CeramTec Holding GmbH

Plochingen

Condensed Interim
Consolidated Financial Statements
as of
30 September 2014

CeramTec
THE CERAMIC EXPERTS

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Comprehensive Income

from 1 January to 30 September 2014

	Notes	1 July to 30 September 2014	1 January to 30 September 2014	15 July to 30 September 2013 *) **)
		EUR k	EUR k	EUR k
Revenue	3.1	117.311	363.642	38.653
Cost of sales	3.2	72.849	222.138	31.925
Gross profit		**44.462**	**141.504**	**6.728**
Selling costs	3.3	20.827	60.824	5.715
Research and development costs	3.4	5.887	17.417	1.555
General administrative costs	3.5	5.561	14.953	1.818
Other income / expenses *)	3.6	3.068	817	-18.090
Operating income		**15.255**	**49.127**	**-20.450**
Interest income and other finance income		37	86	1.423
Interest expenses and other finance costs		31.834	72.131	9.197
Financial result	3.7	**-31.797**	**-72.045**	**-7.774**
Earnings before taxes		**-16.542**	**-22.918**	**-28.224**
Taxes on income		2.318	-414	3.913
Net loss for the year		**-14.224**	**-23.332**	**-24.311**
Other comprehensive income, after income tax				
Items that will not be recycled through profit or loss in future				
Income / Expenses from the remeasurement of pension provisions		0	0	-34
Deferred taxes		0	0	9
		0	**0**	**-25**
Items that are recycled through profit or loss under certain conditions				
Gains / Losses on cash flow hedges		737	2.051	-5.107
Deferred taxes		-205	-580	1.462
		532	**1.471**	**-3.645**
Difference from currency translation		5.572	5.215	-734
Other comprehensive income, after income tax		**6.104**	**6.686**	**-4.404**
Total comprehensive income		**-8.120**	**-16.646**	**-28.715**

*) Presentation changed, see 1.2 Basis of preparation

**) Refer to 1.1 Corporate information and purpose of the Company

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Financial Position

Assets	**Note**	**30 September 2014**	**31 December 2013** *)
		EUR k	EUR k
Goodwill		549.668	547.434
Other intangible assets	4.1	650.251	681.814
Property, plant and equipment	4.2	310.082	306.894
Other financial assets	4.3	15.029	7.082
Other assets	4.4	1.546	1.925
Deferred taxes		2.647	2.183
Non-current assets		**1.529.223**	**1.547.332**
Inventories		70.909	71.354
Trade receivables	4.5	56.938	43.374
Other financial assets	4.3	1.711	858
Other receivables and assets	4.4	11.905	9.249
Cash and cash equivalents	4.6	42.637	66.963
Assets held for sale	4.7	0	0
Current assets		**184.100**	**191.798**
Total assets		**1.713.323**	**1.739.129**

*) Comparative Period adjusted, further information see 1.3 Changes to the consolidated group

CeramTec Holding GmbH, Plochingen

Interim Consolidated Statement of Financial Position

Equity and Liabilities	Note	30 September 2014	31 December 2013 *)
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378.148	378.148
Revenue reserves and consolidated net income		-65.830	-42.498
Accumulated other comprehensive income		-2.119	-8.805
Equity		**310.224**	**326.870**
Provisions for pension obligations		61.916	61.131
Other provisions	4.8	3.619	3.486
Financial liabilities to affiliates		130.846	123.338
Financial liabilities to third parties	4.9	934.754	918.636
Deferred taxes		185.352	190.783
Non-current liabilities		**1.316.487**	**1.297.374**
Other provisions	4.8	17.598	8.993
Provisions for taxes		159	402
Financial liabilities to third parties	4.9	32.570	61.924
Trade payables		20.626	31.898
Trade payables to affiliates		182	0
Other liabilities	4.10	15.477	11.668
Current liabilities		**86.612**	**114.885**
Total liabilities		**1.403.099**	**1.412.260**
Total equity and liabilities		**1.713.323**	**1.739.129**

*) Comparative Period adjusted, further information see 1.3 Changes to the consolidated group

