



CEMTREX, INC. AND SUBSIDIARIES

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**Part I. Financial Information****Item 1. Financial Statements****Centrex, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(Unaudited)

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 12,416,993	\$ 10,442,857
Restricted Cash	1,582,345	1,531,895
Accounts receivable, net	17,840,344	15,461,139
Inventory, net	12,850,015	17,271,882
Prepaid expenses and other current assets	2,503,311	1,720,864
Total current assets	<u>47,193,008</u>	<u>46,428,637</u>
Property and equipment, net	22,384,454	20,118,311
Goodwill	3,322,818	3,322,818
Other assets	400,874	311,607
<b>Total Assets</b>	<b>\$ <u>73,301,155</u></b>	<b>\$ <u>70,181,373</u></b>
<b>Liabilities &amp; Stockholders' Equity (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 7,604,475	\$ 6,945,153
Credit card payable	132,437	165,111
Sales tax payable	723,894	550,532
Revolving line of credit	3,992,282	4,466,218
Accrued expenses	3,045,079	3,614,415
Deferred revenue	484,005	463,022
Accrued income taxes	1,496,379	1,553,665
Convertible notes payable	-	220,000
Current portion of long-term liabilities	2,090,821	2,084,084
Total current liabilities	<u>19,569,372</u>	<u>20,062,200</u>
Long-term liabilities		
Loans payable to bank	4,917,939	5,175,276
Notes payable	2,396,223	241,200
Mortgage payable	3,842,136	3,819,392
Total long-term liabilities	<u>11,156,298</u>	<u>9,235,868</u>
Deferred tax liabilities	<u>1,891,000</u>	<u>1,891,000</u>
Total liabilities	<u>32,616,670</u>	<u>31,189,068</u>
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series A, 1,000,000 shares authorized, issued and outstanding at December 31, 2017 and September 30, 2017	1,000	1,000
Series 1, 3,000,000 shares authorized, 1,822,660 shares issued and outstanding as of December 31, 2017 and September 30, 2017	1,823	1,823
Common stock, \$0.001 par value, 20,000,000 shares authorized, 10,553,522 shares issued and outstanding at December 31, 2017 and 10,404,434 shares issued and outstanding at September 30, 2017	10,553	10,404
Additional paid-in capital	25,023,320	24,694,325
Retained earnings	15,150,236	14,418,245
Accumulated other comprehensive income/(loss)	497,553	(133,492)
Total shareholders' equity	<u>40,684,485</u>	<u>38,992,305</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ <u>73,301,155</u></b>	<b>\$ <u>70,181,373</u></b>

*The accompanying notes are an integral part of these financial statements*

**Centrex, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income/(Loss)**  
(Unaudited)

	<b>For the three months ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Industrial Products & Services Revenue	\$ 11,938,799	\$ 13,241,042
Electronics Manufacturing Services Revenue	20,443,101	16,156,215
Total revenues	32,381,900	29,397,257
<b>Cost of revenues</b>		
Cost of Sales, Industrial Products & Services	8,669,453	9,602,367
Cost of Sales, Electronics Manufacturing Services	13,187,955	10,096,806
Total cost of revenues	21,857,408	19,699,173
Gross profit	10,524,492	9,698,084
<b>Operating expenses</b>		
General and administrative	9,507,584	7,712,510
Research and development	149,217	-
Total operating expenses	9,656,801	7,712,510
Operating income	867,691	1,985,574
<b>Other income (expense)</b>		
Other Income (expense)	291,767	58,204
Interest Expense	(368,461)	(397,098)
Total other income (expense)	(76,694)	(338,894)
Net income before income taxes	790,997	1,646,680
Provision for income taxes	59,006	240,987
Net income	731,991	1,405,693
Preferred dividends paid	-	-
Net income available to common shareholders	731,991	1,405,693
<b>Other comprehensive income/(loss)</b>		
Foreign currency translation gain/(loss)	631,045	(289,754)
Comprehensive income available to common shareholders	\$ 1,363,036	\$ 1,115,939
Income Per Common Share-Basic	\$ 0.07	\$ 0.14
Income Per Common Share-Diluted	\$ 0.07	\$ 0.14
Weighted Average Number of Common Shares-Basic	10,486,770	9,724,558
Weighted Average Number of Common Shares-Diluted	10,644,723	9,786,536

*The accompanying notes are an integral part of these financial statements*

**Centrex, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

<b>Cash Flows from Operating Activities</b>	<b>For the three months ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net income	\$ 731,991	\$ 1,405,693
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	841,855	633,513
Deferred revenue	20,983	(1,053,719)
Change in allowance for inventory obsolescence	623,775	-
Interest expense on convertible debt	109,144	-
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Restricted cash	(50,450)	(282,314)
Accounts receivable	(2,379,205)	1,430,705
Inventory	3,798,092	1,270,022
Prepaid expenses and other assets	(782,447)	(739,271)
Others	(89,268)	336,955
Accounts payable	659,322	(2,173,681)
Credit card payable	(32,674)	(42,685)
Sales tax payable	173,362	(192,725)
Revolving line of credit	(473,936)	(320,138)
Accrued expenses	(569,336)	(161,987)
Income taxes payable	(57,286)	87,854
<b>Net cash provided by operating activities</b>	<b>2,523,922</b>	<b>279,982</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(2,344,266)	(200,291)
Gain on disposal of property and equipment	-	384,073
<b>Net cash provided by (used by) investing activities</b>	<b>(2,344,266)</b>	<b>183,782</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	2,300,000	-
Payments on notes payable	(144,977)	(578,483)
Proceeds/(payments) on affiliated loan	-	(102,732)
Payments on bank loans	(360,543)	(774,127)
<b>Net cash provided by (used by) financing activities</b>	<b>1,794,480</b>	<b>(1,455,342)</b>
Net increase (decrease) in cash	1,974,136	(991,578)
Cash beginning of period	10,442,857	6,045,521
<b>Cash end of period</b>	<b>\$ 12,416,993</b>	<b>\$ 5,053,943</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	\$ 259,317	\$ 148,249
Cash paid during the period for income taxes	\$ 57,286	\$ -

*The accompanying notes are an integral part of these financial statements*

**Centrex Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

NOTE 1 – ORGANIZATION AND PLAN OF OPERATIONS

The Company was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small emissions monitoring Instruments Company into a world leading multi-industry technology company that provides a wide array of solutions to meet today's consumer, commercial, and industrial challenges. Centrex manufactures advanced custom engineered electronics, extensive industrial services, integrated hardware and software solutions, proprietary IoT and wearable devices, and systems for controlling particulates and other regulated pollutants. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Centrex" or "management" refer to Centrex, Inc. and its subsidiaries.

