

Q1

Quarterly Report  
**01/2017**



# Highlights

- > Success of drive to internationalise becoming visible
  
- > Consolidated revenue increases 9.2% in first quarter to EUR 137.3 million (previous year EUR 125.8 million); similar rate of growth in all segments
  - Climate Systems with 9.1% revenue growth to EUR 96.7 million (previous year EUR 88.6 million); strongest growth achieved internationally
  - Gas Flue Systems revenue continues to be spread widely across products and amounts to 9.4% overall both at home and internationally, to reach EUR 27.9 million (previous year EUR 25.5 million)
  - Medical Technology & Engineering Plastics with 9.2% revenue growth to EUR 12.7 million (previous year EUR 11.7 million); underpinned by healthy development in Germany and certain international markets
  
- > Operating result up slightly on previous year
  - EBITDA of EUR 9.8 million above prior-year figure of EUR 8.8 million
  - Depreciation and amortisation up slightly at EUR 6.0 million (previous year EUR 5.8 million)
  - EBIT of EUR 3.8 million above prior-year figure of EUR 3.0 million
  - Net interest improves to EUR -0.6 million (previous year EUR -0.8 million)
  - EPS rises to EUR 0.08 (previous year EUR 0.05)
  - Net financial position of EUR -1.9 million shows substantial improvement compared with prior-year figure (EUR -22.6 million)
  
- > Fundamentally positive overall economic outlook for Germany and major international markets was also confirmed for the heating and climate technology sector at the ISH.
- > However first-quarter revenue and earnings shifted by the late Easter break and public holidays in April
- > Outlook for 2017 financial year therefore remains unchanged: revenue expected to be in the range of EUR 575 to 600 million; operating result should reach between EUR 33 and 35 million.

# Consolidated Key Figures

	31/03/2017 [EUR '000]	31/03/2016 [EUR '000]	Changes [Percent]
<b>Total revenue</b>	<b>137,325</b>	<b>125,755</b>	<b>9.2</b>
Climate Systems	96,650	88,555	9.1
Gas Flue Systems	27,929	25,523	9.4
Medical Technology & Engineering Plastics	12,746	11,677	9.2
<b>Earnings</b>			
EBITDA	9,835	8,812	11.6
EBIT	3,798	3,015	26.0
EBIT yield (in %)	2.8	2.4	
EBT	3,235	2,253	43.6
EAT	1,377	807	70.5
EPS (in EUR; basic)	0.08	0.05	
<b>Balance sheet structure</b>			
Balance sheet total	488,998	456,760	7.1
Shareholders' equity	243,257	224,102	8.5
Equity ratio (%)	49.7	49.1	
Property, plant and equipment	125,179	121,365	3.1
Intangible assets	39,343	40,888	(3.8)
Goodwill	77,305	77,245	0.1
Net financial position*	(1,880)	(22,599)	(91.7)
Net working capital*	69,469	71,238	(2.5)
<b>Cash flow statement</b>			
Cash flow I (EAT & depreciation/ amortisation)	7,414	6,604	12.3
Cash flow from operating activities	(3,879)	(13,240)	(70.7)
Cash flow from investing activities**	(4,921)	(6,677)	(26.3)
<b>Employees</b>			
Total (in FTE)	3,332	3,158	5.5
<b>Shares</b>			
Number of shares***	17,892	17,733	
Highest quotation****	18.25	14.25	
Lowest quotation****	14.83	11.56	
Quarterly-end quotation****	18.00	14.00	

\* 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 companies maintained their growth trajectory of recent years at the start of 2017 and increased consolidated revenue in the first quarter by 9.2% to EUR 137.3 million (previous year EUR 125.8 million), among other factors because of the Easter break not occurring until April. All three segments contributed to a similar extent to this organic growth for the first quarter, which is fundamentally weak due to seasonal factors. Revenue from international business accelerated more strongly than in the home market Germany. The proportion of international business thus rose to 46% in the first quarter (previous year 43%).