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: Cash flow hedge reserve	Accumulated other comprehensive income: Difference from currency translation	Equity
14 July 2013	**25**	**0**	**(11)**	**0**	**0**	**14**
Net loss	-	-	(24.311)	-	-	(24.311)
Other comprehensive income	-	-	(25)	(3.645)	(734)	(4.404)
Total comprehensive income	-	-	*(24.336)*	*(3.645)*	*(734)*	(28.715)
Capital Contribution	-	378.148	-	-	-	378.148
30 September 2013	**25**	**378.148**	**(24.347)**	**(3.645)**	**(734)**	**349.447**
31 December 2013	**25**	**378.148**	**(42.498)**	**(3.738)**	**(5.067)**	**326.870**
Net loss	-	-	(23.332)	-	-	(23.332)
Other comprehensive income	-	-	-	1.471	5.215	6.686
Total comprehensive income	-	-	*(23.332)*	*1.471*	*5.215*	(16.646)
30 September 2014	**25**	**378.148**	**(65.830)**	**(2.267)**	**148**	**310.224**

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of cash flows from from 1 January to 30 September 2014

	1 January to 30 September 2014 EUR k	15 July to 30 September 2013 EUR k
Net loss for the period	-23.332	-24.311
Taxes on income	414	-3.913
Interest result	59.246	8.434
Write-downs / write-ups (-) on non-current assets	68.139	11.290
Loss / Gain (-) on disposal of fixed assets	188	11
Increase / decrease (-) in provisions (excluding deferred taxes)	7.960	11.884
Income tax payment (-)	-9.652	0
Other non-cash expenses / income (-)	13.654	-4.630
Increase (-) / decrease in inventories	446	5.386
Increase (-) / decrease in trade receivables	-13.564	-3.015
Increase (-) / decrease in other receivables and (financial) assets	2.343	-3.528
Increase / decrease (-) in trade payables	-11.864	2.191
Increase / decrease (-) in other liabilities	4.150	1.301
Cash flow from operating activities	**98.128**	**1.099**
Cash received from disposals of property, plant and equipment	899	12
Cash paid (-) for investments in property, plant and equipment	-38.384	-3.048
Cash paid (-) for investments in intangible assets	-998	0
Cash paid (-) for the acquisition of entities	-3.500	-1.359.615
Cash flow from investing activities	**-41.983**	**-1.362.651**
Cash received from contribution to capital reserve	0	378.148
Cash received from issuance of bond	0	299.941
Repayment for syndicated loan	-5.873	627.687
Interest paid (-)	-47.972	0
Cash received from shareholder loan	0	120.000
Cash paid for profit transfer to previous shareholder	-26.922	0
Cash flow from financing activities	**-80.767**	**1.425.776**
Change in cash and cash equivalents	-24.622	64.224
Currency effects	296	-397
Cash and cash equivalents at the beginning of the period	66.963	75
Cash and cash equivalents at the end of the period	**42.637**	**63.902**

CeramTec Holding GmbH

Plochingen

Selected explanatory notes to the Interim Consolidated Financial Statements as of 30 September 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 only take place during the comparative period, the prior year figures are not comparable. In the interim consolidated statement of comprehensive income as of 30 September 2014, the accumulated figures for the comparative period are identical with the periodic figures for the third quarter 2013. Therefore the figures are only shown once in the reporting and the disclosures. 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 as at 30 September 2014 on 31 October 2014.

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.

For the third quarter the presentation of “Other income” and “Other expenses” was changed. The figures are now shown as net amount and are included in the position “Other income / expenses”.

Compared to the previous interim reporting the effect of changes in the Fair Value of derivatives included in the financial result is now shown as net amount (see 3.7 Financial result).

1.3 Changes to the consolidated group

Entities included in the consolidated financial statements

With effect as of 19 August 2014 PST Press + Sintertechnik Sp. z.o.o., Gorzyce, Poland was merged into Faenza Poland Sp. z.o.o. This did not cause any effect on the figures of the consolidated financial statement.

In the course of the merger Faenza Poland Sp. z.o.o. was renamed to PST Press + Sintertechnik Sp. z.o.o.

