CeramTec Holding GmbH

Plochingen

Interim Condensed Consolidated Financial Statements as of 30 June 2015

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of comprehensive income

from 1 January to 30 June 2015

	Notes	1 April to 30 June 2015	1 January to 30 June 2015	1 April to 30 June 2014 *)	1 January to 30 June 2014 *)
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	129,625	260,148	124,526	246,330
Cost of sales	3.2	75,441	151,548	75,971	149,289
Gross profit		**54,184**	**108,600**	**48,555**	**97,041**
Selling costs	3.3	20,993	42,791	19,898	39,998
Research and development costs	3.4	5,793	12,013	5,833	11,530
General administrative costs	3.5	5,462	10,169	4,772	9,391
Other income and expenses (-), net	3.6	-593	1,230	-572	-2,250
Operating income		**21,343**	**44,857**	**17,480**	**33,872**
Interest income and other finance income		1,426	5,412	1,469	49
Interest expenses and other finance costs		24,258	42,427	20,074	40,297
Financial result	3.7	**-22,832**	**-37,015**	**-18,605**	**-40,248**
Earnings / Loss (-) before tax		**-1,489**	**7,842**	**-1,125**	**-6,376**
Taxes on income		-1,604	-6,231	-1,644	-2,732
Net profit / net loss (-) for the period		**-3,093**	**1,611**	**-2,769**	**-9,108**
Items that will not be reclassified subsequently to profit or loss					
Income / Expenses (-) from the remeasurement of pension provisions		-	-	-	-
Deferred taxes		-	-	-	-
		-	**-**	**-**	**-**
Items that may be reclassified subsequently to profit or loss					
Losses (-) / gains on cash flow hedges		-1,692	2,700	-1,060	1,314
Deferred taxes		485	-774	302	-375
		-1,207	**1,926**	**-758**	**939**
Exchange differences on translation of foreign operations		-1,612	6,939	426	-355
Other comprehensive income / loss (-), after income tax		**-2,819**	**8,865**	**-332**	**584**
Total comprehensive income / loss (-)		**-5,912**	**10,476**	**-3,101**	**-8,524**

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

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of financial position as of 30 June 2015

Assets	Notes	30 June 2015	31 December 2014
		EUR k	EUR k
Goodwill		562,181	550,820
Other intangible assets	4.1	621,937	639,828
Property, plant and equipment	4.2	305,196	309,684
Other financial assets	4.3	53,808	29,963
Other assets	4.4	1,775	1,675
Deferred tax assets		1,965	2,874
Non-current assets		**1,546,862**	**1,534,844**
Inventories		72,556	67,918
Trade receivables	4.5	65,911	47,517
Income tax receivables		1,854	6,517
Other financial assets	4.3	7,222	3,265
Other receivables and assets	4.4	5,961	5,219
Cash and cash equivalents	4.6	66,851	62,246
Assets held for sale	4.7	387	0
Current assets		**220,742**	**192,682**
Total Assets		**1,767,604**	**1,727,526**

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of financial position as of 30 June 2015

Equity and Liabilities	Notes	30 June 2015	31 December 2014
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378,148	378,148
Retained earnings		-94,085	-95,696
Accumulated other comprehensive income		11,610	2,745
Equity		**295,698**	**285,222**
Provisions for pension obligations		94,074	91,451
Other provisions		3,832	3,747
Financial liabilities to affiliates		138,867	133,549
Financial liabilities to third parties	4.8	963,529	949,399
Deferred tax liabilities		170,463	173,298
Non-current liabilities		**1,370,765**	**1,351,444**
Other provisions		14,076	13,967
Provisions for taxes		2,011	66
Financial liabilities to third parties	4.8	46,489	40,824
Trade payables		22,043	22,424
Trade payables to affiliates		33	0
Other liabilities	4.9	16,489	13,579
Current liabilities		**101,141**	**90,860**
Total liabilities		**1,767,604**	**1,442,304**
Total equity and liabilities		**1,767,604**	**1,727,526**