*Electronics Manufacturing Services (EMS)*

Centrex's Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

*Industrial Products & Services (IPS)*

Centrex's Industrial Products and Services (IPS) segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.

Centrex works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer's goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

In July 2017, Company set up a subsidiary named Centrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Centrex will look to focus on developing systems, hardware and software solutions for both consumer, business and industrial applications.

In December 2017, Company set up a subsidiary named Centrex Technologies Pvt. Ltd., by acquiring certain fix assets consisting of computers, hardware and proprietary software form a private third party located in Pune, India, to carry out software and prototype development work related to new Virtual & Augmented Reality applications and Smart Technology products to be produced by Centrex Advanced Technologies Inc., located in Farmingdale, NY.

The Company completed the consolidation of its German EMS factories into one location in Neulingen, Germany to create economies of scale. The Company lost two customers in Paderborn going into 2018, one as result of consolidation and other due to obsolescence of their product. The Company expects this will reduce its EMS revenues for the next few quarters; however the Company remains optimistic about the long term growth potential of this business across the different markets as it continues to win new business.

**Basis of Presentation and Use of Estimates**

The accompanying unaudited financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended September 30, 2017 (“2017 Annual Report”) of Cemtrex Inc. (“Cemtrex” or the “Company”). A summary of the Company’s significant accounting policies is identified in Note 2 of the notes to the consolidated financial statements included in the Company’s 2017 Annual Report. There have been no changes in the Company’s significant accounting policies subsequent to September 30, 2017.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X pursuant to the requirements of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, the disclosure of contingent assets and liabilities in the consolidated financial statements and the accompanying notes, and the reported amounts of revenues, expenses and cash flows during the periods presented. Actual amounts and results could differ from those estimates. The estimates and assumptions the Company makes are based on historical factors, current circumstances and the experience and judgment of the Company’s management. The Company evaluates its estimates and assumptions on an ongoing basis.

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiaries, Griffin Filters LLC, MIP Cemtrex Inc., Cemtrex Advanced Technologies Inc., Cemtrex Technologies Pvt. Ltd., Cemtrex Ltd., ROB Cemtrex GmbH, ROB Systems Srl, ROB Cemtrex Assets UG, ROB Cemtrex Automotive GmbH, ROB Cemtrex Logistics GmbH, and Advanced Industrial Services, Inc. All significant intercompany balances and transactions have been eliminated.

## Significant Accounting Policies

Note 2 of the Notes to Consolidated Financial Statements, included in the annual report on Form 10-K for the year ended September 30, 2017, includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

### *Reclassifications*

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

### NOTE 3 – LIQUIDITY

Our current strategic plan includes the expansion of the Company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. Accordingly, we anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock, and debt instruments as market conditions may allow in addition to cash flow from operations to fund our growth and working capital needs.

To the extent that our internally-generated cash flow is insufficient to meet our needs, we are subject to uncertain and ever-changing debt and equity capital market conditions over which we have no control. The magnitude and the timing of the funds that we need to raise from external sources also cannot be easily predicted.

In January and February 2017, the Company received aggregate gross proceeds of \$14,018,750 through the issuance of 1,401,875 shares of its series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and 2,803,750 series 1 warrants to purchase shares of common stock at \$6.31 per share for five years.

### NOTE 4 – SEGMENT INFORMATION

The Company reports and evaluates financial information for two segments: Electronics Manufacturing Services (EMS) segment and the Industrial Products and Services (IPS) segment. The EMS segment provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products. The IPS segment offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.



The following tables summarize the Company's segment information:

	As of or for the three months ended December 31, 2017		
	Industrial Products & Services Segment	Electronics Manufacturing Services Segment	Consolidated
Revenue from external customers	\$ 11,938,799	\$ 20,443,101	\$ 32,381,900
Total assets	\$ 40,237,288	\$ 33,063,867	\$ 73,301,155
Accounts receivable, net	\$ 11,184,050	\$ 6,656,294	\$ 17,840,344
Other assets	\$ 388,875	\$ 12,000	\$ 400,875

	As of or for the three months ended December 31, 2016		
	Industrial Products & Services Segment	Electronics Manufacturing Services Segment	Consolidated
Revenue from external customers	\$ 13,241,042	\$ 16,156,215	\$ 29,397,257
Total assets	\$ 24,529,626	\$ 27,389,159	\$ 51,918,785
Accounts receivable, net	\$ 7,914,733	\$ 4,223,289	\$ 12,138,022
Other assets	\$ 144,350	\$ 58,759	\$ 203,109

#### NOTE 5 – FAIR VALUE MEASUREMENTS

The Company complies with the provisions of ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The Company had no assets reportable under ASC 820 at December 31, 2017 and 2016.

#### NOTE 6 – RESTRICTED CASH

A subsidiary of the Company participates in a consortium in order to self-insure group care coverage for its employees. The plan is administrated by Benecon Group and the Company makes monthly deposits in a trust account to cover medical claims and any administrative costs associated with the plan. These funds, as required by the plan are restricted in nature and amounted to \$1,582,345 as of December 31, 2017. The Company also records a liability for claims that have been incurred but not recorded at the end of each year. The amount of the liability is determined by Benecon Group. The liability recorded in accrued expenses amounted to \$90,360 as of December 31, 2017.

#### NOTE 7 – ACCOUNTS RECEIVABLE, NET

Trade receivables, net consist of the following:

	December 31, 2017	September 30, 2017
Accounts receivable	\$ 18,139,052	\$ 15,759,847
Allowance for doubtful accounts	(298,708)	(298,708)
	<u>\$ 17,840,344</u>	<u>\$ 15,461,139</u>

Accounts receivable include amounts due for shipped products and services rendered.

