CeramTec Holding GmbH

Plochingen

Interim Condensed Consolidated Financial Statements for the period ended 30 September 2015

CeramTec Holding GmbH, Plochingen

CeramTec
THE CERAMIC EXPERTS

Interim condensed consolidated statement of comprehensive income

from 1 January to 30 September 2015

	Notes	1 July to 30 September 2015	1 July to 30 September 2014	1 January to 30 September 2015	1 January to 30 September 2014
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	123,275	117,311	383,423	363,642
Cost of sales	3.2	75,777	72,849	227,325	222,138
Gross profit		**47,498**	**44,462**	**156,098**	**141,504**
Selling costs	3.3	21,447	20,827	64,238	60,824
Research and development costs	3.4	5,925	5,887	17,939	17,417
General administrative costs	3.5	7,618	5,561	17,787	14,953
Other income and expenses (-), net	3.6	-117	3,068	1,114	817
Operating income		**12,391**	**15,255**	**57,248**	**49,127**
Interest income and other finance income		1,278	37	6,690	86
Interest expenses and other finance costs		19,112	31,834	61,539	72,131
Financial result	3.7	**-17,834**	**-31,797**	**-54,849**	**-72,045**
Profit / Loss (-) before income tax		**-5,443**	**-16,542**	**2,399**	**-22,918**
Income tax benefit / expense (-)		-1,609	2,318	-7,840	-414
Net profit / net loss (-) for the period		**-7,052**	**-14,224**	**-5,441**	**-23,332**
Items that may be reclassified subsequently to profit or loss					
Losses (-) / gains on cash flow hedges		-112	737	2,588	2,051
Deferred taxes		32	-205	-742	-580
		-80	**532**	**1,846**	**1,471**
Exchange differences on translation of foreign operations		-3,035	5,572	3,904	5,215
Other comprehensive income / loss (-), net of income tax		**-3,115**	**6,104**	**5,750**	**6,686**
Total comprehensive income / loss (-)		**-10,167**	**-8,120**	**309**	**-16,646**

CeramTec Holding GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 September 2015

Assets	**Notes**	**30 September 2015**	**31 December 2014**
		EUR k	EUR k
Goodwill		557,949	550,820
Other intangible assets	4.1	614,707	639,828
Property, plant and equipment	4.2	300,200	309,684
Other financial assets	4.3	54,050	29,963
Other assets	4.4	1,300	1,675
Deferred tax assets		1,947	2,874
Non-current assets		**1,530,153**	**1,534,844**
Inventories		73,889	67,918
Trade receivables	4.5	60,752	47,517
Income tax receivables		1,156	6,517
Other financial assets	4.3	6,377	3,265
Other receivables and assets	4.4	5,374	5,219
Cash and cash equivalents	4.6	73,643	62,246
Assets held for sale	4.7	348	0
Current assets		**221,539**	**192,682**
Total Assets		**1,751,692**	**1,727,526**

CeramTec Holding GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 September 2015

Equity and Liabilities	Notes	30 September 2015	31 December 2014
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378,148	378,148
Retained earnings		-101,137	-95,696
Accumulated other comprehensive income		8,495	2,745
Equity		**285,531**	**285,222**
Provisions for pension obligations		94,585	91,451
Other provisions		3,791	3,747
Financial liabilities to affiliates		141,648	133,549
Financial liabilities to third parties	4.8	956,298	949,399
Deferred tax liabilities		170,134	173,298
Non-current liabilities		**1,366,456**	**1,351,444**
Other provisions		16,457	13,967
Provision for taxes		1,056	66
Financial liabilities to third parties	4.8	44,540	40,824
Trade payables		19,754	22,424
Trade payables to affiliates		81	0
Other liabilities	4.9	17,817	13,579
Current liabilities		**99,705**	**90,860**
Total liabilities		**1,466,161**	**1,442,304**
Total equity and liabilities		**1,751,692**	**1,727,526**

