

02

Half-Year Report
2018



Highlights

- > Further progress with internationalisation; business in German heating market stabilising
- > Group revenue up 4.6% on first half of previous year at EUR 286.4 million (previous year EUR 273.8 million); international share rises from 47% to 49%
- Climate Systems revenue increased by 3.4% to EUR 197.4 million based on good second quarter (previous year EUR 190.9 million); stable development in German heating market, CHP business remains weak
- Gas Flue Systems with 10.0% revenue growth to EUR 62.8 million (previous year EUR 57.1 million); growth in all key areas of segment
- Medical Technology & Engineering Plastics with 1.5% revenue growth to EUR 26.2 million (previous year EUR 25.8 million); increased revenue for Engineering Plastics
- > Operating profit up on previous year
- EBITDA of EUR 19.0 million (previous year EUR 18.0 million)
- Depreciation and amortisation slightly below previous year at EUR 12.0 million (EUR 12.2 million)
- EBIT reaches EUR 7.0 million (previous year EUR 5.8 million)
- Deterioration in net interest and financial result
- EPS of EUR 0.06 (previous year EUR 0.12)
- > Positive macroeconomic outlook for all relevant markets
- > For the full year, as before revenue is expected to rise to between EUR 600 and 620 million with a slight year-on-year increase in the operating result (EBIT) to between EUR 30 and 32 million.

Consolidated Key Figures

	30/06/2018 [EUR '000]	30/06/2017 [EUR '000]	Changes [Percent]
Total revenue	286,359	273,815	4.6
Climate Systems	197,407	190,947	3.4
Gas Flue Systems	62,767	57,071	10.0
Medical Technology & Engineering Plastics	26,185	25,797	1.5
Earnings			
EBITDA	18,981	17,967	5.6
EBIT	7,024	5,818	20.7
EBIT yield (in %)	2.5	2.1	
EBT	2,396	4,707	(49.1)
EAT	1,104	2,833	(61.0)
EPS (in EUR; basic)	0.06	0.12	
Balance sheet structure			
Balance sheet total	579,353	496,112	16.8
Shareholders' equity	227,972	240,663	(5.3)
Equity ratio (%)	39.3	48.5	
Property, plant and equipment	124,047	123,693	0.3
Intangible assets	40,543	39,178	3.5
Goodwill	77,315	77,306	0.0
Net financial position*	(35,811)	(10,197)	
Net working capital*	85,328	75,426	13.1
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	13,061	14,982	(12.8)
Cash flow from operating activities	(2,217)	(2,839)	(21.9)
Cash flow from investing activities**	(12,991)	(8,539)	52.1
Employees			
Total (in FTE)	2,960	3,405	(13.1)
Shares			
Number of shares***	17,078	17,910	
Highest quotation****	15.88	19.76	
Lowest quotation****	13.10	14.83	
Half year-end quotation****	13.20	19.26	

* taking account for short-term financial assets

** without short-term financial assets

*** 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*

Interim Group Management Report

General economic situation

The overall economic environment in which the CENTROTEC Group – hereinafter also referred to as CENTROTEC – was stable in the first six months of 2018. Economic growth in Germany continued, and the same was true of most of the international markets in the group’s focus. However protectionist tendencies in individual countries and embargoes increasingly pose a threat to global economic development.

Financial performance

Revenue

In the first half of the 2018 financial year the CENTROTEC Group increased its revenue by 4.6% to EUR 286.4 million (previous year EUR 273.8 million) thanks to growth achieved in all three corporate segments. The share of revenue generated internationally came to 49% (previous year 47%). The two most important markets apart from Germany – the Netherlands and France – brought the highest revenue growth for CENTROTEC companies, with the rates of increase well into double figures. The growth rates in Spain, China and the USA were equally above the group average.

In the **Climate Systems** segment, revenue for the first six months of the current financial year rose 3.4% to EUR 197.4 million (previous year EUR 190.9 million). Alongside the continuing process of internationalisation in all product areas specifically of this segment, the growing stabilisation of German heating business as well as very good capacity utilisation for climate control business served as the bedrock for this growth. In the area of combined heat and power units, the performance was weaker compared to the previous year. That area is currently suffering from an unclear regulatory environment which is severely eroding willingness to invest in natural gas CHPs. In the Climate Systems segment, the growth rates for revenue in almost all relevant international markets were higher than those for the German home market, which equally delivered revenue growth.