Allowance for doubtful accounts include estimated losses resulting from the inability of our customers to make required payments.

NOTE 8 – INVENTORY, NET

Inventory, net, consist of the following:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Raw materials	\$ 6,513,566	\$ 10,653,963
Work in progress	1,759,298	2,600,229
Finished goods	<u>5,612,027</u>	<u>4,428,791</u>
	13,884,891	17,682,983
Less: Allowance for inventory obsolescence	(1,034,876)	(411,101)
Inventory –net of allowance for inventory obsolescence	<u>\$ 12,850,015</u>	<u>\$ 17,271,882</u>

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>December 31, 2017</u>	<u>September 30, 2016</u>
Land	\$ 1,268,903	\$ 1,241,720
Building	5,320,265	5,229,075
Furniture and office equipment	1,831,270	1,678,936
Computers and software	2,121,914	1,723,408
Machinery and equipment	<u>17,758,809</u>	<u>17,176,599</u>
	28,301,161	27,049,738
Less: Accumulated depreciation	(7,836,729)	(6,931,427)
Property and equipment, net	<u>\$ 20,464,432</u>	<u>\$ 20,118,311</u>

NOTE 10 – PREPAID AND OTHER CURRENT ASSETS

On December 31, 2017, the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$2,494,275 and other current assets of \$9,036. On December 31, 2016 the company had prepaid and other current assets consisting of prepayments on inventory purchases of \$2,179,346 and other current assets of \$45,200.

NOTE 11 – CONVERTIBLE NOTES PAYABLE

As of December 31, 2017, the Company has satisfied all outstanding convertible notes payable, to various unrelated third parties.

For the three months ended December 31, 2017, 149,088 shares of the Company's common stock were issued to satisfy \$220,000 of convertible notes payable.

NOTE 12 – LONG-TERM LIABILITIES

*Loans payable to bank*

On October 31, 2013, the Company obtained a loan from Sparkasse Bank of Germany in the amount of €3,000,000 (\$4,006,500, based upon the exchange rate on October 31, 2013) in order to fund the purchase of ROB Cemtrex GmbH. Of these proceeds, \$2,799,411 was used to purchase ROB Cemtrex GmbH and \$1,207,089 funded operations. This loan carries interest of 4.95% per annum and is payable on October 30, 2021.

On May 28, 2014, the Company financed an upgrade of the information technology infrastructure for ROB Centrex GmbH. The purchase was fully financed through Sparkasse Bank of Germany for €200,000 (\$272,840 based upon the exchange rate on May 28, 2014). This loan carries interest of 4.50% and is payable over 4 years.

On December 15, 2015, the Company obtained a loan from Fulton Bank in the amount of \$5,250,000 in order to fund the purchase of Advanced Industrial Services, Inc. \$5,000,000 of the proceeds went to direct purchase of AIS. This loan carries interest of LIBOR plus 2.25% per annum and is payable on December 15, 2022.

#### *Mortgage payable*

On March 1, 2014, the Company completed the purchase of the building that ROB Centrex GmbH occupies in Neulingen, Germany. The purchase was fully financed through Sparkasse Bank of Germany for €4,000,000 (\$5,500,400 based upon the exchange rate on March 1, 2014). This mortgage carries interest of 3.00% and is payable over 17 years.

#### *Notes payable*

On December 15, 2015, the Company issued notes payable to the sellers of Advanced Industrial Services, Inc. for \$1,500,000 to fund the purchase of AIS. These notes carry interest of 6% and are payable over 3 years.

On November 15, 2017, the Company issued a note payable to an unrelated third party, for \$2,300,000. This note carries interest of 8% and is due after 18 months.

#### NOTE 13 – RELATED PARTY TRANSACTIONS

On February 9, 2017, the outstanding principal and accrued interest owed on notes payable to Ducon Technologies Inc., of \$3,339,833 were exchanged for 333,983 shares of the Company's series 1 preferred stock and 667,967 series 1 warrants.

The Company leases its principal office at Farmingdale, New York, 6,000 square feet of office and warehouse/shop space on a month to month lease in a building owned by Aron Govil, Executive Director of the Company, at a monthly rental of \$4,000.

#### NOTE 14 – STOCKHOLDERS' EQUITY

##### *Preferred Stock*

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.001 par value. As of December 31, 2017, and September 30, 2017, there were 2,822,660 shares issued and outstanding.

##### Series A Preferred stock

Each issued and outstanding Series A Preferred Share shall be entitled to the number of votes equal to the result of: (i) the number of shares of common stock of the Company issued and outstanding at the time of such vote multiplied by 1.01; divided by (ii) the total number of Series A Preferred Shares issued and outstanding at the time of such vote, at each meeting of shareholders of the Company with respect to any and all matters presented to the shareholders of the Company for their action or consideration, including the election of directors. Holders of Series A Preferred Shares shall vote together with the holders of Common Shares as a single class.

During the three-month periods ended December 31, 2017 and 2016, the Company did not issue any Series A Preferred Stock.

As of December 31, 2017, and September 30, 2017, there were 1,000,000 shares of Series A Preferred Stock issued and outstanding.

## Series 1 Preferred Stock

### **Dividends**

Holders of the Series 1 Preferred will be entitled to receive cumulative cash dividends at the rate of 10% of the purchase price per year, payable semiannually on the last day of March and September in each year. Dividends may also be paid, at our option, in additional shares of Series 1 Preferred, valued at their liquidation preference. The Series 1 Preferred will rank senior to the common stock with respect to dividends. Dividends will be entitled to be paid prior to any dividend to the holders of our common stock.

### **Liquidation Preference**

The Series 1 Preferred will have a liquidation preference of \$10.00 per share, equal to its purchase price. In the event of any liquidation, dissolution or winding up of our company, any amounts remaining available for distribution to stockholders after payment of all liabilities of our company will be distributed first to the holders of Series 1 Preferred, and then *pari passu* to the holders of the series A preferred stock and our common stock. The holders of Series 1 Preferred will have preference over the holders of our common stock on any liquidation, dissolution or winding up of our company. The holders of Series 1 Preferred will also have preference over the holders of our series A preferred stock.

