

Q1

Quarterly Report
01/2016

Highlights

- > German heating market starts 2016 on tentative note; mixed development in international markets
- > Consolidated revenue for first three months rises to EUR 125.8 million (previous year EUR 120.9 million); organic growth of 0.9 %.
- Climate Systems with rise in revenue to EUR 88.6 million (previous year EUR 86.2 million); subdued heating business; revenue growth from PRO-KLIMA (EUR 3.8 million) amid difficult environment for climate control business; international business mixed, but narrowly positive overall
- Gas Flue Systems again achieves positive development; revenue climbs to EUR 25.5 million (previous year EUR 23.4 million); broad regional basis for growth
- Medical Technology & Engineering Plastics sees revenue increase to EUR 11.6 million (previous year EUR 11.2 million); growth underpinned by Medical Technology

- > Operating result (EBITDA) of EUR 8.8 million below the elevated prior-year figure (EUR 9.8 million) which included EUR 1.3 million from foreign exchange gains
- Depreciation and amortisation edges up to EUR 5.8 million (previous year EUR 5.6 million) as result of increased investment volume of previous years: EBIT consequently reaches EUR 3.0 million (previous year EUR 4.2 million); EPS of EUR 0.05 (previous year EUR 0.11)
- Net borrowings slightly reduced; net working capital increased mainly attributed by temporarily higher tax assets

- > Outlook confirmed: for 2016 full-year revenue of EUR 550 to 570 million and EBIT of between EUR 32 and 35 million are expected

Consolidated Key Figures

	31/03/2016 [EUR '000]	31/03/2015 [EUR '000]	Changes [Percent]
Total revenue	125,755	120,861	4.0
Climate Systems	88,555	86,202	2.7
Gas Flue Systems	25,523	23,432	8.9
Medical Technology & Engineering Plastics	11,677	11,227	4.0
Earnings			
EBITDA	8,812	9,786	(10.0)
EBIT	3,015	4,176	(27.8)
EBIT yield (in %)	2.4	3.5	
EBT	2,253	3,383	(33.4)
EAT	807	1,875	(56.9)
EPS (in EUR; basic)	0.05	0.11	
Balance sheet structure			
Balance sheet total	456,760	432,129	5.7
Shareholders' equity	224,102	207,927	7.8
Equity ratio (%)	49.1	48.1	
Property, plant and equipment	121,365	114,434	6.1
Intangible assets	40,888	42,154	(3.0)
Goodwill	77,245	72,076	7.2
Net financial liabilities	22,599	23,229	(2.7)
Net working capital	71,238	63,623	12.0
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	6,604	7,485	(11.8)
Cash flow from operating activities	(13,240)	(1,116)	>100
Cash flow from investing activities	(6,677)	(6,855)	(2.6)
Employees			
Total (in FTE)	3,158	2,916	8.3
Shares			
Number of shares*	17,733	17,647	
Highest quotation**	14.25	14.79	
Lowest quotation**	11.56	12.85	
Quarterly-end quotation**	14.00	14.79	

* Weighted average shares outstanding (basic; in thousand)

** Quotation in EUR

SOLAR THERMAL – AT THE HEART OF MODERN HEATING SYSTEMS



1
Wolf solar thermal flat collectors:
high-efficiency solar collectors with an innovative absorber and effective insulation trap thermal solar energy, especially in the spring and autumn.

2
Solar calorifier and control:
a highly insulated calorifier and an intelligent control system are at the heart of an arrangement that integrates thermal solar energy into modern heating systems.

3
Wolf BlueStream condensing boiler range:
is it possible to improve on condensing boiler technology? Yes! With BlueStream technology for Wolf's newly developed gas and oil-fired condensing boilers. They combine maximum energy efficiency with low power consumption, ease of installation and a comprehensive, smart control and operation system.

4
Condensing boiler gas flue systems:
the innovative plastic gas flue systems from Centrotherm/ Ubbink are noted for their environmental compatibility, corrosion resistance and durability. They are moreover versatile to use and easy to install, especially in renovation projects.