Revenue by segment	Q2 2018	Q2 2017	Delta	Q1 – Q2 2018	Q1 – Q2 2017	Delta
[EUR million]			%			%
Climate Systems	102.9	94.3	9.1	197.4	190.9	3.4
Gas Flue Systems	31.2	29.1	6.9	62.8	57.1	10.0
Medical Technology & Engineering Plastics	13.0	13.1	(0.7)	26.2	25.8	1.5
Total	147.0	136.5	7.7	286.4	273.8	4.6

The **Gas Flue Systems** segment increased its revenue for the first half by 10.0% to EUR 62.8 million (previous year EUR 57.1 million). As was already the case in the opening months of the year, it delivered revenue growth

over the first half in almost all relevant markets, including Germany. The most significant revenue growth was achieved in the national markets France and the Netherlands, which are those of greatest significance for the Gas Flue Systems segment. All areas of air piping and flue gas ducting as well as roofing technology contributed to growth.

Revenue for the **Medical Technology & Engineering Plastics** segment in the first half of 2018 went up 1.5% year on year to EUR 26.2 million (previous year EUR 25.8 million). This revenue growth, achieved particularly in the first few months of the financial year, stemmed principally from the Engineering Plastics area.

Earnings

The operating result for the CENTROTEC Group for the first half of 2018 was up on the prior-year figures. There was a 5.6% rise in **EBITDA** to EUR 19.0 million (previous year EUR 18.0 million). On that basis, and thanks to slightly lower depreciation and amortisation, EBIT climbed from EUR 5.8 million in the previous year to EUR 7.0 million in 2018, and therefore by 20.7%. As was already the case in the first quarter, the first half saw a largely earnings-neutral shift between personnel expenses and purchased services.

In the **Climate Systems** segment, despite a negative shift in the product mix in terms of the impact on margins, EBITDA went up by 13.6% to EUR 7.5 million EUR (previous year EUR 6.6 million). With the level of depreciation and amortisation remaining constant, EBIT of EUR 0.2 million in the seasonally typically weak first half was marginally positive, compared with negative EBIT of EUR -0.7 million in the same period of the previous year.

The **Gas Flue Systems** segment increased its EBITDA for the first six months of the 2018 financial year by 5.7% to EUR 8.0 million (previous year EUR 7.5 million) thanks to the positive effects of revenue growth. That, along with the slightly reduced level of depreciation and amortisation, lifted first-half EBIT by 15.6% to EUR 5.0 million (previous year EUR 4.3 million).

The **Medical Technology & Engineering Plastics** segment posted EBITDA of EUR 3.5 million for the first half of 2018 and EBIT of EUR 1.8 million. In the first half of the previous year these figures had been slightly higher, at EUR 3.8 million for EBITDA and EUR 2.2 million for EBIT.

As a consequence of the promissory note loan raised mid-way through last year, the interest burden was higher and had the effect of diminishing earnings before tax (EBT), as did the largely unrealised fluctuations in the value of investments that are recognised in the financial result. This took EBT for the first half of 2018 to EUR 2.4 million, as against EUR 4.7 million in the previous year. Earnings after tax (EAT) came to EUR 1.1 million (previous year EUR 2.8 million). With a reduced number of shares following the share buyback, this represented earnings per share (EPS) of EUR 0.06 (previous year EUR 0.12).

Net worth and financial position

At June 30, 2018 the **balance sheet total** for the CENTROTEC Group came to EUR 579.4 million and was therefore up almost one-fifth on the prior-year figure of EUR 496.1 million, in essence as a result of the promissory note loan for EUR 90 million raised in mid-2017. Compared with the end of 2017 (EUR 580.5 million) it revealed only a marginal change. EUR. As a result of the share buyback conducted at the end of the first half of 2018 for a total outlay of EUR 25.4 million, **shareholders' equity** declined to EUR 228.0 million

(previous year EUR 240.6 million / end of year EUR 257.5 million. The equity ratio consequently fell to 39.3% (previous year 48.5% / end of year 44.4%). Compared with the corresponding prior-year balance sheet date, net working capital was up EUR 9.9 million at EUR 85.3 million (previous year EUR 75.4 million) as a result of the expanded business volume above all from international operations. As in the past, there was equally a marked seasonal rise compared with the end of the previous year (EUR 70.3 million). The net financial position declined to EUR -35.8 million compared with the prior-year figure of EUR -10.2 million, mainly as a result of the share buyback programme.