### **Voting Rights**

Except as otherwise provided in the certificate of designation, preferences and rights or as required by law, the Series 1 Preferred will vote together with the shares of our common stock (and not as a separate class) at any annual or special meeting of stockholders. Except as required by law, each holder of shares of Series 1 Preferred will be entitled to two votes for each share of Series 1 Preferred held on the record date as though each share of Series 1 Preferred were 2 shares of our common stock. Holders of the Series 1 Preferred will vote as a class on any amendment altering or changing the powers, preferences or special rights of the Series 1 Preferred so as to affect them adversely.

### **No Conversion**

The Series 1 Preferred will not be convertible into or exchangeable for shares of our common stock or any other security.

### **Rank**

The Series 1 Preferred will rank with respect to distribution rights upon our liquidation, winding-up or dissolution and dividend rights, as applicable:

- senior to our series A preferred stock, common stock and any other class of capital stock we issue in the future unless the terms of that stock provide that it ranks senior to any or all of the Series 1 Preferred;
- on a parity with any class of capital stock we issue in the future the terms of which provide that it will rank on a parity with any or all of the Series 1 Preferred;
- junior to each class of capital stock issued in the future the terms of which expressly provide that such capital stock will rank senior to the Series 1 Preferred and the common stock; and
- junior to all of our existing and future indebtedness.

As of December 31, 2017, and September 30, 2017, there were 1,822,660 shares of Series 1 Preferred Stock issued and outstanding.

For the fiscal year ended September 30, 2017, \$1,200,871 worth of dividends have been paid to holders of Series 1 Preferred Stock.

#### *Reverse Stock Split*

On April 3, 2015, our Board of Directors approved a reverse split of our common stock, par value \$0.001, at a ratio of one-for-six. This reverse stock split became effective on April 15, 2015 and, unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in this Report and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

#### *Listing on NASDAQ Capital Markets*

On June 25, 2015, the Company's common stock commenced trading on the NASDAQ Capital Market under the symbol "CETX".

#### *Common Stock*

The Company is authorized to issue 20,000,000 shares of common stock, \$0.001 par value. As of December 31, 2017, there were 10,553,522 shares issued and outstanding and at September 30, 2017, there were 10,404,434 shares issued and outstanding.

During the three-month period ended December 31, 2017, the Company issued 149,088 shares of common stock.

On February 12, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$1.70 per share, 50% of the options vest each year and they expire after six years. As of December 31, 2017, none of these options have been exercised.

On December 5, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$4.24 per share, 50% of the options vest each year and they expire after six years. As of December 31, 2017, none of these options have been exercised.

On December 18, 2017, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$2.64 per share, 50% of the options vest each year and they expire after six years. As of December 31, 2017, none of these options have been exercised.

On April 19, 2017 the Company's Board of Directors declared a cash dividend on common stock to shareholders of record on March 31, 2017.

During the fiscal year ended September 30, 2014, the Company granted stock options for 100,000 shares to employees of the Company. These options have a call price of \$1.80 per share, vest over four years, and expire after six years. As of December 31, 2017, options to purchase 62,500 shares have been exercised and none have expired or have been cancelled.

During the fiscal year ended September 30, 2017 the Company acquired and retired 363,528 shares of its common stock at a cost of \$1,344,593 purchased under the share repurchase authorization that Cemtrex's board of directors approved in 2016 for the repurchase of up to one million outstanding shares over a 12-month period, depending on market conditions.

For the three months ended December 31, 2017, 149,088 shares of the Company's common stock have been issued to satisfy \$220,000 of convertible notes payable (see NOTE 11).

### *Subscription Rights Offering*

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, Centrex, Inc. (the “Company”) completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses.

### NOTE 15 – COMMITMENTS AND CONTINGENCIES

Our IPS segment leases (i) approx. 5,000 square feet of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$2,200 expiring on March 31, 2018, (ii) approximately 25,000 square feet of warehouse space in Manchester, PA from a third party in a seven year lease at a monthly rent of \$7,300 expiring on December 13, 2020, (iii) approximately 43,000 square feet of office and warehouse space in York, PA from a third party in a ten year lease at a monthly rent of \$22,625 expiring on March 23, 2026, (iv) approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a one year lease at a monthly rent of \$4,337 expiring on August 31, 2018.

Our EMS segment owns a 70,000 square-foot manufacturing building in Neulingen. The EMS segment also leases (i) a 10,000 square foot manufacturing facility in Sibiu, Romania from a third party in a ten year lease at a monthly rent of €8,000 expiring on May 31, 2019, (ii) approximately 100,000 square feet of office, warehouse and manufacturing space in Paderborn, Germany at monthly rental of €55,400 which expires on December 31, 2017, (iii) approximately 50,000 square feet of office, warehouse space in Paderborn, Germany at a monthly rental of €22,633 which expires on December 31, 2017.

### NOTE 16 – RECENTLY ISSUED ACCOUNTING STANDARDS

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the consolidated financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

### NOTE 17 - SUBSEQUENT EVENTS

Centrex evaluated subsequent events from December 31, 2017 through February 14, 2018, the date the consolidated financial statements were issued. Centrex concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the impact of competitive products and their pricing; unexpected manufacturing or supplier problems; the Company's ability to maintain sufficient credit arrangements; changes in governmental standards by which our environmental control products are evaluated and the risk factors reported from time to time in the Company's SEC reports, including its recent report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.*

### General Overview

The Company was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small emissions monitoring Instruments Company into a world leading multi-industry technology company that provides a wide array of solutions to meet today's consumer, commercial, and industrial challenges. Centrex manufactures advanced custom engineered electronics, extensive industrial services, integrated hardware and software solutions, proprietary IoT and wearable devices, and systems for controlling particulates and other regulated pollutants. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Centrex" or "management" refer to Centrex, Inc. and its subsidiaries.

