



CENTROTEC

The European Energy-Saving Company

Highlights

- > Positive business performance in H1 2019: revenue growth in all three segments in first half and also in each quarter, both in Germany and internationally. Operating result at EBIT level up 15.6% year on year.
- > Revenue for Group climbed 4.7% in first half to EUR 299.7 million (previous year EUR 286.4 million); international share 48% following above-average growth in German market (previous year 49%)
 - Climate Systems revenue increased by 4.9% to EUR 207.1 million (previous year EUR 197.4 million); solid broad-based overall development in terms of products and regions
 - Gas Flue Systems maintained its pace of growth in second quarter to achieve 4.7% revenue growth to EUR 65.7 million (previous year EUR 62.8 million)
 - Medical Technology & Engineering Plastics with 2.5% revenue growth to EUR 26.8 million (previous year EUR 26.2 million); slight growth in both areas of segment, both in Germany and internationally
- > Operating result and net earnings up on previous year
 - EBIT rose more steeply than revenue by 15.6% to EUR 8.1 million
 - Almost constant net interest and easily positive financial result
 - EPS of EUR 0.43 (previous year EUR 0.06)
- > Initial identifiable effects of the economic slowdown; but the prospects for the relevant markets for energy efficiency of buildings considered to be somewhat brighter than for the economy overall; debate surrounding scrappage bonuses and carbon tax could lead to considerable market uncertainty in the autumn
- > For the full year, the forecasts for revenue (EUR 620 to 640 million) and EBIT (EUR 31 to 33 million) are confirmed

Consolidated Key Figures

	30/06/2019 [EUR '000]	30/06/2018 [EUR '000]	Changes [Percent]
Total revenue	299,701	286,359	4.7
Climate Systems	207,119	197,407	4.9
Gas Flue Systems	65,735	62,767	4.7
Medical Technology & Engineering Plastics	26,847	26,185	2.5
Earnings			
EBITDA	22,423	18,981	18.1
EBIT	8,120	7,024	15.6
EBIT yield (in %)	2.7	2.5	
EBT	9,827	2,396	
EAT	6,921	1,104	
EPS (in EUR; basic)	0.43	0.06	
Balance sheet structure			
Balance sheet total	612,141	579,353	5.7
Shareholders' equity	237,788	227,972	4.3
Equity ratio (%)	38.8	39.3	
Property, plant and equipment	152,826	124,047	23.2
Intangible assets	45,291	40,543	11.7
Goodwill	77,309	77,315	(0.0)
Net financial position*	(66,857)	(35,811)	86.7
Net working capital*	93,108	85,328	9.1
Cash flow statement			
Cash flow I (EAT & depreciation/ amortisation)	21,224	13,061	62.5
Cash flow from operating activities	(6,082)	(2,217)	
Cash flow from investing activities**	(22,773)	(12,991)	75.3
Employees			
Total (in FTE)	3,142	2,960	6.1
Shares			
Number of shares***	16,256	17,078	
Highest quotation****	12.92	15.88	
Lowest quotation****	10.46	13.10	
Half year-end quotation****	12.50	13.20	

* 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 situation has deteriorated somewhat over the year to date. Specifically international demand for German industrial products has dipped slightly following years of growth. Conversely domestic demand has continued to rise, albeit more slowly than previously. The construction industry, which is of particular relevance for the CENTROTEC Group – hereinafter also referred to as CENTROTEC – continued to make positive progress in Germany in the first half of 2019. The same was true of most European markets, which along with Germany nevertheless saw falling growth rates.

Financial performance

Revenue

CENTROTEC achieved 4.7% revenue growth in the first six months of the current financial year. Consolidated revenue thus rose to EUR 299.7 million (previous year EUR 286.4 million). Above-average growth in the German market meant that the international share was 48%, down from 49% in the corresponding prior-year period. In addition to strong growth in the German market, the CENTROTEC companies achieved substantial rates of increase in the markets on which its internationalisation strategy focuses, such as China, Spain, Italy and the Netherlands.

