

Q3

Quarterly Report
03/2018



Highlights

- > Positive business development in German heating and ventilation market; CHP market well below expectations
- > Group revenue for Q3 up 4.2% to EUR 161.1 million (previous year EUR 154.6 million); 4.4% revenue growth in the first nine months to EUR 447.4 million (previous year EUR 428.4 million); growth in all three segments; international share expands from 47% to 48%
- Climate Systems achieves revenue growth of 3.1% in Q3 to EUR 115.7 million (previous year EUR 112.2 million); cumulative growth in 2018 of 3.3% to EUR 313.1 million (previous year EUR 303.2 million); strong climate control and ventilation business compensates for weak CHP business and sideways trend for heating market due to delayed start to the heating season
- Gas Flue Systems with 4.6% revenue growth to EUR 31.9 million (previous year EUR 30.5 million) in Q3; 8.1% growth since start of year to EUR 94.7 million (previous year EUR 87.6 million); all major areas of segment expand
- Medical Technology & Engineering Plastics increases revenue by 14.4% in Q3 to EUR 13.5 million (previous year EUR 11.8 million) and by 5.4% to EUR 39.7 million in the first three quarters (previous year EUR 37.6 million); increased revenue in both areas of segment
- > Result slightly down on prior-year level
- EBIT for Q3 of EUR 11.5 million (previous year EUR 13.4 million); slightly below expectations for year to date at EUR 18.5 million (previous year EUR 19.2 million)
- Interest and financial result for third quarter slightly down on previous year
- EPS of EUR 0.44 (previous year EUR 0.49) in Q3; up to end of September EUR 0.50 (previous year EUR 0.62)
- > Still-robust macroeconomic outlook for all relevant markets
- Construction industry throughout Europe continues to grow; however growth rates in Germany have peaked; new-build sector benefiting significantly more than renovation
- CHP market remains in weak state due to legal uncertainties
- > Expectations for the full year comprise revenue in the upper half of the forecast range of EUR 600 to 620 million and an operating result (EBIT) at the lower limit of the forecast range (EUR 30 to 32 million), which has been upped slightly from the previous year's level.

Consolidated Key Figures

	30/09/2018 [EUR '000]	30/09/2017 [EUR '000]	Changes [Percent]
Total revenue	447,424	428,404	4.4
Climate Systems	313,078	303,173	3.3
Gas Flue Systems	94,679	87,596	8.1
Medical Technology & Engineering Plastics	39,667	37,635	5.4
Earnings			
EBITDA	36,527	37,433	(2.4)
EBIT	18,532	19,174	(3.3)
EBIT yield (in %)	4.1	4.5	
EBT	12,649	16,986	(25.5)
EAT	8,502	11,656	(27.1)
EPS (in EUR; basic)	0.50	0.62	
Balance sheet structure			
Balance sheet total	580,470	599,501	(3.2)
Shareholders' equity	235,283	250,203	(6.0)
Equity ratio (%)	40.5	41.7	
Property, plant and equipment	126,864	123,718	2.5
Intangible assets	41,430	39,700	4.4
Goodwill	77,283	77,243	0.1
Net financial position*	(31,803)	(7,764)	
Net working capital*	85,239	81,928	4.0
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	26,497	29,915	(11.4)
Cash flow from operating activities	11,687	5,155	
Cash flow from investing activities**	(22,109)	(15,391)	43.7
Employees			
Total (in FTE)	3,036	3,270	(7.2)
Shares			
Number of shares***	17,078	17,942	
Quaterly-highest quotation****	13.28	19.76	
Quaterly-lowest quotation****	12.62	14.83	
Quaterly-end quotation****	13.28	17.99	

* taking account for short-term financial assets

** without short-term financial assets

*** 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 third quarter of 2018 the CENTROTEC Group increased its revenue by 4.2% to EUR 161.1 million (previous year EUR 154.6 million). All three segments contributed to this quarterly growth, but also to the 4.4% growth in the first nine months. Over the year to date, CENTROTEC therefore posted revenue of EUR 447.4 million (previous year EUR 428.4 million). The share of revenue generated outside Germany in the first three quarters of 2018 increased to 48%, from 47% in the same period of the previous year.