#### *Electronics Manufacturing Services (EMS)*

Centrex's Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

#### *Industrial Products & Services (IPS)*

Centrex's Industrial Products and Services (IPS) segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.

Centrex works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer's goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

In July 2017, Company set up a subsidiary named Centrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Centrex will look to focus on developing systems, hardware and software solutions for both consumer, business and industrial applications.

In December 2017, Company set up a subsidiary named Centrex Technologies Pvt. Ltd., by acquiring certain fix assets consisting of computers, hardware and proprietary software form a private third party located in Pune, India, to carry out software and prototype development work related to new Virtual & Augmented Reality applications and Smart Technology products to be produced by Centrex Advanced Technologies Inc., located in Farmingdale, NY.

The Company completed the consolidation of its two German EMS factories into one location in Neulingen, Germany to create economies of scale. The Company lost two customers in Paderborn going into 2018, one as result of consolidation and other due to obsolescence of their product. The Company expects this will reduce its EMS revenues for the next few quarters; however the Company remains optimistic about the long term growth potential of this business across the different markets as it continues to win new business.

## *Liquidity*

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, the Company completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Although these estimates are based on our knowledge of current events, our actual amounts and results could differ from those estimates. The estimates made are based on historical factors, current circumstances, and the experience and judgment of our management, who continually evaluate the judgments, estimates and assumptions and may employ outside experts to assist in the evaluations.

Certain of our accounting policies are deemed “critical”, as they are both most important to the financial statement presentation and require management’s most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended September 30, 2017.



## Results of Operations - For the three months ending December 31, 2017 and 2016

Total revenue for the three months ended December 31, 2017 and 2016 was \$32,381,900 and \$29,397,257, respectively, an increase of \$2,984,643, or 10%. Net income for the three months ended December 31, 2017 and 2016 was \$731,991 and \$1,405,693, respectively, a decrease of \$673,702, or 48%. Total revenue in the first quarter increased, as compared to total revenue in the same period last year, due to higher EMS segment shipments during the current quarter. Net income decreased in the first quarter due to lower IPS segment sales, increased expenses in research and development and increased sales & marketing expenses.

### *Revenues*

Our IPS segment revenues for the three months ended December 31, 2017 decreased by \$1,302,243 or 10%, to \$11,938,799 from \$13,241,042 for the three months ended December 31, 2016. The decrease was primarily due to decreased demand for environmental control products as result of deregulation of emission standards by the current administration.

Our EMS segment revenues for the three months ended December 31, 2017 increased by \$4,286,886 or 27% to \$20,443,101 from \$16,156,215 for the three months ended December 31, 2016. The primary reason for increased sales was due to higher shipments in the current quarter.

### *Gross Profit*

Gross Profit for the three months ended December 31, 2017 was \$10,524,492 or 33% of revenues as compared to gross profit of \$9,698,084 or 33% of revenues for the three months ended December 31, 2016. Gross profit as a percentage of revenues in the three months ended December 31, 2017 was the same during the respective quarters. The Company's gross profit margins vary from product to product and from customer to customer.

### *Operating Expenses*

Operating expenses for the three months ended December 31, 2017 increased \$1,944,291 or 25% to \$9,983,701 from \$7,712,510 for the three months ended December 31, 2016. Operating expenses as a percentage of revenue was 30% and 26% of revenues for the three-month periods ended December 31, 2017 and December 31, 2016. The increase in operating expenses as a percentage of revenues and on a dollar basis was due to increased expenses in research and development and sales and marketing activities.

### *Other Income/(Expense)*

Interest and other income/(expense) for the first quarter of fiscal 2018 was \$(76,694) as compared to \$(338,894) for the first quarter of fiscal 2017. Other income/(Expense) was due primarily to interest expense.

### *Provision for Income Taxes*

During the first quarter of fiscal 2018 we recorded an income tax provision of \$59,005 compared to a provision of \$240,987 for the first quarter of fiscal 2017. The provision for income tax is based upon the projected income tax from the Company's various U.S. and international subsidiaries that are subject to their respective income tax jurisdictions.

### *Net Income/Loss*

The Company had net income of \$731,991 or 2% of revenues, for the three-month period ended December 31, 2017 as compared to net income of \$1,405,693 or 5% of revenues, for the three months ended December 31, 2016. Net income in the first quarter decreased, as compared to net income in the same period last year, due to increased expenses in research and development and sales and marketing activities.

### **Effects of Inflation**

The Company's business and operations have not been materially affected by inflation during the periods for which financial information is presented.

### **Liquidity and Capital Resources**

Working capital was \$27,623,636 at December 31, 2017 compared to \$26,366,437 at September 30, 2017. This includes cash and cash equivalents of \$12,416,993 at December 31, 2017 and \$10,442,857 at September 30, 2017, respectively. The increase in working capital was primarily due to net increases in our current assets of \$761,863 and net decreases in our current liabilities of \$495,336.

Accounts receivable increased \$2,379,205 or 15% to \$17,840,344 at December 31, 2017 from \$15,461,139 at September 30, 2017. The increase in accounts receivable is largely attributable to increased sales.

Inventories decreased \$4,421,867 or 26% to \$12,850,015 at December 31, 2017 from \$17,271,882 at September 30, 2017. The decrease in inventories is attributable to an increase to the allowance for inventory obsolescence of \$623,775, the execution of in-house orders, and delays in purchases of raw materials during the period.

Operating activities provided \$2,523,922 of cash for the three months ended December 31, 2017 compared to providing cash of \$279,982 of cash for the three months ended December 31, 2016. The increase in operating cash flows was primarily due to the execution of in-house orders, delayed during the prior period, as compared to the same period a year ago.

Investment activities used \$2,344,266 of cash for the three months ended December 31, 2017 compared to providing cash of \$183,782 during the three-month period ended December 31, 2016. Investing activities for the first quarter of 2018 were primarily driven by the Company's investment in fixed assets for Centrex Technologies Pvt. Ltd..

Financing activities provided \$1,794,480 of cash in the three-month period ended December 31, 2017 as compared to using cash of \$1,455,342 in the three-month period ended December 31, 2016. Financing activities were primarily driven by proceeds from the note payable issued for \$2,300,000 (See Note 12).

