

Q1

Quarterly Report
01/2020

CENTROTEC

The European Energy-Saving Company



Highlights

- > Overall healthy operating performance in first quarter across all segments, as expected; effects of coronavirus crisis only evident towards end of quarter, and regionally limited
- > Consolidated revenue up 13.0% year on year, at EUR 166.3 million (previous year EUR 147.2 million); international share 45% as result of pandemic-driven sales slump in certain countries (previous year 47%)
 - Climate Systems with revenue increase of 13.6% to EUR 114.0 million (previous year EUR 100.3 million); based on good performance in German heating market
 - Gas Flue Systems with revenue rise of 12.8% to EUR 37.3 million (previous year EUR 33.1 million); growth again coming from various product areas, with overproportional growth in German market
 - Medical Technology & Engineering Plastics with 9.4% revenue growth to EUR 15.0 million (previous year EUR 13.7 million); growth specifically from German medical technology business, revenue declines in United Kingdom, Italy and France
- > Operating result well up on previous year, investment result weighs on net earnings
 - EBIT reaches EUR 9.1 million (previous year EUR 4.1 million)
 - Slight improvement in net interest and, in a change from previous year, clearly negative financial result of EUR -5.7 million (previous year EUR 2.8 million profit)
 - EPS of EUR 0.02 (previous year EUR 0.26)
- > Global economy deeply unsettled by coronavirus crisis; since end of quarter under review, steep downturn in some international markets; German sales market still steady but real estate market under threat of collapse in 2nd half and in 2021
- > Full-year forecast (revenue EUR 670 to 690 million / EBIT EUR 34 to 36 million) therefore still subject to reservations due to coronavirus crisis.

Consolidated Key Figures

	31/03/2020 [EUR '000]	31/03/2019 [EUR '000]	Changes [Percent]
Total revenue	166,334	147,163	13.0
Climate Systems	113,964	100,332	13.6
Gas Flue Systems	37,343	33,091	12.8
Medical Technology & Engineering Plastics	15,027	13,740	9.4
Earnings			
EBITDA	17,118	11,066	54.7
EBIT	9,060	4,057	
EBIT yield (in %)	5.4	2.8	
EBT	2,377	5,795	(59.0)
EAT	351	4,195	(91.6)
EPS (in EUR; basic)	0.02	0.26	(90.7)
Balance sheet structure			
Balance sheet total	603,822	606,848	(0.5)
Shareholders' equity	235,389	241,830	(2.7)
Equity ratio (%)	39.0	39.9	
Property, plant and equipment	161,476	149,795	7.8
Intangible assets	48,634	44,527	9.2
Goodwill	77,744	77,281	0.6
Net financial position*	(84,766)	(55,920)	51.6
Net working capital*	95,390	87,831	8.6
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	8,410	11,204	(24.9)
Cash flow from operating activities	(1,149)	(10,336)	(88.9)
Cash flow from investing activities**	(9,191)	(12,717)	(27.7)
Employees			
Total (in FTE)	3,245	3,115	4.2
Shares			
Number of shares***	14,631	16,256	
Highest quotation****	17.64	11.98	
Lowest quotation****	9.64	10.46	
Quarterly-end quotation****	11.44	11.90	

* 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

THE WHOLE WORLD OF HEATING SYSTEMS

└─ Apartment buildings

Collective exhaust systems Heating systems

Centrotherm and Ubbink have developed collective flue systems that enable multiple-floor connections to one common vertical flue exhaust liner. These collective flue systems also include in-cascade installations where several centrally installed heating systems again share one common flue exhaust liner. Wolf medium and large boiler series cover large heating capacities of several 1000 kW.

Decentralized heat generation through individual gas condensing heating systems with multiple occupancy across floors



Middle and large boiler series for central heat generation



Quarterly Report

In the first quarter of 2020 the CENTROTEC Group achieved a revenue increase of 13.0% to EUR 166.3 million (previous year EUR 147.2 million). This revenue was underpinned by a healthy performance in the core markets Germany, the Netherlands and France, though the coronavirus pandemic prompted a sharp downturn in revenue specifically in France in the final weeks of Q1 2020, as well as in Italy, Spain and the United Kingdom. In China, a similar sharp fall in revenue was observed over the entire first quarter. These developments meant the international share of consolidated revenue declined to 45%, down from 47% in the first quarter of the previous year.