CeramTec Holding GmbH, Plochingen

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

	1 January to 30 September 2015 EUR k	1 January to 30 September 2014 EUR k
Net profit / net loss (-) for the period	-5,441	-23,332
Income tax expense / benefit (-)	7,840	414
Interest result	56,291	59,246
Amortisation, depreciation and impairment charges of non-current assets	62,925	68,139
Gain (-) / Loss on disposal of fixed assets	3	188
Increase / decrease (-) in provisions (excluding deferred taxes)	4,061	7,960
Income tax refund / payment (-)	-7,321	-9,652
Other non-cash income (-) / expenses, net	-2,174	13,654
Increase (-) / decrease in inventories	-5,055	446
Increase (-) / decrease in trade receivables	-12,673	-13,564
Increase (-) / decrease in other receivables and (financial) assets	1,594	2,343
Increase / decrease (-) in trade payables	-494	-11,864
Increase / decrease (-) in other (financial) liabilities	4,401	4,150
Cash flow from operating activities	**103,957**	**98,128**
Cash received from disposals of property, plant and equipment	242	899
Cash paid (-) for investments in property, plant and equipment	-19,752	-38,384
Cash paid (-) for investments in intangible assets	-442	-998
Cash paid (-) for the acquisition of entities	-10,934	-3,500
Cash flow from investing activities	**-30,886**	**-41,983**
Repayment (-) of syndicated loan	-13,938 [1)]	-5,873
Interest paid (-)	-47,905	-47,972
Transfer of profit / loss to former shareholder	0	-26,922
Cash flow from financing activities	**-61,843**	**-80,767**
Change in cash and cash equivalents	11,228	-24,622
Net foreign exchange difference	169	296
Cash and cash equivalents at the beginning of the period	62,246	66,963
Cash and cash equivalents at the end of the period	**73,643**	**42,637**

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

CeramTec Holding GmbH, Plochingen

Interim condensed consolidated statement of changes in equity
for the period ended 30 September 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	-	-	-23,332	-	-	-23,332
Other comprehensive income / loss (-)	-	-	-	1,471	5,215	6,686
Total comprehensive income / loss (-)	-	-	*-23,332*	*1,471*	*5,215*	*-16,646*
30 September 2014	**25**	**378,148**	**-65,830**	**-2,267**	**148**	**310,224**
31 December 2014	**25**	**378,148**	**-95,696**	**-258**	**3,003**	**285,222**
Net loss for the period	-	-	-5,441	-	-	-5,441
Other comprehensive income / loss (-)	-	-	-	1,846	3,904	5,750
Total comprehensive income / loss (-)	-	-	*-5,441*	*1,846*	*3,904*	*309*
30 September 2015	**25**	**378,148**	**-101,137**	**1,588**	**6,907**	**285,531**

CeramTec Holding GmbH

Plochingen

Selected explanatory notes to the Interim Condensed Consolidated Financial Statements for the period ended 30 September 2015

1 General information

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 sets up branch offices in Germany and abroad, establishes other entities in Germany and abroad despite their legal form, acquires, invests in and holds these investments and/or manages them as well as enters 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 September 2015 on 11 November 2015.

1.2 Basis of preparation

The interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. These interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the CeramTec Holding GmbH's annual consolidated financial statements as of 31 December 2014.

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 statement 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 or settled 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.

1.3 Changes to the consolidated group

On 29 May 2015, the Group acquired 100% of the shares of DAI Ceramics, Inc., Willoughby / USA. The acquisition was provisionally recognized within the interim condensed consolidated financial statements as at 30 June 2015. Within measurement period the purchase was finalized in the current period.

Compared to the provisional amounts recognized in the interim condensed consolidated financial statements as at 30 June 2015, the amounts of the finalized purchase price allocation are as follows:

	Fair Value (finalized) EUR k	Fair Value (provisional) EUR k
Other intangible assets	7,183	3,186
Property, plant & equipment	2,252	2,252
Assets under construction	0	40
Inventories	916	666
Trade receivables	566	556
Cash and cash equivalents	4	9
Assets	**10,921**	**6,709**
Other provisions	232	221
Trade payables	147	147
Other liabilities	5	0
Deferred tax liabilites	3,251	1,784
Liabilities	**3,635**	**2,152**
Total net assets at fair value	7,286	4,557
Total consideration transferred	10,939	10,939
Goodwill from the acquisition	**3,653**	**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 other intangible assets identified as part of the purchase price allocation mainly comprise customer relationship and trademarks.

The total costs associated with the business combination amount to EUR 633k. These are recognized in the interim condensed consolidated statement of comprehensive income under the item “Other income and expenses (-), net”.

