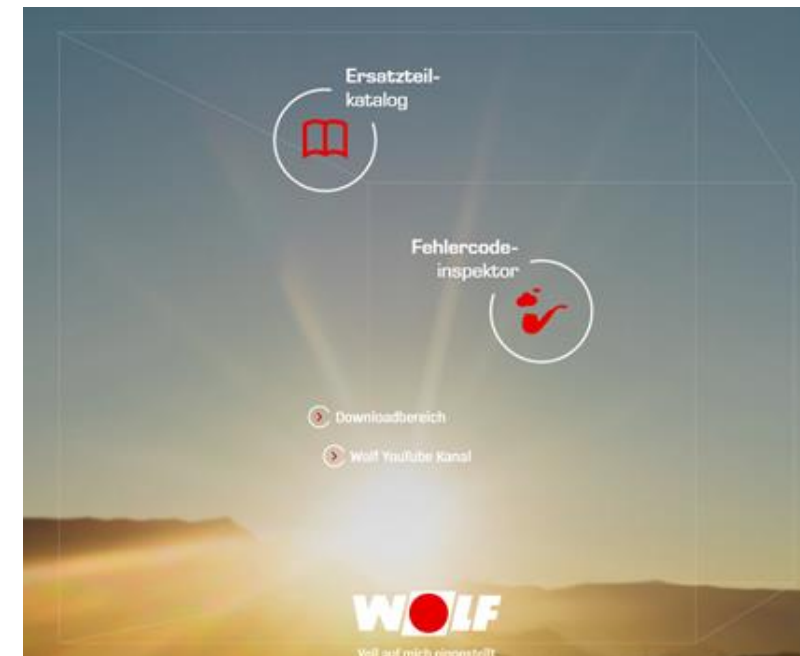
### New Smartset System

- Control EVERY Wolf Unit (Heating, Solar, Airhandling, CHP)
- iOS and Android App for Endusers
- Browser Solution for professionals



### New Service App

- Order spare parts directly on site
- Guided problem solution
- iOS, Android and Browser
- For Smartphone, Tablet and PC



We have successfully consolidated our production activities in the CHP business in one location



## CONSOLIDATION OF CHP PRODUCTION IN WOLFHAGEN



Investment:  
Purchase date:  
Start of Production:

1 Mio. EUR  
March 2017  
July 2017



A comprehensive sales stimulation program for the German heating market has been set up.

## SALES STIMULATION PROGRAM – HEATING GERMANY



### 2017: Fire Fighting

Short term measures to avoid further market share declines

- „Low-hanging-fruit“-enhancements of the offering (5-year warranty, attractive product bundles etc.)
- Motivation and support of sales team with external coaches

### 2018: Filling the Gaps

Reaching benchmark performance in sales

- Enabling sales organisation to actively drive sales growth, through
  - Improved data transparency on active customer base
  - Better goodwill management
  - New CRM system
  - Optimized internal sales processes
- Intensified marketing activities
- Introduction of a new customer loyalty system

### 2019ff: New strength

Reaching market share growth

- Improved and motivating sales force incentivation scheme
- Widely applied and intensively utilized customer loyalty program for focused sales stimulation activities
- Enhanced product portfolio



## SALES- AND MARKETING-ACTIVITIES

### B2B Gipfelstürmer\*



- Start: January 2018
- Number of participating fitters: > 4.000
- Base System:
  - Bonus per sales (wholesaler and WOLF)
  - Bonus per installation (from WOLF)
- PUSH System:
  - Trade Fair Actions (e.g. 3 x Scoring in 4 weeks)
  - Top-cards (e.g. 50 € extra for one installation)

### B2C Soccer Boilers



- Start: middle of April 2018
- Selected clubs with large fan community
- Marketing principles:
  - Gaining awareness
  - Offering club branded WOLF boiler / heat pump
  - Registration of leads coming from specific Fan-pages
- Positive feedback from all service centers and many customers



CENTROTEC places promissory note in the amount of EUR 90 m

## OVERVIEW OF PROMISSORY NOTE

Highlights	
Total Amount	90 Mio. EUR
- Thereof 7 Years	71 Mio. EUR
- Thereof 10 Years	19 Mio. EUR
Average Fixed Interest Rate	<2% p.a.