Key financial figures

[EUR million]	30/06/2018	31/12/2017	30/06/2017
Balance sheet total	579.4	580.5	496.1
Equity	228.0	257.5	240.7
Equity ratio (percent)	39.3	44.4	48.5
Net financial position*	(35.8)	13.0	(10.2)
Net working capital**	85.3	70.3	75.4

* 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 of EUR -2.2 million for the first half of 2018 showed a slight improvement compared with the corresponding prior-year period (EUR -2.8 million). The biggest positive changes in this cash flow item were the improved earnings, the change in provisions and the reduced income tax payments. The cash flow from investing activities was positive at EUR 2.8 million thanks to disposals of current investments, in a turnaround from EUR -7.9 million in the previous year. The cash flow from financing activities of EUR -32.5 million was much higher than the prior-year figure of EUR -6.8 million due to the payments in connection with the share buyback programme. Overall, the financial resources of the CENTROTEC Group declined by EUR 31.9 million (previous year EUR 17.5 million) in the first six months of 2018.

The **investment volume** for the CENTROTEC Group for property plant and equipment as well as intangible assets in the first six months of 2018 came to EUR 13.1 million (previous year EUR 10.9 million). The Climate Systems segment invested EUR 7.8 million of this (previous year EUR 6.0 million), the Gas Flue Systems segment EUR 2.3 million (previous year EUR 2.3 million) and the Medical Technology & Engineering Plastics segment EUR 2.9 million (previous year EUR 2.5 million). No single investment project in the first half had a volume of over one million euros. As previously in the first quarter, the production infrastructure and product development areas were the focus of investing activities.

Employees

At June 30, 2018 the comprehensively consolidated companies of the CENTROTEC Group employed a total of 3,055 people (previous year 3,553). Expressed as full-time equivalents (FTE), the figure was 2,960 (previous year 3,405). This decrease of 13% is attributable to CENTROTEC's repositioning of individual subdivisions and

the associated outsourcing of personnel management tasks to external companies. The number of temporary workers, expressed in FTE, equally fell to 149 (previous year 173).

The personnel expenses of the Group fell correspondingly by 7.4% to EUR 86.6 million in the first half of 2018 (previous year EUR 93.5 million). The personnel expenses ratio, taking account of the costs of temporary workers, thus declined to 31.3% (previous year 35.2%). The cost of purchased services was correspondingly higher.

Shares

The trading price of CENTROTEC shares (WKN 540 750 or ISIN DE0005407506) suffered notable setbacks in the course of the first half of 2018. The start of January brought the year-high of EUR 15.88 in XETRA trading on the German Stock Exchange, with a low point of EUR 13.10 for the first half of 2018 reached shortly before the end of the period (previous year between EUR 14.83 and 19.76). The shares ended the first half at EUR 13.20 on June 30, 2018. One year earlier, the corresponding trading price had been EUR 19.26. After the period under review the price declined further but then stabilised from mid-July in the region of just under EUR 13. The number of shares traded in the first half initially rose slightly compared with the prior-year period, then sharply after the share buyback programme in June.



CENTROTEC share price performance and trading volume (XETRA) from Jan to early August 2018; Source: www.ariva.de

18,020,923 no-par value ordinary shares of CENTROTEC Sustainable AG were approved for trading at German stock exchanges at June 30, 2018. Of these, CENTROTEC bought back a total of 1,764,470 shares by

the end of the first half of 2018 and now holds these as treasury shares. The plan is to retire these in the second half of the year. This total number of shares multiplied by the closing price of EUR 13.20 at June 30, 2018 gave the CENTROTEC Group market capitalisation of EUR 238 million at the end of the half (previous year EUR 345 million).