Adjustment of the Purchase Price Allocation as of 1 September 2013

First consolidation of the CeramTec Holding Group was carried out pursuant to IFRS 3. Initial recognition of the business combination was determined provisionally in the consolidated financial statements as of 31 December 2013. The fair values determined for the Purchase Price Allocation as of 1 September 2013 have been changed during the measurement period. Therefore the figures of the comparative period shown in the Interim Consolidated Statement of Financial Position have been adjusted accordingly.

The following table shows the adjustments made for the comparative period:

	31 December 2013		
	Reported figures EUR k	Adjustment EUR k	Adjusted figures EUR k
Assets			
Goodwill	548,872	-1,438	547,434
Deferred taxes	2.399	-216	2.183
Liabilities			
Provisions for pension obligations	62.214	-1.082	61.131
Other provisions (non-current)	4.286	-800	3.486
Deferred taxes	190.555	228	190.783

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:

		30 September 2014 Period-end exchange rate	1 July to 30 September 2014 Average exchange rate	1 January to 30 September 2014 Average exchange rate	31 December 2013 Period-end exchange rate	15 July to 30 September 2013 Average exchange rate
USD	USA	1,2631	1,3249	1,3557	1,3743	1,3362
CNY	China	7,7547	8,1678	8,3595	8,3204	8,1774
GBP	UK	0,7791	0,7937	0,8121	0,8300	0,8418
PLN	Poland	4,1810	4,1764	4,1752	4,1545	4,2337
CZK	Czech Republic	27,4977	27,6237	27,5035	27,3355	25,7793

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

CeramTec Holding Group changed 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 in 2014 are EUR 47,972k higher, cash flows from financing are EUR 47,972k less. The cash flow statement for the comparative period 2013 is not affected by this change in presentation.

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. This does not result in any effects for the CeramTec Holding Group.

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 2016. 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 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 period ended 30 September 2014, none of these new or amended standards and interpretations were adopted earlier.

IFRS 9: "Financial Instruments"

On 24 July 2014 the International Accounting Standards Board (IASB) completed its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* by issuing IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on 1 January 2018 with early application permitted. 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

Amendments to IFRS 11: „Accounting for Acquisitions of Interest in Joint Operations"

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. This standard is effective for accounting periods beginning on or after 1 January 2016. No effects are expected on the consolidated financial statements of CeramTec Holding.

Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation"

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This standard is effective for accounting periods beginning on or after 1 January 2016. No effects are expected on the consolidated financial statements of CeramTec Holding.

IAS 16 / IAS 41 "Bearer Plants"

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in *IAS 16 Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. No effects are expected on the consolidated financial statements of CeramTec Holding.

IFRS 15: "Revenue from Contracts with Customers"

The IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP), jointly issued a converged Standard on the recognition of revenue from contracts with customers. The Standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. This standard is effective for accounting periods beginning on or after 1 January 2017. CeramTec Holding Group has not yet concluded its assessment of any potential impact.

Amendments to IAS 27: "Equity Method in Separate Financial Statements"

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for accounting periods beginning on or after 1 January 2016. No effects are expected on the consolidated financial statements of CeramTec Holding.

Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. No effects are expected on the consolidated financial statements of CeramTec Holding.

Annual Improvements Project (2012 - 2014) – September 2014

The amendments encompass corrections and clarification of content and terminology of the standards IFRS 5 and 7 and IAS 19 and 34. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2016. No effects are expected on the consolidated financial statements of CeramTec Holding.

- *IFRS 5: "Non-current assets held for sale and discontinued operations":* Clarification of the relevant version of the standard

- *IFRS 7: "Financial instruments: disclosures":* Clarification of "continuing involvement"

- *IAS 19: "Employee Benefits":* Clarification of the discount rate

- *IAS 34: "Interim financial reporting":* Clarification of the meaning of "if not disclosed elsewhere" in the standard

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 July to 30 September 2014 EUR k	1 January to 30 September 2014 EUR k	15 July to 30 September 2013 EUR k
Regions			
Europe	46,230	155,195	17,379
Germany	35,558	105,516	11,848
North America	19,680	52,239	4,236
Asia	13,532	41,451	4,339
Rest of world	2,311	9,241	851
Total	**117,311**	**363,642**	**38,653**
Product groups			
Industrial applications	74,797	227,415	24,346
Medical applications	42,514	136,227	14,307
Total	**117,311**	**363,642**	**38,653**