In the **Climate Systems** segment, with its traditionally high revenue share in Germany, revenue for the quarter rose by 13.6% to EUR 114.0 million (previous year EUR 100.3 million). The German market contributed by far the biggest share of this growth and, combined with the positive development of eastern European markets, easily more than compensated for the slumps in revenue in a number of international markets at the end of the quarter due to the coronavirus pandemic. Three factors above all served to stimulate heating business: first, the mild winter allowed continuous construction activity. Second, final clarification of the financial incentives under the German government's climate package triggered catch-up effects from the previous year. Finally, a degree of stocking up by the wholesale trade was observed especially in March. Climate control business, which is highly dependent on commercial and public-sector construction activity, equally put in a positive performance. The construction industry was barely affected by the pandemic in the first quarter.

Revenue by segment [EUR million]	Q1 2020	Q1 2019	Delta %
Climate Systems	114.0	100.3	13.6
Gas Flue Systems	37.3	33.1	12.8
Medical Technology & Engineering Plastics	15.0	13.7	9.4
Total	166.3	147.2	13.0

The **Gas Flue Systems** segment achieved a similar growth rate to its sister segment Climate Systems, expanding by 12.8% to EUR 37.3 million (previous year EUR 33.1 million). Once again, the highest growth was achieved in Germany, though this was partly attributable to the consolidation of the German subsidiary IVT with its roof products from the second half of 2019. Organic growth amounted to 8.9%. The development in the Netherlands and also in France until part way through March was likewise positive. From mid-March, however, initial negative effects of the coronavirus crisis became apparent in countries that were especially affected by it and relevant for the segment, such as Italy, France, the United Kingdom and the USA.

In the **Medical Technology & Engineering Plastics** segment, based on a continuing healthy development in the Medical Technology area, revenue climbed 9.4% to EUR 15.0 million (previous year EUR 13.7 million). Conversely, business involving engineering plastics that is highly dependent on customers from the mechanical engineering sector and therefore cyclically sensitive suffered particularly from the market slowdown. As in the other two segments, once again the impact of the coronavirus pandemic only filtered through into the revenue figures at the end of the first quarter, and then only in specific countries.

At operating level the quarterly result rose, based on growth in all three segments. **EBITDA** for the first three months of 2020 was increased by 54.7% to EUR 17.1 million (previous year EUR 11.1 million). At the same time **EBIT** went up to EUR 9.1 million (previous year EUR 4.1 million) despite a higher volume of depreciation and amortisation (EUR 8.0 million; previous year EUR 7.0 million).

First-quarter EBITDA for the **Climate Systems** segment reached EUR 10.4 million, up from EUR 5.2 million in the previous year. EBIT was increased to EUR 5.4 million (previous year EUR 0.9 million). It should be noted that the prior-year figures included the costs for a high-profile presence at the leading industry exhibition ISH in Frankfurt, which is held every two years.

EBITDA for the **Gas Flue Systems** segment, which climbed from EUR 4.3 million for the previous year to EUR 5.0 million in Q1 2020, as well as EBIT (EUR 2.8 million; previous year EUR 2.5 million) both showed a slightly overproportional rise from substantially improved revenue.

In the **Medical Technology & Engineering Plastics** segment, the results for the first three months of the current financial year showed an improvement despite an already weaker performance in the Engineering Plastics area. EBITDA reached EUR 1.8 million (previous year EUR 1.5 million) and EBIT came in at EUR 0.9 million (previous year EUR 0.7 million).

Despite a slight improvement in net interest, in a turnaround from the previous year the clearly negative result from current investments at the balance sheet date meant the financial result significantly reduced earnings before tax (EBT) to EUR 2.4 million (previous year EUR 5.8 million). The high level of taxation on the operating result compared to the financial result pushed up the effective tax rate quite substantially from the previous year and reduced earnings after tax (EAT) to EUR 0.4 million (previous year EUR 4.2 million). Earnings per share (EPS) consequently came to EUR 0.02 (previous year EUR 0.26).

At March 31, 2020 the **balance sheet total** of the CENTROTEC Group remained virtually flat at EUR 603.8 million (previous year EUR 606.8 million). The same was true of the **equity ratio**, which at 39.0% was on a par with the end of the previous year and only slightly lower than the reference figure for the previous year (39.9%). The higher volume of business prompted a rise in **net working capital** to EUR 95.4 million (previous year EUR 87.8 million). The net financial position declined compared with the previous year (EUR -55.9 million) to EUR -84.8 million. This was especially attributable to the share buy-back programme with a volume of EUR 20.5 million conducted in the previous year, increased investing activities in the past financial year and the higher working capital.

