

Q1

Quarterly Report
01/2018



Highlights

- > International expansion continues; stable development in German heating market
- > Group revenue up 1.5% on prior-year quarter at EUR 139.4 million (previous year EUR 137.3 million); international share rises to 48%
- Climate Systems revenue is 2.2% down on previous year (EUR 96.7 million) at EUR 94.5 million; postponed projects affecting CHP systems; stable development in German heating market
- Gas Flue Systems with 13.2% revenue growth to EUR 31.6 million (previous year EUR 27.9 million); growth in all key areas of segment
- Medical Technology & Engineering Plastics with 3.7% revenue growth to EUR 13.2 million (previous year EUR 12.7 million); growth from both areas of segment, and both in Germany and internationally
- > Operating profit on par with previous year
- EBITDA of EUR 9.8 million as in previous year
- Depreciation and amortisation constant at EUR 6.0 million
- EBIT equally unchanged from previous year at EUR 3.8 million
- Slightly lower interest and financial result
- EPS of EUR 0.05 (previous year EUR 0.08)
- > Positive macroeconomic outlook for all relevant markets
- > For the full year, revenue is still expected to rise to between EUR 600 and 620 million with a slight year-on-year increase in the operating result (EBIT) to between EUR 30 and 32 million.

Consolidated Key Figures

	31/03/2018 [EUR '000]	31/03/2017 [EUR '000]	Changes [Percent]
Total revenue	139,353	137,325	1.5
Climate Systems	94,514	96,650	(2.2)
Gas Flue Systems	31,616	27,929	13.2
Medical Technology & Engineering Plastics	13,223	12,746	3.7
Earnings			
EBITDA	9,763	9,835	(0.7)
EBIT	3,799	3,798	0.0
EBIT yield (in %)	2.7	2.8	
EBT	1,900	3,235	(41.3)
EAT	778	1,377	(43.5)
EPS (in EUR; basic)	0.05	0.08	(43.6)
Balance sheet structure			
Balance sheet total	589,566	488,998	20.6
Shareholders' equity	258,893	243,257	6.4
Equity ratio (%)	43.9	49.7	
Property, plant and equipment	124,166	125,179	(0.8)
Intangible assets	40,109	39,343	1.9
Goodwill	77,288	77,305	(0.0)
Net financial position*	2,984	(1,880)	
Net working capital*	79,454	69,469	14.4
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	6,742	7,414	(9.1)
Cash flow from operating activities	(2,682)	(3,879)	(30.9)
Cash flow from investing activities**	(6,555)	(4,921)	33.2
Employees			
Total (in FTE)	2,885	3,332	(13.4)
Shares			
Number of shares***	18,021	17,892	
Highest quotation****	15.88	18.25	
Lowest quotation****	13.54	14.83	
Quarterly-end quotation****	14.08	18.00	

* taking account for short-term financial assets

**excluding the impact of investments in short-term financial assets and their dividend payments

*** Weighted average shares outstanding (basic; in thousand)

**** Quotation in EUR

System supplier for home ventilation, condensing boilers and heat pumps



RESIDENTIAL BUILDINGS

The highly efficient Wolf heat pumps open the way for a pioneering form of heating technology for buildings that taps the potential of renewable energies. For the energy renovation of the existing building stock, condensing systems for oil and gas are recommended. They make optimum use of these fossil fuels and thus conserve scant resources. Both alternatives, in combination with a ventilation system with heat recovery of up to 95%, ensure permanently high indoor air quality with maximum energy efficiency.

- 1** *Wolf split heat pump with integrated home ventilation system of Brink*
- 2** *Wolf heat pump program*

Quarterly Report

In the first quarter of the 2018 financial year the CENTROTEC Group increased its revenue by 1.5% to EUR 139.4 million (previous year EUR 137.3 million). This revenue growth was underpinned above all by the strong growth of the Gas Flue Systems segment and, to a lesser extent, by the Medical Technology & Engineering Plastics segment. The revenue share generated internationally went up compared with the corresponding prior-year quarter to 48% (previous year 46%).

In the **Climate Systems** segment, revenue for the first three months of the financial year in progress came to EUR 94.5 million and was therefore 2.2% below the prior-year figure of EUR 96.7 million. Of the markets that this segment focuses on, the Netherlands, Spain and Italy achieved the strongest growth. This revenue growth for international business stems partly from heating business, but also to some extent from climate control business. In the German market, the business performance was characterised by solid climate control business coupled with a stable sales performance in the heating area. By contrast, revenue for combined heat and power units was below the level of the previous year's opening months, which were boosted by non-recurring factors. This development was in part to be expected, but also the result of postponed projects.

