CeramTec Holding GmbH

Plochingen

Condensed Interim Consolidated Financial Statements as of 31 March 2014

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Comprehensive Income

from 1 January to 31 March 2014

	Note	1 January to 31 March 2014
		EUR k
Revenue	3.1	121.804
Cost of sales	3.2	73.318
Gross profit		**48.486**
Selling costs	3.3	20.100
Research and development costs	3.4	5.697
General administrative costs	3.5	4.620
Other income		86
Other expenses	3.6	1.764
Operating income		**16.391**
Interest income and other finance income		1.171
Interest expenses and other finance costs		22.813
Financial result	3.7	**-21.642**
Earnings before taxes		**-5.251**
Taxes on income		-1.089
Net loss for the year		**-6.340**
Other comprehensive income, after income tax		
Items that will not be recycled through profit or loss in future		
Income from the remeasurement of pension provisions		0
Deferred taxes		0
		0
Items that are recycled through profit or loss under certain conditions		
Gains on cash flow hedges		2.374
Deferred taxes		-677
		1.697
Difference from currency translation		-783
Other comprehensive income, after income tax		**914**
Total comprehensive income		**-5.426**

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Financial Position as of 31 March 2014

Assets	Note	31 March 2014	31 December 2013
		EUR k	EUR k
Goodwill		548.517	548.872
Other intangible assets	4.1	670.889	681.814
Property, plant and equipment	4.2	305.375	306.894
Other financial assets		7.980	7.082
Other assets	4.3	1.782	1.925
Deferred taxes		3.151	2.399
Non-current assets		**1.537.694**	**1.548.986**
Inventories		72.353	71.354
Trade receivables	4.4	60.312	43.374
Other financial assets		1.219	858
Other receivables and assets	4.3	10.352	9.249
Cash and cash equivalents	4.5	20.852	66.963
Assets held for sale	4.6	884	0
Current assets		**165.972**	**191.798**
Total assets		**1.703.666**	**1.740.784**

Equity and Liabilities	Note	31 March 2014	31 December 2013
		EUR k	EUR k
Issued capital		25	25
Captial reserves		378.148	378.148
Revenue reserves and consolidated net income		-48.838	-42.498
Accumulated other comprehensive income		-7.891	-8.805
Equity		**321.444**	**326.870**
Provisions for pension obligations		62.408	62.214
Other provisions		4.359	4.286
Financial liabilities to affiliates		125.808	123.338
Financial liabilities to third parties	4.7	917.109	918.636
Deferred taxes		190.697	190.555
Non-current liabilities		**1.300.381**	**1.299.029**
Other provisions		11.734	8.993
Provisions for taxes		2.032	402
Financial liabilities to third parties	4.7	25.678	61.924
Trade payables		26.997	31.898
Trade payables to affiliates		90	0
Other liabilities	4.8	15.310	11.668
Current liabilities		**81.841**	**114.885**
Total liabilities		**1.382.222**	**1.413.914**
Total equity and liabilities		**1.703.666**	**1.740.784**

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Changes in Equity

in EUR k	Issued capital	Capital reserves	Revenue reserves and consolidated net income	Accumulated other comprehensive income		Equity
				Cash flow hedge reserve	Difference from currency translation	
31 December 2013	**25**	**378.148**	**(42.498)**	**(3.738)**	**(5.067)**	**326.870**
Net loss	-	-	(6.340)	-	-	(6.340)
Other comprehensive income	-	-	-	1.697	(783)	914
Total comprehensive income	*-*	*-*	*(6.340)*	*1.697*	*(783)*	(5.426)
31 March 2014	**25**	**378.148**	**(48.838)**	**(2.041)**	**(5.850)**	**321.444**

CeramTec
THE CERAMIC EXPERTS

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of cash flows from 1 January to 31 March 2014

