# CeramTec Holding GmbH

## Plochingen

# Condensed Interim
# Consolidated Financial Statements
# as of
# 31 March 2015

## CeramTec Holding GmbH, Plochingen

## Interim consolidated statement of comprehensive income

## from 1 January to 31 March 2015

| | Note | 1 January to 31 March 2015 | 1 January to 31 March 2014 *) |
|---|---|---|---|
| | | EUR k | EUR k |
| Revenue | 3.1 | 130.523 | 121.804 |
| Cost of sales | 3.2 | 76.107 | 73.318 |
| **Gross profit** | | **54.416** | **48.486** |
| Selling costs | 3.3 | 21.798 | 20.100 |
| Research and development costs | 3.4 | 6.220 | 5.697 |
| General administrative costs | 3.5 | 4.707 | 4.620 |
| Other income and expenses | 3.6 | 1.824 | -1.679 |
| **Operating income** | | **23.515** | **16.391** |
| Interest income and other finance income | | 11.023 | 171 |
| Interest expenses and other finance costs | | 25.206 | 21.813 |
| **Financial result** | 3.7 | **-14.183** | **-21.642** |
| **Earnings before tax** | | **9.332** | **-5.251** |
| Taxes on income | | -4.628 | -1.089 |
| **Profit for the period** | | **4.704** | **-6.340** |
| **Items that will not be recycled through profit or loss in future** | | | |
| Income / Expenses from the remeasurement of pension provisions | | 0 | 0 |
| Deferred taxes | | 0 | 0 |
| | | **0** | **0** |
| **Items that are recycled through profit or loss under certain conditions** | | | |
| Losses on cash flow hedges | | 4.391 | 2.374 |
| Deferred taxes | | -1.258 | -677 |
| | | **3.133** | **1.697** |
| Difference from currency translation | | 8.551 | -783 |
| **Other comprehensive income, after income tax** | | **11.684** | **914** |
| **Total comprehensive income** | | **16.388** | **-5.426** |

*) Presentation has been changed, see note 1.2 Basis of preparation

**CeramTec Holding GmbH, Plochingen**

# Interim consolidated statement of financial position as of 31 March 2015

| **Assets** | **Note** | **31 March 2015** | **31 December 2014** |
|---|---|---|---|
| | | EUR k | EUR k |
| Goodwill | | 556.068 | 550.820 |
| Other intangible assets | 4.1 | 629.959 | 639.828 |
| Property, plant and equipment | 4.2 | 308.882 | 309.684 |
| Other financial assets | 4.3 | 77.544 | 29.963 |
| Other assets | 4.4 | 1.754 | 1.675 |
| Deferred taxes | | 2.896 | 2.874 |
| **Non-current assets** | | **1.577.103** | **1.534.844** |
| Inventories | | 71.106 | 67.918 |
| Trade receivables | 4.5 | 68.708 | 47.517 |
| Income tax receivables | | 6.148 | 6.517 |
| Other financial assets | 4.3 | 8.024 | 3.265 |
| Other receivables and assets | 4.4 | 4.363 | 5.219 |
| Cash and cash equivalents | 4.6 | 52.703 | 62.246 |
| **Current assets** | | **211.052** | **192.682** |
| **Total Assets** | | **1.788.155** | **1.727.526** |

**CeramTec Holding GmbH, Plochingen**

## Interim consolidated statement of financial position as of 31 March 2015

| Equity and Liabilities | Note | 31 March 2015 | 31 December 2014 |
|---|---|---|---|
| | | EUR k | EUR k |
| Issued capital | | 25 | 25 |
| Capital reserves | | 378.148 | 378.148 |
| Revenue reserves and consolidated net income | | -90.992 | -95.696 |
| Accumulated other comprehensive income | | 14.429 | 2.745 |
| **Equity** | | **301.610** | **285.222** |
| Provisions for pension obligations | | 92.920 | 91.451 |
| Other provisions | 4.7 | 3.852 | 3.747 |
| Financial liabilities to affiliates | | 136.193 | 133.549 |
| Financial liabilities to third parties | 4.8 | 989.042 | 949.399 |
| Deferred taxes | | 173.687 | 173.298 |
| **Non-current liabilities** | | **1.395.694** | **1.351.444** |
| Other provisions | 4.7 | 16.377 | 13.967 |
| Provisions for taxes | | 1.064 | 66 |
| Financial liabilities to third parties | 4.8 | 39.309 | 40.824 |
| Trade payables | | 18.094 | 22.424 |
| Trade payables to affiliates | | 81 | 0 |
| Other liabilities | 4.9 | 15.926 | 13.579 |
| **Current liabilities** | | **90.851** | **90.860** |
| **Total liabilities** | | **1.486.545** | **1.442.304** |
| **Total equity and liabilities** | | **1.788.155** | **1.727.526** |