Revenue by segment [EUR million]	Q1 2018	Q1 2017	Delta %
Climate Systems	94.5	96.7	(2.2)
Gas Flue Systems	31.6	27.9	13.2
Medical Technology & Engineering Plastics	13.2	12.7	3.7
Total	139.4	137.3	1.5

On the other hand the **Gas Flue Systems** segment increased revenue for the first quarter by 13.2% to EUR 31.6 million (previous year EUR 27.9 million). Revenue growth was achieved in almost all relevant markets, including Germany. The most significant revenue growth was realised in France, the Netherlands and the USA. The areas of air piping and flue gas ducting as well as roofing technology were the mainstays of growth in the quarter.

Revenue for the **Medical Technology & Engineering Plastics** segment in the first three months of 2018 went up 3.7% year on year to EUR 13.2 million (previous year EUR 12.7 million). This revenue growth was underpinned by both medical technology and engineering plastics.

At operating level, consolidated earnings were on a par with the previous year with **EBITDA** of EUR 9.8 million and **EBIT** of EUR 3.8 million. Product mix changes in the Climate Systems segment weighed slightly on consolidated earnings. There were also shifts between personnel expenses and purchased services, which however did not have any major impact on earnings.

In the **Climate Systems** segment, EBITDA of EUR 4.2 million was below the prior-year figure of EUR 4.6 million due to increased labour costs and the change in the product mix. With the depreciation and amortisation level constant at EUR 3.6 million, EBIT came to EUR 0.6 million (previous year EUR 1.0 million).

In the **Gas Flue Systems** segment, revenue growth pushed up EBITDA to EUR 3.9 million (previous year EUR 3.2 million), and EBIT to EUR 2.4 million (previous year EUR 1.6 million). The economies of scale from the increase in revenue and the slightly reduced level of depreciation and amortisation more than compensated for the slightly higher costs in other areas.

The **Medical Technology & Engineering Plastics** segment posted EBITDA of EUR 1.7 million for the first three months of 2018 (previous year EUR 2.0 million). Slightly higher depreciation and amortisation then resulted in EBIT of EUR 0.8 million (previous year EUR 1.2 million).

A slight rise in the interest burden as a result of the promissory note loan raised mid-way through last year, along with a negative financial result, reduced earnings before tax (EBT) for the first quarter to EUR 1.9 million (previous year EUR 3.2 million). With a virtually constant but fundamentally elevated effective tax rate in the opening months of the year due to the industry-typical slow pickup in business, earnings after tax (EAT) came to EUR 0.8 million (previous year EUR 1.4 million). Earnings per share (EPS) amounted to EUR 0.05 (previous year EUR 0.08).

At March 31, 2018 the **balance sheet total** for the CENTROTEC Group was EUR 589.6 million and therefore up around one-fifth on the prior-year figure of EUR 489.0 million, in essence as a result of the promissory note loan for EUR 90 million raised in mid-2017. Compared with the end of 2017 it revealed merely a slight rise of EUR 9.1 million. As a result of the increased balance sheet total, the equity ratio declined to 43.9% (previous year 49.7% / 44.4% at end of previous year). At the balance sheet date net working capital was up EUR 10.0 million at EUR 79.5 million as a result of the expanded business volume above all from international operations. As in the past, there was equally a seasonal rise compared with the end of the previous year (EUR 70.3 million). The net financial position showed a slight year-on-year improvement to EUR 3.0 million (previous year EUR -1.9 million), but the seasonal rise in net working capital meant this was EUR 10.0 million below the 2017 year-end figure.

Key financial figures			
[EUR million]	31/03/2018	31/12/2017	31/03/2017
Balance sheet total	589.6	580.5	489.0
Equity	258.9	257.5	243.3
Equity ratio (percent)	43.9	44.4	49.7
Net financial position*	3.0	13.0	(1.9)
Net working capital**	79.5	70.3	69.5

* Cash and cash equivalents + current investments – current and non-current borrowings

** Current assets – cash and cash equivalents – current investments – current, non-interest-bearing borrowed capital

Cash flow from operating activities of EUR -2.7 million for the first quarter of 2018 was slightly up on the figure for the corresponding prior-year period (EUR -3.9 million). The most significant change was a more than halving of income taxes paid. The cash flow from investing activities amounted to EUR -3.2 million, compared with EUR -4.3 million in the previous year. Cash flow from financing activities was negative at EUR -1.2 million as a result of the repayment of borrowings, revealing a broadly similar picture to the previous year (EUR -1.5 million).

The **investment volume** for the CENTROTEC Group for property plant and equipment as well as intangible assets in the first quarter of 2018 came to EUR 6.5 million (previous year EUR 5.3 million). The Climate Systems segment invested EUR 4.1 million of this (previous year EUR 3.4 million), the Gas Flue Systems segment EUR 1.1 million (previous year EUR 1.1 million) and the Medical Technology & Engineering Plastics segment EUR 1.4 million (previous year EUR 0.8 million). The production infrastructure and product development areas were the focus of investing activities.