CENTROTEC is not aware of any major developments affecting its share ownership structure compared with the end of the 2017 financial year. The family of Supervisory Board Chairman Guido A Krass has remained the principal shareholder of CENTROTEC Sustainable AG since the IPO and did not sell any shares under the share buyback programme. That group aside, there are no indications that other shareholders hold a percentage interest in CENTROTEC running into double figures. Nevertheless, changes across the thresholds that trigger reporting requirements in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) have been reported by institutional investors in the year to date. Detailed information of such changes is regularly updated and is available on the homepage of CENTROTEC Sustainable AG at (<http://www.centrotec.de/investor-relations/aktie/veroeffentl-26-abs-1-wphg.html>).

Opportunities and risks

The opportunities and risks presented in the 2017 Annual Report remain valid. Nor have the assessments, the methods of risk identification and the measures derived from them for the controlling of risks changed materially compared with the view presented in the 2017 Group Management Report.

Forecast

All in all, the first half of 2018 progressed in line with expectations. On this basis CENTROTEC confirms the full-year forecast, which anticipates organic revenue growth to between EUR 600 and 620 million and a slightly higher operating result (EBIT) of between EUR 30 and 32 million.

Brilon, August 2018

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	30/06/2018	31/12/2017	30/06/2017
Non-current assets			
Goodwill	77,315	77,285	77,306
Intangible assets	40,543	39,734	39,178
Property, plant and equipment	124,047	124,017	123,693
Financial investments accounted for using the equity method	64	39	0
Loans and investments	1,272	1,076	1,114
Other financial assets	9	9	10
Other assets	54	78	80
Deferred tax assets	3,536	2,108	3,288
	246,840	244,346	244,669
Current assets			
Inventories	81,256	71,639	74,514
Trade Receivables	82,058	67,684	75,272
Income tax receivable	3,546	3,219	3,679
Cash and cash equivalents	48,878	59,492	57,592
Other financial assets	109,193	128,237	32,842
Other assets	7,582	5,855	7,544
	332,513	336,126	251,443
Assets	579,353	580,472	496,112

Equity and Liabilities in EUR thousand	30/06/2018	31/12/2017	30/06/2017
Shareholders' equity			
Share Capital	18,021	18,021	17,922
Capital reserves	40,659	40,659	38,632
Treasury stock	(25,408)	0	0
Retained earnings and profit carryforward	193,596	179,155	182,470
Profit attributable to shareholders of CENTROTEC Sustainable AG	1,104	20,205	2,221
	227,972	258,040	241,245
Non-controlling interests presented within equity	0	(559)	(582)
	227,972	257,481	240,663
Non-current liabilities			
Pension provisions	45,706	46,231	44,537
Other provisions	15,446	16,079	17,098
Financial liabilities	147,946	149,484	62,840
Other financial liabilities	642	960	995
Other liabilities	25	25	79
Deferred tax liabilities	6,566	6,862	6,526
	216,331	219,641	132,075
Current liabilities			
Other provisions	3,707	3,571	3,830
Income tax payable	1,545	1,781	1,310
Financial liabilities	42,978	21,533	34,337
Trade liabilities	32,347	28,856	29,564
Other financial liabilities	20,658	14,068	17,662
Other liabilities	33,815	33,541	36,671
	135,050	103,350	123,374
Equity and Liabilities	579,353	580,472	496,112

Consolidated Income Statement

in EUR thousand	01/04/2018 30/06/2018	01/04/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017
Revenues	147,006	136,490	286,359	273,815
Cost of purchased materials and services	(73,563)	(61,907)	(142,308)	(122,393)
Changes in inventories of finished goods and work in progress	2,096	760	5,359	2,967
Production for own fixed assets capitalised	1,190	860	2,008	1,560
Other income	2,280	2,182	4,333	4,104
Personnel expenses	(44,622)	(46,497)	(86,631)	(93,530)
Other expenses	(25,169)	(23,756)	(50,139)	(48,556)
EBITDA	9,218	8,132	18,981	17,967
Depreciation and amortisation	(5,993)	(6,112)	(11,957)	(12,149)
Operating income (EBIT)	3,225	2,020	7,024	5,818
Interest income	10	69	25	168
Interest expense	(1,069)	(749)	(2,115)	(1,443)
Other financial result	(1,670)	132	(2,538)	164
Result before income taxes (EBT)	496	1,472	2,396	4,707
Income taxes	(170)	(16)	(1,292)	(1,874)
Net income (EAT)	326	1,456	1,104	2,833
attributable to:				
Non-controlling interest	48	691	0	612
Shareholders of CENTROTEC Sustainable AG	278	765	1,104	2,221
EPS (Earnings per share in EUR)				
Earnings per share (basic)	0.02	0.04	0.06	0.12
Earnings per share (diluted)	0.02	0.04	0.06	0.12
Weighted average shares outstanding (in thousand units; basic)	16,135	17,928	17,078	17,910
Weighted average shares outstanding (in thousand units; diluted)	16,135	17,938	17,078	17,920