The **Climate Systems** segment achieved revenue growth of 9.1% to EUR 96.7 million (previous year EUR 88.6 million) and also contributed the strongest international growth of any segment. The steepest growth rates were registered in Spain, China and Russia, but other important markets such as the Netherlands, Austria, France and Italy also posted high growth rates. Germany too delivered revenue growth. However this fell short of the levels achieved internationally. Climate control technology and the ventilation solutions as well as the area of biogas CHPs, which had performed weakly in previous years, made especially good progress. On the other hand the development of the German heating market at the start of the year was not satisfactory.

Revenue by segment [EUR million]	Q1 2017	Q1 2016	Delta %
Climate Systems	96.7	88.6	9.1
Gas Flue Systems	27.9	25.5	9.4
Medical Technology & Engineering Plastics	12.7	11.7	9.2
<b>Total</b>	<b>137.3</b>	<b>125.8</b>	<b>9.2</b>

In the **Gas Flue Systems** segment the pronounced revenue growth of the past three years continued in the first quarter of 2017 with an increase of 9.4% to EUR 27.9 million (previous year EUR 25.5 million). The core products for flue gas ducting and air piping as well as all significant national markets for the group companies contributed to this development. The highest growth rates were achieved in the USA, the Netherlands and France.

The **Medical Technology & Engineering Plastics** segment generated revenue of EUR 12.7 million in the first three months of the current financial year and therefore 9.2% more than in the previous year (EUR 11.7 million). The Medical Technology area and German business for engineering plastics delivered this growth.

The operating result, which regularly exhibits high percentage swings in the first half due to seasonal factors, rose at a faster rate than revenue. The positive effects from a change in the product mix plus the fruits of ongoing process optimisations more than outweighed rises in materials purchase prices, and the material usage ratio declined slightly. **EBITDA** consequently increased by 11.6% to EUR 9.8 million (previous year EUR 8.8 million) and **EBIT** by 26.0% to EUR 3.8 million (previous year EUR 3.0 million) despite higher depreciation and amortisation.

The **Climate Systems** segment generated EBITDA of EUR 4.6 million in the first quarter of 2017 (previous year EUR 4.2 million) and EBIT of EUR 1.0 million (previous year EUR 0.6 million). Increased personnel and other expenses amid the drive to internationalise along with participation in the ISH show were balanced out by the below-average rise in the cost of purchased materials. The development in the cost of purchased materials was dependent on an array of individual effects. The most conspicuous of these include the economies of scale from the markedly higher revenue, advantages from a change in the product mix and the slow pace at which price rises filtered through from the clearing of inventories.

In the **Gas Flue Systems** segment, the EBITDA operating result increased by 15.2% to EUR 3.2 million (previous year EUR 2.8 million), and the EBIT operating result by 22.8% to EUR 1.6 million (previous year EUR 1.3 million). The higher materials purchase prices had a noticeable impact in this segment by eroding the result, as did the rise in personnel expenses. However the economies of scale from the healthy rise in revenue more than outweighed these effects.

In the **Medical Technology & Engineering Plastics** segment, the increased personnel and other expenses meant EBITDA was up 9.2% at EUR 2.0 million (previous year EUR 1.8 million) and EBIT up 7.8% at EUR 1.2 million (previous year EUR 1.1 million) virtually in proportion to the significantly higher revenue.

The reduced interest burden compared with the previous year prompted a rise in earnings before tax (EBT) to EUR 3.2 million (previous year EUR 2.3 million). The slightly lower effective tax rate led to earnings after tax (EAT) of EUR 1.4 million (previous year EUR 0.8 million) and earnings per share (EPS) of EUR 0.08 (previous year EUR 0.05).

**Key financial figures**

<b>[EUR million]</b>	<b>31/03/2017</b>	<b>31/12/2016</b>	<b>31/03/2016</b>
Balance sheet total	<b>489.0</b>	479.7	456.8
Shareholders' equity	<b>243.3</b>	240.6	224.1
Equity ratio (percent)	<b>49.7</b>	50.2	49.1
Net financial position*	<b>(1.9)</b>	6.6	(22.6)
Net working capital**	<b>69.5</b>	58.0	71.2

\* 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 further rise in the **balance sheet total** to EUR 489.0 million (previous year EUR 456.8 million / EUR 479.7 million at end of 2016) reflects the efforts of the CENTROTEC Group to expand. At the same time net working capital was reduced to EUR 69.5 million from the elevated prior-year figure of EUR 71.2 million due to tax

receivable. However due to the customary seasonal effects encountered in the industry, net working capital rose sharply on the year-end figure (EUR 58.0 million).