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of cash flows
from 1 January to 30 June 2015

	1 January to 30 June 2015 EUR k	1 January to 30 June 2014 EUR k
Net profit / net loss (-) for the period	1,611	-9,108
Taxes on income	6,231	2,732
Interest result	37,449	39,543
Write-downs on non-current assets	41,591	46,043
Loss on disposal of fixed assets	54	78
Increase in provisions (excluding deferred taxes)	1,681	6,141
Income tax payment (-)	-3,781	-1,300
Other non-cash income (-) and expenses, net	-505	-2,089
Increase (-) / decrease in inventories	-3,971	1,178
Increase (-) / decrease in trade receivables	-17,838	-18,511
Increase (-) / decrease in other receivables and (financial) assets	-967	922
Increase / decrease (-) in trade payables	1,369	-11,812
Increase / decrease (-) in other (financial) liabilities	2,050	4,071
Cash flow from operating activities	**64,974**	**57,888**
Cash received from disposals of property, plant and equipment	54	839
Cash paid (-) for investments in property, plant and equipment	-12,570	-27,588
Cash paid (-) for investments in intangible assets	-176	-525
Cash paid (-) for the acquisition of entities	-10,930	-3,500
Cash flow from investing activities	**-23,622**	**-30,774**
Cash received from syndicated loan/repayment of syndicated loan	-9,130 [1)]	-4,040
Interest paid (-)	-27,978	-28,002
Transfer of profit / loss to former shareholder	0	-26,922
Cash flow from financing activities	**-37,108**	**-58,964**
Change in cash and cash equivalents	4,244	-31,850
Net foreign exchange difference	361	-167
Cash and cash equivalents at the beginning of the period	62,246	66,963
Cash and cash equivalents at the end of the period	**66,851**	**34,946**

[1)] Includes Transaction Cost for Repricing EUR-Term Loan: EUR 469k

***Please refer to notes in section 5**

CeramTec Holding GmbH, Plochingen

Interim consolidated statement of changes in equity
for the period ended 30 June 2015

	Issued capital	Capital reserves	Retained earnings	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 loss for the period	-	-	-9,108	-	-	-9,108
Other comprehensive income	-	-	-	939	-355	584
Total comprehensive income	-	-	*-9,108*	*939*	*-355*	*-8,524*
30 June 2014	**25**	**378,148**	**-51,606**	**-2,799**	**-5,422**	**318,346**
31 December 2014	**25**	**378,148**	**-95,696**	**-258**	**3,003**	**285,222**
Net income for the period	-	-	1,611	-	-	1,611
Other comprehensive income	-	-	-	1,926	6,939	8,865
Total comprehensive income	-	-	*1,611*	*1,926*	*6,939*	*10,476*
30 June 2015	**25**	**378,148**	**-94,085**	**1,668**	**9,942**	**295,698**

CeramTec Holding GmbH

Plochingen

Selected explanatory notes to the Interim Condensed Consolidated Financial Statements as of 30 June 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 interim condensed consolidated financial statements as at 30 June 2015 on 7 August 2015.

1.2 Basis of preparation

The interim condensed 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 interim condensed 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 interim condensed 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 interim condensed 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 (-), net“. In addition, the results of changes in the fair values of derivatives, and foreign currency results, are offset and recognized in the financial result.

1.3 Changes to the consolidated group

With the Stock Purchase Agreement signed on 29 May 2015 CeramTec Acquisition Corporation, Laurens / USA, an indirect subsidiary of CeramTec Holding, acquired with effect from the same day 100 % of the shares of DAI Ceramics, Inc., Willoughby / USA.

The purchased company is primarily engaged in the business of manufacturing ceramic cores used in investment casting of high-performance aerospace components and medical devices. The acquisition of DAI Ceramics, Inc. is intended to enlarge the product range and to drive growth of CeramTec Holding Group.