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 September 2015 Period-end exchange rate	1 July to 30 September 2015 Average exchange rate	1 January to 30 September 2015 Average exchange rate	31 December 2014 Period-end exchange rate	1 July to 30 September 2014 Average exchange rate	1 January to 30 September 2014 Average exchange rate
USD	USA	1.1203	1.1121	1.1146	1.2098	1.3249	1.3557
CNY	China	7.1206	7.0134	6.9652	7.5074	8.1678	8.3595
GBP	UK	0.7385	0.7175	0.7274	0.7767	0.7937	0.8121
PLN	Poland	4.2448	4.1889	4.1561	4.2870	4.1764	4.1752
CZK	Czech Republic	27.1870	27.0769	27.3617	27.6594	27.6237	27.5035

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 interim condensed 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 September 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 2018
IFRS 9 “Financial Instruments”	1 January 2018

No material effects are expected on the interim condensed 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 condensed 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 2015 EUR k	1 July to 30 September 2014 EUR k	1 January to 30 September 2015 EUR k	1 January to 30 September 2014 EUR k
Regions				
Europe	46,666	46,230	161,372	155,195
Germany	33,902	35,558	100,661	105,516
North America	22,484	19,680	62,758	52,239
Asia	16,034	13,532	46,469	41,451
Rest of world	4,189	2,311	12,163	9,241
Total	**123,275**	**117,311**	**383,423**	**363,642**
Product groups				
Industrial applications	81,264	74,797	242,395	227,415
Medical applications	42,011	42,514	141,028	136,227
Total	**123,275**	**117,311**	**383,423**	**363,642**

3.2 Cost of sales

The cost of sales break down as follows:

	1 July to 30 September 2015 EUR k	1 July to 30 September 2014 EUR k	1 January to 30 September 2015 EUR k	1 January to 30 September 2014 EUR k
Material and packaging costs	23,665	23,754	71,593	67,148
Amortization and depreciation	12,909	13,727	38,047	42,945
Personnel expenses	26,614	25,383	81,280	76,591
Other cost of sales	12,589	9,985	36,405	35,454
Total	**75,777**	**72,849**	**227,325**	**222,138**

Other cost of sales primarily contain energy costs, freight 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 July to 30 September 2015 EUR k	1 July to 30 September 2014 EUR k	1 January to 30 September 2015 EUR k	1 January to 30 September 2014 EUR k
Foreign currency results	0	996	1,807	1,015
Reversal of provisions	400	1,825	400	1,825
Restructuring costs	-497	137	-686	-1,720
Write-downs and impairment	0	0	-18	-425
Allowance for bad debts	-13	-46	-23	-75
Income from reversal of bad debt allowance	0	0	12	0
Gains / Losses (-) on disposal of property, plant and equipment	50	-110	-4	-188
Sundry other income	162	298	426	567
Sundry other expenses	-219	-33	-800	-182
Total	**-117**	**3,067**	**1,114**	**817**

Restructuring costs primarily contain personnel expenses. Sundry other expenses include mainly acquisition costs in connection with the purchase of the shares of DAI Ceramics, Inc.

3.7 Financial result

The financial result breaks down as follows:

	1 July to 30 September 2015 EUR k	1 July to 30 September 2014 EUR k	1 January to 30 September 2015 EUR k	1 January to 30 September 2014 EUR k
Interest income and other finance income				
Gains on derivative valuations	1,262	0	6,638	0
Other interest income	16	37	52	86
Total interest income and other finance income	**1,278**	**37**	**6,690**	**86**
Interest expenses and other finance costs				
Interest expense from syndicated loan	7,268	7,597	21,956	22,617
Interest expense from bond	6,326	6,326	18,977	18,977
Expense from effective interest rate method	1,817	2,773	5,439	8,848
Interest expense from shareholder loans	2,781	2,569	8,098	7,508
Losses on derivative valuations	0	6,934	0	7,421
Exchange rate losses	245	5,149	5,184	5,348
Other interest expenses	717	737	2,053	2,175
Less: Borrowing costs capitalized as part of qualifying assets	-42	-251	-168	-763
Total interest expenses and other finance costs	**19,112**	**31,834**	**61,539**	**72,131**
Total financial result	**-17,834**	**-31,797**	**-54,849**	**-72,045**

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 condensed 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 33,422k (1 July to 30 September 2015: EUR 11,335k; 1 January to 30 September 2014: EUR 33,211k; 1 July to 30 September 2014: EUR 11,097k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 442k (1 July to 30 September 2015: EUR 266k; 1 January to 30 September 2014: EUR 998k; 1 July to 30 September 2014: EUR 472k), from which subsidies of EUR 6k (1 July to 30 September 2015: EUR 6k; 1 January to 30 September 2014: EUR 24k; 1 July to 30 September 2014: EUR 15k) are deducted.