	1 January to 31 March 2014 EUR k
Net loss for the period	-6.340
Taxes on income	1.089
Interest result	19.855
Write-downs / write-ups (-) on non-current assets	22.655
Loss / Gain (-) on disposal of fixed assets	6
Increase / decrease (-) in provisions (excluding deferred taxes)	2.489
Income tax payment (-)	-746
Other non-cash expenses/income (-)	1.614
Increase (-) / decrease in inventories	-998
Increase (-) / decrease in trade receivables	-16.938
Increase (-) / decrease in other receivables and (financial) assets	-608
Increase / decrease (-) in trade payables	-4.172
Increase / decrease (-) in other liabilities	2.413
Cash flow from operating activities	**20.318**
Cash received from disposals of property, plant and equipment	12
Cash paid (-) for investments in property, plant and equipment	-12.841
Cash paid (-) from investments in intangible assets	-252
Cash paid (-) for the acquisition of entities	-3.500
Cash flow from investing activities	**-16.582**
Repayment for syndicated loan	-2.307
Interest paid (-)	-20.612
Cash paid for profit transfer to previous shareholder	-26.922
Cash flow from financing activities	**-49.842**
Change in cash and cash equivalents	-46.106
Currency effects	-5
Cash and cash equivalents at the beginning of the period	66.963
Cash and cash equivalents at the end of the period	**20.852**

CeramTec Holding GmbH

Plochingen

Selected explanatory notes to the Interim Consolidated Financial Statements as of 31 March 2014

1 General

1.1 Corporate information and purpose of the Company

The purpose of CeramTec Holding GmbH (hereinafter “CeramTec Holding”) is to render management services as well as administrative, financial and business services in return for remuneration to entities in which it has a direct or indirect shareholding or which are controlled by its shareholder. It may set up branch offices in Germany and abroad, establish other entities in Germany and abroad despite their legal form, acquire, invest in and hold these investments and/or manage them as well as enter into and/or issue all kinds of financial instruments.

The subsidiaries of CeramTec Holding are leading global producers of high-performance ceramics and specialized in the development, production and sale of assemblies, components and products made from ceramic materials. The companies are primarily active in the following markets: automotive, electronic applications, energy and environmental applications, equipment and mechanical engineering and medical technology. Their activities focus on developing solutions for increasingly demanding application areas using many different and in part highly-specialized ceramic materials with unique mechanical, electrical, thermal and biochemical properties and property combinations.

CeramTec Holding’s registered office is located at CeramTec-Platz 1-9 in 73207 Plochingen, Germany. CeramTec Holding is the parent company of the Group (“CeramTec Holding Group”) and at the same time the ultimate parent, which prepares exempting consolidated financial statements.

CeramTec Holding was founded on 3 June 2013. The first fiscal year was an abbreviated fiscal year for the period from 3 June 2013 to 14 July 2013. The second fiscal year was also an abbreviated fiscal year for the period from 15 July 2013 to 31 December 2013. This abbreviated fiscal year is referred to in the following as the comparative period. As the acquisition of the operating business did not take place until during the comparative period, there are no such corresponding comparative figures for the first quarter of the prior-year. From fiscal year 2014 onwards, the fiscal year will correspond to the calendar year.

The management of CeramTec Holding approved the condensed interim consolidated financial statements on 22 May 2014 for submission to the shareholder meeting.

1.2 Basis of preparation

The condensed interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) as adopted by the EU as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) applicable for interim financial information. In accordance with IAS 34 Interim Financial Reporting, these financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the CeramTec Holding Group.

The condensed interim consolidated financial statements are presented in euro. The amounts are in thousands of euros (EUR k). All amounts are rounded using standard commercial principles. In individual cases, adding individual values to the total value may therefore lead to differences.

For the purpose of clarity, various items in the statements of financial position and statement of comprehensive income were combined and explained accordingly in the selected explanatory notes to the financial statements. Assets and liabilities are broken down into current and non-current items. Assets and liabilities are classified as current if they are expected to be realized within twelve months from the reporting date. The expense recognized in profit or loss is broken down using the function of expense method. In the statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method.

2 Accounting principles

The accounting policies and the consolidation principles applied in the condensed interim consolidated financial statements correspond to those applied in the most recent annual consolidated financial statements with the exception of the recently adopted accounting standards and the presentation of the statement of cash flows as explained below. A detailed description of the accounting policies is shown in the notes to the consolidated financial statements as of 31 December 2013.

Foreign currency translation

The exchange rates of significant currencies used for the currency translation to the euro are as follows:

		31 March 2014		31 December 2013
		Period-end exchange rate	Average exchange rate	Period-end exchange rate
USD	USA	1,37690	1,37063	1,37430
CNY	China	8,56030	8,36419	8,32040
GBP	UK	0,82640	0,82809	0,83000
PLN	Poland	4,16570	4,18344	4,15450
CZK	Czech Republic	27,44950	27,43840	27,33550

Change in the presentation of the interim consolidated statement of cash flows

CeramTec Holding Group changed voluntarily the presentation of the statement of cash flows. Interest paid contains mainly interest resulting from financing activities. Therefore interest paid is now shown within the cash flow from financing activities to get a better understanding of the effects resulting from financing the CeramTec Holding Group. Because of this change, cash flows from operating activities during the first quarter 2014 are EUR 20,612k higher, cash flows from financing are EUR 20,612k less.

