

**CeramTec Holding GmbH**  
**Plochingen**

**Interim Condensed**  
**Consolidated Financial Statements**  
**for the period ended**  
**31 March 2016**

## Interim condensed consolidated statement of comprehensive income

from 1 January to 31 March 2016

	Notes	1 January to	1 January to
		31 March 2016	31 March 2015
		EUR k	EUR k
Revenue	3.1	122,995	130,523
Cost of sales	3.2	72,055	76,107
<b>Gross profit</b>		<b>50,940</b>	<b>54,416</b>
Selling costs	3.3	21,917	21,798
Research and development costs	3.4	6,035	6,220
General administrative costs	3.5	6,830	4,707
Other income and expenses (-), net	3.6	-546	1,824
<b>Operating income</b>		<b>15,612</b>	<b>23,515</b>
Interest income and other finance income		33,072	11,023
Interest expenses and other finance costs		18,415	25,206
<b>Financial result</b>	3.7	<b>14,657</b>	<b>-14,183</b>
<b>Profit / Loss (-) before income tax</b>		<b>30,269</b>	<b>9,332</b>
Income tax benefit / expense (-)		-11,169	-4,628
<b>Net profit / net loss (-) for the period</b>		<b>19,100</b>	<b>4,704</b>
<b>Items that will not be reclassified through profit or loss</b>			
Income / Expenses (-) from the remeasurement of pension provisions		-3,209	0
Deferred taxes		920	0
		<b>-2,289</b>	<b>0</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Losses (-) / gains on cash flow hedges		-1,542	4,391
Deferred taxes		442	-1,258
		<b>-1,100</b>	<b>3,133</b>
Exchange differences on translation of foreign operations		-2,236	8,551
<b>Other comprehensive income / loss (-), net of income tax</b>		<b>-5,625</b>	<b>11,684</b>
<b>Total comprehensive income / loss (-)</b>		<b>13,475</b>	<b>16,388</b>

## Interim condensed consolidated statement of financial position as at 31 March 2016

Assets	Notes	31 March 2016	31 December 2015
		EUR k	EUR k
Goodwill		555,963	557,567
Other intangible assets	4.1	592,156	603,922
Property, plant and equipment	4.2	291,437	300,199
Other financial assets	4.3	73,608	56,444
Other assets	4.4	1,049	1,188
Deferred tax assets		946	1,085
<b>Non-current assets</b>		<b>1,515,159</b>	<b>1,520,405</b>
Inventories		79,646	75,137
Trade receivables	4.5	64,736	53,178
Financial receivables from affiliates		274	1,022
Income tax receivables		2,585	1,665
Other financial assets	4.3	6,977	8,515
Other receivables and assets	4.4	4,810	5,207
Cash and cash equivalents	4.6	71,798	86,476
Assets held for sale		4	11
<b>Current assets</b>		<b>230,830</b>	<b>231,211</b>
<b>Total Assets</b>		<b>1,745,989</b>	<b>1,751,616</b>

## Interim condensed consolidated statement of financial position as at 31 March 2016

Equity and Liabilities	Notes	31 March 2016	31 December 2015
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378,148	378,148
Retained earnings		-86,360	-103,171
Accumulated other comprehensive income		6,092	9,428
<b>Equity</b>		<b>297,905</b>	<b>284,430</b>
Provisions for pension obligations		89,279	86,071
Other provisions		3,766	3,653
Financial liabilities to affiliates		146,060	144,574
Financial liabilities to third parties	4.7	933,419	956,856
Deferred tax liabilities		173,935	167,346
<b>Non-current liabilities</b>		<b>1,346,459</b>	<b>1,358,500</b>
Other provisions		13,959	13,081
Provision for taxes		2,411	2,364
Financial liabilities to third parties	4.7	48,061	55,029
Trade payables		18,624	24,354
Trade payables to affiliates		125	0
Other liabilities	4.8	18,445	13,858
<b>Current liabilities</b>		<b>101,625</b>	<b>108,686</b>
<b>Total liabilities</b>		<b>1,448,084</b>	<b>1,467,186</b>
<b>Total equity and liabilities</b>		<b>1,745,989</b>	<b>1,751,616</b>