Consolidated Statement of Comprehensive Income

in EUR thousand	01/04/2018 30/06/2018	01/04/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017
Net income (EAT)	326	1,456	1,104	2,833
Items that may be reclassified subsequently to profit or loss				
Exchange Rate differences on translation	(151)	142	(102)	289
Derivative financial instruments	(179)	167	(94)	157
Available-for-sale financial assets	0	98	0	699
Income tax relating to components of other comprehensive income	63	(46)	28	(81)
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(267)	361	(168)	1,064
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans	(1)	786	756	1,599
Income tax relating to components of other comprehensive income	1	(230)	(221)	(468)
Other comprehensive income for items that will not be reclassified to profit or loss	0	556	535	1,131
Other comprehensive income	(267)	917	367	2,195
Total comprehensive income	59	2,373	1,471	5,028
attributable to:				
Non-controlling interest	50	719	0	628
Shareholders of CENTROTEC Sustainable AG	9	1,654	1,471	4,400

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2018 30/06/2018	01/01/2017 30/06/2017
Net income before interest and taxes (EBIT)	7,024	5,818
Depreciation and amortisation	11,957	12,149
Gain/ loss on disposal of fixed assets	16	101
Other non-cash items	(351)	49
Increase/ decrease in provisions	(251)	(1,211)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(25,124)	(24,247)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	9,453	9,905
Interest received	24	168
Interest paid	(976)	(1,054)
Income tax paid	(3,989)	(4,517)
Cash flow from operating activities	(2,217)	(2,839)
Acquisition of shares in participations less net cash acquired	(247)	0
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(13,090)	(9,642)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	346	1,103
Proceeds and Purchase of investments in short-term financial assets	15,803	602
Cash flow from investing activities	2,812	(7,937)
Proceeds from issuance of shares	0	434
Cash payments for own shares	(25,408)	0
Proceeds from financial liabilities	1,879	1,646
Repayment of financial liabilities	(3,577)	(3,469)
Dividend payment	(5,407)	(5,368)
Cash flow from financing activities	(32,513)	(6,757)
Change in financial resources	(31,918)	(17,533)
Foreign currency exchange gain/ loss of the financial resources	(6)	(90)
Financial resources at the beginning of the financial year*	44,897	48,025
Financial resources at the end of the period*	12,973	30,402

* Cash and cash equivalents deducted of credits current account

Consolidated Statement of Changes in Equity

in EUR thousand	Share Capital	Capital reserve	Treasury stock	Stock option reserve	Income tax relating to components of other comprehensive income	Exchange Rate differences on translation	Derivative financial instruments	Available-for-sale financial assets	Retained earnings and profit carryforward	Sum other retained earnings and profit/ loss carryforward	Profit attributable to shareholders of CENTROTEC Sustainable AG	Total capital to shareholders of CENTROTEC Sustainable AG	Non-controlling interest presented within equity	Consolidated equity
January 1, 2018	18.021	40.659	0	0	137	92	(330)	166	179.090	179.155	20.205	258.040	(559)	257.481
Transfer to revenue reserves									20.205	20.205	(20.205)			0
Change from exercise of options														0
Stock option plan														0
Dividend payment									(5.406)	(5.406)		(5.406)		(5.406)
Net income (EAT)											1.104	1.104		1.104
Other comprehensive income, net of tax					28	(102)	(94)		535	367		367		367
Total comprehensive income					28	(102)	(94)		535	367	1.104	1.471		1.471
Other changes ¹			(25.408)					(166)	(559)	(725)		(26.133)	559	(25.574)
June 30, 2018	18.021	40.659	(25.408)	0	165	(10)	(424)	0	193.865	193.596	1.104	227.972	0	227.972