CeramTec Holding GmbH, Plochingen

## Interim consolidated statement of cash flows
## from 1 January to 31 March 2015

| | 1 January to 31 March 2015 EUR k | 1 January to 31 March 2014 EUR k |
|---|---|---|
| Net gain / net loss (-) for the period | 4.704 | -6.340 |
| Tax income | 4.628 | 1.089 |
| Interest result | 18.848 | 19.855 |
| Write-downs / write-ups (-) on non-current assets | 20.720 | 22.655 |
| Gain (-) / Loss on disposal of fixed assets | 46 | 6 |
| Increase / decrease (-) in provisions (excluding deferred taxes) | 3.527 | 2.489 |
| Income tax refund / payment (-) | -3.894 | -746 |
| Other non-cash expenses / income (-) | -3.029 | 1.614 |
| Increase (-) / decrease in inventories | -3.188 | -998 |
| Increase (-) / decrease in trade receivables | -21.191 | -16.938 |
| Increase (-) / decrease in other receivables and (financial) assets | 581 | -608 |
| Increase / decrease (-) in trade payables | -2.422 | -4.172 |
| Increase / decrease (-) in other (financial) liabilities | 2.020 | 2.413 |
| **Cash flow from operating activities** | **21.350** | **20.318** |
| Cash received from disposals of property, plant and equipment | 10 | 12 |
| Cash paid (-) for investments in property, plant and equipment | -6.342 | -12.841 |
| Cash paid (-) for investments in intangible assets | -45 | -252 |
| Cash paid (-) for the acquisition of entities | 0 | -3.500 |
| **Cash flow from investing activities** | **-6.377** | **-16.582** |
| Cash received from syndicated loan/repayment of syndicated loan | -4.773 | -2.307 |
| Interest paid (-) | -20.363 | -20.612 |
| Transfer of profit / loss to former shareholder | 0 | -26.922 |
| **Cash flow from financing activities** | **-25.136** | **-49.842** |
| **Change in cash and cash equivalents** | -10.163 | -46.106 |
| Currency effects | 620 | -5 |
| Cash and cash equivalents at the beginning of the period | 62.246 | 66.963 |
| **Cash and cash equivalents at the end of the period** | **52.703** | **20.852** |

***Please refer to notes chapter 5**

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**CeramTec Holding GmbH, Plochingen**

## Interim consolidated statement of changes in equity for the period ended 31 March 2015

| | Issued capital | Capital reserves | Revenue reserves and consolidated net income | Accumulated other comprehensive income | | Equity |
|---|---|---|---|---|---|---|
| | | | | Cash flow hedge reserve | Difference from currency translation | |
| | EUR k | EUR k | EUR k | EUR k | EUR k | EUR k |
| **31 December 2013** | **25** | **378.148** | **(42.498)** | **(3.738)** | **(5.067)** | **326.870** |
| Net income for the period | 0 | 0 | (6.340) | 0 | 0 | (6.340) |
| Other comprehensive income | 0 | 0 | - | 1.697 | (783) | 914 |
| *Total comprehensive income* | *0* | *0* | *(6.340)* | *1.697* | *(783)* | (5.426) |
| **31 March 2014** | **25** | **378.148** | **(48.838)** | **(2.041)** | **(5.850)** | **321.444** |
| **31 December 2014** | **25** | **378.148** | **(95.696)** | **(258)** | **3.003** | **285.222** |
| Net income for the period | 0 | 0 | 4.704 | 0 | 0 | 4.704 |
| Other comprehensive income | 0 | 0 | 0 | 3.133 | 8.551 | 11.684 |
| *Total comprehensive income* | *0* | *0* | *4.704* | *3.133* | *8.551* | 16.388 |
| **31 March 2015** | **25** | **378.148** | **(90.992)** | **2.875** | **11.554** | **301.610** |

# CeramTec Holding GmbH

# Plochingen

# Selected explanatory notes to the Interim Consolidated Financial Statements as of 31 March 2015

# 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.

The management of CeramTec Holding approved the condensed interim consolidated financial statements as at 31 March 2015 on 8 May 2015.