Revenue by segment	Q2 2019	Q2 2018	Delta	Q1 – Q2 2019	Q1 – Q2 2018	Delta
[EUR million]			%			%
Climate Systems	106.8	102.9	3.8	207.1	197.4	4.9
Gas Flue Systems	32.6	31.2	4.8	65.7	62.8	4.7
Medical Technology & Engineering Plastics	13.1	13.0	1.1	26.8	26.2	2.5
Total	152.5	147.0	3.8	299.7	286.4	4.7

The **Climate Systems** segment brought the highest growth rates of all segments in the first six months of 2019, with revenue rising by 4.9% to EUR 207.1 million (previous year EUR 197.4 million). Healthy growth was achieved in Germany, the Netherlands, Spain, China and Italy. Revenue in Russia was well below the figure for the previous year due to a delayed major project. Revenue for combined heat and power units stabilised, albeit at a low level. By contrast, the home ventilation area put in a positive development in almost all markets, as reflected by the very positive development of the Dutch subsidiary Brink. The second-quarter acquisition of the production facilities of Klingenburg for the manufacturing of heat exchangers is not yet directly impacting consolidated revenue because the machine park will only go into operation at Holmak's various production locations in the course of the third quarter. There was nevertheless a substantial increase in revenue from heat exchangers from existing production facilities.

The **Gas Flue Systems** segment achieved revenue of EUR 65.7 million in the first half of the year, an increase of 4.7% on the previous year. There were healthy rises in Germany, Benelux, China and Italy, whereas the segment's revenue in France, the United Kingdom and North America remained flat. Growth was supported by all product areas, with air piping systems for home ventilation putting in an especially good revenue performance.

In the **Medical Technology & Engineering Plastics** segment, revenue was increased by 2.5% to EUR 26.8 million (previous year EUR 26.2 million). First-half growth – which was already weaker in the second quarter – was underpinned by the Medical Technology area, whereas the economically more exposed Engineering Plastics area clearly reflected the market's slowdown.

Earnings

The Group achieved an overproportional rise in its operating result for the first six months of the 2019 financial year compared with revenue. **EBITDA** was EUR 22.4 million and therefore 18.1% up on the prior-year figure of EUR 19.0 million. **EBIT** showed a slightly lower rise of 15.6% to EUR 8.1 million (previous year EUR 7.0 million). It should be considered in this connection that the accounting rule changes pursuant to IFRS 16 shifted expenses away from other expenses and towards depreciation and amortisation (EUR -2.5 million) and interest expense (EUR -0.2 million).

The **Climate Systems** segment increased EBITDA to EUR 11.7 million (previous year EUR 7.5 million) and EBIT to EUR 2.8 million (previous year EUR 0.2 million). The main drivers of the positive development in earnings were growth in the heating, home ventilation and heat exchangers product areas, as well as the higher margins in the industrial ventilation area.

The **Gas Flue Systems** segment achieved EBITDA of EUR 7.9 million (previous year EUR 8.0 million) and EBIT came in at EUR 4.1 million (previous year EUR 5.0 million). It should be noted in this regard that the holding company with its corresponding units is consolidated within this segment, and that the development of new business models for example resulted in increased costs.

EBITDA and EBIT for the first six months of 2019 in the **Medical Technology & Engineering Plastics** segment reached EUR 2.9 million and EUR 1.2 million respectively, below the prior-year figures of EUR 3.5 million and EUR 1.8 million. The decline was attributable to increased expenses for personnel, IT and purchased services as well as to the slight decrease in the segment's economically exposed Engineering Plastics area.

The continuing positive development in the financial result in the second quarter to now EUR 3.9 million at June 30, 2019 (previous year EUR -2.5 million) and an almost constant interest result took earnings before taxes (EBT) to EUR 9.8 million (previous year EUR 2.4 million). The comparatively low tax rate on the financial result is behind a below-average rise in tax expense. Overall, this produces earnings after taxes (EAT) of EUR 6.9 million (previous year EUR 1.1 million) and earnings per share (EPS) of EUR 0.43 (previous year EUR 0.06).