Adoption of amended and new standards and interpretations: Changes in accounting policies due to first-time adoption of revised and new IFRS and IFRIC

The following amended IFRSs and IFRICs were adopted for the first time in the fiscal year:

Amendments to IAS 36: “Impairment of assets”

The amendment to IAS 36 serves to clarify the disclosure obligations with regard to the measurement of the recoverable amount of impaired assets. The amendments are mandatory with retroactive effect for fiscal years beginning on or after 1 January 2014. This amendment does not have any effect on the CeramTec Holding Group, as it had already taken this into account in its first financial statements.

IFRS 10: "Consolidated Financial Statements"

IFRS 10 establishes a uniform definition for control and thus a uniform basis for determining whether a parent-subsidiary relationship exists and, in turn, for delimiting the consolidated Group. The new standard replaces the previously applicable IAS 27 (2008) Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 is applicable for fiscal years from 1 January 2014. This amendment does not have any effect on the interim consolidated financial statements of CeramTec Holding.

IFRS 11: "Joint Arrangements"

IFRS 11 governs the accounting treatment of situations where a company exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, which had previously governed the accounting treatment of joint ventures. The most significant change in IFRS 11 compared with IAS 31 is the removal of proportionate consolidation for joint ventures; in future, joint ventures must always be accounted for using the equity method. IFRS 11 is applicable for fiscal years from 1 January 2014. This amendment does not have any effect on the consolidated financial statements of CeramTec Holding.

IFRS 12: "Disclosure of Interests in Other Entities"

The objective of IFRS 12 is to prescribe disclosures on information that provides the users of financial statements with a basis for assessing the nature of interests in other entities (e.g. subsidiaries, associates) and the related risks and effects of these interests on the Group's net assets, financial position and results of operations. IFRS 12 is applicable for fiscal years from 1 January 2014. This does not result in any effects for the CeramTec Holding Group.

Amendments to IFRS 10, IFRS 11 and IFRS 12: "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Provisions"

The amendments contain clarifications on certain transitional provisions upon the first-time application of IFRS 10, IFRS 11 and IFRS 12. The date on which these amendments come into force is the same as that for IFRS 10, IFRS 11 and IFRS 12.

Amendments to IFRS 10, IFRS 12 and IAS 27: "Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment entities"

An additional amendment, which was published by IASB in October 2012, relates to the definition of investment entities. The amendment stipulates that investment entities be removed from the scope of the consolidation provisions of IFRS 10 and that all investments they control be measured at fair value through profit or loss. The standard is effective for fiscal years beginning on or after 1 January 2014. This does not result in any effects for the CeramTec Holding Group.

IFRS 14: “Accounting for Prepaid Expenses and Deferred Income”

IFRS 14 was published in January 2014 and is effective for fiscal years beginning on or after 1 January 2014. The standard permits companies to continue to account for regulatory deferral accounts from rate regulation in their first IFRS financial statements in accordance with their previous generally accepted accounting principles when they adopt IFRS. This does not result in any effects for the CeramTec Holding Group.

IAS 27 “Separate Financial Statements”

The amendment to IAS 27 was issued in May 2011 and becomes effective for the first time for fiscal years beginning on or after 1 January 2014. As a consequence of the new IFRS 10 and IFRS 12, the scope of IAS 27 is limited to the accounting treatment of subsidiaries, jointly controlled entities, and associates in separate financial statements. This does not result in any effects for the CeramTec Holding Group.

IAS 28: “Investments in Associates”

The amendment to IAS 28 was issued in May 2011 and becomes effective for the first time for fiscal years beginning on or after 1 January 2014. This relates to the follow-up changes from the new IFRS 10, 11 and 12. The scope of IAS 28 has been extended to include the accounting treatment of joint ventures. This does not result in any effects for the CeramTec Holding Group.

