

Q3

Quarterly Report
03/2017



Highlights

- > Weak performance in German heating business is only partly offset by progress in the sphere of internationalisation as well as by good climate control and ventilation business
- > Group revenue for Q3 up 1.8% to EUR 154.6 million (previous year EUR 151.9 million); over first nine months, revenue growth of 3.0% takes total to EUR 428.4 million (previous year EUR 415.7 million); growth in all segments
 - Climate Systems achieves third-quarter growth of 1.2% to EUR 112.2 million (previous year EUR 110.9 million); slightly higher growth rate over the first three quarters of 1.7% to EUR 303.2 million (previous year EUR 298.0 million); areas of growth included climate control and international business; German heating business below expectations
 - Gas Flue Systems achieves 3.9% revenue growth in third quarter to EUR 30.5 million (previous year EUR 29.4 million) and 6.3% for the first nine months to EUR 87.6 million (previous year EUR 82.4 million); growth broad-based and across all product groups, but still below expectations
 - Medical Technology & Engineering Plastics with revenue up 2.5% (EUR 11.8 million; previous year EUR 11.6 million) in third quarter; 6.5% revenue growth to EUR 37.6 million (previous year EUR 35.3 million) for year to September 30, 2017; both areas of segment produce growth in Germany and internationally
- > Result down on previous year
 - Shifts in product mix plus factor cost increases weigh on result
 - EBITDA for third quarter of EUR 19.5 million below prior-year figure of EUR 20.7 million; cumulatively EUR 37.2 million (previous year EUR 41.0 million)
 - EBIT of EUR 13.4 million below prior-year figure of EUR 14.6 million; cumulatively EUR 19.2 million (previous year EUR 23.2 million)
 - EPS of EUR 0.49 (previous year EUR 0.55); EUR 0.62 for year up to September inclusive (previous year EUR 0.78)
 - EUR 90 million raised to finance corporate growth by locking into current low interest rates long-term in form of a promissory note loan
- > For the full year, revenue is expected to lie in the middle of the original range of EUR 575 to 600 million. The earnings forecast is lowered to EUR 28 to 30 million.

Consolidated Key Figures

	30/09/2017 [EUR '000]	30/09/2016 [EUR '000]	Changes [Percent]
Total revenue	428,404	415,726	3.0
Climate Systems	303,173	298,024	1.7
Gas Flue Systems	87,596	82,372	6.3
Medical Technology & Engineering Plastics	37,635	35,330	6.5
Earnings			
EBITDA	37,433	41,018	(8.7)
EBIT	19,174	23,199	(17.4)
EBIT yield (in %)	4.5	5.6	
EBT	16,986	20,807	(18.4)
EAT	11,656	13,803	(15.6)
EPS (in EUR; basic)	0.62	0.78	
Balance sheet structure			
Balance sheet total	599,501	496,793	20.7
Shareholders' equity	250,203	229,615	9.0
Equity ratio (%)	41.7	46.2	
Property, plant and equipment	123,718	124,005	(0.2)
Intangible assets	39,700	40,000	(0.7)
Goodwill	77,243	77,245	(0.0)
Net financial position*	(7,764)	(22,151)	(65.0)
Net working capital*	81,928	79,598	2.9
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	29,915	31,622	(5.4)
Cash flow from operating activities	5,155	4,538	13.6
Cash flow from investing activities**	(15,391)	(20,132)	(23.6)
Employees			
Total (in FTE)	3,270	3,323	(1.6)
Shares			
Number of shares***	17,942	17,806	
Highest quotation****	19.76	15.60	
Lowest quotation****	14.83	11.56	
Quarterly-end quotation****	17.99	15.40	

* taking account for short-term financial assets

** without short-term financial assets

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

**** quotation in EUR

SOLAR THERMAL



1
Wolf solar thermal flat collectors:
high-efficiency solar collectors with an innovative absorber and effective insulation trap thermal solar energy.

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

The CENTROTEC Group achieved revenue of EUR 154.6 million in the third quarter of 2017 (previous year EUR 151.9 million). This meant revenue growth fell short of expectations by 1.8% in the seasonally important third quarter and also for the year to date. In the first nine months, revenue rose by 3.0% to EUR 428.4 million (previous year EUR 415.7 million). This organic growth was spread across all three segments, with the two smaller segments Gas Flue Systems and Medical Technology & Engineering Plastics achieving higher rates of growth. The international revenue component for the year to date climbed to 47% (compared with 45% in the prior-year period).