Net worth and financial position

The **balance sheet total** of the CENTROTEC Group at June 30, 2019 came to EUR 612.1 million, EUR 32.8 million or 5.7% above the prior-year figure of EUR 579.4 million. The increase in working capital prompted by the expansion in business volume, the EUR 9.8 million rise in the investment volume and the adjustments according to IFRS 16 that had the effect of adding EUR 13.1 million to the balance sheet are the main factors behind this rise. Compared with 2018 year-end figure (EUR 568.2 million) the increase, including from the seasonal pattern to core business, came to EUR 43.9 million. The **equity ratio** declined to 38.8% (previous year 39.3% / end of previous year 42.2%) as a result of the expanded balance sheet combined with a slight fall to EUR 237.8 million in equity, among other things from the dividend payment. At June 30, 2019 **net working capital** climbed EUR 7.8 million to EUR 93.1 million compared with the prior-year period as a result of the further substantial rise in business volume including from international operations. The even steeper rise compared with the end of the previous year (EUR 70.1 million) additionally reflects the seasonal nature of CENTROTEC's core business. Among other factors the expanded business volume, the changed requirements of IFRS 16 and the increased investment volume meant that the **net financial position** of EUR -66.9 million was well below the prior-year figure of EUR -35.8 million. The even sharper drop compared with the year-end figure (EUR -21.0 million) is attributable to the seasonal pattern to business and the associated rise in net working capital.

Key financial figures [EUR million]	30/06/2019	31/12/2018	30/06/2018
Balance sheet total	612.1	568.2	579.4
Equity	237.8	239.5	228.0
Equity ratio (percent)	38.8	42.2	39.3
Net financial position*	(66.9)	(21.0)	(35.8)
Net working capital**	93.1	70.1	85.3

* 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 was EUR -6.1 million in the first half of 2019 (previous year EUR -2.2 million). A key factor in this deterioration was the steeper rise in inventories and trade receivables compared with the prior-year period as a result of increased business volume, along with the increased income tax payments of EUR 2.9 million. Cash flow from investing activities was negative at EUR -16.9 million as a result of the first half's increased investment volume compared with the previous year, in a turnaround from a positive figure of EUR 2.8 million one year earlier shaped for example by relatively high call-offs for current investments. Cash flow from financing activities was EUR -2.0 million in the period under review. This figure had been a negative EUR -32.5 million in the prior-year reference period as a result of the share buyback programme.

In the first six months of the current financial year, the **investment volume** for the Group was EUR 23.3 million (previous year EUR 13.1 million). By far the biggest single investment items involved the acquisition of land and the construction of production buildings at Group locations in the Netherlands, Croatia, Germany and China. This

item also includes the purchase of the production facilities from Klingenburg for the manufacturing of heat exchangers. In the first half the Climate Systems segment invested EUR 13.7 million (previous year EUR 7.8 million), the Gas Flue Systems segment EUR 6.6 million (previous year EUR 2.3 million) and the Medical Technology & Engineering Plastics segment EUR 3.0 million (previous year EUR 2.9 million).

Employees

At June 30, 2019 the comprehensively consolidated companies of the CENTROTEC Group employed a total of 3,249 people (previous year 3,055). Expressed as full-time equivalents (FTE), the figure was 3,142 (previous year 2,960). This rise of six percent is attributable to CENTROTEC's growth and its preparations for further growth in most corporate areas. On the other hand the number of temporary workers, expressed in FTE, fell to 114 (previous year 149).

The personnel expenses of the Group rose correspondingly by 4.8% to EUR 90.8 million in the first half of 2019 (previous year EUR 86.6 million). The personnel expenses ratio, taking account of the costs of temporary workers, remained almost constant compared with the previous year at 31.4% (31.3%).