Amendments to IAS 32: “Financial Instruments: Presentation”

The amendment specifies the rules on offsetting. In order to satisfy the new offsetting criteria in accordance with IAS 32, the current, legally enforceable right of the reporting entity must not be contingent on any future event and must be applicable in the normal course of business as well as in the event of default or insolvency of a counterparty. In addition, the standard clarifies that a gross settlement mechanism satisfies the criteria for offsetting provided it eliminates or results in insignificant credit and liquidity risks, processes receivables and payables in a single settlement process or cycle and, therefore, ultimately is equivalent to a net settlement. The amendments will become effective for the first time for fiscal years beginning on or after 1 January 2014. This amendment does not have any effect on the consolidated financial statements of CeramTec Holding.

Amendments to IAS 39: “Novation of Derivatives and Continuation of Hedge Accounting”

The amendments to IAS 39 allow hedge accounting to be continued even in those cases where a counterparty to a non-listed hedging instrument changes in order to meet the clearing obligations for the instrument. The instrument must remain otherwise unchanged and the novation must be due to laws or regulatory requirements. The effects on the consolidated financial statements are currently being assessed. The amendments take effect on 1 January 2014, whereby early adoption is permitted. This amendment does not have any effect on the consolidated financial statements of CeramTec Holding.

IFRIC 21: "Levies"

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. The interpretation applies both to levies that are recognized pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and to levies for which both the timing and amount are already known. The interpretation governs the accounting treatment of levies which are imposed by governments (including public authorities and similar bodies) on the Company within the framework of laws and regulations. The effects on the consolidated financial statements are currently being assessed. IFRIC 21 is effective for accounting periods beginning on or after 1 January 2014. This amendment does not have any effect on the consolidated financial statements of CeramTec Holding.

Not yet compulsory and newly issued IFRSs and IFRIC

Adoption of the following IFRSs and IFRIC was not yet compulsory in the reporting period and/or they had not yet been endorsed by the European Commission for adoption in the European Union. In the three months period ended 31 March 2014, none of these new or amended standards and interpretations were adopted earlier.

IFRS 9: "Financial Instruments"

The International Accounting Standards Board (IASB) has issued a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial instruments. This marks the completion of the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 introduces new regulations for the classification and measurement of financial assets. The previous date for first-time application as of 1 January 2015 was canceled by the IASB. In its meeting in November 2013, the IASB provisionally decided that a mandatory first-time application of IFRS 9 would apply at the earliest for fiscal years starting on or after 1 January 2017. On account of the IASB making ongoing amendments to IFRS 9, the CeramTec Holding Group has not yet concluded its assessment of any potential impact.

IFRS 9: "Financial Instruments"

In November 2013, the IASB added rules on hedge accounting to IFRS 9. The standard, intended to supplement and amend the version of IFRS 9 previously published, outlines in derogation from the legal position to date in particular new rules on the ability to designate instruments and risks, the effectiveness requirements, the adjustment and reversal of hedging relationships and in some cases the accounting treatment of hedging relationships. The standard results in a range of amendments to existing standards, including IFRS 7, which regulates the disclosure requirements for financial instruments, and the rules in versions of IFRS 9 already published in 2009 and 2010. The standard can be applied from the date of its publication, but presupposes the application of IFRS 9 in its entirety and contains extensive transition disclosures. On account of the IASB making ongoing amendments to IFRS 9, the CeramTec Holding Group has not yet concluded its assessment of any potential impact.

Amendments to IAS 19: "Employee Benefits"

The amendment to IAS 19 was published in November 2013 and is effective for the first time in fiscal years beginning on or after 1 July 2014. The amendment regulates the recognition of contributions by employees or third parties to a pension plan as a reduction in service cost provided that these reflect the service rendered in the reporting period. The amendment is applicable retrospectively. Early adoption is permitted. No effects are expected on the consolidated financial statements of CeramTec Holding.

Annual Improvements Project (2010 - 2012) – December 2013

The amendments encompass corrections and clarification of content and terminology of the standards IFRS 2, 3, 8, 13 and IAS 7, 16/38 and 24. The amendments are effective for the first time for fiscal years beginning on or after 1 July 2014. No effects are expected on the consolidated financial statements of CeramTec Holding.