Quarterly Report

In the first three months of the 2016 financial year the CENTROTEC Group increased its **revenue** by 4.0 % to EUR 125.8 million (previous year EUR 120.9 million). All three segments contributed towards this growth. In the **Climate Systems** segment, revenue was up 2.7 % at EUR 88.6 million (previous year EUR 86.2 million). PRO-KLIMA, included in consolidation since the middle of last year, contributed EUR 3.8 million to revenue for the segment. Organically, there was therefore a slight drop in revenue for the segment. The subdued start to the current financial year for the German heating market, the continuing difficult environment for climate control and CHP business plus a number of weak international markets such as France and Spain had a negative effect. On the other hand the swift progress of integrating PRO-KLIMA, the steady business performance of the Dutch Brink Group and growth for new products represented positive developments in the first quarter of the year.

With revenue growing 8.9 % to EUR 25.5 million (previous year EUR 23.4 million), the positive trend of recent quarters continued in the **Gas Flue Systems** segment. The growth was spread broadly among the core products in the exhaust gas and air piping areas. The stronger trend towards condensing boiler technology that was given further momentum by the Europe-wide introduction of the Ecodesign Directive in the previous year supported this development.

In the **Medical Technology & Engineering Plastics** segment, revenue for Q1 2016 climbed 4.0 % to EUR 11.7 million (previous year EUR 11.2 million). This rise was underpinned predominantly by growth in the Medical Technology area.

Revenue by segment [EUR million]	Q1 2016	Q1 2015	Delta %
Climate Systems	88.6	86.2	2.7
Gas Flue Systems	25.5	23.4	8.9
Medical Technology & Engineering Plastics	11.7	11.2	4.0
Total	125.8	120.9	4.0

The operating **result** (EBITDA) for the group of EUR 8.8 million was 10 % below the elevated prior-year figure (EUR 9.8 million), which had included EUR 1.3 million from foreign exchange gains. The slight increase in depreciation and amortisation produced an EBIT at group level of EUR 3.0 million (previous year EUR 4.2 million). Organically and before foreign exchange effects, EBIT came to EUR 2.7 million (previous year EUR 2.9 million).

In the **Climate Systems** segment, EBITDA of EUR 4.2 million was down 24.6 % on the prior-year amount (EUR 5.6 million), though the latter figure contained a positive foreign exchange effect of EUR 0.9 million. Furthermore, as indicated above the fundamentally low result for the segment in the opening months of the year was affected by expenditure for internationalisation. EBIT consequently amounted to EUR 0.6 million (previous year EUR 2.0 million). EBIT after adjustment for acquisitions and exchange rate movements was EUR 0.2 million (previous year EUR 1.2 million).

In the **Gas Flue Systems** segment, too, the prior-year result for the first quarter (EBITDA EUR 2.4 million / EBIT EUR 1.0 million) was boosted by EUR 0.4 million from positive exchange rate movements, but was

exceeded in the financial year in progress by 14.5 % and 26.1 % respectively thanks to the significantly higher revenue and the economies of scale achieved, to produce EBITDA of EUR 2.8 million and EBIT of EUR 1.3 million.

In the **Medical Technology & Engineering Plastics** segment, EBITDA of EUR 1.8 million and EBIT of EUR 1.1 million were each at the same level as in the previous year.

A slightly reduced interest burden and a higher, regularly fluctuating effective tax rate in the first few months led to earnings after tax (EAT) of EUR 0.8 million. This resulted in earnings per share (EPS) of EUR 0.05 (previous year EUR 0.11).