The consideration transferred for the purchase price of the shares to obtain control amounts to EUR 10,939k. The total consideration transferred is rendered exclusively in the form of cash. The fair value of the acquired assets and liabilities amounts to EUR 4,557k. The acquisition as of 29 May 2015 therefore resulted in goodwill of EUR 6,382k.

The following table shows the allocation of the purchase price to the acquired assets and liabilities:

	Fair Value EUR k
Customer relationships	3,186
Plant Machinery and other equipment	2,252
Assets under construction	40
Property, plant & equipment	**2,292**
Inventories	666
Trade Receivables	556
Cash and Cash Equivalents	9
Assets	**6,709**
Other provisions	221
Trade Payables	147
Deferred tax liabilites	1,784
Liabilities	**2,152**
Total assets at fair value	4,557
Total consideration transferred	10,939
Goodwill from the acquisition	**6,382**

The gross contractual amount of trade receivables equals the fair value as all trade receivables are expected to be collected.

Deferred taxes were calculated using the local tax rate of 34%.

Goodwill reflects the value of expected future results that are to be realized in the next few years and cannot be allocated to individual assets.

The costs associated with the business combination amount to EUR 468k. These are recognized in the consolidated statement of comprehensive income under the item “Other income and expenses (-), net”.

Included in the net profit and revenue for the period are EUR 77k and EUR 427k, respectively, attributable to the acquisition. Had this business combination been effected at 1 January 2015, the revenue of the Group would have been increased by EUR 2,664k, and the profit for the year would have been increased by EUR 312k.

The business combination is recognized on a preliminary basis as of the reporting date as the purchase price allocation and therefore the identification and measurement of the acquired assets and liabilities has not yet been concluded.

As part of the purchase agreement with the previous owner of DAI Ceramics, Inc., a contingent consideration based on net external sales figures has been agreed.

As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 0.

2 Accounting principles

The accounting policies and the consolidation principles applied in the interim condensed consolidated financial statements correspond to those applied in the most recent annual consolidated financial statements with the exception of the recently adopted accounting standards, if any. 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:

		30 June 2015 Period-end exchange rate	1 April to 30 June 2015 Average exchange rate	1 January to 30 June 2015 Average exchange rate	31 December 2014 Period-end exchange rate	1 April to 30 June 2014 Average exchange rate	1 January to 30 June 2014 Average exchange rate
USD	USA	1.1189	1.1047	1.1158	1.2098	1.3715	1.3711
CNY	China	6.9366	6.8538	6.9411	7.5074	8.5464	8.4553
GBP	UK	0.7114	0.7211	0.7323	0.7767	0.8147	0.8214
PLN	Poland	4.1911	4.0859	4.1397	4.2870	4.1657	4.1745
CZK	Czech Republic	27.2530	27.3810	27.5041	27.6594	27.4484	27.4434

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 30 June 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. However, our assessment regarding IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" is not finalized.

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 April to 30 June 2015 EUR k	1 January to 30 June 2015 EUR k	1 April to 30 June 2014 EUR k	1 January to 30 June 2014 EUR k
Regions				
Europe	56,559	114,706	53,513	108,965
Germany	32,688	66,759	35,624	69,957
North America	20,481	40,274	18,361	32,559
Asia	17,479	30,435	13,992	27,919
Rest of world	2,418	7,974	3,036	6,930
Total	**129,625**	**260,148**	**124,526**	**246,330**
Product groups				
Industrial applications	79,866	161,131	76,937	152,617
Medical applications	49,759	99,017	47,589	93,713
Total	**129,625**	**260,148**	**124,526**	**246,330**

3.2 Cost of sales

The cost of sales break down as follows:

