

The background of the slide is a composite image. On the left, a realistic, slightly blurred image of the Earth is shown, focusing on the African continent and the Middle East. On the right, a white, 3D-printed model of a house with a gabled roof and a chimney is visible. The house is positioned in the foreground, partially overlapping the Earth image.

# COMPANY PRESENTATION

## 12th HSBC SRI Conference

*February 7, 2017*

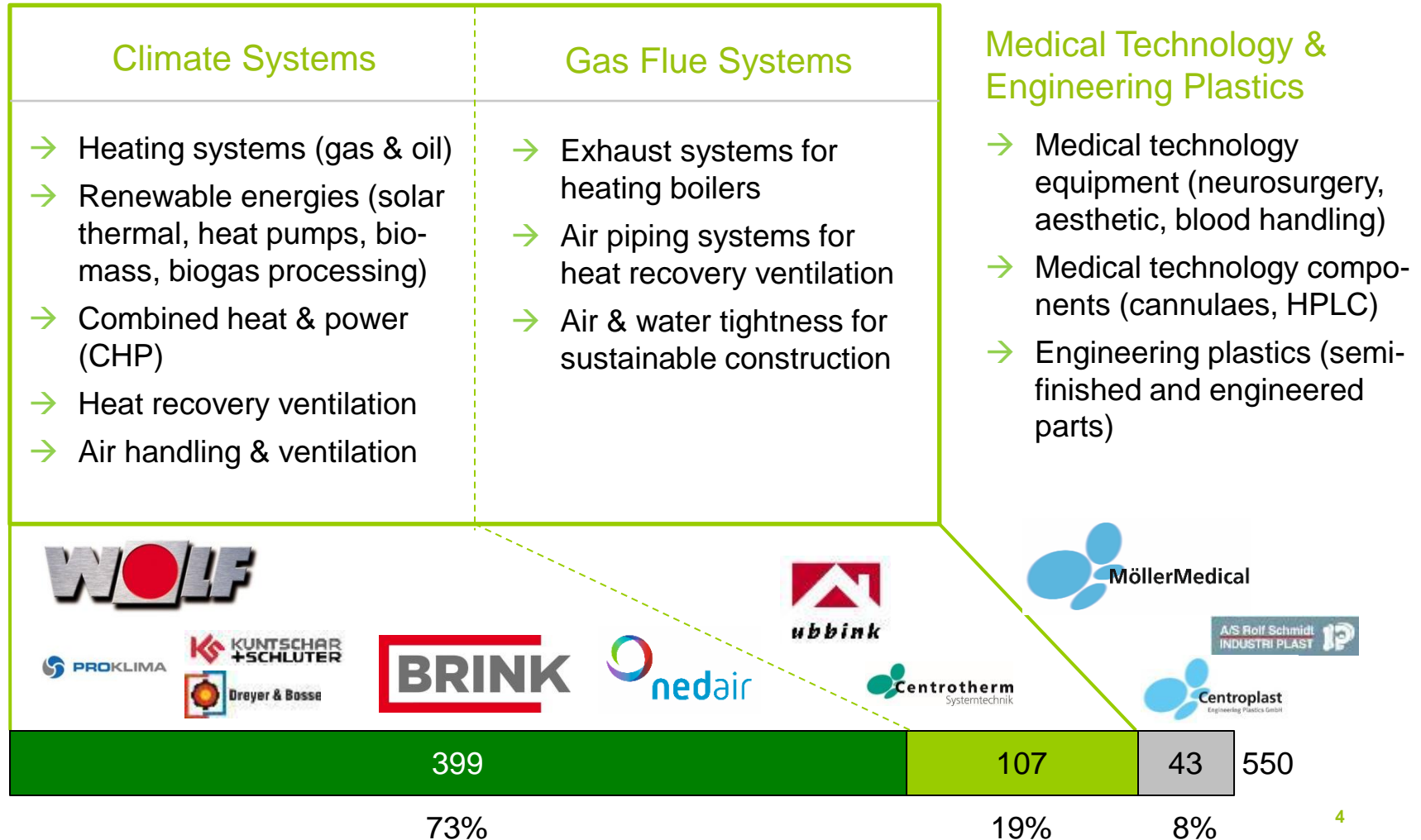
**CENTROTEC** –

The European Energy-Saving Company



- 
- **Business and Market Overview**
  - Key Financial Results Q3/2016
  - Operational Highlights
  - Outlook
-

### Strategic Core Segments



**Sales**  
**2015**  
 EUR m.

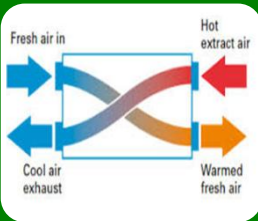
Our strategic core segments address key market trends of the building technology industry

## KEY MARKET TRENDS



### Efficient supply of heat and power in buildings

- Growing gas and electricity costs
- Environmental concerns



### Ventilation in residential homes

- Building insulation drives demand for ventilation with heat recovery in residential homes