Key financial figures

[EUR million]	31/03/2016	31/12/2015	31/03/2015
Balance sheet total	456.8	452.1	432.1
Shareholders' equity	224.1	226.0	207.9
Equity ratio (percent)	49.1	50.0	48.1
Net borrowings	22.6	1.6	23.2
Net working capital*	71.2	51.5	63.6

*Current assets – cash and cash equivalents – current, non-interest bearing borrowings

The first three months of 2016 brought no structural shifts in the **balance sheet** compared to the end of the previous year; the only changes were attributable to the seasonal nature of CENTROTEC's core business. The main area featuring changes was current assets. For example, as is usual in the first half of the year net working capital jumped to EUR 71.2 million (EUR 51.5 million on December 31, 2015). This figure was also EUR 7.6 million above the comparative figure for the first quarter of the previous year; that is mainly attributable to temporarily higher tax receivable. Net borrowings increased to EUR 22.6 million in the first quarter (EUR 1.6 million on December 31, 2016) and were only slightly below the corresponding prior-year figure (EUR 23.2 million). The equity ratio came to 49.1 %, having been 50 % at the end of 2015 (Q1 2015: 48.1 %).

Cash flow from operating activities of EUR -13.2 million in the first quarter of 2016 was much lower than the prior-year figure (EUR -1.1 million). This was essentially due to the rise in working capital and the slightly lower operating result. The cash flows from investing activities and financing activities were roughly unchanged from the previous year.

The **investment volume** of EUR 6.8 million for the group was broadly at the previous year's level (EUR 7.0 million). The largest segment Climate Systems accounted for almost two-thirds of this amount. The investment priorities here were to expand and modernise production operations. In the Gas Flue Systems segment, capital expenditure of EUR 1.4 million in the first quarter likewise focused primarily on the expansion of the production infrastructure. Investment in the Medical Technology & Engineering Plastics segment came to EUR 1.1 million.

CENTROTEC confirms its **forecast** and anticipates moderate growth in revenue and earnings for 2016. For the full year, based on the facts currently known and assuming the group structure remains unchanged, revenue is expected to reach EUR 550 to 570 million and the operating result EUR 32 to 35 million.

COMBINED SYSTEM SOLUTIONS



1
Wolf solar thermal flat collectors:
high-efficiency solar collectors with an innovative absorber and effective insulation trap thermal solar energy, especially in the spring and autumn.

2
Wolf domestic technology centre:
the new Wolf CWL-T-300 Excellent home ventilation unit and the new Wolf heat-generating systems are not only visually matched, they also complement each other technically. The

incoming air for living areas is heated up to a comfortable temperature by a hydraulic reheating unit. This minimises heating surfaces and, in the ideal scenario, renders them altogether unnecessary. The required heating output is provided by Wolf heat-generating systems such as the BWL-1S air-to-water heat pump, the TOB oil-fired condensing boiler or the CGS-2 gas condensing boiler centre. Maximum energy efficiency is the result.

3
Wolf stratification cylinder:
a multifunctional calorifier such as the Wolf BSP stratification cylinder makes it possible to combine systems involving heat pumps, solar energy systems, gas and oil-fired boilers, combi-boilers, wood and pellet boilers, and electric immersion heaters. The stratification plates stabilise the temperature zones inside the tank and significantly improve the yield of the energy captured and stored there. A fresh-water station delivers convenient hot water on demand.

4
Wolf control module:
“smart home” says what the connected, intelligent building control system is all about. The new Wolf BM2 control module permits a joined-up approach to using heat-generating systems, integrated Wolf solar energy systems and the CWL Excellent comfort home ventilation units. With the Wolf Smartset control app, the integrated system can also be operated conveniently by smartphone over the ISM7i interface module, regardless of where the user is currently.