- *IFRS 2: "Share-based Compensation":* Definition of vesting conditions

- *IFRS 3: "Business Combinations":* Classification of contingent consideration

- *IFRS 8 "Operating segments":* Aggregation of operating segments and reconciliation of segment assets to the entity's assets

- *IFRS 13: "Fair Value Measurement":* IFRS 13 was adjusted by subsequent amendments made to IFRS 9 and IAS 39

- *IAS 16/IAS 38: "Property, Plant and Equipment/Intangible Assets":* Treatment of accumulated depreciation using the revaluation method

- *IAS 24: "Related Party Disclosures":* Key management personnel

Annual Improvements Project (2011 - 2013) – December 2013

The amendments encompass corrections and clarification of content and terminology of the standards IFRS 1, 3, 13 and IAS 40. The amendments are effective for the first time for fiscal years beginning on or after 1 July 2014. No effects are expected on the consolidated financial statements of CeramTec Holding.

- *IFRS 1: "First-time Adoption of IFRSs":* Clarification of the relevant version of the standard

- *IFRS 3: "Business Combinations":* Exclusion of the founding of joint ventures from the scope of IFRS 3

- *IFRS 13: "Fair value measurement":* Scope of measurement on a portfolio basis

- *IAS 40: "Investment Property":* Clarification of the mutual relationship of IAS 40 and IFRS 3

3 Notes to the interim consolidated statement of comprehensive income

3.1 Revenue

Revenue results primarily from the sale of goods. Revenue breaks down into regions and product groups as follows:

	1 January to 31 March 2014 EUR k
Regions	
Europe	55,451
Germany	34,334
North America	14,197
Asia	13,927
Rest of world	3,895
Total	**121,804**
Product groups	
Industrial applications	75,680
Medical technology	46,124
Total	**121,804**

3.2 Cost of sales

The cost of sales breaks down as follows:

	1 January to 31 March 2014 EUR k
Material and packaging costs	22,208
Amortization and depreciation	14,467
Personnel expenses	26,121
Other costs of sales	10,522
Total	**73,318**

Other costs of sales primarily contain energy costs and maintenance expenses.

3.3 Selling costs

Selling costs primarily contain amortization and depreciation as well as personnel expenses.

3.4 Research and development costs

Research and development costs mainly contain personnel expenses.

3.5 General administrative costs

General administrative costs primarily contain personnel expenses.

3.6 Other expenses

Other expenses of EUR 1.764k primarily contain closing costs and severance payments for three subsidiaries.

During the first quarter 2014 the closure of the production facility of CeramTec UK Ltd., Colyton, UK was decided. The closure will be completed at the beginning of 2015. Machinery will be transferred to another company of the group; the other details of the closing procedure are not yet completely defined. The expenses for severance payments and relocation costs are shown within the other provisions.

The closure of Durawear Corporation, Birmingham, USA was announced beginning of 2014. The obligations resulting from the closure are shown within the other provisions. Additionally the book value of land and building is reclassified to assets held for sale.

Also the reduction in staffing levels at CeramTec-ETEC GmbH, Lohmar, Germany, was announced during the first quarter 2014. The agreed obligation for the headcount reduction is shown within the other current liabilities.

3.7 Financial result

The financial result breaks down as follows:

	1 January to 31 March 2014 EUR k
Interest income and other finance income	
Interest income from derivatives	897
Exchange rate gains	252
Other interest income	22
Total interest income and other finance income	**1,171**
Interest expenses and other finance costs	
Interest expense from external financing	16,700
Interest expense from shareholder loans	2,470
Interest expenses from derivatives	2,826
Exchange rate losses	103
Other interest expenses	714
Total interest expenses and other finance costs	**22,813**
Total financial result	**-21,642**

The exchange rate gains and losses result from loans that are not granted in the functional currency of the group companies concerned.

Of the interest expense, EUR 6,326k results from the bond and EUR 7.517k from the syndicated loan. An additional EUR 3,102 is attributable to the effective interest rate of the syndicated loan and the bond. Borrowing costs of EUR 244k were capitalized in property, plant and equipment pursuant to IAS 23.

4 Notes to the interim consolidated statement of financial position

4.1 Other intangible assets

During the reporting period, CeramTec Holding Group recognized amortization expenses in the amount of EUR 11,050k, which come especially from customer relationships and technology.

CeramTec Holding Group acquired intangible assets with cost of EUR 243k from which EUR 9k for subsidies is deducted.

There were no disposals during the interim reporting period.

4.2 Property, plant and equipment

During the reporting period, CeramTec Holding Group acquired assets with cost of EUR 11,289 from which subsidies of EUR 823k are deducted. The recognized amortization expenses amount to EUR 11,606k.