Third-quarter revenue for the **Climate Systems** segment increased by 3.1% to EUR 115.7 million (previous year EUR 112.2 million) and over the year to date by 3.3% to EUR 313.1 million (previous year EUR 303.2 million). This growth was based on the improved position of CENTROTEC companies in the German home market. The market position was improved both in the area of climate control and ventilation systems and for heating technology. What makes that development all the more important is that the German market for heating technology performed more weakly than expected. However growth in the third quarter was carried especially by less-profitable climate control business because the start of the heating period was pushed back into the fourth quarter following a warm September. Further progress with internationalisation and the fundamentally positive development of the Dutch subsidiary Brink completed the picture. In contrast to these positive aspects, the situation for combined heat and power units remained very difficult due to regulatory uncertainties, leading to a considerable drop in revenue in this area of the segment.

In the **Gas Flue Systems** segment, revenue in the period under review increased by 4.6% to EUR 31.9 million (previous year EUR 30.5 million) and in the first nine months by 8.1% to EUR 94.7 million, up from EUR 87.6 million in the previous year. As a result of the very warm weather there were isolated cases of revenue being postponed from September until later months, keeping revenue growth in the third quarter below the level for the year to date. The strongest growth was achieved in the Netherlands, France and the USA. Depending on country, growth was underpinned by a variety of products. Overall, however, the roof products area as well as air piping and flue gas ducting were able to contribute towards growth.

Revenue by segment	Q3 2018	Q3 2017	Delta	Q1–Q3 2018	Q1–Q3 2017	Delta
[EUR million]			%			%
Climate Systems	115.7	112.2	3.1	313.1	303.2	3.3
Gas Flue Systems	31.9	30.5	4.6	94.7	87.6	8.1
Medical Technology & Engineering Plastics	13.5	11.8	14.4	39.7	37.6	5.4
Total	161.0	154.6	4.1	447.4	428.4	4.4

The **Medical Technology & Engineering Plastics** segment achieved the highest growth rate across all three segments in the third quarter, growing 14.4% to EUR 13.5 million (previous year EUR 11.8 million). Over the year to date, revenue for the smallest CENTROTEC segment thus went up 5.4% compared with the prior-year figure of EUR 37.6 million, to EUR 39.7 million in 2018. Both areas of the segment delivered growth.

The consolidated result for the third quarter was below the prior-year figure. As a consequence, the result for the first nine months of the current financial year equally dipped just below the 2017 figure.

EBITDA for the third quarter consequently came to EUR 17.5 million, 9.9% below the corresponding prior-year figure (EUR 19.5 million). **EBIT** for the same period fell by 13.8% to EUR 11.5 million (previous year EUR 13.4 million), with the level of depreciation and amortisation remaining virtually constant. Cumulatively, EBITDA amounted to EUR 36.5 million and was therefore 2.4% below the prior-year figure of EUR 37.4 million. EBIT for the first nine months of the 2018 financial year amounted to EUR 18.5 million (down 3.3%; previous year EUR 19.2 million).

The disappointing earnings performance is mainly due to the **Climate Systems** segment, which posted EBITDA of EUR 10.6 million in the third quarter, 16.2% below the prior-year figure (EUR 12.6 million). EBIT of EUR 6.8 million showed a downturn of 24.1% compared with the figure from the third quarter of 2017 (EUR 8.9 million). Cumulative EBITDA totalled EUR 18.1 million (down 5.9%; previous year EUR 19.2 million) and EBIT came to EUR 7.0 million (down 15.2%; previous year EUR 8.2 million). The principal cause of this development was the exceptionally warm September, which pushed the start of the heating season back into the fourth quarter. In addition, the reorganisation of the Italian sales organisation and low-margin major contracts in the climate control area had a non-recurring adverse effect on the result. The fall in revenue for combined heat and power units equally had a negative effect on the Q3 earnings performance.