¹ Change to reflect the new IFRS 9. Under the new standard IFRS 9, financial instruments which were previously classified under the "old" IAS 39 category "at fair value within equity" are reported under the category "at fair value through profit or loss". The accumulated changes in value of "available-for-sale financial assets" previously recognised in other comprehensive income are reclassified to the profit carryforward. The other changes in "retained earnings and profit carryforward" concern the purchase of the remaining shares (35%) in Centrotherm USA. In addition, treasury shares amounting to EUR (25,408) thousand are recognised as a result of the share buyback programme.

January 1, 2017	17.892	38.037	0	1.077	224	(167)	(534)	903	162.756	164.259	21.591	241.779	(1.177)	240.602
Transfer to revenue reserves									21.591	21.591	(21.591)			0
Change from exercise of options	30	404										434		434
Stock option plan		191		(191)						(191)				0
Dividend payment									(5.368)	(5.368)		(5.368)		(5.368)
Net income (EAT)											2.221	2.221	612	2.833
Other comprehensive income, net of tax					(77)	269	157	699	1.131	2.179		2.179	16	2.195
Total comprehensive income					(77)	269	157	699	1.131	2.179	2.221	4.400	628	5.028
Other changes													(33)	(33)
June 30, 2017	17.922	38.632	0	886	147	102	(377)	1.602	180.110	182.470	2.221	241.245	(582)	240.663

Consolidated Segment Reporting (Part of the Notes)

Segment Structure in EUR thousand	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		TOTAL	
	01/01/2018 30/06/2018	01/01/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017	01/01/2018 30/06/2018	01/01/2017 30/06/2017
Income Statement										
Revenue from third parties	197,407	190,947	62,767	57,071	26,185	25,797	0	0	286,359	273,815
Revenue from other segments	698	792	3,519	3,557	75	127	(4,292)	(4,476)	0	0
Cost of purchased materials and services	(96,711)	(91,791)	(31,924)	(26,422)	(17,979)	(8,658)	4,306	4,478	(142,308)	(122,393)
Changes in inventories of finished goods and work in progress	4,066	1,712	277	833	1,016	422	0	0	5,359	2,967
Personnel expenses	(69,119)	(65,840)	(15,725)	(17,583)	(1,787)	(10,107)	0	0	(86,631)	(93,530)
Other expenses and income	(28,793)	(29,175)	(10,948)	(9,919)	(4,057)	(3,798)	0	0	(43,798)	(42,892)
EBITDA	7,548	6,645	7,966	7,537	3,453	3,783	14	2	18,981	17,967
Depreciation and amortisation	(7,351)	(7,347)	(2,999)	(3,241)	(1,607)	(1,561)	0	0	(11,957)	(12,149)
Segment result (EBIT)	197	(702)	4,967	4,296	1,846	2,222	14	2	7,024	5,818
Interest income	11	160	166	160	0	1	(152)	(153)	25	168
Interest expenses	(1,012)	(1,077)	(1,012)	(264)	(243)	(255)	152	153	(2,115)	(1,443)
Other financial result	(36)	0	(2,502)	164	0	0	0	0	(2,538)	164
EBT	(840)	(1,619)	1,619	4,356	1,603	1,968	14	2	2,396	4,707
Balance sheet key figures										
Assets*	293,985	288,850	223,096	148,593	53,905	50,478	(51)	109	570,935	488,030
Financial investments accounted for using the equity method	0	0	0	0	64	0	0	0	64	0
Loans and investments	1,262	1,104	0	0	10	10	0	0	1,272	1,114
Net working capital	60,321	44,080	5,963	13,844	19,097	17,562	(53)	(60)	85,328	75,426
Investments										
Total investments in property, plant, equipment and intangible assets**	7,837	6,045	2,346	2,347	2,908	2,545	0	0	13,091	10,937

* 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

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*

Notes to the Consolidated Financial Statements

Corporate information

The CENTROTEC Group – hereinafter also referred to as CENTROTEC – is an international group focusing on the development, manufacturing and sale of system solutions that promote energy efficiency and use renewable energies in buildings. In addition to its existing business activities, CENTROTEC regards its business purpose as including the establishment and acquisition of new business areas and companies.