### Digitalization

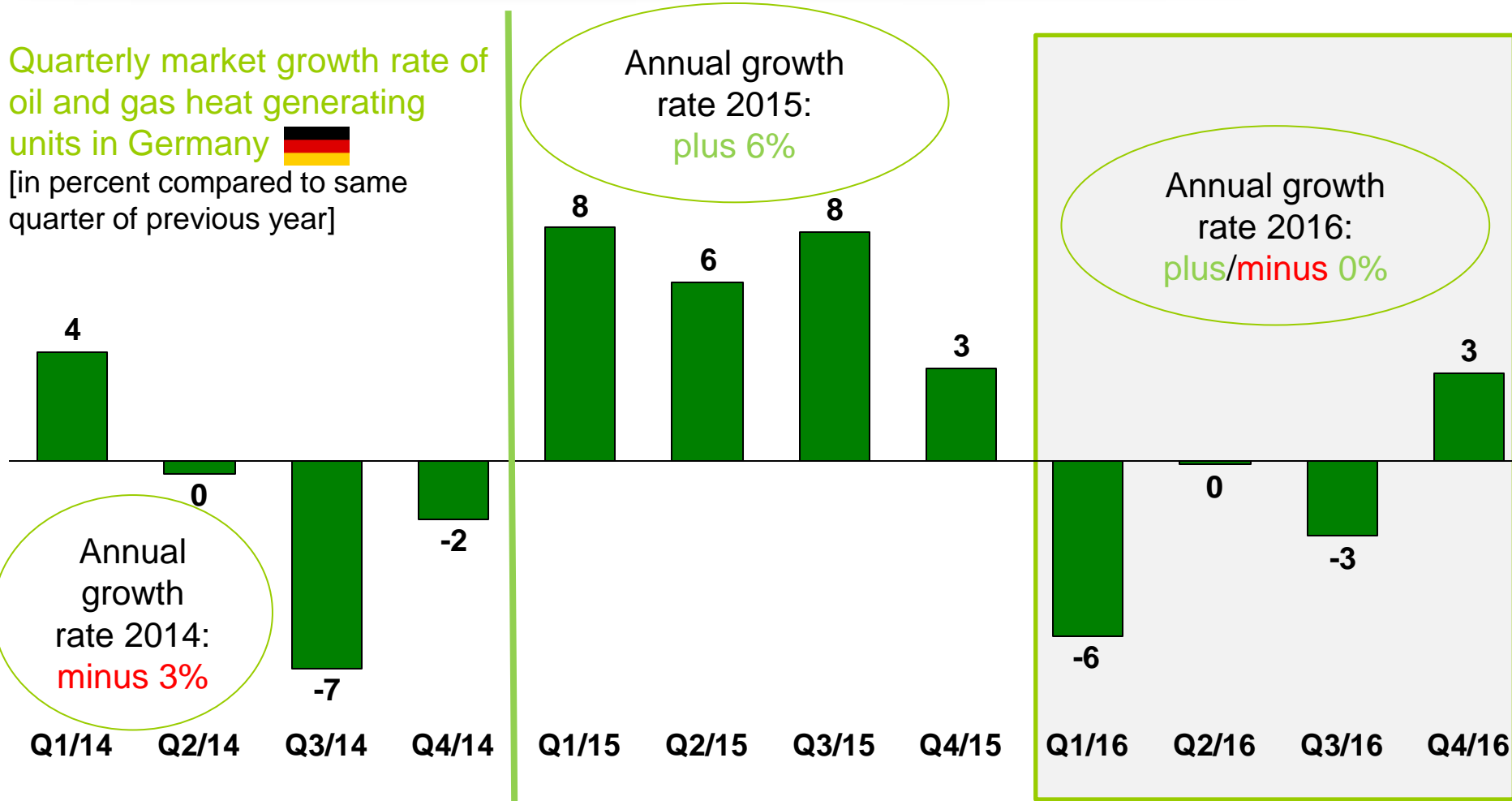
- Building and Home Automation
- Mobile connectivity

# German heating market with a good last quarter in 2016



## MARKET DEVELOPMENT

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

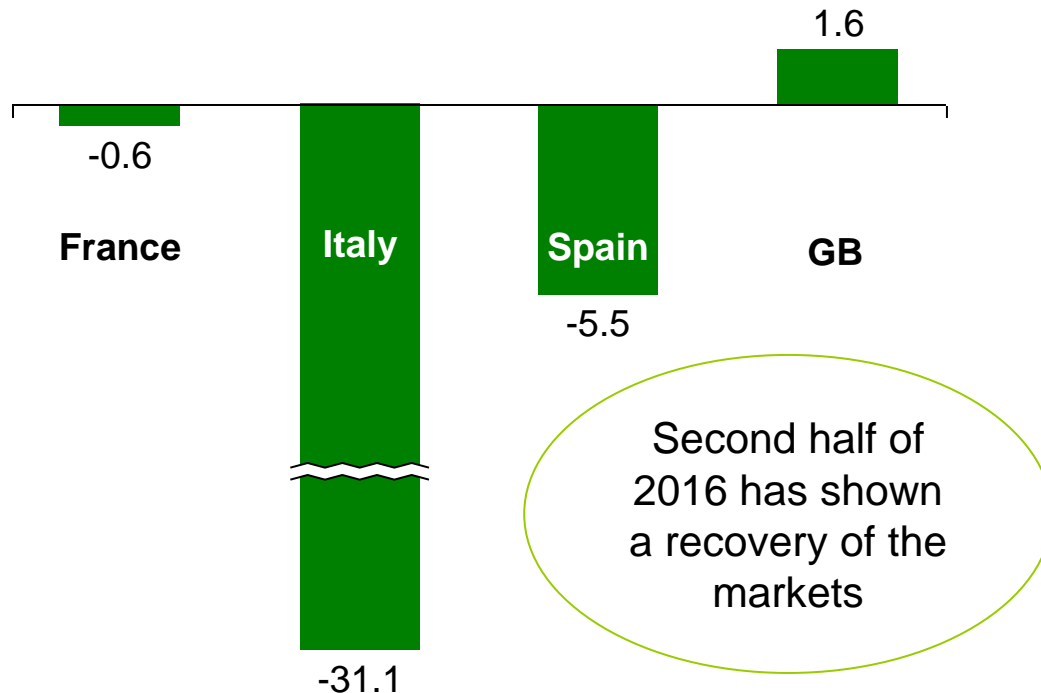


Approx. 1/3rd of Centrotec's revenues are linked to the German heating market

Poor start in many European countries linked to regulatory changes, but recovery in the second half of the year