3.2 Cost of sales

The cost of sales breaks down as follows:

	1 July to 30 September 2014 EUR k	1 January to 30 September 2014 EUR k	15 July to 30 September 2013 EUR k
Material and packaging costs	23,754	67,148	10,385
Amortization and depreciation	13,727	42,945	8,604
Personnel expenses	25,383	76,591	7,637
Other cost of sales	9,985	35,454	5,299
Total	**72,849**	**222,138**	**31,925**

Other cost 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 income and expenses

In 2014 other income in the amount of EUR 3,407k (1 July to 30 September 2014: EUR 3,119k; 15 July to 30 September 2013: EUR 72k) includes mainly the effect of the reversal of provisions and exchange rate gains from operational business.

In 2014 other expenses of EUR 2,590k (1 July to 30 September 2014: EUR 52k) 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 in 2015. Machinery will be transferred to another company of the group.

The closure of Durawear Corporation, Birmingham, USA was announced beginning of 2014 and completed in June 2014.

Also the reduction in staffing levels at CeramTec-ETEC GmbH, Lohmar, Germany, was announced during the first quarter 2014.

In 2013 other expenses in the amount of EUR 18,175k mainly result from transaction costs for the acquisition of the high-performance ceramics division.

3.7 Financial result

The financial result breaks down as follows:

	1 July to 30 September 2014 EUR k	1 January to 30 September 2014 EUR k	15 July to 30 September 2013 EUR k
Interest income and other finance income			
Net exchange rate gains	0	0	1,408
Other interest income	37	86	15
Total interest income and other finance income	**37**	**86**	**1,423**
Interest expenses and other finance costs			
Interest expense from syndicated loan	7,597	22,617	2,556
Interest expense from bond	6,326	18,977	3,655
Expense from effective interest rate method	2,773	8,848	1,203
Interest expense from shareholder loans	2,569	7,508	841
Net loss on derivative financial instruments	6,934	7,421	528
Net exchange rate losses	5,149	5,348	0
Other interest expenses	737	2,175	469
Less: amounts included in the cost of qualifying assets	-251	-763	-55
Total interest expenses and other finance costs	**31,834**	**72,131**	**9,197**
Total financial result	**-31,797**	**-72,045**	**-7,774**

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

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 33,211k (1 July to 30 September 2014: EUR 11,097k; 15 July to 30 September 2013: EUR 8,392k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 998k (1 July to 30 September 2014: EUR 472k; 15 July to 30 September 2013: EUR 6k) from which EUR 24k (1 July to 30 September 2014: EUR 15k; 15 July to 30 September 2013: EUR 0k) 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 at cost of EUR 38,976k (1 July to 30 September 2014: EUR 10,814k; 15 July to 30 September 2013: EUR 1,737k) from which subsidies of EUR 2,710k (1 July to 30 September 2014: EUR 696k; 15 July to 30 September 2013: EUR 70k) are deducted. The recognized depreciation expenses amount to EUR 34,928k (1 July to 30 September 2014: EUR 10,999k; 15 July to 30 September 2013: EUR 2,897k).

For the nine-month period, the amount for impairment on fixed assets of EUR 425k TEUR is shown within Other expenses.

Borrowing costs capitalized in property, plant and equipment amounted to EUR 763k (1 July to 30 September 2014: EUR 251k; 15 July to 30 September 2013: EUR 55k) 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 4.7 Assets held for sale.

There were contractual commitments to acquire property, plant and equipment of EUR 10,386k (31 December 2013: EUR 38,682k) as of the reporting date.

4.3 Other financial assets

The following table breaks down other financial assets by their maturity:

	30 September 2014 EUR k	31 December 2013 EUR k
Non-current financial assets		
Derivative financial instruments	9,403	0
Separated termination rights	5,461	6,918
Insurance claims	164	165
Total	**15,029**	**7,082**
Other current financial assets		
Receivables from energy tax refunds	1,030	826
Derivative financial instruments	571	0
Other financial assets	110	32
Total	**1,711**	**858**

4.4 Other assets

The following table breaks down other assets by their maturity:

	30 September 2014 EUR k	31 December 2013 EUR k
Other non-current assets		
Accrued finance costs for the revolving credit line	1,373	1,725
Other assets	173	200
Total	**1,546**	**1,925**
Other current receivables and assets		
VAT receivables	293	3,516
Investment grants	5,744	3,009
Income Tax Receivable	2,719	200
Sundry assets	3,149	2,524
Total	**11,905**	**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).

