

Q1

Quarterly Report
01/2019



CENTROTEC

The European Energy-Saving Company

Highlights

- > Successful start to 2019 financial year: domestic and international growth in all three segments
- > Consolidated revenue up 5.6% on prior-year quarter at EUR 147.2 million (previous year EUR 139.4 million); international share 47% as result of healthy development in Germany (previous year 48%)
 - Climate Systems revenue of EUR 100.3 million was 6.2% up on prior-year figure (EUR 94.5 million); overall solid, broad-based development
 - Gas Flue Systems increases revenue by 4.7% to EUR 33.1 million (previous year EUR 31.6 million); growth again in all key areas of segment
 - Medical Technology & Engineering Plastics with 3.9% revenue growth to EUR 13.7 million (previous year EUR 13.2 million); growth from both areas of segment, and both in Germany and internationally
- > Earnings at operating level slightly, at net result level clearly above last year's figures
 - EBIT rise slightly over proportional compared with sales up 6.8% to EUR 4.1 million
 - Almost constant net interest and easily positive financial result
 - EPS of EUR 0.26 (previous year EUR 0.05)
- > Slightly weaker – but fundamentally still positive – overall economic outlook for the relevant markets compared with recent years
- > For the full year, the forecasts for revenue (EUR 620 to 640 million) and EBIT (EUR 31 to 33 million) are confirmed.

Consolidated Key Figures

	31/03/2019 [EUR '000]	31/03/2018 [EUR '000]	Changes [Percent]
Total revenue	147,163	139,353	5.6
Climate Systems	100,332	94,514	6.2
Gas Flue Systems	33,091	31,616	4.7
Medical Technology & Engineering Plastics	13,740	13,223	3.9
Earnings			
EBITDA	11,066	9,763	13.3
EBIT	4,057	3,799	6.8
EBIT yield (in %)	2.8	2.7	
EBT	5,795	1,900	
EAT	4,195	778	
EPS (in EUR; basic)	0.26	0.05	
Balance sheet structure			
Balance sheet total	606,848	589,566	2.9
Shareholders' equity	241,830	258,893	(6.6)
Equity ratio (%)	39.9	43.9	
Property, plant and equipment	149,795	124,166	20.6
Intangible assets	44,527	40,109	11.0
Goodwill	77,281	77,288	(0.0)
Net financial position*	(55,920)	2,984	
Net working capital*	87,831	79,454	10.5
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	11,204	6,742	66.2
Cash flow from operating activities	(10,336)	(2,682)	
Cash flow from investing activities**	(12,717)	(6,555)	94.0
Employees			
Total (in FTE)	3,115	2,885	8.0
Shares			
Number of shares***	16,256	18,021	
Highest quotation****	11.98	15.88	
Lowest quotation****	10.46	13.54	
Quarterly-end quotation****	11.90	14.08	

* 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 three months of 2019 the CENTROTEC Group increased its revenue by 5.6% to EUR 147.2 million (previous year EUR 139.4 million). This growth was supported by all three segments, which achieved similar levels of growth. Because of stronger revenue growth in Germany, the international share of consolidated revenue declined to 47% in the first quarter of 2019 (previous year 48%).

The **Climate Systems** segment achieved the highest growth in absolute and percentage terms, with revenue rising 6.2% to EUR 100.3 million (previous year EUR 94.5 million). Revenue growth was achieved in almost every market in focus. The strongest growth came in Germany, Spain, the Netherlands, China and smaller Eastern European countries. By contrast, revenue in Russia declined in the first three months of the current year, mainly reflecting the delivery of a major project in the previous year. There was an especially positive development in sales of home ventilation systems in all relevant markets. Revenue for the area of combined heat and power units moreover stabilised.

Revenue by segment [EUR million]	Q1 2019	Q1 2018	Delta %
Climate Systems	100.3	94.5	6.2
Gas Flue Systems	33.1	31.6	4.7
Medical Technology & Engineering Plastics	13.7	13.2	3.9
Total	147.2	139.4	5.6

In the **Gas Flue Systems** segment, revenue was again increased in the first quarter, this time by 4.7% to EUR 33.1 million (previous year EUR 31.6 million). The strongest growth was achieved in France and Germany. However most markets delivered positive developments, with marked growth in the United Kingdom partly attributable to pull-forward effects prompted by Brexit. On the product side, the core areas of air piping and flue gas ducting showed the most strongly positive development.