## MARKET DEVELOPMENT

Market growth rate of heat generating units (incl. heat pumps and solid fuel)  
[first half 2016 in percent compared to previous year]



### Market trends

- + Condensing technology sets the trend; double digit growth rates in all EU countries
- + Heat pump development is also positive, but this technology is not established in all markets
- Market for low temperature boiler collapsed due to new efficiency standard – regulatory changes in Sept. 2015 caused high volume sales in Q2 and Q3 2015
- Weakness of all European solar thermal markets

## MARKET DEVELOPMENT – OTHER

### Ventilation

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- German market for residential ventilation continues slight downward trend
- Intensive competitive environment in fragmented AHU market

### Combined Heat and Power

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- German market for biogas CHP dropped since the second half of 2015
- Poor order intake due to delayed EU notification of CHP Generation Act (KWKG)

### Solar thermal

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- Negative trend in Europe since 2012
- Market volume halved since 2008
- All big European markets decline
- German market with good start into 2016, but losses since second quarter



# AGENDA

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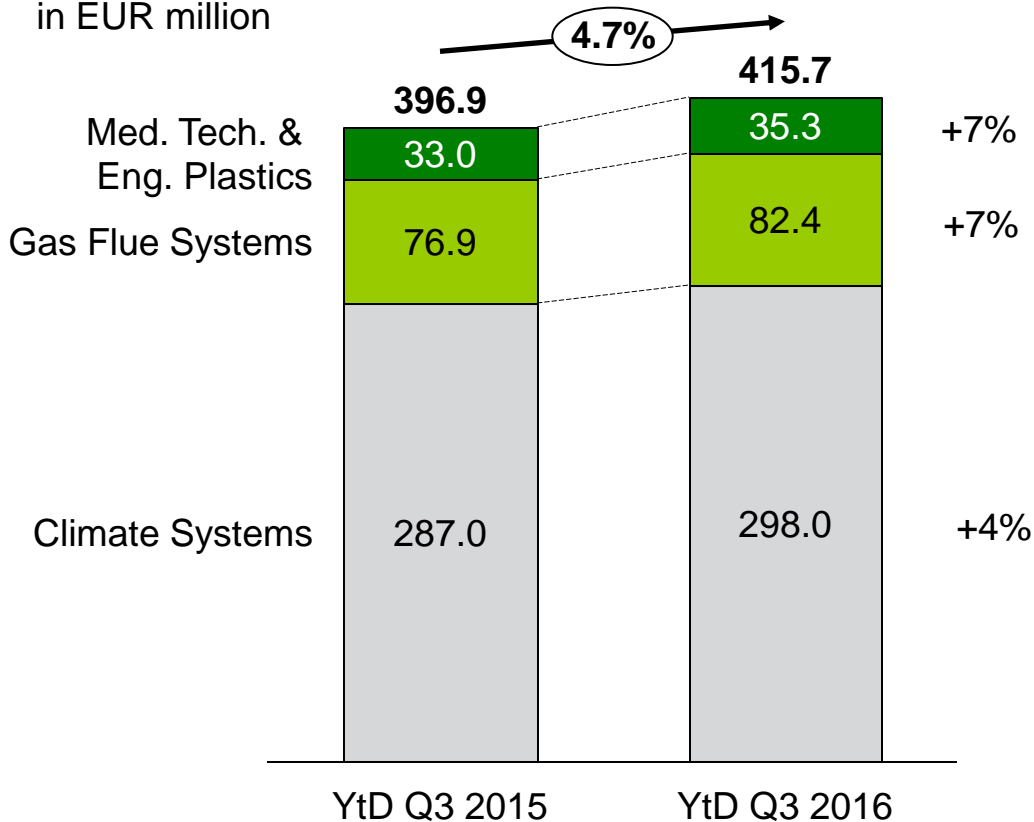
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# Organic sales growth in all segments achieved

## REVENUE DEVELOPMENT

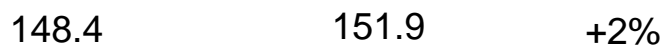
### YTD Q3 Revenue by Segment

in EUR million



### Q3 Revenues

in EUR million



### Drivers of Revenue Development

- + Good sales development with new products (low-cost condensing boiler; Heat Pumps)
- + First successes in international growth (Spain, Italy, China)
- + Growth in Gas Flue Segment driven by trend towards condensing boiler technology
- + Revenue contribution of PRO-KLIMA
- Poor market development in German heating market
- Very competitive environment with strong local players in France
- Weakness of European CHP and solar thermal markets