The group parent, CENTROTEC Sustainable AG with registered office in Brilon, is listed on the Frankfurt Stock Exchange under the stock exchange codes CEV, WKN 540750 and ISIN DE 0005407506. It is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. The company's head office is located at Am Patbergschen Dorn 9, 59929 Brilon, Germany. CENTROTEC Sustainable AG is not part of a superordinate group, and is the ultimate parent company of the group presented in these Interim Financial Statements. Further financial and corporate information on CENTROTEC is available from the above address, or on the homepage www.centrotec.de.

Accounting standards and policies

These Interim Financial Statements at June 30, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) for interim financial reporting issued by the International Accounting Standards Board (IASB), as adopted within the European Union (EU), taking account of Section 315e (1) of German Commercial Code. All IFRS standards, and in particular IAS 34 (Interim Financial Reporting), that were valid at the reporting date and the adoption of which was mandatory at that date, have been applied. The accounting policies explained in the Consolidated Financial Statements for 2017 have likewise been applied in these Interim Financial Statements, except in the case of amendments to standards to be adopted for the first time, and apply correspondingly. The First-Half Report should therefore be read in conjunction with the audited Consolidated Financial Statements at December 31, 2017. These Interim Financial Statements and the Interim Management Report have not been audited in accordance with Section 317 of German Commercial Code, nor have they been subjected to any scrutiny by an independent auditor.

The first-half reporting date for all companies included in the Interim Consolidated Financial Statements is June 30, 2018. The financial statements have been prepared in euros; unless otherwise indicated, the amounts quoted are in thousand euros (EUR thousand). For mathematical reasons, there may be rounding differences of +/- one unit.

The Management Board points out that the future-related statements made in the Interim Financial Statements are based on current expectations, assumptions and estimates. These statements are not to be interpreted as guarantees that the forecasts made will prove correct. Rather, future developments and occurrences are dependent on a wide range of factors that are subject to risks and uncertainties, the influencing factors of which may lie outside the sphere of influence of CENTROTEC. Actual developments may therefore depart from any implicit or explicit future-related statements made.

Corporate and investment structure

The business activities of CENTROTEC are classified according to the segments Climate Systems, Gas Flue Systems, and Medical Technology & Engineering Plastics. All direct and indirect subsidiaries of the parent company and group parent are included in the Consolidated Financial Statements of CENTROTEC. The subsidiary Centrotherm Eco Systems, LLC has belonged 100% to CENTROTEC since May 1, 2018. The remaining 35% of the shares were acquired for a purchase price of USD 300 thousand. That aside, there have been no changes in consolidation since the annual financial statements at December 31, 2017.

Notes to the Interim Financial Statements

- Recognition and measurement aspects

The new IFRS 15, adoption of which has been mandatory since January 1, 2018, has no significant influence on the net worth, financial position and financial performance of CENTROTEC. The various business models of the CENTROTEC companies are fundamentally based on matched maturities between performance and invoicing. Pursuant to the requirements of IAS 34.16A, revenues are to be broken down in accordance with the requirements of IFRS 15.114 and IFRS 15.115:

Revenue from third parties by product group, EUR '000

	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sale of products	191,625	185,563	62,760	57,064	26,185	25,797	280,570	286,424
Sale of services	5,757	5,358	7	7	0	0	5,764	5,365
Miscellaneous	25	26	0	0	0	0	25	26
Total	197,407	190,947	62,767	57,072	26,185	25,797	286,359	273,815

Revenue from third parties by country, EUR '000

	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
European euro countries	174,666	167,583	50,985	45,926	17,399	17,577	243,050	231,136
European non-euro countries	16,290	17,294	5,029	4,642	6,362	6,323	27,680	28,235
Rest of world	6,451	6,070	6,753	6,503	2,424	1,897	15,629	14,445
Total	197,407	190,947	62,767	57,072	26,185	25,797	286,359	273,815

The adoption of the new IFRS 9 meant an amount of EUR 166 thousand that was shown income-neutrally under “available-for-sale financial assets” until December 31, 2017 was reclassified to the profit carryforward.