Overall, the first quarter progressed according to plan. On this basis CENTROTEC confirms the full-year forecast, which anticipates organic revenue growth to between EUR 600 and 620 million and a slightly higher operating result (EBIT) of between EUR 30 and 32 million.

Brilon, May 2018

The Management Board

System supplier for air handling units and combined heat and power solutions



COMMERCIAL BUILDINGS

Ultra-efficient climate control solutions of Wolf create a healthy interior climate. Through heat recovery, they significantly help to save energy and cut heating energy requirements and CO₂ emissions.

Combined heat and power plants (CHP) of Wolf form the basis for energy-efficient and non-central generation of power and heat by means of co-generation at the point of use. Energy sources thus achieve an overall energy efficiency of up to 90%.

1 *Wolf large-scale air handling unit*

2 *Wolf combined heat and power system*

Consolidated Statement of Financial Position

Assets in EUR thousand	31/03/2018	31/12/2017	31/03/2017
Non-current assets			
Goodwill	77,288	77,285	77,305
Intangible assets	40,109	39,734	39,343
Property, plant and equipment	124,166	124,017	125,179
Financial investments accounted for using the equity method	52	39	0
Loans and investments	999	1,076	1,144
Other financial assets	9	9	9
Other assets	56	78	81
Deferred tax assets	2,836	2,108	2,895
	245,515	244,346	245,956
Current assets			
Inventories	75,526	71,639	70,264
Trade Receivables	77,105	67,684	70,510
Income tax receivable	2,217	3,219	3,666
Cash and cash equivalents	59,980	59,492	60,267
Other financial assets	122,961	128,237	32,548
Other assets	6,262	5,855	5,787
	344,051	336,126	243,042
Assets	589,566	580,472	488,998

Equity and Liabilities in EUR thousand	31/03/2018	31/12/2017	31/03/2017
Shareholders' equity			
Share Capital	18,021	18,021	17,892
Capital reserves	40,659	40,659	38,037
Retained earnings and profit carryforward	199,996	179,155	187,140
Profit attributable to shareholders of CENTROTEC Sustainable AG	826	20,205	1,456
	259,502	258,040	244,525
Non-controlling interests	(609)	(559)	(1,268)
	258,893	257,481	243,257
Non-current liabilities			
Pension provisions	45,544	46,231	45,228
Other provisions	15,962	16,079	17,321
Financial liabilities	148,166	149,484	62,335
Other financial liabilities	903	960	1,021
Other liabilities	25	25	90
Deferred tax liabilities	6,626	6,862	6,628
	217,226	219,641	132,623
Current liabilities			
Other provisions	3,312	3,571	4,186
Income tax payable	1,472	1,781	1,330
Financial liabilities	29,147	21,533	28,961
Trade liabilities	31,491	28,856	28,173
Other financial liabilities	14,656	14,068	13,123
Other liabilities	33,369	33,541	37,345
	113,447	103,350	113,118
Equity and Liabilities	589,566	580,472	488,998

Consolidated Income Statement

in EUR thousand	01/01/2018 31/03/2018	01/01/2017 31/03/2017
Revenues	139,353	137,325
Cost of purchased materials and services	(68,745)	(60,486)
Changes in inventories of finished goods and work in progress	3,263	2,207
Production for own fixed assets capitalised	818	700
Other income	2,053	1,922
Personnel expenses	(42,009)	(47,033)
Other expenses	(24,970)	(24,800)
EBITDA	9,763	9,835
Depreciation and amortisation	(5,964)	(6,037)
Operating income (EBIT)	3,799	3,798
Interest income	15	99
Interest expense	(1,046)	(694)
Other financial income	(868)	32
Result before income taxes (EBT)	1,900	3,235
Income taxes	(1,122)	(1,858)
Net income (EAT)	778	1,377
Attributable to:		
Non-controlling interests	(48)	(79)
Shareholders of CENTROTEC Sustainable AG	826	1,456
EPS (Earnings per share in EUR)		
Earnings per share (basic)	0.05	0.08
Earnings per share (diluted)	0.05	0.08
Weighted average shares outstanding (in thousand units; basic)	18,021	17,892
Weighted average shares outstanding (in thousand units; diluted)	18,021	17,902

Consolidated Statement of Comprehensive Income

in EUR thousand	01/01/2018 31/03/2018	01/01/2017 31/03/2017
Net income (EAT)	778	1,377
Items that may be reclassified subsequently to profit or loss		
Exchange Rate differences on translation	49	147
Derivative financial instruments	85	(10)
Available-for-sale financial assets	0	601
Income tax relating to components of other comprehensive income	(35)	(35)
Other comprehensive income for items that may be reclassified subsequently to profit or loss	99	703
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	757	813
Income tax relating to components of other comprehensive income	(222)	(238)
Other comprehensive income for items that will not be reclassified to profit or loss	535	575
Other comprehensive income	634	1,278
Total comprehensive income	1,412	2,655
Attributable to:		
Non-controlling interests	(50)	(91)
Shareholders of CENTROTEC Sustainable AG	1,462	2,746