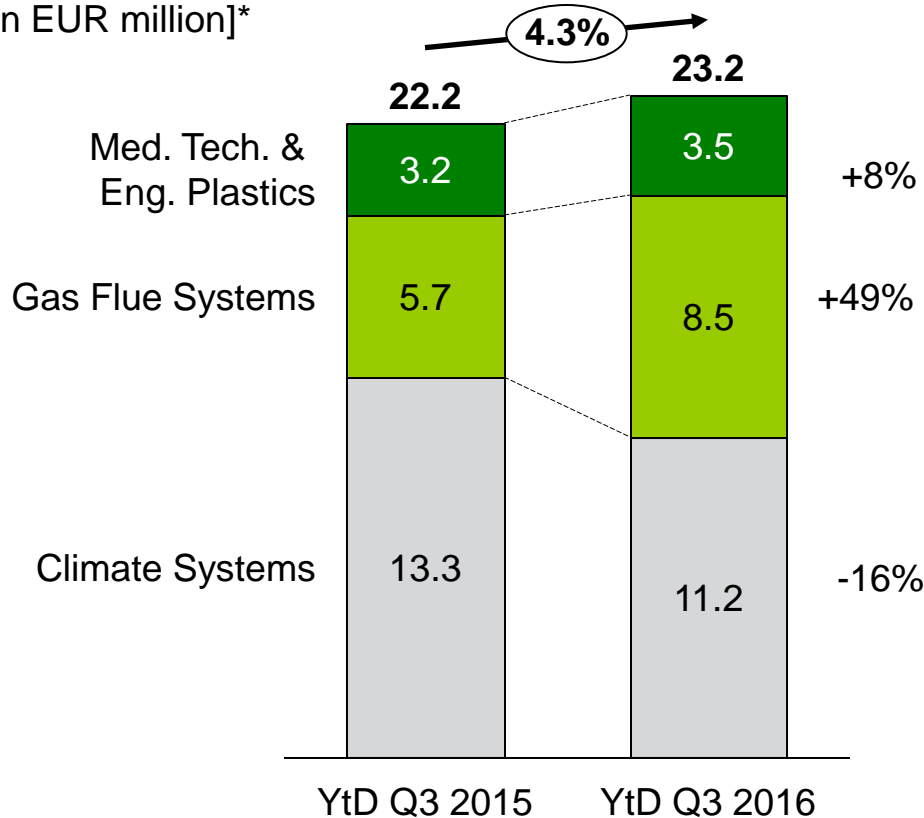
# EBIT growth largely in line with revenue development



## EBIT DEVELOPMENT

### YtD Q3 EBIT by Segment

[in EUR million]\*



### Q3 EBIT

in EUR million

2015	13.8	2016	14.6	+6%
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### Drivers of EBIT Development

#### Overall

- Higher level of depreciations due to last year's investments (+0.4 Mio. EUR)
- Higher level of personnel cost ratio as a result of relatively slow sales growth and increased use of temp labor

#### Climate Systems

- + PRO-KLIMA contributed positively to results
- Investments in brand renewal, internationalization and reorganization at Wolf

#### Gas Flue Systems

- + Successful development with core products and in key markets (NL, US, OEM-DE)

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

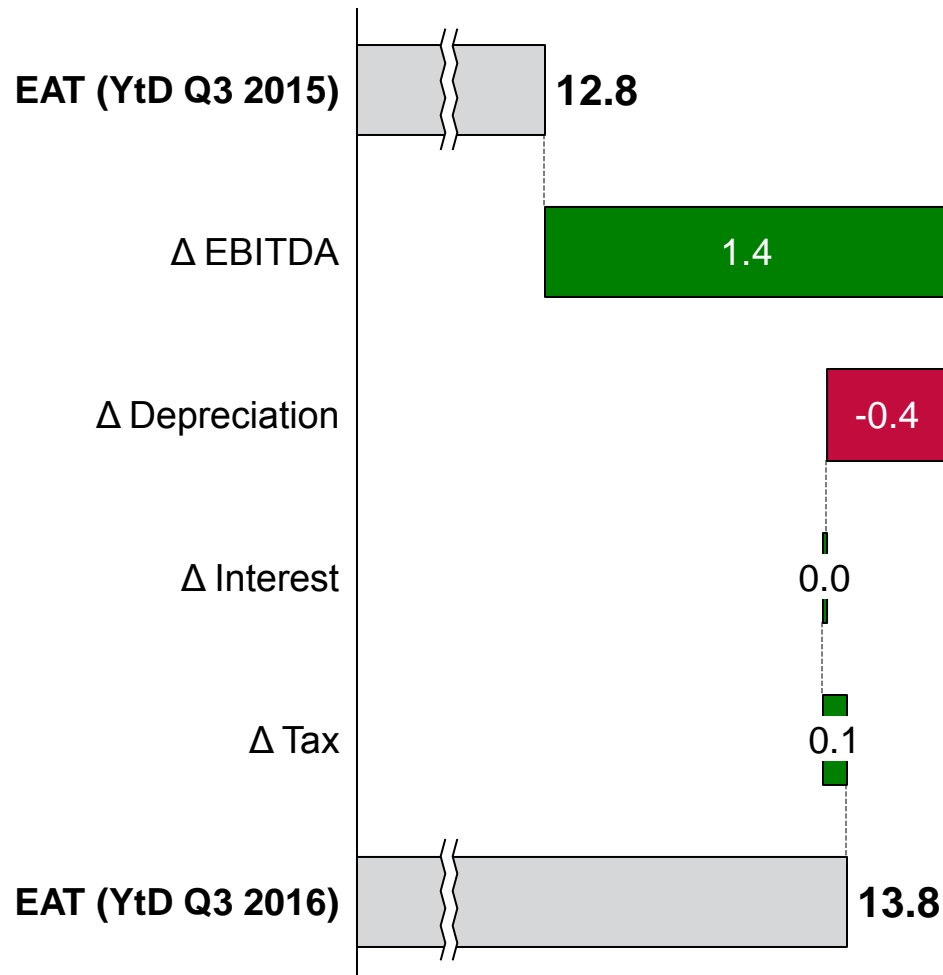
- + Sales growth mostly in medical division
- Higher depreciation