For details to additions from the business combination 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 17,337k (1 July to 30 September 2015: EUR 6,639k; 1 January to 30 September 2014: EUR 38,976k; 1 July to 30 September 2014: EUR 10,814k), from which subsidies of EUR 763k (1 July to 30 September 2015: EUR 329k; 1 January to 30 September 2014: EUR 2,710k; 1 July to 30 September 2014: EUR 696k) are deducted.

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

The recognized depreciation expenses amount to EUR 29,503k (1 July to 30 September 2015: EUR 9,999k; 1 January to 30 September 2014: EUR 34,928k; 1 July to 30 September 2014: EUR 10,999k).

Borrowing costs capitalized in property, plant and equipment amounted to EUR 168k (1 July to 30 September 2015: EUR 42k; 1 January to 30 September 2014: EUR 763k; 1 July to 30 September 2014: EUR 251k) 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 6,609k (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 September 2015 EUR k	31 December 2014 EUR k
Other financial assets (non-current)		
Derivative financial instruments	41,577	22,336
Separated termination rights	12,311	7,465
Insurance claims	162	162
Total	**54,050**	**29,963**
Other financial assets (current)		
Derivative financial instruments	6,297	2,265
Receivables from energy tax refunds	0	909
Other financial assets	80	91
Total	**6,377**	**3,265**

4.4 Other assets/other receivables and assets

The following table breaks down other assets / other receivables and assets as follows:

	30 September 2015 EUR k	31 December 2014 EUR k
Other assets (non-current)		
Deferred finance costs for the revolving credit line	902	1,255
Other assets	398	420
Total	**1,300**	**1,675**
Other receivables and assets (current)		
VAT receivables	135	1,122
Receivables from energy tax refunds	963	0
Investment grants	714	0
Deferred finance costs for the revolving credit line	471	471
Sundry assets	3,091	3,626
Total	**5,374**	**5,219**

Sundry current assets primarily contain prepayments.

4.5 Trade receivables

Trade receivables of EUR 60,752k (31 December 2014: EUR 47,517k) are recognized in the interim condensed consolidated statement of financial position after taking into account impairment losses of EUR 479k (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 September 2015 EUR k	31 December 2014 EUR k
Carrying amount before impairment	**61,231**	**47,976**
thereof not yet due on the reporting date	52,681	41,771
thereof past due on the reporting date	8,549	6,205

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 73,612k (31 December 2014: EUR 62,221k) and cash in hand of EUR 31k (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 to be finished by the end of 2015.

4.8 Financial liabilities to third parties

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

	30 September 2015 EUR k	31 December 2014 EUR k
Financial liabilities (non-current)		
Liabilities to banks	644,921	636,948
Liabilities from the bond	297,664	296,814
Derivative financial instruments	11,700	13,896
Finance lease liabilities	1,797	1,433
Purchase price for technology	216	308
Total	**956,298**	**949,399**
Financial liabilities (current)		
Liabilities to banks	32,510	22,329
Liabilities from the bond	3,163	9,489
Derivative financial instruments	4,986	4,846
Discounts and bonuses	2,113	2,731
Finance lease liabilities	270	189
Other current financial liabilities	1,498	1,240
Total	**44,540**	**40,824**

4.9 Other liabilities

Other liabilities break down as follows:

	30 September 2015 EUR k	31 December 2014 EUR k
Other liabilities (current)		
Wages and salaries including taxes	8,697	6,004
Real estate transfer tax	4,132	4,120
Other current liabilities	4,988	3,455
Total	**17,817**	**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 condensed consolidated financial statements, sorted by class and measurement category in accordance with IAS 39.

		30 September 2015	
	Measurement category of IAS 39[1]	Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	LaR	60,752	60,752
Other financial assets	LaR	1,205	1,205
Cash and cash equivalents	LaR	73,643	73,643
Separated termination rights – HfT	FVtPL	12,311	12,311
Currency swaps in effective hedges	Hedge	47,874	47,874
Total		**195,785**	**195,785**
Financial liabilities			
Bond liabilities	FLAC	300,827	330,623
Liabilities to banks	FLAC	677,430	689,490
Trade payables	FLAC	19,504	19,504
Trade payables to affiliates	FLAC	81	81
Finance lease liabilities	FLAC	2,068	2,068
Other financial liabilities	FLAC	3,827	3,819
Financial liabilities to affiliates	FLAC	141,648	146,916
Separated interest rate floor – HfT	FVtPL	15,426	15,426
Interest rate cap - HfT	FVtPL	1,260	1,260
Total		**1,162,071**	**1,209,185**