The **Gas Flue Systems** segment saw a slowdown in its earnings performance in the third quarter due to factors such as revenue being delayed until subsequent months and the cost of conversion work at the Dutch location. EBITDA of EUR 4.9 million in the third quarter was 2.3% down on the prior-year figure of EUR 5.0 million and EBIT of EUR 3.4 million was up 1.2% on the prior-year figure which, after rounding was likewise EUR 3.4 million. Over the year to date, EBITDA was increased by 2.5% to EUR 12.9 million (previous year EUR 12.6 million) and EBIT by 9.2% to EUR 8.4 million (previous year EUR 7.7 million).

In the **Medical Technology & Engineering Plastics** segment, there was also a marked rise in earnings thanks to the sharp rise in revenue in the third quarter. EBITDA for the quarter was EUR 2.1 million and therefore 13.7% up on the prior-year figure of EUR 1.8 million. EBIT rose by 28.7% to EUR 1.3 million (previous year EUR 1.0 million). Cumulatively, EBITDA of EUR 5.5 million was a slight 1.4% down on the previous year (EUR 5.6 million), as was EBIT of EUR 3.1 million (down 3.1%; previous year EUR 3.2 million).

The financial result for third quarter of EUR -1.3 million was slightly down on the prior-year level (EUR -1.1 million). EBT thus fell by 16.5% to EUR 10.3 million (previous year EUR 12.3 million). Over the year to date, the decrease was 25.5% to EUR 12.6 million (previous year EUR 17.0 million). Based on the average number of 17.1 million shares outstanding over the year to date (previous year 17.9 million shares), EPS (earnings per share) came to EUR 0.44 (previous year EUR 0.49) in the third quarter and EUR 0.50 (previous year EUR 0.62) for the first nine months.

At September 30, 2018 the **balance sheet total** came to EUR 599.5 million. The most significant change compared with the year-end position was the contraction of the balance sheet as a result of the share buyback

conducted in the first half of 2018. As a result shareholders' equity, other financial assets as well as cash and cash equivalents were reduced by EUR 25.4 million overall. This measure lowered **shareholders' equity** to EUR 235.3 million (previous year EUR 250.2 million; previous year-end EUR 257.5 million). The fact that the balance sheet total nevertheless remained almost unchanged compared with the end of the year (EUR 580.5 million) is a reflection of the seasonal pattern to business, which regularly produces an in-year rise in working capital. **Net working capital** rose to EUR 85.2 million at September 30, 2018 as a result of the seasonal pattern to business and the increased business volume, compared with EUR 81.9 million at the corresponding point of the previous year. The **net financial position** fell to EUR -31.8 million (previous year EUR -7.8 million) mainly because of the share buyback and the buildup of working capital.

Key financial figures

[EUR million]	30/09/2018	31/12/2017	30/09/2017
Balance sheet total	580.5	580.5	599.5
Equity	235.3	257.5	250.2
Equity ratio (percent)	40.5	44.4	41.7
Net financial position*	(31.8)	13.0	(7.8)
Net working capital**	85.2	70.3	81.9

* 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 rose to EUR 11.7 million (previous year EUR 5.2 million) as a result of the comparatively low increase in net working capital compared with the equivalent prior-year period. Cash flow from investing activities of EUR -6.5 million was much less starkly negative than in the previous year (EUR -114.8 million) because the prior-year period saw the receipts from the promissory note loan invested in current investments. The payments in connection with the share buyback programme in the current financial year meant that cash flow from financing activities of EUR -34.2 million was well down on the much-elevated prior-year figure of EUR +82.6 million that was additionally inflated by the cash inflow from the promissory note loan raised. In summary, the financial resources of the CENTROTEC Group reported under cash flow declined by EUR 29.0 million (previous year EUR 27.0 million) in the first nine months of 2018.

The **investment volume** in the third quarter of EUR 9.8 million was well up on the prior-year figure of EUR 6.8 million among other reasons because of the construction work at the Dutch location in Doesburg and at the Danish location. Overall, investment spending by the CENTROTEC Group totalled EUR 22.9 million (previous year EUR 17.8 million) in the first nine months of 2018. The biggest single investment items in the year to date concerned measures to modernise and expand the locations in Denmark and the Netherlands, as well as to improve the production infrastructure and product development activities at various locations.