## 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 presented according to the cost of sales 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.

Compared with the condensed interim consolidated financial statements of the previous year, the presentation of the consolidated statement of comprehensive income was adjusted. The previous items “Other income“ and “Other expenses“ are offset and reported under the item “Other income and expenses“. In addition, the results of changing the fair values of derivatives, and foreign currency results, are offset and recognized in the financial result.

## 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. A detailed description of the accounting policies is shown in the notes to the consolidated financial statements as of 31 December 2014.

***Foreign currency translation***

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

| | | 31 March 2015<br>Period-end exchange rate | 1 January to 31 March 2015<br>Average exchange rate | 31 December 2014<br>Period-end exchange rate | 1 January to 31 March 2014<br>Average exchange rate |
|---|---|---|---|---|---|
| **USD** | USA | 1.0759 | 1.1270 | 1.2098 | 1.3706 |
| **CNY** | China | 6.6710 | 7.0284 | 7.5074 | 8.3642 |
| **GBP** | UK | 0.7273 | 0.7436 | 0.7767 | 0.8281 |
| **PLN** | Poland | 4.0854 | 4.1934 | 4.2870 | 4.1834 |
| **CZK** | Czech Republic | 27.5330 | 27.6273 | 27.6594 | 27.4384 |

***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:

| Standards and Interpretations | Effective date |
|---|---|
| Annual Improvements Project (2011 – 2013) – December 2013 | 1 January 2015 |

These amendments did not have any effect on the condensed interim consolidated financial statements.

*Not yet compulsory and newly issued IFRSs and IFRIC*

Adoption of the following IFRSs and IFRICs 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 31 March 2015, none of these new or amended standards and interpretations were adopted earlier.

| **Standards and Interpretations** | **Effective date** |
|---|---|
| Amendments to IAS 19 "Employee Benefits" | 1 February 2015 |
| Annual Improvements Project (2010 – 2012) – December 2013 | 1 February 2015 |
| IFRS 14 "Accounting for Regulatory Deferral Accounts" | 1 January 2016 |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interest in Joint Operations" | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" | 1 January 2016 |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" | 1 January 2016 |
| Amendments to IAS 27 "Equity Method in Separate Financial Statements" | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | 1 January 2016 |
| Annual Improvements Project (2012 - 2014) – September 2014 | 1 January 2016 |
| Amendments to IAS 1 "Presentation of Financial Statements" | 1 January 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | 1 January 2016 |
| IFRS 15 "Revenue from Contracts with Customers" | 1 January 2017 |
| IFRS 9 "Financial Instruments" | 1 January 2018 |

No material effects are expected on the condensed interim consolidated financial statements due to these amendments.

## 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 2015 EUR k | 1 January to 31 March 2014 EUR k |
|---|---|---|
| **Regions** | | |
| Europe | 58,147 | 55,451 |
| Germany | 34,071 | 34,334 |
| North America | 19,793 | 14,197 |
| Asia | 12,956 | 13,927 |
| Rest of world | 5,556 | 3,895 |
| **Total** | **130,523** | **121,804** |
| **Product groups** | | |
| Industrial applications | 81,265 | 75,680 |
| Medical applications | 49,258 | 46,124 |
| **Total** | **130,523** | **121,804** |

### 3.2 Cost of sales

The cost of sales breaks down as follows:

| | 1 January to 31 March 2015 EUR k | 1 January to 31 March 2014 EUR k |
|---|---|---|
| Material and packaging costs | 24,417 | 22,208 |
| Amortization and depreciation | 12,515 | 14,467 |
| Personnel expenses | 27,629 | 26,121 |
| Other cost of sales | 11,546 | 10,522 |
| **Total** | **76,107** | **73,318** |

Other cost of sales primarily contains 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

Other income and expenses (-) break down as follows:

| | 1 January to 31 March 2015 EUR k | 1 January to 31 March 2014 EUR k |
|---|---|---|
| Foreign currency results | 2,080 | -73 |
| Restructuring costs | -212 | -1,397 |
| Allowance for bad debts | -12 | -11 |
| Losses on sales of property, plant and equipment | -46 | -6 |
| Sundry other income | 116 | 91 |
| Sundry other expenses | -102 | -283 |
| **Total** | **1,824** | **-1,679** |

Restructuring costs primarily contain personnel expenses.