Further detailed notes on the income statement, balance sheet and cash flow statement can be found in the section “Earnings” and the section “Net worth and financial position” of the Interim Group Management Report.

- Related party disclosures

Within CENTROTEC, goods and services are purchased by a large number of business partners. They are also supplied by or to persons or companies who can be classified as related parties. Transactions with these persons or companies are conducted at arm’s length. Transactions with related parties were presented comprehensively in the Consolidated Financial Statements for 2017. All reciprocated services such as the use of infrastructure are billed on generally accepted market terms (arm’s length principle).

- Reportable security holdings and options

The totals of reportable shares and stock options at June 30, 2018 are shown in the following table.

Management Board	Shares	Options
Dr Thomas Kneip	0	0
Bernhard Pawlik	0	0
Dr Christoph Traxler	0	0

Supervisory Board	Shares	Options
Guido A Krass	2,400,000	0
Dr Bernhard Heiss	77,340	0
Christian C Pochtler, MA	0	0

CENTROTEC	Shares	Options
Ordinary shares	18,020,923	0
Treasury stock	1,764,470	0

- **Contingent liabilities**

There has been no significant change in contingent liabilities since the balance sheet date of December 31, 2017.

- **Dividend payments**

In May a dividend of EUR 0.30 (previous year EUR 0.30) per dividend-bearing share was distributed for the 2017 financial year.

- **Change in the capital stock and the number of shares**

In the second quarter, 1,764,470 own shares were repurchased under a public share buyback programme. The offer/purchase price was EUR 14.40 per no par value share. CENTROTEC consequently now has treasury shares amounting to EUR 25,408 thousand. The capital stock has remained unchanged compared with December 31, 2017.

Significant events occurring after the first-half reporting date

With effect from July 1, 2018 and until the next Annual General Meeting, Andreas Freiherr von Maltzan is appointed as member of the Supervisory Board in the place of the Supervisory Board member Dr Bernhard-R Heiss, who resigned with effect from June 30, 2018 on health grounds. There were no other events of material significance after the first-half reporting date.

Management Board and Supervisory Board

- **The members of the Management Board at the reporting date were:**

Dr Thomas Kneip, Regensburg, Germany, merchant, CFO

Bernhard Pawlik, Ottobrunn, Germany, Industrial Engineering graduate (since April 1, 2018)

Dr Christoph Traxler, Fulda, Germany, physicist

- The members of the Supervisory Board at the reporting date were:

Guido A Krass, Oberwil-Lieli, Switzerland, entrepreneur (Chairman)

Dr Bernhard Heiss, Munich, Germany, lawyer (until June 30, 2018)

Andreas Freiherr von Maltzan, Munich Germany, entrepreneur (since July 1, 2018)

Christian C Pochtler, MA, Vienna, Austria, entrepreneur

Other particulars

- Corporate Governance Code

The Management Board and Supervisory Board of CENTROTEC Sustainable AG have, pursuant to Section 161 of German Stock Corporation Law, declared the extent to which they have complied with and will comply with the recommendations of the Government Commission on the German Corporate Governance Code. The regularly submitted declarations and explanations are permanently available on the website of CENTROTEC Sustainable AG.

Brilon, August 2018

Solar thermal – at the heart of modern heating systems



COMMERCIAL BUILDINGS

Innovative solar thermal systems of Wolf with highly effective solar collectors, a well-insulated hot water tank and an intelligent control system are at the very heart of a modern heating system. By harnessing the sun's energy, and with no climate-harming emissions, they can cover as much as 60% of the annual energy requirements for hot water.

- 1** *Wolf solar thermal collectors*
- 2** *Wolf stratification cylinder and condensing boiler technology*

Responsibility Statement by the Management

In accordance with the German Securities Trading Act (WpHG) in conjunction with German Commercial Code (HGB), the Management Board declares:

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.”

The Management Board

Brilon, August 10, 2018

Financial Calendar 2018

August 10	Publication of Q2 2018 Quarterly Report
November 14	Publication of Q3 2018 Quarterly Report
November 26 – 28	German Equity Forum, Frankfurt am Main

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