**CeramTec Holding GmbH, Plochingen**

**Interim condensed consolidated statement of cash flows  
from 1 January to 31 March 2016**

	<b>1 January to 31 March 2016</b>	<b>1 January to 31 March 2015</b>
	<b>EUR k</b>	<b>EUR k</b>
Net profit / net loss (-) for the period	19,100	4,704
Income tax expense / benefit (-)	11,169	4,628
Interest result	18,398	18,848
Amortisation, depreciation and impairment charges of non-current assets	20,900	20,720
Gain (-) / Loss on disposal of fixed assets	6	46
Increase / decrease (-) in provisions (excluding deferred taxes)	463	3,527
Income tax refund / payment (-)	-3,814	-3,894
Other non-cash income (-) / expenses, net	-33,451	-3,029
Increase (-) / decrease in inventories	-4,510	-3,188
Increase (-) / decrease in trade receivables	-11,557	-21,191
Increase (-) / decrease in other receivables and (financial) assets	1,130	581
Increase / decrease (-) in trade payables	-3,174	-2,422
Increase / decrease (-) in other (financial) liabilities	4,491	2,020
<b>Cash flow from operating activities</b>	<b>19,151</b>	<b>21,350</b>
Cash received from disposals of property, plant and equipment	117	10
Cash paid (-) for investments in property, plant and equipment	-4,966	-6,342
Cash paid (-) for investments in intangible assets	-135	-45
<b>Cash flow from investing activities</b>	<b>-4,984</b>	<b>-6,377</b>
Repayment (-) of syndicated loan	-7,529	-4,773
Interest paid (-)	-21,049	-20,363
<b>Cash flow from financing activities</b>	<b>-28,578</b>	<b>-25,136</b>
<b>Change in cash and cash equivalents</b>	<b>-14,411</b>	<b>-10,163</b>
Net foreign exchange difference	-267	620
Cash and cash equivalents at the beginning of the period	86,476	62,246
<b>Cash and cash equivalents at the end of the period</b>	<b>71,798</b>	<b>52,703</b>

**CeramTec Holding GmbH, Plochingen**

**Interim condensed consolidated statement of changes in equity  
for the period ended 31 March 2016**

	Issued capital	Capital reserves	Revenue reserves and consolidated net income	Accumulated other comprehensive income		Equity
	EUR k	EUR k	EUR k	Cash flow hedge reserve EUR k	Difference from currency translation EUR k	EUR k
<b>31 December 2014</b>	<b>25</b>	<b>378,148</b>	<b>-95,696</b>	<b>-258</b>	<b>3,003</b>	<b>285,222</b>
Net income for the period	0	0	4,704	0	0	4,704
Other comprehensive income / loss (-)	0	0	0	3,133	8,551	11,684
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>4,704</i>	<i>3,133</i>	<i>8,551</i>	<i>16,388</i>
<b>31 March 2015</b>	<b>25</b>	<b>378,148</b>	<b>-90,992</b>	<b>2,875</b>	<b>11,554</b>	<b>301,610</b>
<b>31 December 2015</b>	<b>25</b>	<b>378,148</b>	<b>-103,171</b>	<b>1,629</b>	<b>7,799</b>	<b>284,430</b>
Net income for the period	0	0	19,100	0	0	19,100
Other comprehensive income / loss (-)	0	0	-2,289	-1,100	-2,236	-5,625
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>16,811</i>	<i>-1,100</i>	<i>-2,236</i>	<i>13,475</i>
<b>31 March 2016</b>	<b>25</b>	<b>378,148</b>	<b>-86,360</b>	<b>529</b>	<b>5,563</b>	<b>297,905</b>

**CeramTec Holding GmbH**  
**Plochingen**

**Selected explanatory notes to the  
Interim Condensed  
Consolidated Financial Statements  
for the period ended  
31 March 2016**

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## **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 the same 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 issues 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 31 March 2016 on 10 May 2016.

## **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 2015.

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 some cases, adding single values to the total values 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.

## 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 2015.

### *Foreign currency translation*

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

		31 March 2016	1 January to 31 March 2016	31 December 2015	1 January to 31 March 2015
		Period-end exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate
<b>USD</b>	USA	1.1385	1.1100	1.0887	1.1270
<b>CNY</b>	China	7.3514	7.2220	7.0608	7.0284
<b>GBP</b>	UK	0.7916	0.7802	0.7340	0.7436
<b>PLN</b>	Poland	4.2576	4.2932	4.2639	4.1934
<b>CZK</b>	Czech Republic	27.0510	27.0509	27.0230	27.6273

### *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:

<b>Standards and Interpretations</b>	<b>Effective date</b>
Amendments to IAS 19 “Employee Benefits”	1 February 2015
Annual Improvements Project (2010 – 2012) – December 2013	1 February 2015
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
Annual Improvements Project (2012 - 2014) – September 2014	1 January 2016
Amendments to IAS 1 “Presentation of Financial Statements”	1 January 2016

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 31 March 2016, none of these new or amended standards and interpretations were adopted earlier.