Consolidated Statement of Financial Position

Assets in EUR thousand	31/03/2016	31/12/2015	31/03/2015
Non-current assets			
Goodwill	77,245	77,166	72,076
Intangible assets	40,888	41,479	42,154
Property, plant and equipment	121,365	119,867	114,434
Financial investments accounted for using the equity method	0	0	0
Loans and investments	761	775	1,133
Other financial assets	168	180	9
Other assets	127	201	168
Deferred tax assets	6,334	6,451	7,273
	246,888	246,119	237,247
Current assets			
Inventories	65,266	62,172	62,369
Trade Receivables	64,165	53,935	61,489
Income tax receivable	3,558	2,121	2,088
Cash and cash equivalents	52,414	77,451	55,614
Other financial assets	17,588	3,549	6,467
Other assets	6,881	6,791	6,855
	209,872	206,019	194,882
Assets	456,760	452,138	432,129

Equity and Liabilities in EUR thousand	31/03/2016	31/12/2015	31/03/2015
Shareholders' equity			
Share Capital	17,733	17,733	17,647
Capital reserves	36,290	36,290	35,290
Treasury stock	0	0	0
Retained earnings and profit carryforward	170,537	150,317	152,181
Profit attributable to shareholders of CENTROTEC Sustainable AG	859	20,795	1,988
	225,419	225,135	207,106
Non-controlling interests presented within equity	(1,317)	827	821
	224,102	225,962	207,927
Non-current liabilities			
Pension provisions	42,516	40,179	42,191
Other provisions	16,318	17,006	14,521
Financial liabilities	53,971	55,286	52,795
Other financial liabilities	1,051	1,064	743
Other liabilities	134	120	126
Deferred tax liabilities	11,406	11,720	12,133
	125,396	125,375	122,509
Current liabilities			
Other provisions	3,568	4,928	3,722
Income tax payable	1,457	1,574	2,112
Financial liabilities	28,552	23,732	26,048
Trade liabilities	24,352	28,763	25,171
Other financial liabilities	14,624	11,652	12,354
Other liabilities	34,709	30,152	32,286
	107,262	100,801	101,693
Equity and Liabilities	456,760	452,138	432,129

Consolidated Income Statement

in EUR thousand	01/01/2016 31/03/2016	01/01/2015 31/03/2015
Revenues	125,755	120,861
Cost of purchased materials and services	(56,563)	(54,009)
Changes in inventories of finished goods and work in progress	1,832	734
Production for own fixed assets capitalised	709	734
Other income	2,045	2,918
Personnel expenses	(42,715)	(40,154)
Other expenses	(22,251)	(21,298)
EBITDA	8,812	9,786
Depreciation and amortisation	(5,797)	(5,610)
Operating income (EBIT)	3,015	4,176
Interest income	45	54
Interest expense	(807)	(847)
Result before income taxes (EBT)	2,253	3,383
Income taxes	(1,446)	(1,508)
Net income (EAT)	807	1,875
attributable to:		
Non controlling interest	(52)	(113)
Shareholders of CENTROTEC Sustainable AG	859	1,988
EPS (Earnings per share in EUR)		
Earnings per share (basic)	0.05	0.11
Earnings per share (diluted)	0.05	0.11
Weighted average shares outstanding (in thousand units; basic)	17,733	17,647
Weighted average shares outstanding (in thousand units; diluted)	17,752	17,773

Consolidated Statement of Comprehensive Income

in EUR thousand	01/01/2016 31/03/2016	01/01/2015 31/03/2015
Net income (EAT)	807	1,875
Items that may be reclassified subsequently to profit or loss		
Exchange Rate differences on translation	(133)	(140)
Derivative financial instruments	(10)	(145)
Available-for-sale financial assets	68	0
Income tax relating to components of other comprehensive income	51	44
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(24)	(241)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,182)	(2,246)
Income tax relating to components of other comprehensive income	639	657
Other comprehensive income for items that will not be reclassified to profit or loss	(1,543)	(1,589)
Other comprehensive income	(1,567)	(1,830)
Total comprehensive income	(760)	45
attributable to:		
Non controlling interest	(66)	(165)
Shareholders of CENTROTEC Sustainable AG	(694)	210