Revenue in the **Medical Technology & Engineering Plastics** segment for the first quarter of EUR 13.7 million was 3.9% up on revenue for the corresponding prior-year period (EUR 13.2 million). Growth was achieved in both areas of the segment, though a slight slowdown in the market was detected in the cyclically sensitive area of Engineering Plastics.

The consolidated result for the quarter at operating level was improved out of proportion to consolidated revenue and in the case of **EBITDA** came to EUR 11.1 million. This represents a rise of 13.3% (previous year EUR 9.8 million). At **EBIT** level the rise of 6.8% to EUR 4.1 million (previous year EUR 3.8 million) was lower. It should be noted in this connection that the accounting rule changes pursuant to IFRS 16 shifted expenses

away from other expenses (EUR -1.3 million), and towards depreciation and amortisation pursuant to IFRS (EUR -1.2 million) and interest expense (EUR -0.1 million).

EBITDA for the **Climate Systems** segment reached EUR 5.2 million (previous year EUR 4.2 million) and EBIT came in at EUR 0.9 million (previous year EUR 0.6 million). An additional cost factor to be noted for this segment in the first quarter was the occurrence of the ISH, the leading industry exhibition held only once every two years.

The **Gas Flue Systems** segment was able to increase EBITDA by a slightly faster rate than revenue to EUR 4.3 million (previous year EUR 3.9 million) and EBIT to EUR 2.5 million (previous year EUR 2.4 million), again from increased revenue; this development consequently compensated for the cost increases for example for the development of new business models by the holding company that is included in consolidation under this segment.

In the **Medical Technology & Engineering Plastics** segment, EBITDA for the first three months of EUR 1.5 million and EBIT of EUR 0.7 million were slightly below the prior-year figures of EUR 1.7 and 0.8 million due to expenses for measures that do not yet directly bring in revenue.

The positive financial result of EUR 2.8 million at the reporting date (previous year EUR -0.9 million) – with net interest virtually steady – has a markedly positive influence on earnings before taxes (EBT), increasing the latter to EUR 5.8 million for the first quarter of 2019 (previous year EUR 1.9 million). Because of a comparatively low tax rate for the financial result, tax expense for the first quarter merely rose slightly to EUR 1.6 million (previous year EUR 1.1 million). Earnings after taxes (EAT) thus came to EUR 4.2 million, up from only EUR 0.8 million in the previous year. Earnings per share (EPS) for the first quarter consequently reached EUR 0.26 (previous year EUR 0.05),

At March 31, 2019 the **balance sheet total** of the CENTROTEC Group was EUR 606.8 million and was therefore above the prior-year figure of EUR 589.6 million. In addition to the general expansion in business activity, the adjusted accounting rules pursuant to IFRS 16 extended the balance sheet by EUR 13.6 million. It was also up EUR 38.6 million on the 2018 year-end figure. The **equity ratio** declined to 39.9% (previous year 42.2%) as a result of the expanded balance sheet with a slight increase in equity to EUR 241.8 million. At the balance sheet date **net working capital** climbed EUR 8.4 million to EUR 87.8 million as a result of renewed business volume expansion including from international operations. Compared with the end of the previous year (EUR 70.1 million), this likewise represented a marked rise in net working capital that was largely attributable to seasonal factors. The **net financial position** amounted to EUR -55.9 million at the end of the quarter, a reversal from EUR 3.0 million in the previous year. The share buyback programme conducted in the second quarter of the previous year with a volume of EUR 25.4 million was the principal reason for this year-on-year decline. The changed accounting rules pursuant to IFRS 16 also resulted in an increase in financial liabilities of EUR 13.6 million. The rise compared with the end of the previous year is also fundamentally attributable to the seasonally increased net working capital and the increased investment volume.

Key financial figures

[EUR million]	31/03/2019	31/12/2018	31/03/2018
Balance sheet total	606.8	568.2	589.6
Equity	241.8	239.5	258.9
Equity ratio (percent)	39.9	42.2	43.9
Net financial position*	(55.9)	(21.0)	3.0
Net working capital**	87.8	70.1	79.5

* 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 amounted to EUR -10.3 million in the first quarter of 2019 (previous year EUR -2.7 million). A key factor in this deterioration was the substantial rise in inventories and trade receivables compared with the prior-year period as a result of increased business volume, along with the increased income tax payments of EUR 3.3 million. Cash flow from investing activities of EUR 6.8 million was much further in the red than was the case in the previous year (EUR -3.2 million) as a result of the first quarter's increased investment volume compared with the previous year. Cash flow from financing activities of EUR 1.9 million was marginally up on the prior-year level (EUR 1.2 million) due to slightly higher repayments of borrowings than in the previous year.