<b>Standards and Interpretations</b>	<b>Effective date</b>
IFRS 14 “Accounting for Regulatory Deferral Accounts”	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	1 January 2016
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	undefined
Amendments to IAS 12 “Income Taxes”	1 January 2017
Amendments to IAS 7 “Statements of Cash Flows”	1 January 2017
IFRS 15 “Revenue from Contracts with Customers”	1 January 2018
IFRS 9 “Financial Instruments”	1 January 2018
IFRS 16 “Leases”	1 January 2019

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. The assessment regarding IFRS 16 is not yet started.

### 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 January to 31 March 2016 EUR k	1 January to 31 March 2015 EUR k
<b>Regions</b>		
Europe	53,514	58,147
Germany	31,549	34,071
North America	19,589	19,793
Asia	13,630	12,956
Rest of world	4,713	5,556
<b>Total</b>	<b>122,995</b>	<b>130,523</b>
<b>Product groups</b>		
Industrial applications	77,237	81,265
Medical applications	45,758	49,258
<b>Total</b>	<b>122,955</b>	<b>130,523</b>

#### 3.2 Cost of sales

The cost of sales break down as follows:

	1 January to 31 March 2016 EUR k	1 January to 31 March 2015 EUR k
Material and packaging costs	22,726	24,417
Amortization and depreciation	12,545	12,515
Personnel expenses	28,151	27,629
Other cost of sales	8,633	11,546
<b>Total</b>	<b>72,055</b>	<b>76,107</b>

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 January to 31 March 2016 EUR k	1 January to 31 March 2015 EUR k
Foreign currency results	-809	2,080
Restructuring costs	64	-212
Allowance for bad debts	16	-12
Gains / Losses (-) on disposal of property, plant and equipment	-6	-46
Sundry other income	232	116
Sundry other expenses	-43	-102
<b>Total</b>	<b>-546</b>	<b>1,824</b>

Restructuring costs contain income from the reversal of a provision.

### 3.7 Financial result

The financial result breaks down as follows:

	1 January to 31 March 2016 EUR k	1 January to 31 March 2015 EUR k
<b>Interest income and other finance income</b>		
Gains on derivative valuations	30,563	11,008
Exchange rate gains	2,493	0
Other interest income	16	15
<b>Total interest income and other finance income</b>	<b>33,072</b>	<b>11,023</b>
<b>Interest expenses and other finance costs</b>		
Interest expense from syndicated loan	6,771	7,445
Interest expense from bond	6,326	6,326
Expense from effective interest rate method	1,694	1,864
Interest expense from shareholder loans	2,886	2,644
Exchange rate losses	0	6,343
Other interest expenses	738	664
Less: Borrowing costs capitalized as part of qualifying assets	0	-80
<b>Total interest expenses and other finance costs</b>	<b>18,415</b>	<b>25,206</b>
<b>Total financial result</b>	<b>14,657</b>	<b>-14,183</b>

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 11,267k (1 January to 31 March 2015: EUR 11,039k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 135k (1 January to 31 March 2015: EUR 45k).

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 2,400k (1 January to 31 March 2015: EUR 4,472k), from which no subsidies (1 January to 31 March 2015: EUR 202k) are deducted.

The recognized depreciation expenses amount to EUR 9,633k (1 January to 31 March 2015: EUR 9,681k).

During the reporting period no borrowing costs are capitalized in property, plant and equipment (1 January to 31 March 2015: EUR 80k). Capitalized interest is based on an interest rate of 5.80% (1 January to 31 March 2015: 3.95%).

There were contractual commitments to acquire property, plant and equipment of EUR 1.754k (31 December 2015: EUR 1,615k) as of the reporting date.

### 4.3 Other financial assets

The following table breaks down other financial assets as follows:

	31 March 2016 EUR k	31 December 2015 EUR k
<b><i>Other financial assets (non-current)</i></b>		
Derivative financial instruments	33,281	47,348
Separated termination rights	40,177	8,946
Insurance claims	150	150
<b>Total</b>	<b>73,608</b>	<b>56,444</b>
<b><i>Other financial assets (current)</i></b>		
Derivative financial instruments	6,893	8,474
Other financial assets	84	41
<b>Total</b>	<b>6,977</b>	<b>8,515</b>

### 4.4 Other assets/other receivables and assets

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

	31 March 2016 EUR k	31 December 2015 EUR k
<b><i>Other assets (non-current)</i></b>		
Deferred finance costs for the revolving credit line	667	784
Other assets	382	404
<b>Total</b>	<b>1,049</b>	<b>1,188</b>
<b><i>Other receivables and assets (current)</i></b>		
VAT receivables	150	1,494
Receivables from energy tax refunds	978	825
Investment grants	212	212
Deferred finance costs for the revolving credit line	471	471
Sundry assets	2,999	2,205
<b>Total</b>	<b>4,810</b>	<b>5,207</b>

Sundry current assets primarily contain prepayments.