Nevertheless, the net financial position of EUR -1.9 million was only marginally negative and revealed a marked improvement on the corresponding prior-year figure (EUR -22.6 million). Equity capital at the end of the quarter was EUR 243.3 million higher than at the corresponding point in the previous year (EUR 224.1 million) and also higher than at the end of 2016 (EUR 240.6 million). The equity ratio of 49.7% was slightly below the 2016 year-end figure of 50.2% due to the increased balance sheet total but above the figure one year earlier of 49.1%.

The **cash flow** from operating activities amounted to EUR -3.9 million in the first three months of 2017. In the previous year it had been all of EUR -13.2 million mainly due to a rise in working capital over and above the degree attributable to seasonal factors. The cash flow from investing activities reached EUR -4.3 million, well down on the prior-year figure of EUR -14.2 million, as a result of a slightly lower investment volume in the first quarter and because of a current investment of cash and cash equivalents in the previous year. Cash flow from financing activities was EUR -1.5 million. The reduction compared with the prior-year figure (EUR -2.5 million) was attributable to the acquisition of the remaining minority interests in Dreyer und Bosse in the Climate Systems segment in the previous year.

The **investment volume** in property, plant and equipment as well as in intangible assets came to EUR 5.3 million in the first three months of the year in progress (previous year EUR 6.8 million). The biggest single investment was the acquisition of an extension building in the Climate Systems segment. All other major standalone investment projects served to modernise or expand the production infrastructure in the individual segments.

The **forecast** for the 2017 financial year remains unchanged. The first quarter benefited from an above-average number of working days and from the fact that the Easter break fell in April this year. This will adversely affect the development in the second quarter in the same measure. Against this backdrop, CENTROTEC continues to expect revenue of EUR 575 to 600 million and EBIT of between EUR 33 and 35 million for the year as a whole. For the financial years thereafter, CENTROTEC moreover expects to see a continuation in organic revenue growth and a return to a positive development in the profit margins.

Brilon, May 2017

The Management Board

# CLIMATE CONTROL AND VENTILATION – POWER SYSTEMS



**1**  
**Wolf KG Top large-scale air handling units:**  
ultra-efficient climate control solutions with air volume outputs of up to 100,000 m<sup>3</sup>/h can be configured to project-specific requirements according to a modular principle.

**2**  
**Wolf CHP systems:**  
the CHP (combined heat and power) systems made by Wolf, Kuntschar+Schlüter and Dreyer & Bosse range in performance up to 2 MW and cover a broad spectrum, running on biogas, sewage gas and natural gas.



# Consolidated Statement of Financial Position

<b>Assets</b> in EUR thousand	<b>31/03/2017</b>	<b>31/12/2016</b>	<b>31/03/2016</b>
<b>Non-current assets</b>			
Goodwill	77,305	77,220	77,245
Intangible assets	39,343	39,747	40,888
Property, plant and equipment	125,179	125,606	121,365
Financial investments accounted for using the equity method	0	0	0
Loans and investments	1,144	1,134	761
Other financial assets	9	106	168
Other assets	81	79	127
Deferred tax assets	2,895	3,707	6,334
	<b>245,956</b>	<b>247,599</b>	<b>246,888</b>
<b>Current assets</b>			
Inventories	70,264	68,425	65,266
Trade Receivables	70,510	57,947	64,165
Income tax receivable	3,666	3,156	3,558
Cash and cash equivalents	60,267	63,202	52,414
Other financial assets	32,548	32,500	17,588
Other assets	5,787	6,866	6,881
	<b>243,042</b>	<b>232,096</b>	<b>209,872</b>
<b>Assets</b>	<b>488,998</b>	<b>479,695</b>	<b>456,760</b>