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2016 31/03/2016	01/01/2015 31/03/2015
Net income before interest and taxes (EBIT)	3,015	4,176
Depreciation and amortisation	5,797	5,610
Gain/ loss on disposal of fixed assets	28	(83)
Other non-cash items	1,189	109
Increase/ decrease in provisions	(1,906)	331
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(19,867)	(14,029)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	3,091	5,342
Interest received	45	49
Interest paid	(795)	(617)
Income tax paid	(3,837)	(2,004)
Cash flow from operating activities	(13,240)	(1,116)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(6,767)	(6,992)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	90	137
Cash flow from investing activities	(6,677)	(6,855)
Proceeds from issuance / sale of shares	0	158
Proceeds from financial liabilities	256	0
Repayment of financial liabilities	(1,618)	(3,494)
Cash payments to minority shareholders	(1,100)	0
Cash flow from financing activities	(2,462)	(3,336)
Change in financial resources	(22,379)	(11,307)
Foreign currency exchange gain/ loss of the financial resources	(29)	230
Financial resources at the beginning of the financial year*	66,661	54,064
Financial resources at the end of the period*	44,253	42,987

* Cash and cash equivalents including short-term financial assets deducted of credits current account

Consolidated Segment Reporting

Segment Structure in EUR thousand	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		TOTAL	
	01/01/2016 31/03/2016	01/01/2015 31/03/2015	01/01/2016 31/03/2016	01/01/2015 31/03/2015	01/01/2016 31/03/2016	01/01/2015 31/03/2015	01/01/2016 31/03/2016	01/01/2015 31/03/2015	01/01/2016 31/03/2016	01/01/2015 31/03/2015
Income Statement										
Revenue from third parties	88,555	86,202	25,523	23,432	11,677	11,227	0	0	125,755	120,861
Revenue from other segments	422	511	1,839	1,588	166	56	(2,427)	(2,155)	0	0
Cost of purchased materials and services	(43,241)	(41,189)	(11,776)	(11,333)	(3,981)	(3,650)	2,435	2,163	(56,563)	(54,009)
Changes in inventories of finished goods and work in progress	1,547	449	43	383	242	(98)	0	0	1,832	734
Personnel expenses	(30,247)	(28,365)	(7,904)	(7,665)	(4,564)	(4,124)	0	0	(42,715)	(40,154)
Other expenses and income	(12,828)	(12,030)	(4,945)	(3,977)	(1,724)	(1,639)	0	0	(19,497)	(17,646)
EBITDA	4,208	5,578	2,780	2,428	1,816	1,772	8	8	8,812	9,786
Depreciation and amortisation	(3,588)	(3,546)	(1,517)	(1,426)	(692)	(638)	0	0	(5,797)	(5,610)
Segment result (EBIT)	620	2,032	1,263	1,002	1,124	1,134	8	8	3,015	4,176
Interest income	42	48	79	80	0	0	(76)	(74)	45	54
Interest expenses	(617)	(547)	(140)	(224)	(126)	(150)	76	74	(807)	(847)
EBT	45	1,533	1,202	858	998	984	8	8	2,253	3,383
Balance sheet key figures										
Assets*	275,754	276,834	126,352	100,624	44,043	44,228	(42)	(51)	446,107	421,635
Financial investments accounted for using the equity method	0	0	0	0	0	0	0	0	0	0
Loans and investments	761	1,133	0	0	0	0	0	0	761	1,133
Net working capital	40,160	34,835	16,404	13,570	14,719	15,272	(45)	(54)	71,238	63,623
Investments										
Total investments in property, plant, equipment and intangible assets**	4,285	2,767	1,404	3,645	1,095	580	0	0	6,784	6,992

* 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

CONTROLLED VENTILATION WITH HEAT RECOVERY



1
Wolf range of condensing boilers for oil and gas:
the newly developed range of gas and oil-fired condensing boilers combines maximum energy efficiency with low power consumption, ease of installation and a comprehensive, convenient control and operation system.

2
Brink Renovent Excellent:
central home ventilation systems that recover up to 95 % of the heat, with very energy-efficient fans and convenient control technology, are the state of the art in new buildings.

3
Ubbink Air Excellent:
the innovative air distribution system for hygienic air distribution throughout the entire building.



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