#### 4.5 Trade receivables

Trade receivables of EUR 64,736k (31 December 2015: EUR 53,178k) are recognized in the interim condensed consolidated statement of financial position after taking into account impairment losses of EUR 600k (31 December 2015: EUR 644k).

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 2016 EUR k	31 December 2015 EUR k
<b>Carrying amount before impairment</b>	<b>65,336</b>	<b>53,822</b>
thereof not yet due on the reporting date	53,928	44,380
thereof past due on the reporting date	11,408	9,442

#### 4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 71,769k (31 December 2015: EUR 86,450k) and cash in hand of EUR 29k (31 December 2015: EUR 26k).

#### 4.7 Financial liabilities to third parties

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

	31 March 2016 EUR k	31 December 2015 EUR k
<b><i>Financial liabilities (non-current)</i></b>		
Liabilities to banks	622,607	647,027
Liabilities from the bond	298,264	297,961
Derivative financial instruments	10,890	10,122
Finance lease liabilities	1,448	1,528
Purchase price for technology	210	218
<b>Total</b>	<b>933,419</b>	<b>956,856</b>
<b><i>Financial liabilities (current)</i></b>		
Liabilities to banks	36,911	37,202
Liabilities from the bond	3,163	9,489
Derivative financial instruments	4,228	4,437
Discounts and bonuses	2,058	1,861
Finance lease liabilities	443	504
Other current financial liabilities	1,258	1,536
<b>Total</b>	<b>48,061</b>	<b>55,029</b>

#### 4.8 Other liabilities

Other liabilities break down as follows:

	31 March 2016 EUR k	31 December 2015 EUR k
<b><i>Other liabilities (current)</i></b>		
Wages and salaries including taxes	9,021	6,433
Real estate transfer tax	4,139	4,136
Other current liabilities	5,285	3,289
<b>Total</b>	<b>18,445</b>	<b>13,858</b>

#### 4.9 Financial instruments

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

		31 March 2016	
	Measurement category of IAS 39 <sup>1</sup>	Carrying amount EUR k	Fair value EUR k
<b><i>Financial assets</i></b>			
Trade receivables	LaR	64,736	64,736
Other financial assets	LaR	234	234
Financial receivables from affiliates	LaR	274	274
Cash and cash equivalents	LaR	71,798	71,798
Separated termination rights – HfT	FVtPL	40,177	40,177
Currency swaps in effective hedges	Hedge	40,174	40,174
<b>Total</b>		<b>217,393</b>	<b>217,393</b>
<b><i>Financial liabilities</i></b>			
Bond liabilities	FLAC	301,426	330,316
Liabilities to banks	FLAC	659,518	669,396
Trade payables	FLAC	18,624	18,624
Trade payables to affiliates	FLAC	125	125
Finance lease liabilities	FLAC	1,891	1,891
Other financial liabilities	FLAC	3,526	3,524
Financial liabilities to affiliates	FLAC	146,060	152,097
Separated interest rate floor – HfT	FVtPL	14,058	14,058
Interest rate cap - HfT	FVtPL	1,061	1,061
<b>Total</b>		<b>1,146,289</b>	<b>1,191,092</b>

<sup>1</sup> 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 2015		
	Measurement category of IAS 39 <sup>1</sup>	Carrying amount EUR k	Fair value EUR k
<b><i>Financial assets</i></b>			
Trade receivables	LaR	53,178	53,178
Other financial assets	LaR	191	191
Financial receivables from affiliates	LaR	1,022	1,022
Cash and cash equivalents	LaR	86,476	86,476
Separated termination rights – HfT	FVtPL	8,946	8,946
Currency swaps in effective hedges	Hedge	55,822	55,822
<b>Total</b>		<b><u>205,635</u></b>	<b><u>205,635</u></b>
<b><i>Financial liabilities</i></b>			
Bond liabilities	FLAC	307,449	327,556
Liabilities to banks	FLAC	684,229	695,440
Trade payables	FLAC	24,354	24,354
Finance lease liabilities	FLAC	2,032	2,032
Other financial liabilities	FLAC	3,615	3,613
Financial liabilities to affiliates	FLAC	144,574	150,056
Separated interest rate floors – HfT	FVtPL	13,419	13,419
Interest rate cap – HfT	FVtPL	1,141	1,141
<b>Total</b>		<b><u>1,180,813</u></b>	<b><u>1,217,611</u></b>