Borrowing costs capitalized in property, plant and equipment amounted to EUR 244k in the reporting period. Capitalized interest is based on an interest rate of 3.95%.

During the first quarter 2014 land and building with a book value of EUR 884k are reclassified to assets held for sale. For further details refer to 4.6 Assets held for sale

There were contractual commitments to acquire property, plant and equipment of EUR 29,948k (31 December 2013: EUR 38,682k) as of the reporting date.

4.3 Other assets

The following table breaks down other assets by their maturity:

	31 March 2014 EUR k	31 December 2013 EUR k
Other non-current assets		
Accrued finance costs for the revolving credit line	1,609	1,725
Other assets	173	200
Total	**1,782**	**1,925**
Other current receivables and assets		
VAT receivables	2,942	3,516
Investment grants	3,842	3,009
Sundry assets	3,568	2,724
Total	**10,352**	**9,249**

Sundry current assets primarily contain prepayments as well as the current portion of accrued finance costs for the revolving credit line of EUR 471k (31 December 2013: EUR 471k).

4.4 Trade receivables

Trade receivables of EUR 60,312 k (31 December 2013: EUR 43,374k) are recognized in the statement of financial position after taking into account impairment of EUR 482k (31 December 2013: EUR 471k).

The amount of trade receivables increased due to higher sales volumes during the reporting period than by the end of the previous year.

The value of trade receivables before impairment breaks down as follows:

	31 March 2014 EUR k	31 December 2013 EUR k
Carrying amount before impairment	**60,794**	**43,845**
thereof not yet due on the reporting date	53,739	38,192
thereof past due on the reporting date	7,055	5,653

4.5 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 20,824k (31 December 2013: EUR 66,938k) and cash in hand of EUR 28k (31 December 2013: EUR 25k).

4.6 Assets held for sale

On the basis of the closure of Durawear Corporation, Birmingham, USA, which was announced beginning of 2014, fixed assets are reclassified to assets held for sale.

The reclassified assets comprise land with the amount of EUR 233k and buildings of EUR 651k. The disposal of these assets is expected by the end of June 2014.

As the assets are reclassified using their book value, no gains or losses were recognized in the interim consolidated statement of comprehensive income.

4.7 Financial liabilities to third parties

The financial liabilities to third parties are broken down as follows:

	31 March 2014 EUR k	31 December 2013 EUR k
Non-current financial liabilities		
Liabilities to banks	597,567	600,195
Liabilities from the bond	296,018	295,765
Derivative financial instruments	21,828	20,815
Finance lease liabilities	1,336	1,371
Purchase price for technology	360	490
Total	**917,109**	**918,636**
Current financial liabilities		
Liabilities to banks	13,461	11,525
Liabilities from the bond	3,163	9,981
Derivative financial instruments	6,082	5,873
Discounts and bonuses	1,179	1,746
Liabilities from finance leases	268	275
Other current financial liabilities	1,525	2,103
Profit transfer to RSGG	0	26,922
Subsequent purchase price payment	0	3,500
Total	**25,678**	**61,924**

Current financial liabilities as of 31 December 2013 included, among other things, the amount of EUR 26,922k to be distributed to Rockwood Specialties Group GmbH (RSGG), the former parent company of CeramTec GmbH, in line with the profit and loss transfer agreement as of 31 August 2013 as well as the subsequent purchase price payment for the acquisition of the high-performance ceramics division of EUR 3,500k. Both amounts were paid during the reporting period.

4.8 Other liabilities

Other liabilities break down as follows:

	31 March 2014 EUR k	31 December 2013 EUR k
Other current liabilities		
Wages and salaries including taxes	7,219	4,459
Real estate transfer tax	4,108	4,108
Other current liabilities	3,983	3,101
Total	**15,310**	**11,668**

4.9 Financial instruments

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities reported in the interim consolidated financial statements, sorted by class and measurement category in accordance with IAS 39.