<b>Equity and Liabilities</b> in EUR thousand	<b>31/03/2017</b>	<b>31/12/2016</b>	<b>31/03/2016</b>
<b>Shareholders' equity</b>			
Share Capital	17,892	17,892	17,733
Capital reserves	38,037	38,037	36,290
Retained earnings and profit carryforward	187,140	164,259	170,537
Profit attributable to shareholders of CENTROTEC Sustainable AG	1,456	21,591	859
	<b>244,525</b>	<b>241,779</b>	<b>225,419</b>
Non-controlling interests presented within equity	(1,268)	(1,177)	(1,317)
	<b>243,257</b>	<b>240,602</b>	<b>224,102</b>
<b>Non-current liabilities</b>			
Pension provisions	45,228	45,832	42,516
Other provisions	17,321	17,418	16,318
Financial liabilities	62,335	63,371	53,971
Other financial liabilities	1,021	1,047	1,051
Other liabilities	90	108	134
Deferred tax liabilities	6,628	7,122	11,406
	<b>132,623</b>	<b>134,898</b>	<b>125,396</b>
<b>Current liabilities</b>			
Other provisions	4,186	5,062	3,568
Income tax payable	1,330	2,616	1,457
Financial liabilities	28,961	22,439	28,552
Trade liabilities	28,173	31,258	24,352
Other financial liabilities	13,123	10,363	14,624
Other liabilities	37,345	32,457	34,709
	<b>113,118</b>	<b>104,195</b>	<b>107,262</b>
<b>Equity and Liabilities</b>	<b>488,998</b>	<b>479,695</b>	<b>456,760</b>

# Consolidated Income Statement

in EUR thousand	01/01/2017 31/03/2017	01/01/2016 31/03/2016
<b>Revenues</b>	<b>137,325</b>	<b>125,755</b>
Cost of purchased materials and services	(60,486)	(56,563)
Changes in inventories of finished goods and work in progress	2,207	1,832
Production for own fixed assets capitalised	700	709
Other income	1,922	2,045
Personnel expenses	(47,033)	(42,715)
Other expenses	(24,800)	(22,251)
<b>EBITDA</b>	<b>9,835</b>	<b>8,812</b>
Depreciation and amortisation	(6,037)	(5,797)
<b>Operating income (EBIT)</b>	<b>3,798</b>	<b>3,015</b>
Interest income	99	45
Interest expense	(694)	(807)
Other financial result	32	0
<b>Result before income taxes (EBT)</b>	<b>3,235</b>	<b>2,253</b>
Income taxes	(1,858)	(1,446)
<b>Net income (EAT)</b>	<b>1,377</b>	<b>807</b>
attributable to:		
Non controlling interest	(79)	(52)
Shareholders of CENTROTEC Sustainable AG	1,456	859
<b>EPS (Earnings per share in EUR)</b>		
Earnings per share (basic)	0.08	0.05
Earnings per share (diluted)	0.08	0.05
Weighted average shares outstanding (in thousand units; basic)	17,892	17,733
Weighted average shares outstanding (in thousand units; diluted)	17,902	17,752

# Consolidated Statement of Comprehensive Income

in EUR thousand	01/01/2017 31/03/2017	01/01/2016 31/03/2016
<b>Net income (EAT)</b>	<b>1,377</b>	<b>807</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange Rate differences on translation	147	(133)
Derivative financial instruments	(10)	(10)
Available-for-sale financial assets	601	68
Income tax relating to components of other comprehensive income	(35)	51
<b>Other comprehensive income for items that may be reclassified subsequently to profit or loss</b>	<b>703</b>	<b>(24)</b>
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of defined benefit plans	813	(2,182)
Income tax relating to components of other comprehensive income	(238)	639
<b>Other comprehensive income for items that will not be reclassified to profit or loss</b>	<b>575</b>	<b>(1,543)</b>
<b>Other comprehensive income</b>	<b>1,278</b>	<b>(1,567)</b>
<b>Total comprehensive income</b>	<b>2,655</b>	<b>(760)</b>
attributable to:		
Non controlling interest	(91)	(66)
Shareholders of CENTROTEC Sustainable AG	2,746	(694)