<sup>1</sup> 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 2016		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
<b><i>Financial assets</i></b>			
Separated termination rights – HfT	-	40,177	-
Currency swaps in effective hedges	-	40,174	-
<b><i>Financial liabilities</i></b>			
Separated interest rate floor – HfT	-	14,058	-
Interest rate cap - HfT	-	1,061	-

	31 December 2015		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
<b><i>Financial assets</i></b>			
Separated termination rights – HfT	-	8,946	-
Currency swaps in effective hedges	-	55,822	-
<b><i>Financial liabilities</i></b>			
Separated interest rate floors – HfT	-	13,419	-
Interest rate cap - HfT	-	1,141	-

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 2016		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
<b><i>Financial liabilities</i></b>			
Bond liabilities	330,316	-	-
Liabilities to banks	-	669,396	-
Finance lease liabilities	-	1,891	-
Financial liabilities to affiliates	-	152,097	-

	31 December 2015		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
<b><i>Financial liabilities</i></b>			
Bond liabilities	327,556	-	-
Liabilities to banks	-	695,440	-
Finance lease liabilities	-	2,032	-
Financial liabilities to affiliates	-	150,056	-

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 31 March 2016, CeramTec Holding Group invested EUR 579k in property, plant and equipment from which cash outflows have not resulted, and which are hence not included in cash flows from investing activities.

During the period 1 January to 31 March 2016, CeramTec Holding Group paid EUR 3,145k (1 January to 31 March 2015: EUR 1,870k) 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 reporting period no government grants are recognized (1 January to 31 March 2015: EUR 202k), 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 31 March 2016. 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 14 March 2016 Dr. Ulf-D. Zimmermann resigned as CEO.

With effect of the same day Henri Steinmetz was appointed as CEO.

#### ***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 146,060k (31 December 2015: EUR 144,574k), 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 2,886k (1 January to 31 March 2015: EUR 2,644k) were accrued in the reporting period ended 31 March 2016. 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 126k were booked during the reporting period ended 31 March 2016 (1 January to 31 March 2015: EUR 87k). The unpaid amount of EUR 125k (31 December 2015: EUR 0k) is shown as Trade payables to affiliates.

In the fiscal year, CeramTec Holding Group charged Faenza Luxembourg S.à.r.l. for incurred transaction costs an amount of EUR 48k (previous year: EUR 1,022k). In addition Faenza Luxembourg S.à.r.l. paid to CeramTec Holding Group EUR 796k reducing the receivables from affiliates as of 31 March 2016 to EUR 274k (31 December 2015: EUR 1,022k).

### 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 61k (1 January to 31 March 2015: EUR 58k)
- Higher interest income and other finance income of EUR 2,168k (1 January to 31 March 2015: EUR 710k)
- Lower interest expenses and other finance costs of EUR 2,885k (1 January to 31 March 2015: EUR 2,644k)
- Higher tax expenses of EUR 12k (1 January to 31 March 2015: EUR 12k)

The total comprehensive income of CeramTec Group GmbH would therefore have been EUR 5,102k higher (1 January to 31 March 2015: EUR 3,400k 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 31 March 2016 (31 December 2015):

- Higher financial receivables to affiliates of EUR 148,691k (31 December 2015: EUR 144,764k)
- Lower cash and cash equivalents of EUR 33k (31 December 2015: EUR 25k)
- Lower other provisions of EUR 0k (31 December 2015: EUR 226k)
- Lower financial liabilities to affiliates of EUR 146,060k (31 December 2015: EUR 144,574k)
- Lower financial liabilities to third parties of EUR 86k (31 December 2015: EUR 81k)
- Lower trade payables of EUR 227k (31 December 2015: EUR 298k)
- Higher income tax payables of EUR 453k (31 December 2015: EUR 441k)

This would have resulted in a EUR 294,579k (31 December 2015: EUR 289,477k) 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, 10 May 2016

**CeramTec Holding GmbH**

The management

Henri Steinmetz

Dominique Janbon

Dr. Hadi Saleh