Shares

The shares of CENTROTEC Sustainable AG (WKN 540 750 or ISIN DE0005407506) showed a slight gain in the trading price over the first half of 2019 and ended the first half of 2019 at EUR 12.50, having opened the financial year trading at EUR 11.42. After falling to a current year-low of EUR 10.46 in mid-January, the shares made steady progress with low volatility to reach the current year-high of EUR 12.92 in early April. The trading volume of CENTROTEC's shares was slightly below the prior-year volume in the period under review.

18,020,923 no-par value ordinary shares of CENTROTEC Sustainable AG were approved for trading at German stock exchanges at June 30, 2019. Of these, CENTROTEC held a total of 1,764,470 as treasury shares at the end of the first half of 2019. This total number of shares multiplied by the closing price of EUR 12.50 at June 30, 2019 gave the CENTROTEC Group market capitalisation of EUR 225 million at the end of the first half (previous year EUR 238 million).

CENTROTEC is not aware of any major developments affecting its share ownership structure compared with the end of the 2018 financial year. The family of Supervisory Board Chairman Guido A Krass has remained the principal shareholder of CENTROTEC Sustainable AG since the IPO and, by its own account, did not sell any shares under last year's share buyback programme. That group aside, there are no indications that other shareholders hold a percentage interest in CENTROTEC running into double figures. Nor were any changes across the thresholds that trigger reporting requirements in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) reported by institutional investors in the year to date. Detailed information on the

shares and the corresponding thresholds for triggering reporting 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 2018 Annual Report remain fundamentally valid for CENTROTEC. 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 2018 Group Management Report.

Forecast

No reliable estimate can be made yet of how far the weakening economy is already adversely affecting the propensity to invest in modernisation measures, and therefore the sales market performance in the forthcoming heating season. The emerging public debate on climate policy, such as the recent discussion of scrappage bonuses for oil heating systems, will if anything unsettle those looking to update their systems and could therefore seriously undermine the German sales market in the autumn. The positive performance in the first half of 2019 nevertheless enables us to confirm the revenue and earnings growth expected for the year as a whole, to EUR 620 to 640 million and EUR 31 to 33 million respectively. The increased investment volume in preceding periods – with a focus on the expansion and modernisation of the production facilities in Germany and internationally, as well as on the digitalisation of products and processes – broadens CENTROTEC's basis to continue targeting profitable growth. The acquisition of production equipment for heat exchangers in the second quarter will already start to have a positive impact in the current financial year, but have only little effect on the revenue and earnings performance.

Brilon, August 2019

The Management Board

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*

Consolidated Statement of Financial Position

Assets in EUR thousand	30/06/2019	31/12/2018	30/06/2018
Non-current assets			
Goodwill	77,309	77,295	77,315
Intangible assets	45,291	43,713	40,543
Property, plant and equipment	152,826	129,979	124,047
Financial investments accounted for using the equity method	109	64	64
Loans and investments	881	822	1,272
Other financial assets	4	9	9
Other assets	30	30	54
Deferred tax assets	11,026	9,355	3,536
	287,476	261,267	246,840
Current assets			
Inventories	89,422	78,661	81,256
Trade Receivables	86,017	65,224	82,058
Income tax receivable	4,585	2,695	3,546
Cash and cash equivalents	36,475	49,761	48,878
Other financial assets	100,237	101,892	109,193
Other assets	7,929	8,706	7,582
	324,665	306,939	332,513
Assets	612,141	568,206	579,353
Equity and Liabilities in EUR thousand			
Shareholders' equity			
Share Capital	18,021	18,021	18,021
Capital reserves	40,659	40,659	40,659
Treasury stock	(25,408)	(25,408)	(25,408)
Retained earnings and profit carryforward	197,595	193,563	193,596
Profit attributable to shareholders of CENTROTEC Sustainable AG	6,921	12,670	1,104
	237,788	239,505	227,972
Non-controlling interests presented within equity	0	0	0
	237,788	239,505	227,972
Non-current liabilities			
Pension provisions	50,754	45,634	45,706
Other provisions	12,614	12,690	15,446
Financial liabilities	158,928	145,875	147,946
Other financial liabilities	1,185	853	642
Other liabilities	12	19	25
Deferred tax liabilities	11,374	11,709	6,566
	234,867	216,780	216,331
Current liabilities			
Other provisions	3,449	4,318	3,707
Income tax payable	1,539	3,324	1,545
Financial liabilities	40,593	23,063	42,978
Trade liabilities	33,714	32,453	32,347
Other financial liabilities	24,900	17,463	20,658
Other liabilities	35,291	31,300	33,815
	139,486	111,921	135,050
Equity and Liabilities	612,141	568,206	579,353