[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 2014 Carrying amount EUR k	Fair value 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 September 2015		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial assets			
Separated termination rights – HfT	-	12,311	-
Currency swaps in effective hedges	-	47,874	-
Financial liabilities			
Separated interest rate floor – HfT	-	15,426	-
Interest rate cap - HfT	-	1,260	-

	31 December 2014		
	Level 1	Level 2	Level 3
	EUR k	EUR k	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 September 2015		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial liabilities			
Bond liabilities	330,623	-	-
Liabilities to banks	-	689,488	-
Finance lease liabilities	-	2,068	-
Financial liabilities to affiliates	-	146,916	-

	31 December 2014		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
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 publicly listed bond corresponds to the nominal value multiplied by the market value at the reporting date. 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 are observable for the assets and liabilities, either directly or indirectly at 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 condensed 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 condensed consolidated statement of cash flows

In the interim condensed 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 condensed 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 September 2015, CeramTec Holding Group paid EUR 2,415k 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 September 2014, the Group invested EUR 592k 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 769k (1 January to 30 September 2014: EUR 2,735k) for government grants, which have not yet been received in cash, 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 September 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

On 29 September 2015, Sigurd Adler stepped down as member of the CeramTec Executive Board and as COO of the CeramTec segment “Industry” with immediate effect. Dr. Ulf-D. Zimmermann, CEO has assumed the responsibility for the segment "Industry".

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 141,648k (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 8,098k (1 July to 30 September 2015: EUR 2,781k; 1 January to 30 September 2014: EUR 7,508k; 1 July to 30 September 2014: EUR 2,569k) were accrued in the reporting period ended 30 September 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 340k were booked during the reporting period ended 30 September 2015 (1 July to 30 September 2015: EUR 172k; 1 January to 30 September 2014: EUR 497k; 1 July to 30 September 2014: EUR 334k). The unpaid amount of EUR 81k (31 December 2014: EUR 0k) 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 condensed consolidated statement of comprehensive income of CeramTec Group GmbH had been prepared instead of the interim condensed 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 826k (1 July to 30 September 2015: EUR 710k; 1 January to 30 September 2014: EUR 387k; 1 July to 30 September 2014: EUR 110k)
- Higher interest income and other finance income of EUR 2,213k (1 July to 30 September 2015: EUR 756k; 1 January to 30 September 2014: EUR 1,575k; 1 July to 30 September 2014: EUR 552k)
- Lower interest expenses and other finance costs of EUR 8,098k (1 July to 30 September 2015: EUR 2,780k; 1 January to 30 September 2014: EUR 7,508k; 1 July to 30 September 2014: EUR 2,569k)
- Higher tax expenses of EUR 173k (1 July to 30 September 2015: EUR 149k; 1 January to 30 September 2014: EUR 111k; 1 July to 30 September 2014: EUR 32k)

The total comprehensive income of CeramTec Group GmbH would therefore have been EUR 10,964k higher (1 July to 30 September 2015: EUR 4,097k higher; 1 January to 30 September 2014: EUR 9,309k higher; 1 July to 30 September 2014: EUR 3,199k higher) compared to the total comprehensive income recognized in these financial statements.

If the interim condensed consolidated statement of financial position of CeramTec Group GmbH had been prepared instead of the interim condensed 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 2015 (31 December 2014):

- Higher financial assets of EUR 41,451k (31 December 2014: EUR 39,617k)
- Lower income tax receivables of EUR 555k (31 December 2014: EUR 382k)
- Lower other provisions of EUR 250k (31 December 2014: EUR 0k)
- Lower financial liabilities to affiliates of EUR 141,648k (31 December 2014: EUR 132,807k)
- Lower financial liabilities to third parties of EUR 94k (31 December 2014: EUR 34k)
- Lower trade payables of EUR 220k (31 December 2014: EUR 68k)

This would have resulted in a EUR 183,108k (31 December 2014: 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 condensed consolidated statement of cash flows if the interim condensed consolidated statement of cash flows of CeramTec Group GmbH had been prepared instead of the interim condensed consolidated statement of cash flows of CeramTec Holding presented in these financial statements.

Plochingen, 11 November 2015

CeramTec Holding GmbH

The management

Dr. Zimmermann Janbon Dr. Saleh