A notable recovery in heating business as well as strong climate control and ventilation business are expected for the fourth quarter. On the other hand CHP business is expected to be well down on the good result for the prior-year quarter because of the still-unsatisfactory regulatory environment. For the full year, revenue is thus expected to lie in the upper half of the forecast range of EUR 600 to 620 million. On the other hand operating

profit will probably be at the lower end of a forecast range (EUR 30 to 32 million) that was increased slightly from the prior-year level.

Brilon, November 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	30/09/2018	31/12/2017	30/09/2017
Non-current assets			
Goodwill	77,283	77,285	77,243
Intangible assets	41,430	39,734	39,700
Property, plant and equipment	126,864	124,017	123,718
Financial investments accounted for using the equity method	64	39	39
Loans and investments	960	1,076	1,106
Other financial assets	9	9	10
Other assets	57	78	77
Deferred tax assets	3,145	2,108	3,548
	249,812	244,346	245,441
Current assets			
Inventories	82,415	71,639	77,671
Trade Receivables	90,350	67,684	88,133
Income tax receivable	2,386	3,219	2,339
Cash and cash equivalents	39,431	59,492	44,158
Other financial assets	109,878	128,237	134,051
Other assets	6,198	5,855	7,708
	330,658	336,126	354,060
Assets	580,470	580,472	599,501

Equity and Liabilities in EUR thousand	30/09/2018	31/12/2017	30/09/2017
Shareholders' equity			
Share Capital	18,021	18,021	18,010
Capital reserves	40,659	40,659	40,058
Treasury stock	(25,408)	0	0
Retained earnings and profit carryforward	193,509	179,155	181,677
Profit attributable to shareholders of CENTROTEC Sustainable AG	8,502	20,205	11,048
	235,283	258,040	250,793
Non-controlling interests presented within equity	0	(559)	(590)
	235,283	257,481	250,203
Non-current liabilities			
Pension provisions	45,840	46,231	45,482
Other provisions	15,014	16,079	16,349
Financial liabilities	147,131	149,484	151,546
Other financial liabilities	641	960	981
Other liabilities	25	25	67
Deferred tax liabilities	6,445	6,862	6,523
	215,096	219,641	220,948
Current liabilities			
Other provisions	4,304	3,571	4,259
Income tax payable	1,303	1,781	1,541
Financial liabilities	30,327	21,533	29,939
Trade liabilities	30,342	28,856	27,976
Other financial liabilities	27,539	14,068	22,860
Other liabilities	36,276	33,541	41,775
	130,091	103,350	128,350
Equity and Liabilities	580,470	580,472	599,501

Consolidated Income Statement

in EUR thousand	01/07/2018 30/09/2018	01/07/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017
Revenues	161,065	154,589	447,424	428,404
Cost of purchased materials and services	(77,662)	(72,056)	(219,970)	(194,449)
Changes in inventories of finished goods and work in progress	(1,141)	1,421	4,218	4,388
Production for own fixed assets capitalised	1,188	1,141	3,196	2,701
Other income	1,792	1,803	6,125	5,907
Personnel expenses	(43,047)	(44,252)	(129,678)	(137,782)
Other expenses	(24,649)	(23,180)	(74,788)	(71,736)
EBITDA	17,546	19,466	36,527	37,433
Depreciation and amortisation	(6,038)	(6,110)	(17,995)	(18,259)
Operating income (EBIT)	11,508	13,356	18,532	19,174
Interest income	2	12	27	180
Interest expense	(1,046)	(832)	(3,161)	(2,275)
Other financial result	(211)	(257)	(2,749)	(93)
Result before income taxes (EBT)	10,253	12,279	12,649	16,986
Income taxes	(2,855)	(3,456)	(4,147)	(5,330)
Net income (EAT)	7,398	8,823	8,502	11,656
attributable to:				
Non-controlling interest	0	(4)	0	608
Shareholders of CENTROTEC Sustainable AG	7,398	8,827	8,502	11,048
EPS (Earnings per share in EUR)				
Earnings per share (basic)	0.44	0.49	0.50	0.62
Earnings per share (diluted)	0.44	0.49	0.50	0.62
Weighted average shares outstanding (in thousand units; basic)	17,078	18,024	17,078	17,942
Weighted average shares outstanding (in thousand units; diluted)	17,078	18,004	17,078	17,942