Current low interest rates secured for long-term financing.  
Purpose: General refinancing and corporate development

The management board will be extended to three members, as of April 1, 2018

## ORGANISATION

### Existing board members



Dr. Thomas Kneip

Climate Systems  
(Wolf)

Finance



Dr. Christoph Traxler

MT & EP  
Climate Systems  
(Brink)

### New board member



Bernhard Pawlik

Gas Flue Systems

Operations

### Background

- Engineer, 51 years old
- Mr. Pawlik has led the Gas Flue Systems segment since 2014
- Extensive experience in Supply Chain, Quality, Operations Management
- Automotive and Photovoltaics background

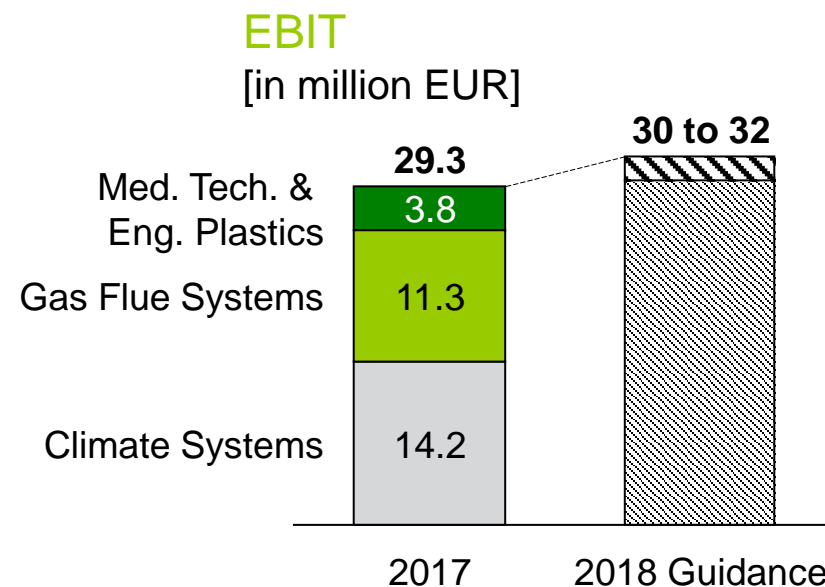
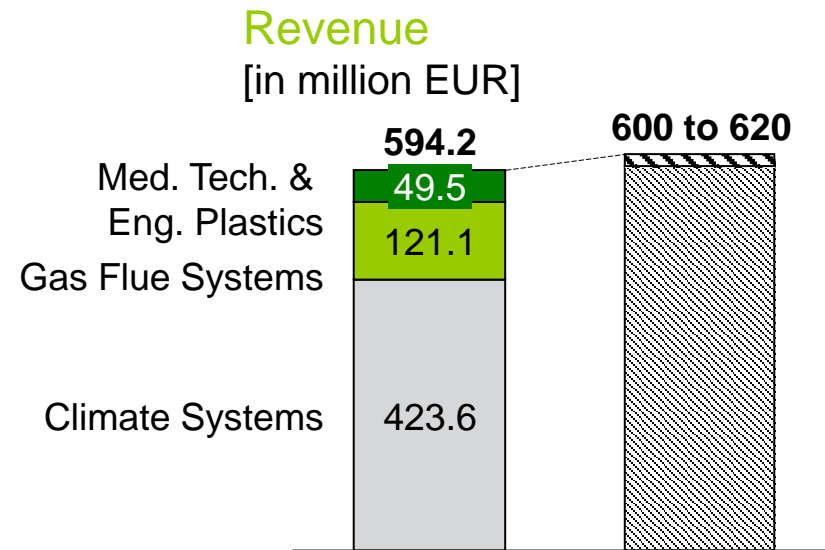
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-

# Further growth expected in 2018; stabilization of margin

## OUTLOOK



## Rationale

- + Continued international growth
- + Strong traction in AHU and ventilation business
- o Stabilized development in the German heating business, based on the sales stimulation program launched in H2 2017
- Higher material costs
- Risk of personnel cost increases due to recent industry collective agreements

March 28	Publication of Annual Report 2017
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May 14	Publication of Q1/2018
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May 15	Annual Shareholders` Meeting
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August 10	Publication of Q2/2018
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November 14	Publication of Q3/2018
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November 26 - 28	Deutsches Eigenkapitalforum 2018
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## Thank you!

*This presentation contains forward-looking statements based on current expectations, assumptions and forecasts of the executive board and on currently available information. Various known and unknown risks, unpredictable developments, changes in the economic and political environment and other presently not yet identifiable effects could result in the fact that the actual future results, financial situation or the outlook for the company differ from the estimates given here. We are not obligated to update the forward-looking statements made in this presentation unless there is a legal obligation.*

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