\*Sum of Segment EBIT differs from total due to elimination of intercompany profits

# Slight growth in operating result is reflected in net earnings

## EAT TRANSITION

[in EUR million]



### Explanation

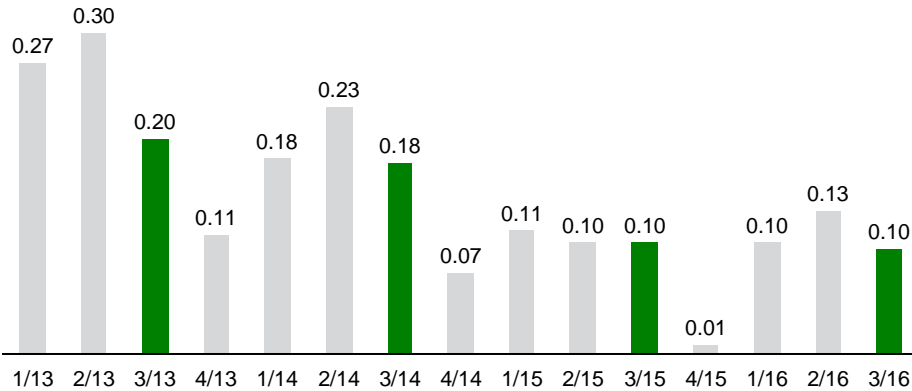
- + Higher EBITDA as a result of higher sales volume
- + EPS 0.78 vs. 0.74 previous year
- o Interest expenses on last years level
- o Taxes nearly on last years level
- Depreciation until Q3 slightly above last years level