Third-quarter revenue for the **Climate Systems** segment was increased by 1.2% to EUR 112.2 million (previous year EUR 110.9 million) and the nine-month figure by 1.7% to EUR 303.2 million (previous year EUR 298.0 million). The largely positive developments internationally, especially in China, Spain and Russia, underpinned this performance. This international growth was supported by all product areas. Climate control and ventilation business equally enjoyed growth in Germany. On the other hand growth expectations in German heating business were not met. The programmes running since the start of the year to optimise sales, encompassing aspects such as the further expansion of the service structure, the increased scope of warranties and improvements to the discounts system, are already in place as corrective measures but have not yet achieved the required effect.

Revenue by segment [EUR million]	Q3 2017	Q3 2016	Delta in %	Q1-Q3 2017	Q1- Q3 2016	Delta in %
Climate Systems	112.2	110.9	1.2	303.2	298.0	1.7
Gas Flue Systems	30.5	29.4	3.9	87.6	82.4	6.3
Medical Technology & Engineering Plastics	11.8	11.6	2.5	37.6	35.3	6.5
Total	154.6	151.9	1.8	428.4	415.7	3.0

Third-quarter revenue for the **Gas Flue Systems** segment rose by 3.9% to EUR 30.5 million (previous year EUR 29.4 million) and therefore slightly more slowly than over the year to date, which saw revenue rise by 6.3% to EUR 87.6 million (previous year EUR 82.4 million). The areas yielding growth in the first nine months have included flue gas ducting and air piping as well as roofing technology. Clear growth was achieved in the Netherlands and USA, while France and Germany fell short of expectations.

In the **Medical Technology & Engineering Plastics** segment, third-quarter revenue climbed to EUR 11.8 million and therefore by 2.5% compared with the prior-year figure of EUR 11.6 million. In the first three quarters revenue went up 6.5% to EUR 37.6 million (previous year EUR 35.3 million), thanks in particular to growth in aesthetics and neurosurgery within the Medical Technology area, and in the German but also French and Benelux markets within the Engineering Plastics area.

The group's results both in the third quarter and over the first nine months of the current financial year were down on those for the corresponding prior-year periods. On top of the expected costs of the further expansion of the international sales and service infrastructure, the result was eroded above all by the shift in the product mix away from highly profitable German heating business and towards the much more competitive area of climate control and ventilation business. **EBITDA** for Q3 correspondingly declined 5.9% to EUR 19.5 million (previous year EUR 20.7 million) and **EBIT** fell by 8.8% to EUR 13.4 million (previous year EUR 14.6 million). For the whole of the year to date, these cumulative decreases of -8.7% for EBITDA to EUR 37.4 million (previous year EUR 41.0 million) and of -17.3% for EBIT to EUR 19.2 million (previous year EUR 20.8 million) were slightly higher than in the third quarter.

In the **Climate Systems** segment, EBITDA for the period from July to September came to EUR 12.6 million, merely 1.0% below the prior-year figure of EUR 12.7 million. EBIT remained constant at EUR 8.9 million. Cumulatively over the year to date, EBITDA came to EUR 19.2 million and was therefore 13.7% below the prior-year figure of EUR 22.3 million, while EBIT was down 26.5% at EUR 8.2 million (previous year EUR 11.2 million). Continuing efforts to keep costs strictly under control and the fairly high cost base of the prior-year quarter from a quarterly perspective compensated for the increased outlay for infrastructure expansion, at least in the third quarter. However hopes of reducing the deficit from the first two quarters compared with the previous year were not fulfilled due to the comparatively difficult state of heating business.

The **Gas Flue Systems** segment saw EBITDA for Q3 decline from EUR 5.0 million (previous year EUR 5.8 million; -12.6%) due to the revenue trend and the cost of purchased materials, while EBIT fell to EUR 3.4 million (previous year EUR 4.2 million; -19.5%). Over the first nine months EBITDA fell 3.8% to EUR 12.6 million (previous year EUR 13.1 million), and EBIT fell 9.6% to EUR 7.7 million (previous year EUR 8.5 million).

In the **Medical Technology & Engineering Plastics** segment, EBITDA and EBIT were equally down in the third quarter by 17.0% and 32.0% to EUR 1.8 million and EUR 1.0 million respectively as a result of the increase in personnel and intensified sales activities (previous year EUR 2.2 million and EUR 1.5 million respectively). Cumulatively, EBITDA remained unchanged from the previous year at EUR 5.6 million, while EBIT of EUR 3.2 million was 6.9% down on the prior-year figure.