	Measurement category of IAS 39[1]	31 March 2014 Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	LaR	60,312	60,312
Other financial assets	LaR	1,383	1,383
Cash and cash equivalents	LaR	20,852	20,852
Separated termination rights – HfT	FVtPL	7,815	7,815
Total		**90,362**	**90,362**
Financial liabilities			
Bond liabilities	FLAC	299,181	336,603
Liabilities to banks	FLAC	611,028	632,633
Trade payables	FLAC	26,997	26,997
Finance lease liabilities	FLAC	1,604	1,604
Other financial liabilities	FLAC	3,063	3,035
Liabilities to affiliates	FLAC	125,808	134,124
Separated interest rate caps – HfT	FVtPL	15,396	15,396
Currency swaps in effective hedges	Hedge	12,514	12,514
Total		**1,095,592**	**1,162,906**

[1] HfT: held for trading; LaR: loans and receivables; FVtPL: measured at fair value through profit or loss; FLAC: financial liabilities measured at amortized cost; Hedge: hedge accounting

	Measurement category of IAS 39[1]	31 December 2013 Carrying amount	Fair value
		EUR k	EUR k
Financial assets			
Trade receivables	LaR	43,374	43,374
Other financial assets	LaR	1,022	1,022
Cash and cash equivalents	LaR	66,963	66,963
Separated termination rights – HfT	FVtPL	6,918	6,918
Total		**118,277**	**118,277**
Financial liabilities			
Bond liabilities	FLAC	305,745	335,837
Liabilities to banks	FLAC	611,719	635,579
Trade payables	FLAC	31,898	31,898
Finance lease liabilities	FLAC	1,646	1,646
Other financial liabilities	FLAC	34,761	34,712
Liabilities to affiliates	FLAC	123,338	131,510
Separated interest rate caps – HfT	FVtPL	12,571	12,571
Currency swaps in effective hedges	Hedge	14,117	14,117
Total		**1,135,795**	**1,197,869**

[1] HfT: held for trading; LaR: loans and receivables; FVtPL: measured at fair value through profit or loss; FLAC: financial liabilities measured at amortized cost; hedge: hedge accounting

If the fair value is not available in the form of a market price, it is calculated based on different valuation parameters. Depending on the availability of observable parameters and the significance of these parameters when calculating the fair value, the fair value is allocated to level 1, 2 or 3 of the fair value hierarchy. The allocation is based on the following factors:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities for the Company on the measurement date

- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

- **Level 3:** Non-observable measurement parameters for the asset or liability

The following table shows the fair value hierarchy for derivative financial instruments that are recognized at fair value in the consolidated financial statements:

	31 March 2014		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Separated termination rights – HfT	0	7,815	0
Currency swaps in effective hedges	0	0	0
Financial liabilities			
Separated interest rate caps – HfT	0	15,396	0
Currency swaps in effective hedges	0	12,514	0

	31 December 2013		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Separated termination rights – HfT	0	6,918	0
Currency swaps in effective hedges	0	0	0
Financial liabilities			
Separated interest rate caps – HfT	0	12,571	0
Currency swaps in effective hedges	0	14,117	0

The following table shows the fair value hierarchy for the financial instruments that are not recognized at fair value in the consolidated financial statements; however, their fair value is provided in the notes to the financial statements:

	31 March 2014		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Trade receivables	0	60,312	0
Other financial assets	0	1,383	0
Cash and cash equivalents[1]	20,852	0	0
Financial liabilities			
Bond liabilities	336,603	0	0
Liabilities to banks	0	632,633	0
Trade payables	0	26,997	0
Finance lease liabilities	0	1,604	0
Other financial liabilities	0	3,035	0
Liabilities to affiliates	0	134,124	0

	31 December 2013		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial assets			
Trade receivables	0	43,374	0
Other financial assets	0	1,022	0
Cash and cash equivalents[1]	66,963	0	0
Financial liabilities			
Bond liabilities	335,837	0	0
Liabilities to banks	0	635,579	0
Trade payables	0	31,898	0
Finance lease liabilities	0	1,646	0
Other financial liabilities	0	34,712	0
Liabilities to affiliates	0	131,510	0

The fair value of the bond is equal to the nominal value multiplied by the market value at the end of the reporting period. Accordingly, the fair value measurement is allocated to level 1 of the fair value hierarchy.

Liabilities to banks are subject to interest based on the interest rates observable on the market, such as EURIBOR or LIBOR, on the basis of which the fair value is calculated. Accordingly, these are allocated to level 2 of the fair value hierarchy.

The fair values of the separated derivatives are measured using the Black-Scholes/Hull-White valuation model, which considers both the observable yield curves and the fluctuation (volatility) of the currencies concerned. All key input parameters were directly or indirectly derived from observable market data. The fair value measurement is therefore allocated to level 2 of the fair value hierarchy.