Our current strategic plan includes the expansion of the Company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. Accordingly, in addition to the net proceeds received from the Company's recently-completed rights offering and standby purchase, we anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock, and debt instruments as market conditions may allow in addition to cash flow from operations to fund our growth and working capital needs. There is no guarantee that cash flow from operations and/or debt and equity vehicles will provide sufficient capital to meet our expansion goals and working capital needs.

To the extent that our internally-generated cash flow is insufficient to meet our needs, we are subject to uncertain and ever-changing debt and equity capital market conditions over which we have no control. The magnitude and the timing of the funds that we need to raise from external sources also cannot be easily predicted.

In January and February 2017, the Company received aggregate gross proceeds of \$14,018,750 through the issuance of 1,401,875 shares of its series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and 2,803,750 series 1 warrants to purchase shares of common stock at \$6.31 per share for five years.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Vice President of Finance (“VPF”), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our VPF have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017 and have concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2017.

##### **Changes in Internal Control Over Financial Reporting**

There was no change in the Company’s internal control over financial reporting during the Company’s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **Part II Other Information**

### **Item 1. Legal Proceedings.**

Three alleged securities class action complaints were filed against the Company and certain of its executive officers in the U.S. District Court for the Eastern District of New York on February 24, 2017. Under the requirements of the Private Securities Litigation Reform Act of 1995, these three alleged class actions, as well as any further related actions, will be consolidated into a single lawsuit following decisions on motions to consolidate filed with the Court on April 25, 2017. A follow-on, related derivative complaint also was filed against the Company and its executive officers and directors in New York State court on April 10, 2017. That derivative action has been stayed by agreement of the parties until after the motion to dismiss process in the consolidated alleged class actions has run its course.

The allegations in all four complaints are based on the assertions contained in a blog post published on an internet website that challenged various aspects of the Company's stock trading and relationships. The Company denies these assertions, and filed a lawsuit seeking damages in the amount of \$170 million, against the blogger on March 4, 2017 in the U.S. District Court for the Eastern District of New York. The Company voluntarily dismissed that lawsuit on June 12, 2017, because it was unable to serve the defendant blogger within the required time, but the Company has reserved the right to re-file its claims against him at a later date.

The Company believes the alleged class action and derivative litigations are without merit and intends to defend itself vigorously. The Company has retained Doug Green of Baker Hostetler, a nationally renowned law firm with no previous relationship to the Company, to defend the litigations, and intends to seek dismissal of the litigations at the earliest possible stage. The Company has to wait until the courts decide to consolidate the all actions into a single lawsuit and hence the Company cannot predict the time table of this litigation. Regardless of the merit of the claims, litigation is inherently unpredictable and may be costly, time consuming and disruptive to the Company's business. Although the Company is covered by insurance against this class action suit, the Company could incur judgments or enter into settlements of claims that could adversely affect its business, operating results or cash flows.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended December 31, 2017, the Company issued an aggregate of 149,088 shares of common stock in exchange for aggregate consideration of \$220,000, which was used for working capital. Such shares were issued pursuant to the exemption contained under Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits

Exhibit No.	Description
2.1	<a href="#">Asset Purchase Agreement regarding the assets of ROB Holding AG, ROB Electronic GmbH, ROB Connect GmbH, and ROB Engineering dated September 10, 2013. (5)</a>
2.2	<a href="#">Stock Purchase Agreement regarding the stock of Advanced Industrial Services, Inc., AIS Leasing Company, AIS Graphic Services, Inc., and AIS Energy Services, LLC. Dated December 15, 2015. (6)</a>
2.3	<a href="#">Asset Purchase agreement between Periscope GmbH and ROB Centrex Assets UG, ROB Centrex Automotive GmbH, and ROB Centrex Logistics GmbH. (7)</a>
3.1	<a href="#">Certificate of Incorporation of the company.(1)</a>
3.2	<a href="#">By Laws of the company.(1)</a>
3.3	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated September 29, 2006.(1)</a>
3.4	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated March 30, 2007.(1)</a>
3.5	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated May 16, 2007.(1)</a>
3.6	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated August 21, 2007.(1)</a>
3.7	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated April 3, 2015.(3)</a>
3.8	<a href="#">Certificate of Designation of the Series A Preferred Shares, dated September 8, 2009.(2)</a>
3.9	<a href="#">Certificate of Designation of the Series 1 Preferred Stock.(12)</a>
3.10	<a href="#">Certificate of Amendment of Certificate of Incorporation, dated September 7, 2017 (15)</a>
4.1	<a href="#">Form of Subscription Rights Certificate. (10)</a>
4.2	<a href="#">Form of Series 1 Preferred Stock Certificate. (10)</a>
4.3	<a href="#">Form of Series 1 Warrant. (10)</a>
10.1	<a href="#">Cemtrex Lease Agreement-Ducon Technologies, Inc.(1)</a>
10.2	<a href="#">Lease Agreement between Daniel L. Canino and Griffin Filters, LLC.(1)</a>
10.3	<a href="#">Asset Purchase Agreement between Ducon Technologies, Inc. and Cemtrex, Inc.(1)</a>
10.4	<a href="#">Agreement and Assignment of Membership Interests between Aron Govil and Cemtrex, Inc.(1)</a>
10.5	<a href="#">8.0% Convertible Subordinated Debenture.(1)</a>
10.6	<a href="#">Letter Agreement by and between Cemtrex, Inc. and Arun Govil, dated September 8, 2009.(2)</a>
10.7	<a href="#">Loan Agreement between Fulton Bank, N.A. and Advanced Industrial Services, Inc., AIS Acquisition, Inc., AIS Leasing Company, dated December 15, 2015.(6)</a>
10.8	<a href="#">Promissory Note between Kris L. Mailey and AIS Acquisition, Inc. dated December 15, 2015.(6)</a>
10.9	<a href="#">Promissory Note between Michael R. Yergo and AIS Acquisition, Inc. dated December 15, 2015.(6)</a>
10.1	<a href="#">Term Loan Agreement between Cemtrex GmbH and Sparkasse Bank for Financing of funds within the scope of the Asset-Deals of the ROB Group, dated October 4, 2013.(8)</a>
10.11	<a href="#">Working Capital Credit Line Agreement between Cemtrex GmbH and Sparkasse Bank, dated October 4, 2013 (updated May 8, 2014).(8)</a>
10.12	<a href="#">Loan Agreement between ROB Cemtrex GmbH and Sparkasse Bank to finance the purchase of the property at Am Wolfsbaum 1, 75245 Neulingen, Germany, dated October 7, 2013, purchase completed March 1, 2014.(9)</a>
10.13	<a href="#">Nonstatutory Stock Option Agreement entered into as of February 12, 2016 between Cemtrex, Inc. and Saagar Govil (11)</a>
10.14	<a href="#">Nonstatutory Stock Option Agreement entered into as of December 5, 2016 between Cemtrex, Inc. and Saagar Govil (13)</a>
10.15	<a href="#">Exchange Agreement dated as of February 1, 2017 and effective February 9, 2017 by and between Cemtrex Inc. and Ducon Technologies, Inc.(12)</a>
10.16*	<a href="#">Nonstatutory Stock Option Agreement entered into as of December 18, 2017 between Cemtrex, Inc. and Saagar Govil</a>
14.1	<a href="#">Corporate Code of Business Ethics.(4)</a>
21.1*	<a href="#">Subsidiaries of the Registrant</a>
31.1*	<a href="#">Certification of Chief Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Vice President of Finance and Principal Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of Vice President of Finance and Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
99.1	<a href="#">Letter from Bharat Parikh &amp; Associates regarding securities class action complaints. (16)</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith

- (1) Incorporated by reference from Form 10-12G filed on May 22, 2008.
- (2) Incorporated by reference from Form 8-K filed on September 10, 2009.
- (3) Incorporated by reference from Form 8-K filed on August 22, 2016.
- (4) Incorporated by reference from Form 8-K filed on July 1, 2016.
- (5) Incorporated by reference from Form 10-K filed on August 25, 2016.
- (6) Incorporated by reference from Form 8-K/A filed on September 26, 2016.
- (7) Incorporated by reference from Form 8-K/A filed on November 4, 2016.
- (8) Incorporated by reference from Form 8-K/A filed on November 9, 2016.
- (9) Incorporated by reference from Form 10-Q/A filed on November 10, 2016.
- (10) Incorporated by reference from Form 8-K filed on January 24, 2017.
- (11) Incorporated by reference from Form 10-K filed on December 28, 2016.
- (12) Incorporated by reference from Form 8-K filed on February 10, 2017.
- (13) Incorporated by reference from Form 10-Q filed on February 14, 2017.
- (14) Incorporated by reference from Form 10-Q filed on February 14, 2017.
- (15) Incorporated by reference from Form 8-K filed on September 8, 2017.
- (16) Incorporated by reference from Form 10-K filed on December 13, 2017

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Centrex, Inc.

Dated: February 14, 2017

By: /s/Saagar Govil .  
Saagar Govil  
Chief Executive Officer

Dated: February 14, 2017

/s/Renato Dela Rama .  
Renato Dela Rama  
Vice President of Finance and Principal Financial Officer



## NONSTATUTORY STOCK OPTION AGREEMENT

CEMTREX Inc.

Cemtrex Inc. (the "Corporation") and, Saagar Govil (the "Optionee") an employee of the Corporation, in consideration of the covenants and agreements herein contained and intending to be legally bound hereby, agree as follows:

SECTION I: Grant

1.1 Grant of Option. Subject to the terms and conditions set forth in this Nonstatutory Stock Option Agreement (this "Agreement") the Corporation hereby grants to the Optionee a stock option (the "Option") to purchase 200,000 (Two Hundred Thousand) shares of the Corporation's common stock, par value \$0.001, (the "Common Stock") from the Corporation at a price of \$2.64 (Two Dollars and sixty four cents) per share (the "Option Price"), which is the Fair Market Value of the shares of Common Stock covered by the Option on December 18, 2016 (the "Grant Date").

1.2 Acceptance. The Optionee accepts the grant of the Option confirmed hereby, and agrees to be bound by the terms and provisions of this Agreement, as the Agreement may be amended from time to time; *provided, however*, that no alteration, amendment, revocation or termination of the Agreement shall, without the written consent of the Optionee, adversely affect the rights of the Optionee with respect to the Option.

SECTION 2: Vesting, Exercise and Expiration

2.1 Vesting. Subject to Sections 3 and 4.8 of this Agreement, the Option will vest and become exercisable in annual installments over a two-year vesting period according to the following vesting schedule:

1/2 of the Option will vest upon the 1<sup>st</sup> anniversary of the Grant Date;

and the balance, 1/2 of the Option, will vest upon the 2<sup>nd</sup> anniversary of the Grant Date;

*provided that* the Optionee is employed by the Corporation on such anniversary, with all fractional shares, if any, rounded up and vesting as whole shares upon the earlier vesting date(s). "Corporation," when used herein with reference to employment of the Optionee, shall include any Affiliate or subsidiary of the Corporation. To the extent vested, the Option may be exercised in whole or in part from the date of vesting through and including the Option Expiration Date, as defined in Section 2.3 here of, subject to any limits provided in Section 3.

2.2 Exercise. This Option shall be exercised by the Optionee by delivering to the Corporation's office at 19 Engineers Lane, Farmingdale, NY 11735, USA, Attention: Company Secretary (i) this Agreement signed by the Optionee, (ii) a written (including electronic) notification specifying the number of shares which the Optionee then desires to purchase, (iii) a check payable to the order of the Corporation, which may include cash forwarded through the broker or other agent-sponsored exercise or financing program approved by the Corporation, equal in value to the aggregate Option Price of such shares. As soon as practicable after each exercise of this Option and compliance by the Optionee with all applicable conditions, the Corporation will issue the number of shares of Common Stock, which the Optionee is entitled to receive upon such exercise under the provisions of this Agreement.