The **investment volume** for the CENTROTEC Group for property plant and equipment as well as intangible assets rose to EUR 12.9 million (previous year EUR 6.5 million) in the first quarter of 2019. This near-doubling of the investment volume in the quarterly comparison is attributable to expansion and modernisation measures at various Group locations. However these rates of increase cannot be extrapolated over the full year. The Climate Systems segment invested EUR 6.5 million of this (previous year EUR 4.1 million), the Gas Flue Systems segment EUR 4.9 million (previous year EUR 1.1 million) and the Medical Technology & Engineering Plastics segment EUR 1.5 million (previous year EUR 1.4 million).

The performance in the first quarter of 2019 confirms the revenue and earnings growth expected for the year as a whole, to EUR 620 to 640 million and EUR 31 to 33 million respectively. The increased investment volume since the previous year – with a focus on the expansion and modernisation of the production facilities in Germany and internationally, as well as on the digitalisation of products and processes – broadens CENTROTEC's basis to continue targeting profitable growth. The acquisition of production equipment for heat exchangers announced after the period under review will not yet have any notable impact on the revenue and earnings performance in the financial year in progress.

Brilon, May 2019

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	31/03/2019	31/12/2018	31/03/2018
Non-current assets			
Goodwill	77,281	77,295	77,288
Intangible assets	44,527	43,713	40,109
Property, plant and equipment*	149,795	129,979	124,166
Financial investments accounted for using the equity method	64	64	52
Loans and investments	881	822	999
Other financial assets	13	9	9
Other assets	29	30	56
Deferred tax assets	10,252	9,355	2,836
	282,842	261,267	245,515
Current assets			
Inventories	84,307	78,661	75,526
Trade Receivables	84,308	65,224	77,105
Income tax receivable	4,254	2,695	2,217
Cash and cash equivalents	45,471	49,761	59,980
Other financial assets	98,807	101,892	122,961
Other assets	6,859	8,706	6,262
	324,006	306,939	344,051
Assets	606,848	568,206	589,566

Equity and Liabilities in EUR thousand	31/03/2019	31/12/2018	31/03/2018
Shareholders' equity			
Share Capital	18,021	18,021	18,021
Capital reserves	40,659	40,659	40,659
Treasury stock	(25,408)	(25,408)	0
Retained earnings and profit carryforward	204,363	193,563	199,996
Profit attributable to shareholders of CENTROTEC Sustainable AG	4,195	12,670	826
	241,830	239,505	259,502
Non-controlling interests	0	0	(609)
	241,830	239,505	258,893
Non-current liabilities			
Pension provisions	48,086	45,634	45,544
Other provisions	12,688	12,690	15,962
Financial liabilities*	156,218	145,875	148,166
Other financial liabilities	1,063	853	903
Other liabilities	12	19	25
Deferred tax liabilities	11,074	11,709	6,626
	229,141	216,780	217,226
Current liabilities			
Other provisions	4,011	4,318	3,312
Income tax payable	1,675	3,324	1,472
Financial liabilities*	40,275	23,063	29,147
Trade liabilities	35,235	32,453	31,491
Other financial liabilities	20,085	17,463	14,656
Other liabilities	34,596	31,300	33,369
	135,877	111,921	113,447
Equity and Liabilities	606,848	568,206	589,566

* An increase of EUR 13.6 million results from the new leasing standard IFRS 16 after all rights of use of leased assets are to be capitalized.

Consolidated Income Statement

in EUR thousand	01/01/2019 31/03/2019	01/01/2018 31/03/2018
Revenues	147,163	139,353
Cost of purchased materials and services	(72,810)	(68,745)
Changes in inventories of finished goods and work in progress	3,510	3,263
Production for own fixed assets capitalised	1,118	818
Other income	2,212	2,053
Personnel expenses	(45,086)	(42,009)
Other expenses	(25,041)	(24,970)
EBITDA	11,066	9,763
Depreciation and amortisation	(7,009)	(5,964)
Operating income (EBIT)	4,057	3,799
Interest income	34	15
Interest expense	(1,121)	(1,046)
Other financial income	2,825	(868)
Result before income taxes (EBT)	5,795	1,900
Income taxes	(1,600)	(1,122)
Net income (EAT)	4,195	778
Attributable to:		
Non-controlling interests	0	(48)
Shareholders of CENTROTEC Sustainable AG	4,195	826
EPS (Earnings per share in EUR)		
Earnings per share (basic)	0.26	0.05
Earnings per share (diluted)	0.26	0.05
Weighted average shares outstanding (in thousand units; basic)	16,256	18,021
Weighted average shares outstanding (in thousand units; diluted)	16,256	18,021

* The increase in depreciation and amortization in the amount of EUR 1.2 million results from the new leasing standard IFRS 16 after all rights of use of leased assets are to be capitalized.