Currency swaps are measured on the basis of a discounted cash flow method, which takes into account the observable mean closing rates, yield curves and currency spreads between currencies. All currency swaps had a negative market value as of the end of the reporting period. All key input parameters were directly or indirectly derived from observable market data. The fair value measurement of the currency swaps is therefore allocated to level 2 of the fair value hierarchy.

The fair value of all other financial instruments is calculated using a discounted cash flow method as well as by taking into account measurement parameters that can be directly or indirectly observed on the market. Accordingly, these financial instruments were allocated to level 2 of the fair value hierarchy.

For assets and liabilities that are recognized at fair value in the interim consolidated financial statements on a recurring basis, the CeramTec Holding Group assesses whether a transfer between the levels of the fair value hierarchy took place as of the end of each reporting period (based on the lowest level that is significant to fair value measurement as a whole). There were no transfers between level 1 and 2 in the past reporting period.

5 Additional notes to the interim consolidated statement of cash flows

In the interim consolidated statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method. The cash and cash equivalents presented in the statement of cash flows correspond to the item of the interim consolidated statement of financial position and comprise cash in hand, bank balances and cash investments with an original term of up to three months. There are no restrictions on disposal.

Other non-cash income and expenses primarily contain changes in the market value of financial instruments and accrued interest.

6 Other notes

6.1 Contingent liabilities

There were no significant contingent liabilities as of 31 March 2014 as well as of the reporting date of the comparative of the previous year. The group companies are involved as parties in a number of lawsuits. These proceedings are linked to ordinary business activities and mainly relate to commercial, product liability and environmental processes. The group companies postpone such obligations if a liability is likely to arise and the amount of the potential claim can be sufficiently estimated. These obligations are disclosed in the notes to the financial statements if there are reasonable grounds to assume that a significant expense was incurred.

6.2 Related party disclosures

Transactions with related parties

Entities and natural persons are deemed to be related parties when they exercise control over the reporting company or over its subsidiaries or when they have a significant influence on the reporting company's financial and business policy.

A loan of EUR 120,000k with a fixed interest rate of 8.255% has been obtained from CeramTec Holding's controlling shareholder, Faenza Luxembourg S.à.r.l., Luxembourg. Interest expenses of EUR 2,470 were accrued in the reporting period 2014. These were not paid to the shareholder; instead, the loan will be increased with effect from 29 August 2014. The loan is not secured.

6.3 Subsequent events

There were no significant events after the reporting date.

7 Reconciliation to CeramTec Group GmbH

If the interim consolidated statement of comprehensive income of CeramTec Group had been prepared instead of the interim consolidated statement of comprehensive income of CeramTec Holding, which is presented in these financial statements, this would have resulted in the following changes for the reporting period:

- Lower general administrative expenses of EUR 182k
- Lower interest expenses of EUR 2,470k
- Higher interest income of EUR 478k
- Higher tax expenses of EUR 52k

The total comprehensive income of CeramTec Group would therefore have been EUR 3,078k higher compared to the total comprehensive income recognized in these financial statements.

If the interim consolidated statement of financial position of CeramTec Group had been prepared instead of the interim consolidated statement of financial position of CeramTec Holding, which is presented in these financial statements, this would have resulted in the following changes as of 31 March 2014 (31 December 2013):

- Higher receivables of EUR 38,276k (31 December 2013: EUR 37,804k) resulting from the loss transfer obligation of CeramTec Holding GmbH of the previous year and higher receivables of EUR 479k (31 December 2013: EUR 90k) against CeramTec GmbH
- Lower deferred tax assets of EUR 346k (31 December 2013: EUR 346k)
- Lower trade payables of EUR 108k (31 December 2013: EUR 403k)
- Lower provisions of EUR 645k (31 December 2013: EUR 575k)
- Lower financial liabilities to affiliates of EUR 125,808k (31 December 2013: EUR 123,338k)
- Higher tax payables of EUR 52k (31 December 2013: EUR 0k)
- Lower cash and cash equivalents of EUR 0k (31 December 2013: EUR 24k)

This would have resulted in a EUR 164,918k (31 December 2013: EUR 161,840k) higher level of group equity for the CeramTec Group compared to the group equity recognized in these financial statements.

There would have been no impact on the interim consolidated statement of cash flows if the interim consolidated statement of cash flows of CeramTec Group had been prepared instead of the interim consolidated statement of cash flows presented in these financial statements.

Plochingen, 22 May 2014

CeramTec Holding GmbH

The management

Dr. Zimmermann	Müller	Adler