Consolidated Statement of Comprehensive Income

in EUR thousand	01/07/2018 30/09/2018	01/07/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017
Net income (EAT)	7,398	8,823	8,502	11,656
Items that may be reclassified subsequently to profit or loss				
Exchange Rate differences on translation	(71)	(137)	(173)	152
Derivative financial instruments	(23)	(16)	(117)	141
Available-for-sale financial assets	0	316	0	1,015
Income tax relating to components of other comprehensive income	10	33	38	(48)
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(84)	196	(252)	1,260
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans	(3)	(788)	753	811
Income tax relating to components of other comprehensive income	0	231	(221)	(237)
Other comprehensive income for items that will not be reclassified to profit or loss	(3)	(557)	532	574
Other comprehensive income	(87)	(361)	280	1,834
Total comprehensive income	7,311	8,462	8,782	13,490
attributable to:				
Non-controlling interest	0	(7)	0	621
Shareholders of CENTROTEC Sustainable AG	7,311	8,469	8,782	12,869

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2018 30/09/2018	01/01/2017 30/09/2017
Net income before interest and taxes (EBIT)	18,532	19,174
Depreciation and amortisation	17,995	18,259
Gain/ loss on disposal of fixed assets	46	120
Other non-cash items	8	195
Increase/ decrease in provisions	56	(1,352)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(34,087)	(41,731)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	17,913	18,462
Dividend received	0	2
Interest received	28	85
Interest paid	(2,683)	(1,410)
Income tax paid	(6,121)	(6,649)
Cash flow from operating activities	11,687	5,155
Acquisition of shares in participations less net cash acquired	(247)	0
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(22,218)	(16,524)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	356	1,133
Proceeds and Purchase of investments in short-term financial assets	15,603	(99,372)
Cash flow from investing activities	(6,506)	(114,763)
Proceeds from issuance of shares	0	1,514
Cash payments for own shares	(25,408)	0
Proceeds from financial liabilities	1,778	91,618
Repayment of financial liabilities	(5,118)	(5,135)
Dividend payment	(5,406)	(5,368)
Cash flow from financing activities	(34,154)	82,629
Change in financial resources	(28,973)	(26,979)
Foreign currency exchange gain/ loss of the financial resources	(82)	(151)
Financial resources at the beginning of the financial year*	44,897	48,025
Financial resources at the end of the period*	15,842	20,895