*An increase of EUR 13.1 million results from the new leasing standard IFRS 16 after all rights of use of leased assets are to be capitalized.

Consolidated Income Statement

in EUR thousand	01/04/2019 30/06/2019	01/04/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018
Revenues	152,538	147,006	299,701	286,359
Cost of purchased materials and services	(74,961)	(73,563)	(147,771)	(142,308)
Changes in inventories of finished goods and work in progress	1,984	2,096	5,494	5,359
Production for own fixed assets capitalised	1,186	1,190	2,304	2,008
Other income	1,798	2,280	4,010	4,333
Personnel expenses	(45,728)	(44,622)	(90,814)	(86,631)
Other expenses	(25,460)	(25,169)	(50,501)	(50,139)
EBITDA	11,357	9,218	22,423	18,981
Depreciation and amortisation	(7,294)	(5,993)	(14,303)	(11,957)
Operating income (EBIT)	4,063	3,225	8,120	7,024
Interest income	62	10	96	25
Interest expense	(1,181)	(1,069)	(2,302)	(2,115)
Other financial result	1,088	(1,670)	3,913	(2,538)
Result before income taxes (EBT)	4,032	496	9,827	2,396
Income taxes	(1,306)	(170)	(2,906)	(1,292)
Net income (EAT)	2,726	326	6,921	1,104
attributable to:				
Non-controlling interest	0	48	0	0
Shareholders of CENTROTEC Sustainable AG	2,726	278	6,921	1,104
EPS (Earnings per share in EUR)				
Earnings per share (basic)	0.17	0.02	0.43	0.06
Earnings per share (diluted)	0.17	0.02	0.43	0.06
Weighted average shares outstanding (in thousand units; basic)	16,256	16,135	16,256	17,078
Weighted average shares outstanding (in thousand units; diluted)	16,256	16,135	16,256	17,078

*The increase in depreciation and amortization in the amount of EUR 2.5 million results from the new leasing standard IFRS 16 after all rights of use of leased assets are to be capitalized.

Consolidated Statement of Comprehensive Income

in EUR thousand	01/04/2019 30/06/2019	01/04/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018
Net income (EAT)	2,726	326	6,921	1,104
Items that may be reclassified subsequently to profit or loss				
Exchange Rate differences on translation	(108)	(151)	11	(102)
Derivative financial instruments	(35)	(179)	(408)	(94)
Income tax relating to components of other comprehensive income	71	63	132	28
Other comprehensive income for items that may be reclassified subsequently to profit or loss	(72)	(267)	(265)	(168)
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans	(2,551)	(1)	(4,944)	756
Income tax relating to components of other comprehensive income	732	1	1,448	(221)
Other comprehensive income for items that will not be reclassified to profit or loss	(1,819)	0	(3,496)	535
Other comprehensive income	(1,891)	(267)	(3,761)	367
Total comprehensive income	835	59	3,160	1,471
attributable to:				
Non-controlling interest	0	50	0	0
Shareholders of CENTROTEC Sustainable AG	835	9	3,160	1,471