# Increased NWC is reflected in lower operating cash flow

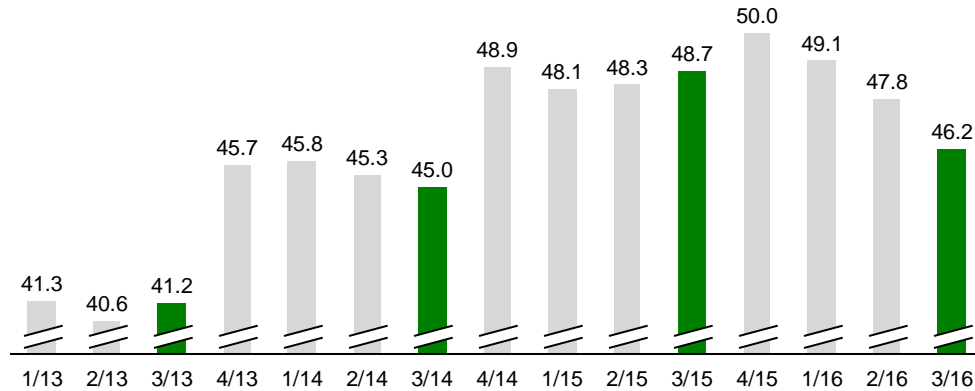


## KEY BALANCE SHEET AND CASH FLOW RATIOS

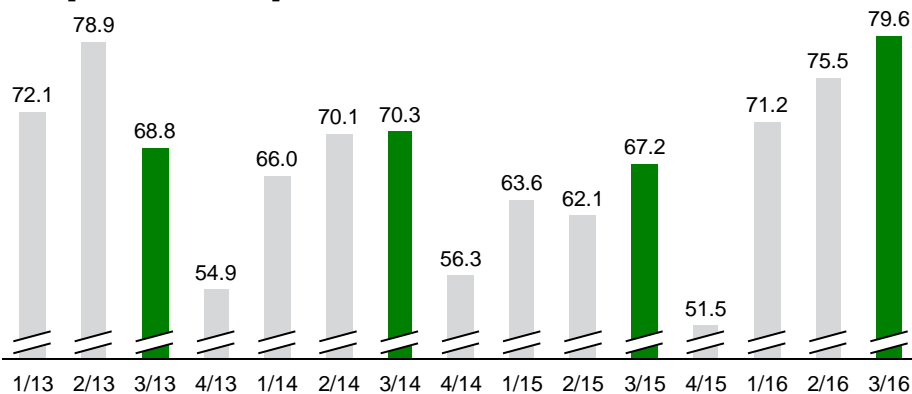
### Net Debt / Equity Ratio\*



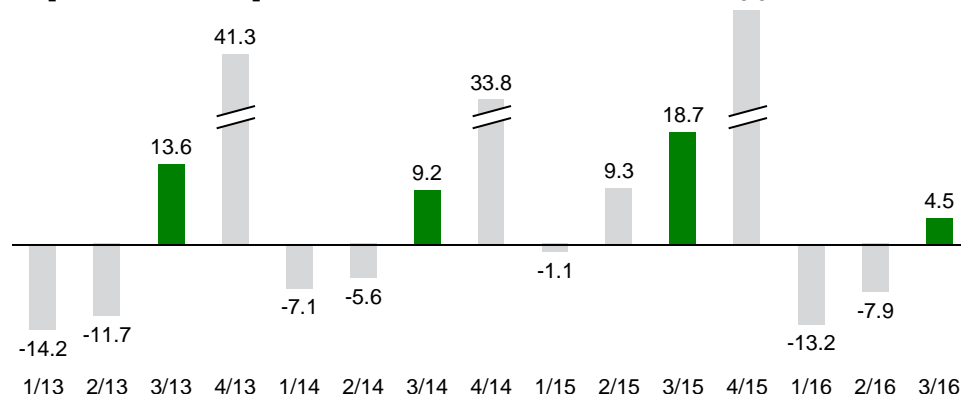
### Equity / Total Assets Ratio



### Net Working Capital\* [EUR million]



### Operating Cash Flow [EUR million]

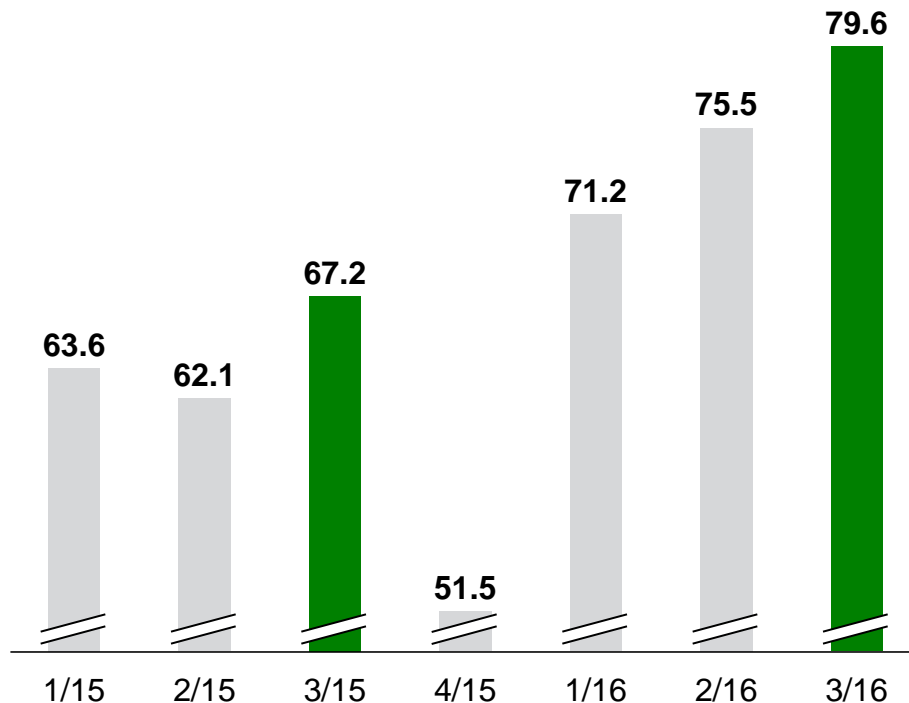


\*taking into account short-term financial assets

NWC growth reflects general business development, one-off effects and impact of internationalization (mainly China)

## NET WORKING CAPITAL

### Net Working Capital\* [EUR million]



### Impact on Net Working Capital

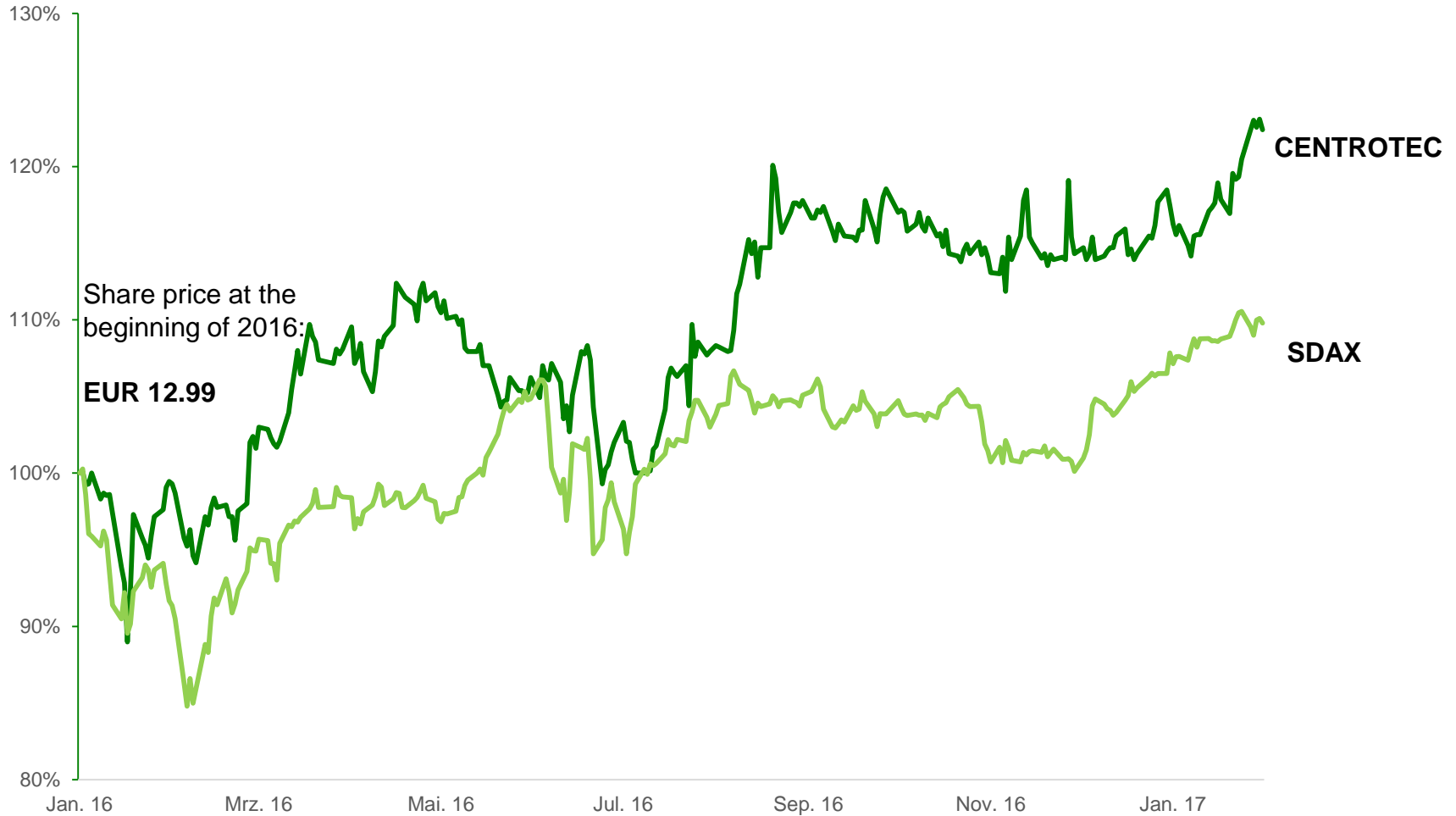
- Growth in stock due to extended sales volume group-wide
- Internationalization, especially the long shipment times to China, lead to increased stock volume
- One-off tax effects