# Consolidated Statement of Cash Flows

in EUR thousand	01/01/2017 31/03/2017	01/01/2016 31/03/2016
Net income before interest and taxes (EBIT)	3,798	3,015
Depreciation and amortisation	6,037	5,797
Gain/ loss on disposal of fixed assets	70	28
Other non-cash items	1,069	1,189
Increase/ decrease in provisions	(676)	(1,906)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(13,157)	(19,867)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	4,353	3,091
Interest received	137	45
Interest paid	(530)	(795)
Income tax paid	(4,980)	(3,837)
<b>Cash flow from operating activities</b>	<b>(3,879)</b>	<b>(13,240)</b>
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(4,972)	(6,767)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	51	90
Proceeds and Purchase of investments in short-term financial assets	622	(7,510)
<b>Cash flow from investing activities</b>	<b>(4,299)</b>	<b>(14,187)</b>
Proceeds from financial liabilities	166	256
Repayment of financial liabilities	(1,690)	(1,618)
Cash payments to minority shareholders	0	(1,100)
<b>Cash flow from financing activities</b>	<b>(1,524)</b>	<b>(2,462)</b>
<b>Change in financial resources</b>	<b>(9,702)</b>	<b>(29,889)</b>
Foreign currency exchange gain/ loss of the financial resources	64	(29)
Financial resources at the beginning of the financial year*	48,025	66,661
Financial resources at the end of the period*	38,387	36,743

\* 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 31/03/2017	01/01/2016 31/03/2016	01/01/2017 31/03/2017	01/01/2016 31/03/2016	01/01/2017 31/03/2017	01/01/2016 31/03/2016	01/01/2017 31/03/2017	01/01/2016 31/03/2016	01/01/2017 31/03/2017	01/01/2016 31/03/2016
<b>Income Statement</b>										
Revenue from third parties	96,650	88,555	27,929	25,523	12,746	11,677	0	0	137,325	125,755
Revenue from other segments	473	422	1,709	1,839	49	166	(2,231)	(2,427)	0	0
Cost of purchased materials and services	(45,281)	(43,241)	(13,372)	(11,776)	(4,071)	(3,981)	2,238	2,435	(60,486)	(56,563)
Changes in inventories of finished goods and work in progress	1,211	1,547	818	43	178	242	0	0	2,207	1,832
Personnel expenses	(33,148)	(30,247)	(8,818)	(7,904)	(5,067)	(4,564)	0	0	(47,033)	(42,715)
Other expenses and income	(15,262)	(12,828)	(5,064)	(4,945)	(1,852)	(1,724)	0	0	(22,178)	(19,497)
<b>EBITDA</b>	<b>4,643</b>	<b>4,208</b>	<b>3,202</b>	<b>2,780</b>	<b>1,983</b>	<b>1,816</b>	<b>7</b>	<b>8</b>	<b>9,835</b>	<b>8,812</b>
Depreciation and amortisation	(3,616)	(3,588)	(1,650)	(1,517)	(771)	(692)	0	0	(6,037)	(5,797)
<b>Segment result (EBIT)</b>	<b>1,027</b>	<b>620</b>	<b>1,552</b>	<b>1,263</b>	<b>1,212</b>	<b>1,124</b>	<b>7</b>	<b>8</b>	<b>3,798</b>	<b>3,015</b>
Interest income	97	42	78	79	0	0	(76)	(76)	99	45
Interest expenses	(512)	(617)	(133)	(140)	(125)	(126)	76	76	(694)	(807)
Other financial result	0	0	32	0	0	0	0	0	32	0
<b>EBT</b>	<b>612</b>	<b>45</b>	<b>1,529</b>	<b>1,202</b>	<b>1,087</b>	<b>998</b>	<b>7</b>	<b>8</b>	<b>3,235</b>	<b>2,253</b>
<b>Balance sheet key figures</b>										
Assets*	283,479	275,754	148,637	126,352	49,064	44,043	113	(42)	481,293	446,107
Financial investments accounted for using the equity method	0	0	0	0	0	0	0	0	0	0
Loans and investments	1,134	761	0	0	10	0	0	0	1,144	761
Net working capital	40,850	40,160	13,152	16,404	15,522	14,719	(55)	(45)	69,469	71,238
<b>Investments</b>										
Total investments in property, plant, equipment and intangible assets**	3,389	4,285	1,082	1,404	806	1,095	0	0	5,277	6,784

\* 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

# 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.



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