	1 April to 30 June 2015 EUR k	1 January to 30 June 2015 EUR k	1 April to 30 June 2014 EUR k	1 January to 30 June 2014 EUR k
Material and packaging costs	23,511	47,928	21,184	43,392
Amortization and depreciation	12,623	25,138	14,751	29,218
Personnel expenses	27,037	54,666	25,088	51,209
Other cost of sales	12,270	23,816	14,948	25,470
Total	**75,441**	**151,548**	**75,971**	**149,289**

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 (-), net

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

	1 April to 30 June 2015 EUR k	1 January to 30 June 2015 EUR k	1 April to 30 June 2014 EUR k	1 January to 30 June 2014 EUR k
Foreign currency results	-272	1,807	91	19
Restructuring costs	0	-189	-461	-1,858
Write-downs and impairment	-19	-19	-425	-425
Allowance for bad debts	0	-10	-18	-29
Income from reversal of bad debt allowance	12	12	0	0
Losses on disposal of property, plant and equipment	-8	-54	-72	-78
Sundry other income	173	264	313	269
Sundry other expenses	-479	-581	0	-148
Total	**-593**	**1,230**	**-572**	**-2,250**

Restructuring costs primarily contain personnel expenses.

3.7 Financial result

The financial result breaks down as follows:

	1 April to 30 June 2015 EUR k	1 January to 30 June 2015 EUR k	1 April to 30 June 2014 EUR k	1 January to 30 June 2014 EUR k
Interest income and other finance income				
Net gain on derivative financial instruments	0	5,376	1,441	0
Net exchange rate gains	1,405	0	0	0
Other interest income	21	36	28	49
Total interest income and other finance income	**1,426**	**5,412**	**1,469**	**49**
Interest expenses and other finance costs				
Interest expense from syndicated loan	7,243	14,688	7,503	15,020
Interest expense from bond	6,326	12,651	6,326	12,651
Expense from effective interest rate method	1,758	3,622	2,973	6,074
Interest expense from shareholder loans	2,674	5,318	2,470	4,939
Net loss on derivative financial instruments	5,632	0	0	488
Net exchange rate losses	0	4,938	348	199
Other interest expenses	672	1,336	721	1,438
Less: amounts included in the cost of qualifying assets	-47	-126	-267	-512
Total interest expenses and other finance costs	**24,258**	**42,427**	**20,074**	**40,297**
Total financial result	**-22,832**	**-37,015**	**-18,605**	**-40,248**

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

The effect on net gain or loss on derivative financial instruments results from the valuation of the cross currency swaps which are influenced by the slight recovery of the USD-exchange rate during the second quarter 2015.

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 22,087k (1 April to 30 June 2015: EUR 11,048k; 1 January to 30 June 2014: EUR 22,114k; 1 April to 30 June 2014: EUR 11,064k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 176k (1 April to 30 June 2015: EUR 131k; 1 January to 30 June 2014: EUR 516k; 1 April to 30 June 2014: EUR 274k). In the comparative period an amount of EUR 9k (1 April to 30 June 2014: EUR 0k) was deducted for subsidies.

For details to additions from business acquisition see section 1.3 Changes to the consolidated group.

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 10,698k (1 April to 30 June 2015: EUR 6,226k; 1 January to 30 June 2014: EUR 26,147k; 1 April to 30 June 2014: EUR 14,859k), from which subsidies of EUR 434k (1 April to 30 June 2015: EUR 233k; 1 January to 30 June 2014: EUR 2,014k; 1 April to 30 June 2014: EUR 1,191k) are deducted. For details to additions from business acquisition see section 1.3 Changes to the consolidated group.

During the second quarter 2015 machinery and equipment with a book value of EUR 382k are reclassified to assets held for sale. For further details refer to 4.7 Assets held for sale.

The recognized depreciation expenses amount to EUR 19,504k (1 April to 30 June 2015: EUR 9,823k; 1 January to 30 June 2014: EUR 23,504k; 1 April to 30 June 2014: EUR 11,898k).