4.5 Trade receivables

Trade receivables of EUR 56,938k (31 December 2013: EUR 43,374k) are recognized in the statement of financial position after taking into account impairment of EUR 545k (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:

	30 September 2014 EUR k	31 December 2013 EUR k
Carrying amount before impairment	**57,483**	**43,845**
thereof not yet due on the reporting date	49,599	38,192
thereof past due on the reporting date	7,884	5,653

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 42,607k (31 December 2013: EUR 66,938k) and cash in hand of EUR 30k (31 December 2013: EUR 25k).

4.7 Assets held for sale

As a result of the closure of Durawear Corporation, Birmingham, USA, which was announced beginning of 2014, fixed assets amounting to EUR 884k were reclassified to assets held for sale by the end of March 2014. The assets were disposed during June 2014 resulting in no material gains and losses.

4.8 Other provisions

The increase in accruals is mainly due to additions for bonus payments, restructuring and legal costs.

4.9 Financial liabilities to third parties

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

	30 September 2014 EUR k	31 December 2013 EUR k
Non-current financial liabilities		
Liabilities to banks	623,813	600,195
Liabilities from the bond	296,543	295,765
Derivative financial instruments	12,696	20,815
Finance lease liabilities	1,404	1,371
Purchase price for acquired technology	298	490
Total	**934,754**	**918,636**
Current financial liabilities		
Liabilities to banks	19,175	11,525
Liabilities from the bond	3,163	9,981
Derivative financial instruments	5,790	5,873
Discounts and bonuses	2,688	1,746
Liabilities from finance leases	214	275
Other current financial liabilities	1,541	2,103
Profit transfer to RSGG	0	26,922
Subsequent purchase price payment	0	3,500
Total	**32,571**	**61,924**

Current financial liabilities as of 31 December 2013 included, among other, 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 in the first quarter 2014.

4.10 Other liabilities

Other liabilities break down as follows:

	30 September 2014 EUR k	31 December 2013 EUR k
Other current liabilities		
Wages and salaries including taxes	7,289	4,459
Real estate transfer tax	4,108	4,108
Other current liabilities	4,080	3,101
Total	**15,477**	**11,668**

4.11 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.

	30 September 2014		
	Measurement category of IAS 39[1]	Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	LaR	56,938	56,938
Other financial assets	LaR	1,305	1,305
Cash and cash equivalents	LaR	42,637	42,637
Separated termination rights – HfT	FVtPL	5,461	5,461
Currency swaps in effective hedges	Hedge	9,974	9,974
Total		**116,315**	**116,315**
Financial liabilities			
Bond liabilities	FLAC	299,706	330,163
Liabilities to banks	FLAC	642,988	659,833
Trade payables	FLAC	20,626	20,626
Finance lease liabilities	FLAC	1,618	1,618
Other financial liabilities	FLAC	4,525	4,509
Liabilities to affiliates	FLAC	130,846	137,338
Separated interest rate floor – HfT	FVtPL	16,987	16,987
Interest Cap	FVtPL	1,499	1,499
Currency swaps in effective hedges	Hedge	0	0
Total		**1,118,795**	**1,172,573**

[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 EUR k	Fair value 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 floor – 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:

	30 September 2014		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Separated termination rights – HfT	0	5,461	0
Currency swaps in effective hedges	0	9,974	0
Financial liabilities			
Separated interest rate floor – HfT	0	16,987	0
Interest Cap	0	1,499	0
Currency swaps in effective hedges	0	0	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
Financial liabilities			
Separated interest rate floor – 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. It does not include the fair values for financial instruments such as short-term trade receivables and other financial assets as well as trade payables and other financial liabilities, because their carrying amounts are a reasonable approximation of fair values:

	30 September 2014		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Cash and cash equivalents	42,637	0	0
Financial liabilities			
Bond liabilities	330,163	0	0
Liabilities to banks	0	659,833	0
Finance lease liabilities	0	1,618	0
Liabilities to affiliates	0	137,338	0

	31 December 2013		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial assets			
Cash and cash equivalents	66,963	0	0
Financial liabilities			
Bond liabilities	335,837	0	0
Liabilities to banks	0	635,579	0
Finance lease liabilities	0	1,646	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 mid closing rates, yield curves and currency spreads between currencies. All currency swaps had a positive market value as of the end of the reporting period (31 December 2013: negative market value). 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 the Interest rate cap is 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.