With the interest burden broadly constant and a slightly reduced tax burden, earnings before tax (EBT) for the third quarter fell 11.5% to EUR 12.3 million and earnings after tax (EAT) were down 8.1% at EUR 8.8 million. Cumulatively over the first nine months, EBT fell 18.4% to EUR 17.0 million (previous year EUR 20.8 million) and EAT was down 15.6% at EUR 11.7 million (previous year EUR 13.8 million). Based on the average number of shares outstanding over the year to date of 17.9 million (previous year 17.8 million), earnings per share amounted to EUR 0.49 in the third quarter (previous year EUR 0.55) and EUR 0.62 for the year to date (previous year EUR 0.78).

The **balance sheet total** at September 30, 2017 was increased to EUR 598.9 million compared with the same point in the previous year (EUR 496.8 million) mainly as a result of the raising of a promissory note loan for EUR 90 million. CENTROTEC has thus been able to use the current low interest rates to secure long-term financing on attractive terms. The funds are earmarked for general refinancing and corporate development. In addition, the net working capital at the end of the quarter rose to EUR 81.9 million (previous year EUR 79.6 million) roughly in proportion to revenue growth. Seasonal factors were behind a significant rise compared with the end of the previous year (EUR 58.0 million). The net financial position of EUR -7.8 million at the end of the third quarter was far less negative than in the previous year EUR (EUR -22.2 million). Equity rose by 8.7% from a

prior-year EUR 229.6 million to EUR 249.6 million. The increased balance sheet total brought the equity ratio down to 41.7% (previous year 46.2%; 50.2% at end of 2016).

Key financial figures [EUR million]	30/09/2017	31/12/2016	30/09/2016
Balance sheet total	599.5	479.7	496.8
Shareholders' equity	250.2	240.6	229.6
Equity ratio (percent)	41.7	50.2	46.2
Net financial position*	(7.8)	6.6	(22.2)
Net working capital**	81.9	58.0	79.6

* 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

The **cash flow** from operating activities of EUR 5.2 million for the first nine months was slightly up on the prior-year figure of EUR 4.5 million. The lower net income for the period was more than offset by the non-recurring effect of high capital gains tax receivables in the previous year. The cash flow from investing activities of EUR 15.4 million, disregarding current investments, was lower than in the previous year (EUR 20.1 million) because of the reduced investment volume compared with a high prior-year level. The cash flow from financing activities peaked at a record high of EUR 82.6 million (previous year EUR -7.2 million) mainly through the successful placement of the promissory note loan.

At EUR 6.9 million, the group-wide **investment volume** in the third quarter was above the prior-year figure of EUR 5.7 million. However for the year to date, this figure of EUR 17.8 million was down on the high prior-year figure of EUR 20.9 million. The largest single investment in the year to date involved the acquisition of an extension building in the Climate Systems segment.

For the full year, revenue is expected now to lie in the middle of the original forecast range of EUR 575 to 600 million. However due to the less favourable composition of revenue in terms of market and product mix, earnings expectations (EBIT) have now been downgraded to EUR 28 to 30 million.

Brilon, November 2017

The Management Board

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 Wolf CWL-T-300 Excellent home ventilation unit and the 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. The required heating output is provided by Wolf heat-generating systems such as heat pumps or condensing boiler centres.

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 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 ISM interface module, regardless of where the user is currently.

Consolidated Statement of Financial Position

Assets in EUR thousand	30/09/2017	31/12/2016	30/09/2016
Non-current assets			
Goodwill	77,243	77,220	77,245
Intangible assets	39,700	39,747	40,000
Property, plant and equipment	123,718	125,606	124,005
Financial investments accounted for using the equity method	39	0	0
Loans and investments	1,106	1,134	737
Other financial assets	10	106	126
Other assets	77	79	96
Deferred tax assets	3,548	3,707	8,085
	245,441	247,599	250,294
Current assets			
Inventories	77,671	68,425	72,721
Trade Receivables	88,133	57,947	82,612
Income tax receivable	2,339	3,156	3,529
Cash and cash equivalents	44,158	63,202	43,868
Other financial assets	134,051	32,500	35,127
Other assets	7,708	6,866	8,642
	354,060	232,096	246,499
Assets	599,501	479,695	496,793