### 3.7 Financial result

The financial result breaks down as follows:

| | 1 January to 31 March 2015 EUR k | 1 January to 31 March 2014 EUR k |
|---|---|---|
| **Interest income and other finance income** | | |
| Net gain on derivative financial instruments | 11,008 | 0 |
| Net exchange rate gains | 0 | 149 |
| Other interest income | 15 | 22 |
| **Total interest income and other finance income** | **11,023** | **171** |
| | | |
| **Interest expenses and other finance costs** | | |
| Interest expense from syndicated loan | 7,445 | 7,517 |
| Interest expense from bond | 6,326 | 6,326 |
| Expense from effective interest rate method | 1,864 | 3,102 |
| Interest expense from shareholder loans | 2,644 | 2,470 |
| Net loss on derivative financial instruments | 0 | 1,929 |
| Net exchange rate losses | 6,343 | 0 |
| Other interest expenses | 664 | 713 |
| Less: amounts included in the cost of qualifying assets | -80 | -244 |
| **Total interest expenses and other finance costs** | **25,206** | **21,813** |
| | | |
| **Total financial result** | **-14,183** | **-21,642** |

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 11,039k (1 January to 31 March 2014: EUR 11,050k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 45k (1 January to 31 March 2014: EUR 243k). In the comparative period an amount of EUR 9k was deducted for subsidies.

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 4,472k (1 January to 31 March 2014: EUR 11,289k) from which subsidies of EUR 202k (1 January to 31 March 2014: EUR 823k) are deducted. The recognized depreciation expenses amount to EUR 9,255k (1 January to 31 March 2014: EUR 11,606k).

Borrowing costs capitalized in property, plant and equipment amounted to EUR 80k (1 January to 31 March 2014: EUR 244k) in the reporting period. Capitalized interest is based on an interest rate of 3.95%.

There were contractual commitments to acquire property, plant and equipment of EUR 6,608k (31 December 2014: EUR 12,434k) as of the reporting date.

### 4.3 Other financial assets

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

| | 31 March 2015<br>EUR k | 31 December 2014<br>EUR k |
|---|---|---|
| ***Other non-current financial assets*** | | |
| Derivative financial instruments | 56,699 | 22,336 |
| Separated termination rights | 20,687 | 7,465 |
| Insurance claims | 158 | 162 |
| **Total** | **77,544** | **29,963** |
| | | |
| ***Other current financial assets*** | | |
| Derivative financial instruments | 6,739 | 2,265 |
| Receivables from energy tax refunds | 1,197 | 909 |
| Other financial assets | 88 | 91 |
| **Total** | **8,024** | **3,265** |

### 4.4 Other assets

The following table breaks down other assets by their maturity:

| | 31 March 2015<br>EUR k | 31 December 2014<br>EUR k |
|---|---|---|
| ***Other non-current assets*** | | |
| Accrued finance costs for the revolving credit line | 1,139 | 1,255 |
| Other assets | 615 | 420 |
| **Total** | **1,754** | **1,675** |
| | | |
| ***Other current receivables and assets*** | | |
| VAT receivables | 427 | 1,122 |
| Investment grants | 147 | 0 |
| Accrued finance costs for the revolving credit line | 471 | 471 |
| Sundry assets | 3,318 | 3,626 |
| **Total** | **4,363** | **5,219** |

Sundry current assets primarily contain prepayments.

### 4.5 Trade receivables

Trade receivables of EUR 68,708k (31 December 2014: EUR 47,517k) are recognized in the statement of financial position after taking into account impairment losses of EUR 499k (31 December 2014: EUR 459k).

The amount of trade receivables increased due to higher sales volumes during the reporting period compared with the end of the previous year, which is a result of seasonal effects.

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

| | 31 March 2015<br>EUR k | 31 December 2014<br>EUR k |
|---|---|---|
| **Carrying amount before impairment** | **69,207** | **47,976** |
| thereof not yet due on the reporting date | 59,533 | 41,771 |
| thereof past due on the reporting date | 9,674 | 6,205 |

### 4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 52,673k (31 December 2014: EUR 62,221k) and cash in hand of EUR 30k (31 December 2014: EUR 25k).