Consolidated Statement of Cash Flows

in EUR thousand	01/01/2019 30/06/2019	01/01/2018 30/06/2018
Net income before interest and taxes (EBIT)	8,120	7,024
Depreciation and amortisation	14,303	11,957
Gain/ loss on disposal of fixed assets	(90)	16
Other non-cash items	(963)	(351)
Increase/ decrease in provisions	(783)	(251)
Increase/ decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	(30,950)	(25,124)
Increase/ decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	11,911	9,453
Interest received	96	24
Interest paid	(791)	(976)
Income tax paid	(6,935)	(3,989)
Cash flow from operating activities	(6,082)	(2,217)
Acquisition of shares in participations less net cash acquired	0	(247)
Purchase of property, plant and equipment/ intangible assets/ investments/ financial assets/ loans receivable	(22,987)	(13,090)
Proceeds from disposal of property, plant and equipment/ intangible assets/ loans receivable	214	346
Proceeds and Purchase of investments in short-term financial assets	5,867	15,803
Cash flow from investing activities	(16,906)	2,812
Proceeds from issuance of shares	0	(25,408)
Proceeds from financial liabilities	8,308	1,879
Repayment of financial liabilities	(5,450)	(3,577)
Dividend payment	(4,877)	(5,407)
Cash flow from financing activities	(2,019)	(32,513)
Change in financial resources	(25,007)	(31,918)
Foreign currency exchange gain/ loss of the financial resources	111	(6)
Financial resources at the beginning of the financial year*	33,574	44,897
Financial resources at the end of the period*	8,678	12,973

* Cash and cash equivalents deducted of credits current account

Consolidated Statement of Changes in Equity

in EUR thousand	Share Capital	Capital reserve	Treasury stock	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, 2019	18,021	40,659	(25,408)	272	(153)	(621)	0	194,065	193,563	12,670	239,505	0	239,505
Transfer to revenue reserves								12,670	12,670	(12,670)			0
Change from exercise of options													0
Stock option plan													0
Dividend payment								(4,877)	(4,877)		(4,877)		(4,877)
Net income (EAT)										6,921	6,921		6,921
Other comprehensive income, net of tax				132	11	(408)		(3,496)	(3,761)		(3,761)		(3,761)
Total comprehensive income				132	11	(408)		(3,496)	(3,761)	6,921	3,160		3,160
Other changes													0
June 30, 2019	18,021	40,659	(25,408)	404	(142)	(1,029)	0	198,362	197,595	6,921	237,788	0	237,788

January 1, 2018	18,021	40,659	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)	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.

Consolidated Segment Reporting (Part of the Notes)

Segment Structure in EUR thousand	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		TOTAL	
	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018
Income Statement										
Revenue from third parties	207,119	197,407	65,735	62,767	26,847	26,185	0	0	299,701	286,359
Revenue from other segments	1,079	698	3,529	3,519	5	75	(4,613)	(4,292)	0	0
Cost of purchased materials and services	(101,109)	(96,711)	(32,775)	(31,924)	(18,484)	(17,979)	4,597	4,306	(147,771)	(142,308)
Changes in inventories of finished goods and work in progress	4,459	4,066	333	277	702	1,016	0	0	5,494	5,359
Personnel expenses	(71,555)	(69,119)	(17,148)	(15,725)	(2,111)	(1,787)	0	0	(90,814)	(86,631)
Other expenses and income	(28,341)	(28,793)	(11,792)	(10,948)	(4,054)	(4,057)	0	0	(44,187)	(43,798)
EBITDA	11,652	7,548	7,882	7,966	2,905	3,453	(16)	14	22,423	18,981
Depreciation and amortisation	(8,832)	(7,351)	(3,752)	(2,999)	(1,719)	(1,607)	0	0	(14,303)	(11,957)
Segment result (EBIT)	2,820	197	4,130	4,967	1,186	1,846	(16)	14	8,120	7,024
Interest income	95	11	132	166	0	0	(131)	(152)	96	25
Interest expenses	(1,138)	(1,012)	(1,036)	(1,012)	(259)	(243)	131	152	(2,302)	(2,115)
Other financial result	56	(36)	3,857	(2,502)	0	0	0	0	3,913	(2,538)
EBT	1,833	(840)	7,083	1,619	927	1,603	(16)	14	9,827	2,396
Balance sheet key figures										
Assets*	330,209	293,985	205,859	223,096	59,544	53,905	(72)	(51)	595,540	570,935
Financial investments accounted for using the equity method	0	0	0	0	109	64	0	0	109	64
Loans and investments	871	1,262	0	0	10	10	0	0	881	1,272
Net working capital	53,990	60,321	18,971	5,963	20,222	19,097	(75)	(53)	93,108	85,328
Investments										
Total investments in property, plant, equipment and intangible assets**	13,694	7,837	6,557	2,346	3,001	2,908	0	0	23,252	13,091