Key financial figures

[EUR million]	31/03/2020	31/12/2019	31/03/2019
Balance sheet total	603.8	588.1	606.8
Equity	235.4	230.2	241.8
Equity ratio (percent)	39.0	39.1	39.9
Net financial position*	(84.7)	(66.9)	(55.9)
Net working capital**	95.4	81.2	87.8

* 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 investing activities of EUR -1.1 million in Q1 2020 was much less into negative territory than was the case in the previous year (EUR -10.3 million). The significantly improved operating result had a positive impact on cash flow here, and compensated for the increased working capital. With operating activities remaining virtually constant, cash flow from investing activities featured substantial reclassification of current investments to bank deposits and totalled EUR 45.1 million, back into positive territory compared with the prior-year EUR -6.8 million. On the other hand cash flow from financing activities remained largely unchanged at EUR -2.4 million, compared with EUR -1.9 million in the previous year.

In the first quarter of 2020 the **investment volume** for the CENTROTEC Group for property plant and equipment and intangible assets came to EUR 9.5 million (previous year EUR 12.9 million). The biggest single investment concerned took place at the new, cross-segment location in China. Following the pause at the start of the year due to the coronavirus, good progress is now being made with its construction. For the full year, a high investment volume probably slightly down on the prior-year level is envisaged. However the very rapidly shifting overall economic situation renders it necessary to critically scrutinise all major individual investments. Of the total investment in the first quarter, the Climate Systems segment invested EUR 5.3 million (previous year EUR 6.5 million), the Gas Flue Systems segment EUR 3.6 million (previous year EUR 4.9 million) and the Medical Technology & Engineering Plastics segment EUR 0.6 million (previous year EUR 1.5 million).

The high uncertainty weighing on the global economy from the coronavirus crisis is only partly reflected in the Q1 2020 figures because major production stoppages caused by infections among the workforce have so far been avoided thanks to the well-functioning, promptly introduced hygiene concept; nor have there been any major interruptions to production from supply bottlenecks. Both risks nevertheless continue to apply and will need to be managed very closely over the coming months. The sharp downturns already observed at the end of the period under review in some countries that are relevant for the group, such as France, Spain, Italy and the United Kingdom, will adversely affect CENTROTEC in the second quarter even if the sales situation in the German heating market still appears to be relatively steady, at least at the start of the quarter. However the pandemic led to a dramatic slump in the Purchasing Managers Index in the real estate sector in March. We anticipate that the downturn in new real estate business will persist for some months, following the sharp cross-sector economic reversal and the high burden on public-sector budgets. This will have an adverse effect especially on business for commercial ventilation systems in the Climate Systems segment in the second half

and next year. Bearing that in mind, reservations apply to the full-year forecast from the start of the year envisaging revenue of EUR 670 to 690 million and with expected EBIT of EUR 34 to 36 million.

Brilon, May 2020

The Management Board

SYSTEM PROVIDER FOR RENEWABLE ENERGIES

Residential buildings

Condensing heating technology Heat pumps

The highly efficient Wolf heat pumps open up the potential of renewable energies for future-oriented building heating technology for new residential buildings. Condensing systems for oil and gas in combination with solar thermal are ideal for the energy renovation of the existing building stock. They make optimum use of these fossil fuels and thus conserve scant resources. Both alternatives in combination with a ventilation system with heat recovery up to 95% ensure a permanently high indoor air quality with the highest energy efficiency.

Wolf split heat pump in combination with
an integrated ventilation system by Brink

Wolf heat pump range



Consolidated Statement of Financial Position

Assets in EUR thousand	31/03/2020	31/12/2019	31/03/2019
Non-current assets			
Goodwill	77,744	77,882	77,281
Intangible assets	48,634	48,283	44,527
Property, plant and equipment	161,476	159,146	149,795
Financial investments accounted for using the equity method	67	67	64
Loans and investments	551	697	881
Other financial assets	21	21	13
Other assets	30	36	29
Deferred tax assets	9,029	10,156	10,252
	297,552	296,288	282,842
Current assets			
Inventories	92,980	86,379	84,307
Trade Receivables	90,562	72,357	84,308
Income tax receivable	1,918	2,694	4,254
Cash and cash equivalents	89,014	39,068	45,471
Other financial assets	23,279	83,248	98,807
Other assets	8,517	8,036	6,859
	306,270	291,782	324,006
Assets	603,822	588,070	606,848