Equity and Liabilities in EUR thousand	30/09/2017	31/12/2016	30/09/2016
Shareholders' equity			
Share Capital	18,010	17,892	17,842
Capital reserves	40,058	38,037	37,554
Retained earnings and profit carryforward	181,677	164,259	161,594
Profit attributable to shareholders of CENTROTEC Sustainable AG	11,048	21,591	13,805
	250,793	241,779	230,795
Non-controlling interests presented within equity	(590)	(1,177)	(1,180)
	250,203	240,602	229,615
Non-current liabilities			
Pension provisions	45,482	45,832	49,529
Other provisions	16,349	17,418	16,180
Financial liabilities	151,546	63,371	59,029
Other financial liabilities	981	1,047	1,007
Other liabilities	67	108	123
Deferred tax liabilities	6,523	7,122	11,287
	220,948	134,898	137,155
Current liabilities			
Other provisions	4,259	5,062	4,318
Income tax payable	1,541	2,616	2,114
Financial liabilities	29,939	22,439	32,361
Trade liabilities	27,976	31,258	29,919
Other financial liabilities	22,860	10,363	25,283
Other liabilities	41,775	32,457	36,028
	128,350	104,195	130,023
Equity and Liabilities	599,501	479,695	496,793

Consolidated Income Statement

in EUR thousand	01/07/2017 30/09/2017	01/07/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016
Revenues	154,589	151,861	428,404	415,726
Cost of purchased materials and services	(72,056)	(68,463)	(194,449)	(188,136)
Changes in inventories of finished goods and work in progress	1,421	663	4,388	4,113
Production for own fixed assets capitalised	1,141	866	2,701	2,312
Other income	1,803	2,084	5,907	6,860
Personnel expenses	(44,252)	(42,491)	(137,782)	(128,985)
Other expenses	(23,180)	(23,834)	(71,736)	(70,872)
EBITDA	19,466	20,686	37,433	41,018
Depreciation and amortisation	(6,110)	(6,041)	(18,259)	(17,819)
Operating income (EBIT)	13,356	14,645	19,174	23,199
Interest income	12	22	180	110
Interest expense	(832)	(800)	(2,275)	(2,513)
Other financial result	(257)	11	(93)	11
Result before income taxes (EBT)	12,279	13,878	16,986	20,807
Income taxes	(3,456)	(4,273)	(5,330)	(7,004)
Net income (EAT)	8,823	9,605	11,656	13,803
attributable to:				
Non-controlling interest	(4)	(19)	608	(2)
Shareholders of CENTROTEC Sustainable AG	8,827	9,624	11,048	13,805
EPS (Earnings per share in EUR)				
Earnings per share (basic)	0.49	0.55	0.62	0.78
Earnings per share (diluted)	0.49	0.54	0.62	0.77
Weighted average shares outstanding (in thousand units; basic)	18,024	17,880	17,942	17,806
Weighted average shares outstanding (in thousand units; diluted)	18,004	17,902	17,942	17,826

Consolidated Statement of Comprehensive Income

in EUR thousand	01/07/2017 30/09/2017	01/07/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016
Net income (EAT)	8,823	9,605	11,656	13,803
Items that may be reclassified subsequently to profit or loss				
Exchange Rate differences on translation	(137)	(44)	152	(45)
Derivative financial instruments	(16)	60	141	(13)
Available-for-sale financial assets	316	307	1,015	568
Income tax relating to components of other comprehensive income	33	17	(48)	44
Other comprehensive income for items that may be reclassified subsequently to profit or loss	196	340	1,260	554
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans	(788)	(5,023)	811	(8,740)
Income tax relating to components of other comprehensive income	231	1,470	(237)	2,558
Other comprehensive income for items that will not be reclassified to profit or loss	(557)	(3,553)	574	(6,182)
Other comprehensive income	(361)	(3,213)	1,834	(5,628)
Total comprehensive income	8,462	6,392	13,490	8,175
attributable to:				
Non-controlling interest	(7)	(6)	621	71
Shareholders of CENTROTEC Sustainable AG	8,469	6,398	12,869	8,104