### 4.7 Other provisions

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

### 4.8 Financial liabilities to third parties

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

| | 31 March 2015<br>EUR k | 31 December 2014<br>EUR k |
|---|---|---|
| ***Non-current financial liabilities*** | | |
| Liabilities to banks | 674,258 | 636,948 |
| Liabilities from the bond | 297,091 | 296,814 |
| Derivative financial instruments | 15,755 | 13,896 |
| Finance lease liabilities | 1,591 | 1,433 |
| Purchase price for technology | 347 | 308 |
| **Total** | **989,042** | **949,399** |
| | | |
| ***Current financial liabilities*** | | |
| Liabilities to banks | 27,404 | 22,329 |
| Liabilities from the bond | 3,163 | 9,489 |
| Derivative financial instruments | 5,150 | 4,846 |
| Discounts and bonuses | 2,107 | 2,731 |
| Finance lease liabilities | 167 | 189 |
| Other current financial liabilities | 1,318 | 1,240 |
| **Total** | **39,309** | **40,824** |

### 4.9 Other liabilities

Other liabilities break down as follows:

| | 31 March 2015<br>EUR k | 31 December 2014<br>EUR k |
|---|---|---|
| ***Other current liabilities*** | | |
| Wages and salaries including taxes | 8,265 | 6,004 |
| Real estate transfer tax | 4,124 | 4,120 |
| Other current liabilities | 3,537 | 3,455 |
| **Total** | **15,926** | **13,579** |

### 4.10 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 2015 Carrying amount EUR k | Fair value EUR k |
|---|---|---|---|
| ***Financial assets*** | | | |
| Trade receivables | LaR | 68,708 | 68,708 |
| Other financial assets | LaR | 1,443 | 1,443 |
| Cash and cash equivalents | LaR | 52,703 | 52,703 |
| Separated termination rights – HfT | FVtPL | 20,687 | 20,687 |
| Currency swaps in effective hedges | Hedge | 63,438 | 63,438 |
| **Total** | | **206,979** | **206,979** |
| ***Financial liabilities*** | | | |
| Bond liabilities | FLAC | 300,254 | 337,063 |
| Liabilities to banks | FLAC | 701,662 | 716,291 |
| Trade payables | FLAC | 18,094 | 18,094 |
| Finance lease liabilities | FLAC | 1,758 | 1,758 |
| Other financial liabilities | FLAC | 3,771 | 3,763 |
| Liabilities to affiliates | FLAC | 136,193 | 144,322 |
| Separated interest rate floor – HfT | FVtPL | 19,485 | 19,485 |
| Interest rate cap - HfT | FVtPL | 1,420 | 1,420 |
| **Total** | | **1,182,637** | **1,242,196** |

[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

| | 31 December 2014 | | |
| --- | --- | --- | --- |
| | Measurement category of IAS 39[1] | Carrying amount | Fair value |
| | | EUR k | EUR k |
| ***Financial assets*** | | | |
| Trade receivables | LaR | 47,517 | 47,517 |
| Other financial assets | LaR | 1,162 | 1,162 |
| Cash and cash equivalents | LaR | 62,246 | 62,246 |
| Separated termination rights – HfT | FVtPL | 7,465 | 7,465 |
| Currency swaps in effective hedges | Hedge | 24,601 | 24,601 |
| **Total** | | **142,991** | **142,991** |
| ***Financial liabilities*** | | | |
| Bond liabilities | FLAC | 306,303 | 329,242 |
| Liabilities to banks | FLAC | 659,277 | 674,339 |
| Trade payables | FLAC | 22,424 | 22,424 |
| Finance lease liabilities | FLAC | 1,622 | 1,622 |
| Other financial liabilities | FLAC | 4,279 | 4,272 |
| Liabilities to affiliates | FLAC | 133,549 | 139,740 |
| Separated interest rate floors – HfT | FVtPL | 17,277 | 17,277 |
| Interest rate cap – HfT | FVtPL | 1,465 | 1,465 |
| **Total** | | **1,146,196** | **1,190,381** |