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

** The additions due to the new leasing standard IFRS 16 are not included here.

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*

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, 2019 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 2018 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, 2018. 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, 2019. 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. There have been no changes in consolidation since the annual financial statements at December 31, 2018. In May 2019 our subsidiary Holmak HEATX B.V., the Netherlands, acquired the production facilities for the manufacturing of counterflow heat exchangers from Klingenburg GmbH, Germany. With this move, Holmak has broadened its product portfolio and increased its production capacity by 50 percent. It is envisaged to go into operation with the first facilities at the Holmak locations in the third quarter of 2019.

Notes to the Interim Financial Statements

- Recognition and measurement aspects

The new IFRS 16, adoption of which has been mandatory since January 1, 2019, has a significant influence on the net worth, financial position and financial performance of CENTROTEC. The new requirement to capitalise rights of use to leased assets has increased the balance sheet total by EUR 13.1 million. The P&L reflects the changes through the higher depreciation and amortisation (approx. EUR 2.5 million) and additional interest expense (approx. EUR 0.2 million). Conversely, other operating expenses from leasing expenses and rents have declined.

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Products	197,341	191,625	65,682	62,760	26,735	26,185	289,758	280,570
Services	8,930	5,757	0	7	112	0	9,042	5,764
Miscellaneous	848	25	53	0	0	0	901	25
Total	207,119	197,407	65,735	62,767	26,847	26,185	299,701	286,359

Revenue from third parties by country, EUR '000

	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
European euro countries	184,118	174,666	53,639	50,985	17,806	17,399	255,564	243,050
European non-euro countries	17,705	16,290	5,155	5,029	6,526	6,362	29,385	27,680
Rest of world	5,296	6,451	6,941	6,753	2,515	2,424	14,752	15,629
Total	207,119	197,407	65,735	62,767	26,847	26,185	299,701	286,359

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 2018. 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, 2019 are shown in the following table.

Supervisory Board	Shares	Options
Guido A. Krass	2,400,000	0

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

There are no other reportable equity and stock option holdings of Management Board members and Supervisory Board members.

- Contingent liabilities

There has been no significant change in contingent liabilities since the balance sheet date of December 31, 2018.

- Dividend payments

In June a dividend of EUR 0.30 (previous year EUR 0.30) per dividend-bearing share was distributed for the 2018 financial year.

Significant events occurring after the first-half reporting date

There were no 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, Business Administration graduate
Bernhard Pawlik, Ottobrunn, Germany, Industrial Engineering graduate
Günther Wühr, Deggendorf, Germany, Business Administration graduate, (since April 1, 2019)

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

Guido A Krass, Oberwil-Lieli, Switzerland, entrepreneur (Chairman)
Andreas Freiherr von Maltzan, Munich Germany, entrepreneur
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 2019

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 14, 2019

Financial Calendar 2019

August 14	Publication of Q2 2019 Quarterly Report
November 14	Publication of Q3 2019 Quarterly Report
November 25 – 27	German Equity Forum, Frankfurt am Main

CENTROTEC Sustainable AG

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