Equity and Liabilities in EUR thousand	31/03/2020	31/12/2019	31/03/2019
Shareholders' equity			
Share Capital	14,631	16,257	18,021
Capital reserves	40,659	40,659	40,659
Treasury stock	0	(20,482)	(25,408)
Retained earnings and profit carryforward	179,748	170,283	204,363
Profit attributable to shareholders of CENTROTEC SE	351	23,433	4,195
	235,389	230,150	241,830
Non-controlling interests	0	0	0
	235,389	230,150	241,830
Non-current liabilities			
Pension provisions	48,740	55,927	48,086
Other provisions	12,992	12,828	12,688
Financial liabilities	157,729	158,683	156,218
Other financial liabilities	1,227	1,543	1,063
Other liabilities	13	13	12
Deferred tax liabilities	9,815	10,103	11,074
	230,516	239,097	229,141
Current liabilities			
Other provisions	3,332	4,052	4,011
Income tax payable	2,181	3,599	1,675
Financial liabilities	35,375	26,445	40,275
Trade liabilities	39,235	32,256	35,235
Other financial liabilities	23,653	20,938	20,085
Other liabilities	34,141	31,533	34,596
	137,917	118,823	135,877
Equity and Liabilities	603,822	588,070	606,848

Consolidated Income Statement

in EUR thousand	01/01/2020 31/03/2020	01/01/2019 31/03/2019
Revenues	166,334	147,163
Cost of purchased materials and services	(78,938)	(72,810)
Changes in inventories of finished goods and work in progress	2,973	3,510
Production for own fixed assets capitalised	970	1,118
Other income	2,136	2,212
Personnel expenses	(49,816)	(45,086)
Other expenses	(26,541)	(25,041)
EBITDA	17,118	11,066
Depreciation and amortisation	(8,058)	(7,009)
Operating income (EBIT)	9,060	4,057
Interest income	20	34
Interest expense	(1,022)	(1,121)
Other financial income	(5,681)	2,825
Result before income taxes (EBT)	2,377	5,795
Income taxes	(2,026)	(1,600)
Net income (EAT)	351	4,195
Attributable to:		
Non-controlling interests	0	0
Shareholders of CENTROTEC SE	351	4,195
EPS (Earnings per share in EUR)		
Earnings per share (basic)	0.02	0.26
Earnings per share (diluted)	0.02	0.26
Weighted average shares outstanding (in thousand units; basic)	14,631	16,256
Weighted average shares outstanding (in thousand units; diluted)	14,631	16,256

Consolidated Statement of Comprehensive Income

in EUR thousand	01/01/2020 31/03/2020	01/01/2019 31/03/2019
Net income (EAT)	351	4,195
Items that may be reclassified subsequently to profit or loss		
Exchange Rate differences on translation	(391)	119
Derivative financial instruments	11	(373)
Income tax relating to components of other comprehensive income	131	61
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(249)	(193)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	7,261	(2,393)
Income tax relating to components of other comprehensive income	(2,124)	716
Other comprehensive income for items that will not be reclassified to profit or loss	5,137	(1,677)
Other comprehensive income	4,888	(1,870)
Total comprehensive income	5,239	2,325
Attributable to:		
Non-controlling interests	0	0
Shareholders of CENTROTEC SE	5,239	2,325

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2020 31/03/2020	01/01/2019 31/03/2019
Net income before interest and taxes (EBIT)	9,060	4,057
Depreciation and amortisation	8,058	7,009
Gain/ loss on disposal of fixed assets	5	(73)
Other non-cash items	235	(1,179)
Increase/ decrease in provisions	(391)	(265)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(25,777)	(22,531)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	12,200	8,220
Interest received	20	34
Interest paid	(220)	(140)
Income tax paid	(4,339)	(5,468)
Cash flow from operating activities	(1,149)	(10,336)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(9,460)	(12,904)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	269	187
Investments in short-term financial assets	54,299	5,921
Cash flow from investing activities	45,108	(6,796)
Proceeds from financial liabilities	1,046	196
Repayment of financial liabilities	(3,432)	(2,113)
Cash flow from financing activities	(2,386)	(1,917)
Change in financial resources	41,573	(19,049)
Foreign currency exchange gain/ loss of the financial resources	(253)	226
Financial resources at the beginning of the financial year*	24,738	33,574
Financial resources at the end of the period*	66,058	14,751