[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 2015 | | |
|---|---|---|---|
| | Level 1<br>EUR k | Level 2<br>EUR k | Level 3<br>EUR k |
| ***Financial assets*** | | | |
| Separated termination rights – HfT | 0 | 20,687 | 0 |
| Currency swaps in effective hedges | 0 | 63,438 | 0 |
| ***Financial liabilities*** | | | |
| Separated interest rate floor – HfT | 0 | 19,485 | 0 |
| Interest rate cap - HfT | 0 | 1,420 | 0 |

| | 31 December 2014 | | |
|---|---|---|---|
| | Level 1<br>EUR k | Level 2<br>EUR k | Level 3<br>EUR k |
| ***Financial assets*** | | | |
| Separated termination rights – HfT | 0 | 7,465 | 0 |
| Currency swaps in effective hedges | 0 | 24,601 | 0 |
| ***Financial liabilities*** | | | |
| Separated interest rate floors – HfT | 0 | 17,277 | 0 |
| Interest rate cap - HfT | 0 | 1,465 | 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:

| | 31 March 2015 | | |
|---|---|---|---|
| | Level 1<br>EUR k | Level 2<br>EUR k | Level 3<br>EUR k |
| ***Financial assets*** | | | |
| Cash and cash equivalents | 52,703 | 0 | 0 |
| ***Financial liabilities*** | | | |
| Bond liabilities | 337,063 | 0 | 0 |
| Liabilities to banks | 0 | 716,291 | 0 |
| Finance lease liabilities | 0 | 1,758 | 0 |
| Liabilities to affiliates | 0 | 144,322 | 0 |

| | 31 December 2014 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| | EUR k | EUR k | EUR k |
| ***Financial assets*** | | | |
| Cash and cash equivalents | 62,246 | 0 | 0 |
| ***Financial liabilities*** | | | |
| Bond liabilities | 329,242 | 0 | 0 |
| Liabilities to banks | 0 | 674,339 | 0 |
| Finance lease liabilities | 0 | 1,622 | 0 |
| Liabilities to affiliates | 0 | 139,740 | 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. 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 fair value of financial instruments and foreign exchange gains or losses.

During the period 1 January to 31 March 2015, CeramTec Holding Group paid EUR 1,870k (1 January to 31 March 2014: EUR 729k) for property, plant and equipment, which was not included in the statement of cash flows in previous reporting periods due to non-cash transactions.

During the financial year, CeramTec Holding Group recognized EUR 202k (1 January to 31 March 2014: EUR 832k) for government grants, from which cash inflows have not resulted yet, and which are hence not included in cash flow from investing activities.

## 6 Other notes

### 6.1 Contingent liabilities

Like in the comparative period, there were no significant contingent liabilities as of 31 March 2015. 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

***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 136,193k (31 December 2014: EUR 133,549k), including interest, 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 2,644k were accrued in the reporting period 2015. These are due annually 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. 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 87k were booked during the reporting period 2015. The unpaid amount of EUR 81k is shown as Trade payables to affiliates.

## 6.3 Subsequent events

With effect of 5 May 2015, CeramTec Holding Group agreed new conditions for the EUR-tranche of the bank loan. The applicable interest rate is reduced for future interest payments, which will lead to lower financial expenses. The financial effect from the changed conditions is estimated with EUR 1,457k per financial year. For 2015 the effect will occur pro-rata.

# 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 58k (1 January to 31 March 2014: EUR 182k)
- Lower interest expenses of EUR 2,644k (1 January to 31 March 2014: EUR 2,470k)
- Higher interest income of EUR 710k (1 January to 31 March 2014: EUR 478k)
- Higher tax expenses of EUR 12k (1 January to 31 March 2014: EUR 52k)

The total comprehensive income of CeramTec Group would therefore have been EUR 3,400k higher (1 January to 31 March 2014: 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 2015 (31 December 2014):

- Higher receivables of EUR 39,672k (31 December 2014: EUR 39,617k)
- Lower Income Tax Receivables of EUR 394k (31 December 2014: EUR 382k)
- Lower provisions of EUR 73 (31 December 2014: EUR 34k)
- Lower financial liabilities to affiliates of EUR 136,193k (31 December 2014: EUR 132,807k)
- Lower trade payables of EUR 0k (31 December 2014: EUR 68k)

This would have resulted in a EUR 175,544k (31 December 2013: EUR 172,144k) 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, 8 May 2015

**CeramTec Holding GmbH**

The management

Dr. Zimmermann Janbon Adler