Borrowing costs capitalized in property, plant and equipment amounted to EUR 126k (1 April to 30 June 2015: EUR 46k; 1 January to 30 June 2014: EUR 512k; 1 April to 30 June 2014: EUR 268k) 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 8,647k (31 December 2014: EUR 12,434k) as of the reporting date.

4.3 Other financial assets

The following table breaks down other financial assets as follows:

	30 June 2015 EUR k	31 December 2014 EUR k
Other financial assets (non-current)		
Derivative financial instruments	43,101	22,336
Separated termination rights	10,546	7,465
Insurance claims	161	162
Total	**53,808**	**29,963**
Other financial assets (current)		
Derivative financial instruments	5,901	2,265
Receivables from energy tax refunds	1,229	909
Other financial assets	92	91
Total	**7,222**	**3,265**

4.4 Other assets/other receivables and assets

The following table breaks down other assets / other receivables and assets by their maturity:

	30 June 2015 EUR k	31 December 2014 EUR k
Other assets (non-current)		
Accrued finance costs for the revolving credit line	1,021	1,255
Other assets	754	420
Total	**1,775**	**1,675**
Other receivables and assets (current)		
VAT receivables	787	1,122
Investment grants	380	0
Accrued finance costs for the revolving credit line	471	471
Sundry assets	4,323	3,626
Total	**5,961**	**5,219**

Sundry current assets primarily contain prepayments.

4.5 Trade receivables

Trade receivables of EUR 65,911k (31 December 2014: EUR 47,517k) are recognized in the statement of financial position after taking into account impairment losses of EUR 468k (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:

	30 June 2015 EUR k	31 December 2014 EUR k
Carrying amount before impairment	**66,379**	**47,976**
thereof not yet due on the reporting date	58,045	41,771
thereof past due on the reporting date	8,334	6,205

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 66,817k (31 December 2014: EUR 62,221k) and cash in hand of EUR 34k (31 December 2014: EUR 25k).

4.7 Assets held for sale

On the basis of the closure of the production facility of CeramTec UK Ltd., Colyton, UK, which was announced beginning of 2014, fixed assets were reclassified to assets held for sale in May 2015. The sale of the assets is expected by the end of 2015.

4.8 Financial liabilities to third parties

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

	30 June 2015 EUR k	31 December 2014 EUR k
Financial liabilities (non-current)		
Liabilities to banks	653,043	636,948
Liabilities from the bond	297,375	296,814
Derivative financial instruments	11,241	13,896
Finance lease liabilities	1,538	1,433
Purchase price for technology	332	308
Total	**963,529**	**949,399**
Financial liabilities (current)		
Liabilities to banks	28,801	22,329
Liabilities from the bond	9,489	9,489
Derivative financial instruments	5,039	4,846
Discounts and bonuses	1,910	2,731
Finance lease liabilities	139	189
Other current financial liabilities	1,111	1,240
Total	**46,489**	**40,824**

4.9 Other liabilities

Other liabilities break down as follows:

	30 June 2015 EUR k	31 December 2014 EUR k
Other liabilities (current)		
Wages and salaries including taxes	8,948	6,004
Real estate transfer tax	4,128	4,120
Other current liabilities	3,413	3,455
Total	**16,489**	**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]	30 June 2015 Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	LaR	65,911	65,911
Other financial assets	LaR	1,483	1,483
Cash and cash equivalents	LaR	66,851	66,851
Separated termination rights – HfT	FVtPL	10,546	10,546
Currency swaps in effective hedges	Hedge	49,002	49,002
Total		**193,793**	**193,793**
Financial liabilities			
Bond liabilities	FLAC	306,863	330,929
Liabilities to banks	FLAC	681,843	695,428
Trade payables	FLAC	22,043	22,043
Trade payables to affiliates	FLAC	33	33
Finance lease liabilities	FLAC	1,676	1,676
Other financial liabilities	FLAC	3,354	3,347
Financial liabilities to affiliates	FLAC	138,867	145,357
Separated interest rate floor – HfT	FVtPL	15,087	15,087
Interest rate cap - HfT	FVtPL	1,193	1,193
Total		**1,170,959**	**1,215,093**