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 foreign exchange gains or losses.

6 Other notes

6.1 Contingent liabilities

Like in the comparative previous year, there were no significant contingent liabilities as of 30 September 2014. 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 litigations. The group companies accrue for 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

Key management personnel

During the reporting period there were some changes within the general management and the supervisory board of CeramTec GmbH.

On 23 September 2014 Rolf-Michael Müller was recalled as Chief Financial Officer.

On 30 September 2014 Dominique Janbon was appointed as Chief Financial Officer with effect from 1 October 2014.

Immo Rupf left the supervisory board on 3 June 2014. Dr. Günter von Au was elected as successor. On 23 June 2014 Pontus Petterson passed the chair of the supervisory board to Dr. Günter von Au.

On 30 June 2014 Rudolf Röll resigned from the supervisory board and Matthias Eschle followed as of 1 July 2014 as new member of the supervisory board.

With effect from 31 July 2014 Klaus Wespatat left the supervisory board. His successor is Franz-Josef Köstler who was elected as member of the supervisory board as of 29 September 2014.

On 17 October 2014 Thilo Sautter resigned from his position as member of the supervisory board with effect as of 31 October 2014. On the same date Kevin Sidow was elected as successor.

Transactions with related parties

Entities and 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 7,508k were accrued in the reporting period 2014. These are annually due and will not be paid to the shareholder; instead, the loan will be increased by cumulated interest of one year with effect from 29 August of each year. As of 29 August 2014 the loan was increased by the amount of EUR 9,906k. The loan is not secured.

CeramTec Service GmbH closed a Service Agreement with Faenza Luxembourg S.à.r.l., Luxembourg on 10 March 2014. Expenses for services of EUR 497k were booked during the reporting period 2014. The open amount of EUR 181k is shown as Trade payables to affiliates.

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 387k (1 July to 30 September 2014: EUR 110k; 15 July to 30 September 2013: EUR 0k)
- Lower interest expenses of EUR 7,508k (1 July to 30 September 2014: EUR 2,569k; 15 July to 30 September 2013: EUR 841k)
- Higher interest income of EUR 1,525k (1 July to 30 September 2014: EUR 552k; 15 July to 30 September 2013: EUR 0k)
- Higher tax expenses of EUR 111k (1 July to 30 September 2014: EUR 32k; 15 July to 30 September 2013: EUR 0k)
- Lower other expenses of EUR 0k (1 July to 30 September 2014: EUR 0k; 15 July to 30 September 2013: EUR 3k)

The total comprehensive income of CeramTec Group would therefore have been EUR 9,309k higher (1 July to 30 September 2014: EUR 3,199k higher; 15 July to 30 September 2013: EUR 844k 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 30 September 2014 (31 December 2013):

- Higher receivables of EUR 40,394k (31 December 2013: EUR 37,894k) against CeramTec Holding and CeramTec GmbH
- Lower Income Tax Receivables of EUR 457k (31 December 2013: EUR 0k)
- Lower provisions of EUR 366k (31 December 2013: EUR 575k)
- Lower financial liabilities to affiliates of EUR 130,846k (31 December 2013: EUR 123,338k)
- Lower deferred tax assets of EUR 0k (31 December 2013: EUR 346k)
- Lower trade payables of EUR 0k (31 December 2013: EUR 403k)
- Lower cash and cash equivalents of EUR 0k (31 December 2013: EUR 24k)

This would have resulted in a EUR 171,149k (31 December 2013: EUR 161,840k) higher group equity for the CeramTec Group compared to the group equity recognized in these financial statements.

There would have been no significant 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, 31 October 2014

CeramTec Holding GmbH

The management

Dr. Zimmermann Janbon Adler