* Cash and cash equivalents deducted of credits current account

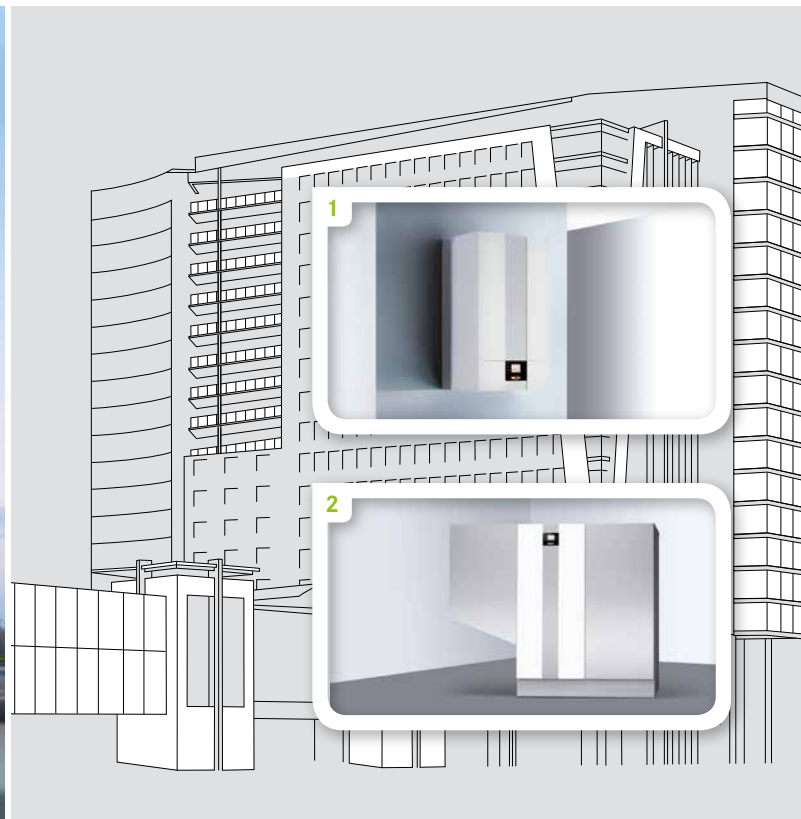
Consolidated Segment Reporting

Segment Structure in EUR thousand	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		TOTAL	
	01/01/2018 30/09/2018	01/01/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017	01/01/2018 30/09/2018	01/01/2017 30/09/2017
Income Statement										
Revenue from third parties	313,078	303,173	94,679	87,596	39,667	37,635	0	0	447,424	428,404
Revenue from other segments	1,029	1,090	5,804	5,967	79	179	(6,912)	(7,236)	0	0
Cost of purchased materials and services	(152,164)	(146,869)	(48,242)	(42,231)	(26,478)	(12,587)	6,914	7,238	(219,970)	(194,449)
Changes in inventories of finished goods and work in progress	2,909	3,238	485	546	824	604	0	0	4,218	4,388
Personnel expenses	(103,488)	(98,143)	(23,553)	(24,863)	(2,637)	(14,776)	0	0	(129,678)	(137,782)
Other expenses and income	(43,266)	(43,249)	(16,283)	(14,440)	(5,918)	(5,439)	0	0	(65,467)	(63,128)
EBITDA	18,098	19,240	12,890	12,575	5,537	5,616	2	2	36,527	37,433
Depreciation and amortisation	(11,117)	(11,008)	(4,486)	(4,882)	(2,392)	(2,369)	0	0	(17,995)	(18,259)
Segment result (EBIT)	6,981	8,232	8,404	7,693	3,145	3,247	2	2	18,532	19,174
Interest income	13	172	232	236	0	1	(218)	(229)	27	180
Interest expenses	(1,488)	(1,606)	(1,517)	(524)	(374)	(374)	218	229	(3,161)	(2,275)
Other financial result	(35)	2	(2,714)	(95)	0	0	0	0	(2,749)	(93)
EBT	5,471	6,800	4,405	7,310	2,771	2,874	2	2	12,649	16,986
Balance sheet key figures										
Assets*	301,766	302,993	206,163	239,183	55,660	50,184	10,326	109	573,915	592,469
Financial investments accounted for using the equity method	0	0	0	0	64	39	0	0	64	39
Loans and investments	950	1,096	0	0	10	10	0	0	960	1,106
Net working capital	50,976	47,261	14,765	16,839	19,564	17,888	(66)	(60)	85,239	81,928
Investments										
Total investments in property, plant, equipment and intangible assets**	12,670	10,262	4,606	3,931	5,617	3,557	0	0	22,893	17,750

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

** Incl. goodwill and figures out of business combinations

Systems supplier for collective flue and heating systems



APARTMENT BUILDINGS

Centrotherm and Ubbink have developed collective flue systems that enable multiple-floor connections to one common vertical flue exhaust liner. Other collective flue solutions include in-cascade installations where several centrally installed heating systems again share one common flue exhaust liner.

Large heating capacities of several 1000 kW are covered by the Wolf medium and large boiler series.

- 1** *Multiple floor solutions for de-central heating purposes*
- 2** *In-cascade heating installation, including flue solution*

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