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2018 31/03/2018	01/01/2017 31/03/2017
Net income before interest and taxes (EBIT)	3,799	3,798
Depreciation and amortisation	5,964	6,037
Gain/ loss on disposal of fixed assets	9	70
Other non-cash items	(33)	1,069
Increase/ decrease in provisions	(302)	(676)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(12,658)	(13,157)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	2,870	4,353
Interest received	11	137
Interest paid	(217)	(530)
Income tax paid	(2,125)	(4,980)
Cash flow from operating activities	(2,682)	(3,879)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(6,567)	(4,972)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	12	51
Investments in short-term financial assets	3,392	622
Cash flow from investing activities	(3,163)	(4,299)
Proceeds from financial liabilities	274	166
Repayment of financial liabilities	(1,470)	(1,690)
Cash flow from financing activities	(1,196)	(1,524)
Change in financial resources	(7,041)	(9,702)
Foreign currency exchange gain/ loss of the financial resources	1	64
Financial resources at the beginning of the financial year*	44,897	48,025
Financial resources at the end of the period*	37,857	38,387

* Cash and cash equivalents deducted of credits current account

Consolidated Segment Reporting

Segment Structure in EUR thousand	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		TOTAL	
	01/01/2018 31/03/2018	01/01/2017 31/03/2017	01/01/2018 31/03/2018	01/01/2017 31/03/2017	01/01/2018 31/03/2018	01/01/2017 31/03/2017	01/01/2018 31/03/2018	01/01/2017 31/03/2017	01/01/2018 31/03/2018	01/01/2017 31/03/2017
Income Statement										
Revenue from third parties	94,514	96,650	31,616	27,929	13,223	12,746	0	0	139,353	137,325
Revenue from other segments	400	473	1,689	1,709	68	49	(2,157)	(2,231)	0	0
Cost of purchased materials	(45,433)	(45,281)	(16,250)	(13,372)	(9,219)	(4,071)	2,157	2,238	(68,745)	(60,486)
Changes in inventories of finished goods and work in progress	2,295	1,211	417	818	551	178	0	0	3,263	2,207
Personnel expenses	(33,379)	(33,148)	(7,764)	(8,818)	(866)	(5,067)	0	0	(42,009)	(47,033)
Other expenses and income	(14,162)	(15,262)	(5,848)	(5,064)	(2,089)	(1,852)	0	0	(22,099)	(22,178)
EBITDA	4,235	4,643	3,860	3,202	1,668	1,983	0	7	9,763	9,835
Depreciation and amortisation	(3,626)	(3,616)	(1,500)	(1,650)	(838)	(771)	0	0	(5,964)	(6,037)
Segment result (EBIT)	609	1,027	2,360	1,552	830	1,212	0	7	3,799	3,798
Interest income	1	97	90	78	0	0	(76)	(76)	15	99
Interest expense	(509)	(512)	(506)	(133)	(107)	(125)	76	76	(1,046)	(694)
Other financial income	(36)	0	(832)	32	0	0	0	0	(868)	32
EBT	65	612	1,112	1,529	723	1,087	0	7	1,900	3,235
Balance sheet key figures										
Assets*	289,871	283,479	240,904	148,637	52,751	49,064	(64)	113	583,462	481,293
Financial investments accounted for using the equity method	0	0	0	0	52	0	0	0	52	0
Loans and investmens	989	1,134	0	0	10	10	0	0	999	1,144
Net Working Capital	44,583	40,850	16,451	13,152	18,487	15,522	(67)	(55)	79,454	69,469
Investments										
Total investments in property, plant, equipment and intangible assetss**	4,066	3,389	1,082	1,082	1,400	806	0	0	6,548	5,277

* Excl. financial investments accounted for using the equity method, loans and investments, entitlement to income tax rebates as well as deferred tax

** Incl. goodwill and figures out of business combinations

Component supplier for other system integrators



RESIDENTIAL & COMMERCIAL BUILDINGS

CENTROTEC is a system supplier, but also offers key components for other system integrators. These include Holmak heat exchangers for building ventilation warranting heat recovery up to 95%. For condensing heating systems, both Ubbink and Centrotherm offer flue exhaust systems that are preferred by leading boiler manufacturers for their integrated solutions. The Ubbink Centrotherm Group also offers a complete range of system components for residential building ventilation as well as construction ventilation.

- 1** *Air-to-air heat exchangers*
- 2** *Gas flue systems*
- 3** *Residential ventilation components*

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