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2017 30/09/2017	01/01/2016 30/09/2016
Net income before interest and taxes (EBIT)	19,174	23,199
Depreciation and amortisation	18,259	17,819
Gain/ loss on disposal of fixed assets	120	75
Other non-cash items	195	(764)
Increase/ decrease in provisions	(1,352)	(836)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(41,731)	(46,544)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	18,462	20,750
Dividen received	2	11
Interest received	85	111
Interest paid	(1,410)	(2,466)
Income tax paid	(6,649)	(6,817)
Cash flow from operating activities	5,155	4,538
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(16,524)	(20,480)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	1,133	348
Proceeds and Purchase of investments in short-term financial assets	(99,372)	(25,371)
Cash flow from investing activities	(114,763)	(45,503)
Proceeds from issuance of shares	1,514	986
Proceeds from financial liabilities	91,618	8,559
Repayment of financial liabilities	(5,135)	(11,228)
Cash payments to minority shareholders	0	(1,100)
Dividend payment	(5,368)	(4,433)
Cash flow from financing activities	82,629	(7,216)
Change in financial resources	(26,979)	(48,181)
Foreign currency exchange gain/ loss of the financial resources	(151)	(61)
Financial resources at the beginning of the financial year*	48,025	66,661
Financial resources at the end of the period*	20,895	18,419

* 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	
	01/01/2017 30/09/2017	01/01/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016
Income Statement										
Revenue from third parties	303,173	298,024	87,596	82,372	37,635	35,330	0	0	428,404	415,726
Revenue from other segments	1,090	1,173	5,967	6,470	179	365	(7,236)	(8,008)	0	0
Cost of purchased materials and services	(146,869)	(146,851)	(42,231)	(37,753)	(12,587)	(11,546)	7,238	8,014	(194,449)	(188,136)
Changes in inventories of finished goods and work in progress	3,238	3,354	546	561	604	198	0	0	4,388	4,113
Personnel expenses	(98,143)	(91,609)	(24,863)	(23,990)	(14,776)	(13,386)	0	0	(137,782)	(128,985)
Other expenses and income	(43,249)	(41,795)	(14,440)	(14,586)	(5,439)	(5,319)	0	0	(63,128)	(61,700)
EBITDA	19,240	22,296	12,575	13,074	5,616	5,642	2	6	37,433	41,018
Depreciation and amortisation	(11,008)	(11,098)	(4,882)	(4,567)	(2,369)	(2,154)	0	0	(18,259)	(17,819)
Segment result (EBIT)	8,232	11,198	7,693	8,507	3,247	3,488	2	6	19,174	23,199
Interest income	172	107	236	233	1	0	(229)	(230)	180	110
Interest expenses	(1,606)	(1,878)	(524)	(446)	(374)	(419)	229	230	(2,275)	(2,513)
Other financial result	2	11	(95)	0	0	0	0	0	(93)	11
EBT	6,800	9,438	7,310	8,294	2,874	3,069	2	6	16,986	20,807
Balance sheet key figures										
Assets*	302,993	296,400	239,183	141,402	50,184	46,518	109	122	592,469	484,442
Financial investments accounted for using the equity method	0	0	0	0	39	0	0	0	39	0
Loans and investments	1,096	727	0	0	10	10	0	0	1,106	737
Net working capital	47,261	44,083	16,839	19,549	17,888	16,013	(60)	(47)	81,928	79,598
Investments										
Total investments in property, plant, equipment and intangible assets**	10,262	12,441	3,931	4,277	3,557	4,150	0	0	17,750	20,868

* 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

GAS FLUE SYSTEMS

ENERGY-SAVING LARGE BOILERS



1
Centrotherm/Ubbink gas flue systems for multi-boiler systems:

a condensate return is integrated into every element connecting with the gas flue pipe in the common flue shaft. This prevents the flue gases from other boilers from reaching the room.

2
Wolf MGK-2 midsize condensing boiler range for gas:

this midsize range of condensing boilers for gas features nine sizes, from 23 to 1,000 kW. Thanks to its quiet running and compact dimensions, the MGK-2 is especially suitable as a part of an efficient refurbishment project or in the renovation of older building stock, and is a very attractive solution in terms of economy.

3
Centrotherm/Ubbink cascade gas flue systems:

cascades connect several boilers installed in a single room with a common gas flue system. Centrotherm/Ubbink offer systems that prevent the flue gas from flowing back into other boilers.



CENTROTEC Sustainable AG

Am Patbergschen Dorn 9

D-59929 Brilon

Phone +49 (0) 2961-96 631 - 111

Fax +49 (0) 2961-96 631 - 100

ir@centrotec.de

www.centrotec.de