\*taking into account short-term financial assets

# Share price with positive trend in 2016 and the first month of 2017



## SHARE PRICE SINCE BEGINNING OF 2016



\*Quelle: Bloomberg, last share price from february 2, 2016





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# One year after the acquisition: PRO-KLIMA is well on track

## INTERNATIONALIZATION



### Highlights

- Modernized production infrastructure
- Integration process into the Wolf-Group is progressing; first projects sold through Wolf sales organization
- Revenue growth of 18% to 12 Mio. EUR in the first nine month of 2016
- EBIT margin above group level
- Further growth in 2017 expected

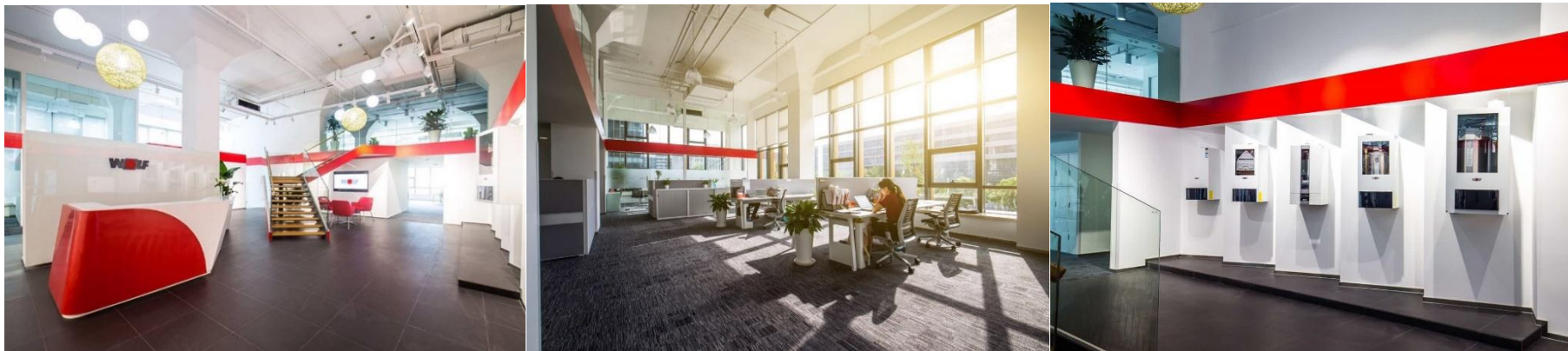


## INTERNATIONALIZATION

### Highlights

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- Start of sales in April 2016
- Formal opening of the local sales office in Shanghai in September 2016 with 200 (potential) customers
- More than 8,000 heating units will be sold in the first year
- Good growth perspectives for 2017
- New products required to take advantage of the mid-term growth potential