2.3 Expiration. The Option shall expire and cease to be exercisable on the earlier of (a) either (i) the last trading day immediately preceding the six-year anniversary of the Grant Date or, if earlier, (ii) the date of cancellation provided for in Section 4.6 (the earlier of (i) and (ii) referred to as the "Option Expiration Date") or (b) the expiration date provided for in Section

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### SECTION 3: Termination of Employment and Disability

#### 3.1 Termination of Employment.

(a) *General.* If the Optionee's employment with the Corporation is terminated for whatever reasons then the vested portion of the Option will not be impacted by such event and shall remain valid until the term outlined in section 2.3. In the event the Optionee is disabled or dies then his authorized representative or rightful successor shall have full right over the vested portion of the option until the term outlined in section 2.3

#### 3.2 Specified Terminations of Employment.

- (a) If the Optionee ' s employment is terminated by the Corporation or if the Optionee terminates his employment with the Corporation, the unvested portion of the Option will expire on the Termination Date.

### SECTION 4: Miscellaneous

4.1 No Right to Employment. Neither the grant of the Option nor anything else contained in this Agreement shall be deemed to limit or restrict the right of the Corporation to terminate the Optionee' s employment at any time, for any reason, with or without cause.

4.2 Nontransferable. This Option may not be transferred except by the Optionee upon his or her death or disability. No other assignment or transfer of this Option, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise shall be permitted, but immediately upon any such assignment or transfer this Option shall terminate and become of no further effect. During the Optionee's life this Option shall be exercisable only by the Optionee, and after the Optionee 's death the Option shall remain subject to any restrictions on exercise and otherwise as if held by the Optionee. Whenever the word " Optionee" is used in any provision of this Option under circumstances where the provision should logically be construed to apply to the executors, the administrators or other persons to whom this Option may be transferred, the word "Optionee " shall be deemed to include such person or persons.

4.3 Compliance with Laws. Notwithstanding any other provision hereof, the Optionee hereby agrees that he or she will not exercise the Option, and that the Corporation will not be obligated to issue any shares to the Optionee hereunder, if the exercise thereof or the issuance of such shares shall constitute a violation by the Optionee or the Corporation of any provision of law or regulation of any governmental authority. Any determination in this connection by the Corporation shall be final, binding and conclusive. The Corporation shall in no event be obliged to register any securities pursuant to the Securities Act of 1933 (as the same shall be in effect from time to time) or to take any other affirmative action in order to cause the exercise of the Option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

4.4 Nonstatutory Stock Option. The parties hereto agree that the Option granted hereby is not, and should not be construed to be, an incentive stock option under Section 422 of the Code.

4.5 Tax Consequences. In each case where the Optionee exercises this Option in whole or in part, the Optionee shall be responsible for the amount of income tax, if any, required under federal and, where applicable, state and local law, and the Optionee shall, pay such taxes and shall provide a copy of such remittance to the Corporation. The Corporation shall have no liability whatsoever for the Optionee's tax obligations.

#### 4.6 Forfeiture and Repayment. If:

- (a) during the course of the Optionee ' s employment with the Corporation or, if longer, the period during which this Option is outstanding, the Optionee engages in conduct or it is discovered that the Optionee engaged in conduct that is materially averse to the interests of the Corporation, including failures to comply with the Corporation ' s rules or regulations, fraud, or conduct contributing to any financial restatements or irregularities;
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[(c)/(d)] following termination of the Optionee's employment with the Corporation for any reason, with or without cause, the Optionee violates any post-termination obligations or duties owed to the Corporation or its Affiliates or any agreement with the Corporation or its Affiliates, including without limitation, any employment agreement, confidentiality agreement or other agreement restricting post-employment conduct; the Corporation may cancel all or any portion of this Option with respect to the shares not yet exercised and/ or require repayment of any shares (or the value thereof) or amounts which were acquired from exercise of the Option. The Corporation shall have sole discretion to determine what constitutes such conduct.

4.7 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, in USA other than any choice of law rules calling for the application of laws of another jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date.

CEMTREX Inc.

/s/ Renato Dela Rama.

Renato Dela Rama  
Vice President of Finance  
and Principal Financial Officer

OPTIONEE:

/s/ Saagar Govil.

Saagar Govil  
Chief Executive Officer

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<b>Name of consolidated subsidiary or entity</b>	<b>State or other jurisdiction of incorporation or organization</b>	<b>Date of incorporation or formation (date of acquisition, if applicable)</b>	<b>Attributable interest</b>
Griffin Filters, LLC	New York	September 6,2005 (April 30,2007)	100%
ROB Centrex GmbH	Germany	August 15, 2013 (October 31, 2013)	100%
Centrex Ltd	Hong Kong	September 4, 2013	100%
Advanced Industrial Services, Inc.	Pennsylvania	July 20, 1984 (December 15, 2015)	100%
ROB Systems, Srl.	Romania	November 1, 2013	100%
ROB Automotive GmbH	Germany	May 31, 2016 (May 31, 2016)	100%
ROB Logistics GmbH	Germany	May 31, 2016 (May 31, 2016)	100%
ROB Assets GmbH	Germany	May 31, 2016 (May 31, 2016)	100%
Centrex Advanced Technologies, Inc.	New York	July 11, 2017	100%
Centrex Technologies Pvt Ltd.	India	December 21, 2017	100%



**CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Saagar Govil, certify that:

1. I have reviewed this report on Form 10-Q of Centrex, Inc. and subsidiaries (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

*/s/ Saagar Govil*

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Saagar Govil  
Chief Executive Officer

Dated: February 14, 2017

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**CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Renato Dela Rama, certify that:

1. I have reviewed this report on Form 10-Q of Centrex, Inc. and subsidiaries (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

*/s/ Renato Dela Rama .*

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Renato Dela Rama  
Vice President of Finance and Principal Financial Officer

Dated: February 14, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Centrex, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saagar Govil, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Saagar Govil.*

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Saagar Govil  
Chief Executive Officer

Dated: February 14, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Cemtrex, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renato Dela Rama, Vice President of Finance and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Renato Dela Rama.*

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Renato Dela Rama  
Vice President of Finance  
and Principal Financial Officer

Dated: February 14, 2017

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