[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
Financial 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:

	30 June 2015		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Separated termination rights – HfT	-	10,546	-
Currency swaps in effective hedges	-	49,002	-
Financial liabilities			
Separated interest rate floor – HfT	-	15,087	-
Interest rate cap - HfT	-	1,193	-

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

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 June 2015		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Cash and cash equivalents	66,851	-	-
Financial liabilities			
Bond liabilities	330,929	-	-
Liabilities to banks	-	695,428	-
Finance lease liabilities	-	1,676	-
Financial liabilities to affiliates	-	145,357	-

	31 December 2014		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial assets			
Cash and cash equivalents	62,246	-	-
Financial liabilities			
Bond liabilities	329,242	-	-
Liabilities to banks	-	674,339	-
Finance lease liabilities	-	1,622	-
Financial liabilities to affiliates	-	139,740	-

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 30 June 2015, CeramTec Holding Group paid EUR 1,873k for property, plant and equipment, which was not included in the statement of cash flows in previous reporting periods as it was a non-cash transaction.

During the comparative period 1 January to 30 June 2014, the Group invested EUR 574k in property, plant and equipment, from which cash outflows have not resulted in that period, and which are hence not included in the cash flow from investing activities for the comparative period.

During the financial year, CeramTec Holding Group recognized EUR 436k (1 January to 30 June 2014: EUR 2,024k) for government grants, from which cash inflows have not resulted yet, and which are hence not included in the 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 30 June 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

Key management personnel

With effect of 1 July 2015 Dr. Hadi Saleh was appointed as Chief Operating Officer.

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 138,867k (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 5,318k were accrued in the reporting period ending 30 June 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 168k were booked during the reporting period ending 30 June 2015. The unpaid amount of EUR 33k 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 GmbH 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 116k (1 April to 30 June 2015: EUR 58k; 1 January to 30 June 2014: EUR 277k; 1 April to 30 June 2014: EUR 95k)
- Higher interest income and other finance income of EUR 1,457k (1 April to 30 June 2015: EUR 747k; 1 January to 30 June 2014: EUR 973k; 1 April to 30 June 2014: EUR 495k)
- Lower interest expenses and other finance costs of EUR 5,318k (1 April to 30 June 2015: EUR 2,674k; 1 January to 30 June 2014: EUR 4,393k; 1 April to 30 June 2014: EUR 2,469k)
- Higher tax expenses of EUR 24k (1 April to 30 June 2015: EUR 12k; 1 January to 30 June 2014: EUR 79k; 1 April to 30 June 2014: EUR 27k)

The total comprehensive income of CeramTec Group GmbH would therefore have been EUR 6,867k higher (1 April to 30 June 2015: EUR 3,467k higher; 1 January to 30 June 2014: EUR 6,110k higher; 1 April to 30 June 2014: EUR 3,032k higher) compared to the total comprehensive income recognized in these financial statements.

If the interim consolidated statement of financial position of CeramTec Group GmbH 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 June 2015 (31 December 2014):

- Higher trade receivables of EUR 40,471k (31 December 2014: EUR 39,617k)
- Lower income tax receivables of EUR 406k (31 December 2014: EUR 382k)
- Lower other provisions of EUR 79 (31 December 2014: EUR 34k)
- Lower financial liabilities to affiliates of EUR 138,867k (31 December 2014: EUR 132,807k)
- Lower trade payables of EUR 0k (31 December 2014: EUR 68k)

This would have resulted in a EUR 179,011k (31 December 2013: EUR 172,144k) higher group equity for the CeramTec Group GmbH 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 GmbH had been prepared instead of the interim consolidated statement of cash flows of CeramTec Holding presented in these financial statements.

Plochingen, 7 August 2015

CeramTec Holding GmbH

The management

Dr. Zimmermann Janbon Adler Dr. Saleh