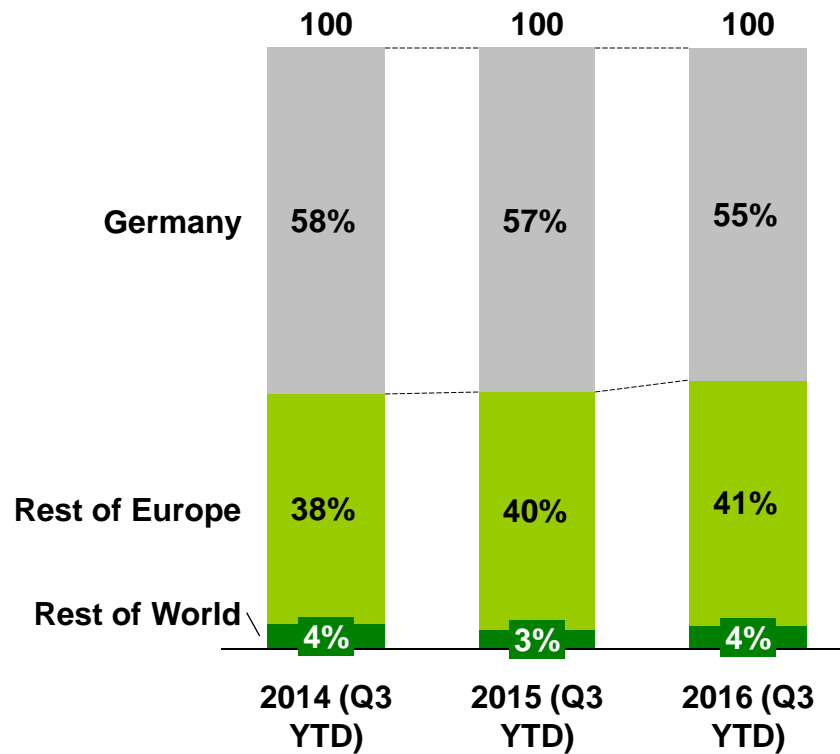


# Internationalization started positively, but from a low level

## SALES SPLIT

### YtD Q3 Revenue by region

in percent



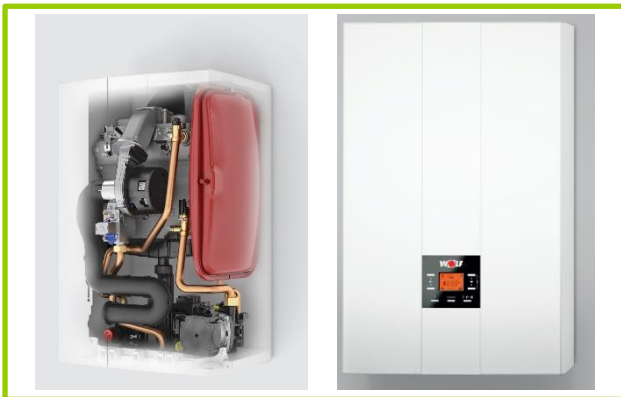
### Situation

- Wolf group with a traditionally strong position in the German heating market has led to high share of national sales within CENTROTEC group
- Focused activities in export markets, like Italy, Spain, Eastern Europe, Russia and China started
- Adjusted products and sales strategies for the identified target markets

## INTERNATIONALIZATION

### Gas condensing boiler FGB

- Market introduction in 2016
- Focus on Eastern and Southern European markets
- Difference to German boilers:
  - Smaller form factor,
  - simplified functionality
  - Higher capacity (28 and 35 kW)
- Successful start in Q2



### Further products

- Wall terminal (primarily used in UK, Southern Europe)
- OEM products added to portfolio
  - non-condensing boiler for Russia
  - Domestic hot water heat pump
- Country-specific modifications to Air Handling Units
- Further products in the development pipeline (e.g., for China)



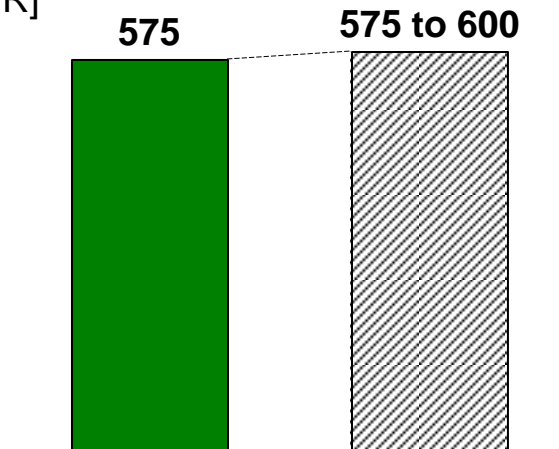
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## OUTLOOK

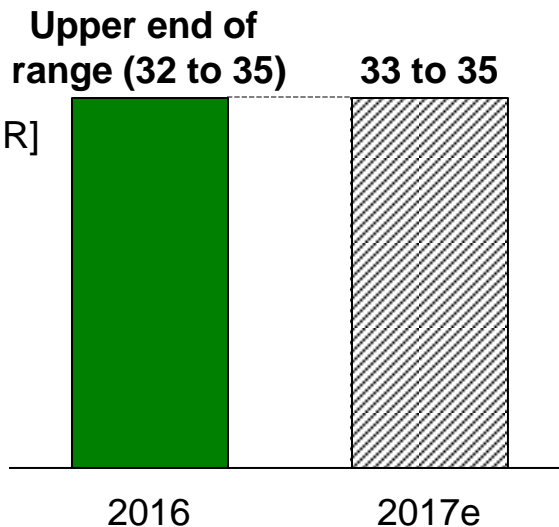
### Revenue

[in million EUR]



### EBIT

[in million EUR]



### Rationale

- + Good development in Q4
- + Introduced products for international markets provide positive impulses
- o International position of Climate Systems business still too weak, but first positive results of internationalization activities
- Consolidation in the Air Handling Unit industry continues
- Weakness of solar thermal and CHP market
- Further investments in international growth and modernization of product portfolio burden the earnings



# Thank you for your attention!



*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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