Consolidated Statement of Comprehensive Income

in EUR thousand	01/01/2019 31/03/2019	01/01/2018 31/03/2018
Net income (EAT)	4,195	778
Items that may be reclassified subsequently to profit or loss		
Exchange Rate differences on translation	119	49
Derivative financial instruments	(373)	85
Income tax relating to components of other comprehensive income	61	(35)
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(193)	99
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,393)	757
Income tax relating to components of other comprehensive income	716	(222)
Other comprehensive income for items that will not be reclassified to profit or loss	(1,677)	535
Other comprehensive income	(1,870)	634
Total comprehensive income	2,325	1,412
Attributable to:		
Non-controlling interests	0	(50)
Shareholders of CENTROTEC Sustainable AG	2,325	1,462

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2019 31/03/2019	01/01/2018 31/03/2018
Net income before interest and taxes (EBIT)	4,057	3,799
Depreciation and amortisation	7,009	5,964
Gain/ loss on disposal of fixed assets	(73)	9
Other non-cash items	(1,179)	(33)
Increase/ decrease in provisions	(265)	(302)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(22,531)	(12,658)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	8,220	2,870
Interest received	34	11
Interest paid	(140)	(217)
Income tax paid	(5,468)	(2,125)
Cash flow from operating activities	(10,336)	(2,682)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(12,904)	(6,567)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	187	12
Investments in short-term financial assets	5,921	3,392
Cash flow from investing activities	(6,796)	(3,163)
Proceeds from financial liabilities	196	274
Repayment of financial liabilities	(2,113)	(1,470)
Cash flow from financing activities	(1,917)	(1,196)
Change in financial resources	(19,049)	(7,041)
Foreign currency exchange gain/ loss of the financial resources	226	1
Financial resources at the beginning of the financial year*	33,574	44,897
Financial resources at the end of the period*	14,751	37,857

* 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	
	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2019 31/03/2019	01/01/2018 31/03/2018
Income Statement										
Revenue from third parties	100,332	94,514	33,091	31,616	13,740	13,223	0	0	147,163	139,353
Revenue from other segments	631	400	1,651	1,689	4	68	(2,286)	(2,157)	0	0
Cost of purchased materials and services	(49,397)	(45,433)	(16,418)	(16,250)	(9,273)	(9,219)	2,278	2,157	(72,810)	(68,745)
Changes in inventories of finished goods and work in progress	3,381	2,295	48	417	81	551	0	0	3,510	3,263
Personnel expenses	(35,541)	(33,379)	(8,580)	(7,764)	(965)	(866)	0	0	(45,086)	(42,009)
Other expenses and income	(14,184)	(14,162)	(5,485)	(5,848)	(2,042)	(2,089)	0	0	(21,711)	(22,099)
EBITDA	5,222	4,235	4,307	3,860	1,545	1,668	(8)	0	11,066	9,763
Depreciation and amortisation	(4,329)	(3,626)	(1,830)	(1,500)	(850)	(838)	0	0	(7,009)	(5,964)
Segment result (EBIT)	893	609	2,477	2,360	695	830	(8)	0	4,057	3,799
Interest income	34	1	66	90	0	0	(66)	(76)	34	15
Interest expense	(555)	(509)	(522)	(506)	(110)	(107)	66	76	(1,121)	(1,046)
Other financial income	57	(36)	2,768	(832)	0	0	0	0	2,825	(868)
EBT	429	65	4,789	1,112	585	723	(8)	0	5,795	1,900
Balance sheet key figures										
Assets*	323,229	289,871	209,593	240,904	58,642	52,751	(67)	(64)	591,397	583,462
Financial investments accounted for using the equity method	0	0	0	0	64	52	0	0	64	52
Loans and investmens	871	989	0	0	10	10	0	0	881	999
Net Working Capital	51,126	44,583	16,930	16,451	19,842	18,487	(67)	(67)	87,831	79,454
Investments										
Total investments in property, plant, equipment and intangible assets**	6,462	4,066	4,888	1,082	1,500	1,400	0	0	12,850	6,548

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

** The additions due to the new leasing standard IFRS 16 are not included here.

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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