* 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	
	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2020 31/03/2020	01/01/2019 31/03/2019
Income Statement										
Revenue from third parties	113,964	100,332	37,343	33,091	15,027	13,740	0	0	166,334	147,163
Revenue from other segments	1,303	631	2,235	1,651	4	4	(3,542)	(2,286)	0	0
Cost of purchased materials and services	(54,129)	(49,397)	(18,294)	(16,418)	(9,992)	(9,273)	3,477	2,278	(78,938)	(72,810)
Changes in inventories of finished goods and work in progress	2,532	3,381	581	48	(140)	81	0	0	2,973	3,510
Personnel expenses	(38,808)	(35,541)	(9,904)	(8,580)	(1,104)	(965)	0	0	(49,816)	(45,086)
Other expenses and income	(14,462)	(14,184)	(7,005)	(5,485)	(1,968)	(2,042)	0	0	(23,435)	(21,711)
EBITDA	10,400	5,222	4,956	4,307	1,827	1,545	(65)	(8)	17,118	11,066
Depreciation and amortisation	(4,990)	(4,329)	(2,133)	(1,830)	(935)	(850)	0	0	(8,058)	(7,009)
Segment result (EBIT)	5,410	893	2,823	2,477	892	695	(65)	(8)	9,060	4,057
Interest income	20	34	64	66	0	0	(64)	(66)	20	34
Interest expense	(436)	(555)	(515)	(522)	(135)	(110)	64	66	(1,022)	(1,121)
Other financial income	(825)	57	(5,532)	2,768	0	0	676	0	(5,681)	2,825
EBT	4,169	429	(3,160)	4,789	757	585	611	(8)	2,377	5,795
Balance sheet key figures										
Assets*	339,646	323,229	191,477	209,593	61,087	58,642	47	(67)	592,257	591,397
Financial investments accounted for using the equity method	0	0	0	0	67	64	0	0	67	64
Loans and investments	541	871	0	0	10	10	0	0	551	881
Net Working Capital	56,439	51,126	17,668	16,930	21,424	19,842	(141)	(67)	95,390	87,831
Investments										
Total investments in property, plant, equipment and intangible assets**	5,337	6,462	3,556	4,888	564	1,500	0	0	9,457	12,850

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

** Without IFRS 16 Leasing additions

SYSTEM COMPONENT PROVIDER

Residential and commercial buildings

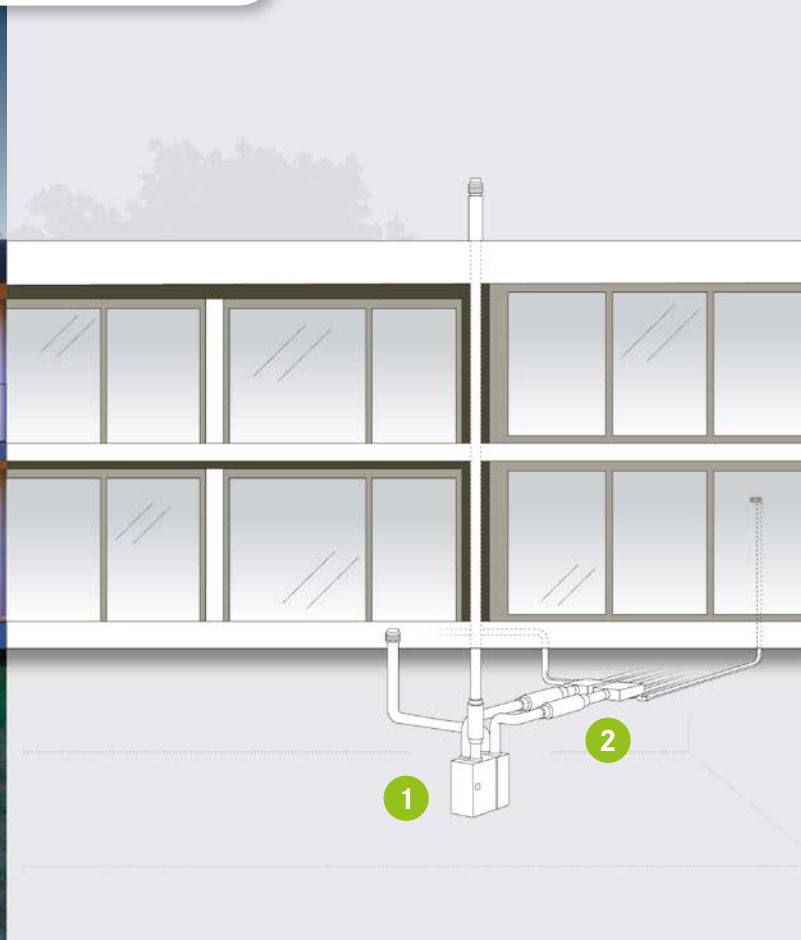
Key components for system integrators

CENTROTEC is a system supplier and also offers key components for other system integrators. These include heat exchangers from Holmak for building ventilation with heat recovery up to 95%. For heating systems, Ubbink and Centrotherm offer flue and ventilation ductwork systems and components that are preferred by leading heating and ventilation manufacturers. Additionally, the Ubbink Centrotherm Group offers a complete range of system components that preserve the durability and life cycle of residential and commercial buildings.

Air-to-air heat exchanger



Residential ventilation components



CENTROTEC SE

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