

CeramTec Holding GmbH
Plochingen

Interim Condensed
Consolidated Financial Statements
for the period ended
30 September 2016

Interim condensed consolidated statement of comprehensive income

from 1 January to 30 September 2016

	Notes	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	122.954	123.275	376.374	383.423
Cost of sales	3.2	73.894	75.777	224.655	227.325
Gross profit		49.060	47.498	151.719	156.098
Selling costs	3.3	24.780	21.447	70.431	64.238
Research and development costs	3.4	5.403	5.925	17.797	17.939
General administrative costs	3.5	4.448	7.618	16.331	17.787
Other income and expenses (-), net	3.6	205	-117	-26	1.114
Operating income		14.634	12.391	47.134	57.248
Interest income and other finance income		5.552	1.278	5.211	6.690
Interest expenses and other finance costs		17.732	19.112	53.794	61.539
Financial result	3.7	-12.180	-17.834	-48.583	-54.849
Profit / Loss (-) before income tax		2.454	-5.443	-1.449	2.399
Income tax expense		-2.861	-1.609	-6.012	-7.840
Net loss for the period		-407	-7.052	-7.461	-5.441
Items that will not be reclassified through profit or loss					
Expenses from the remeasurement of pension provisions		-8.813	0	-19.342	0
Deferred taxes		2.525	0	5.543	0
		-6.288	0	-13.799	0
Items that may be reclassified subsequently to profit or loss					
Losses (-) / gains on cash flow hedges		17	-112	-915	2.588
Deferred taxes		-5	32	262	-742
		12	-80	-653	1.846
Exchange differences on translation of foreign operations		-1.069	-3.035	-1.868	3.904
Other comprehensive income / loss (-), net of income tax		-7.345	-3.115	-16.320	5.750
Total comprehensive income / loss (-)		-7.752	-10.167	-23.781	309

Interim condensed consolidated statement of financial position as at 30 September 2016

Assets	Notes	30 September 2016	31 December 2015
		EUR k	EUR k
Goodwill		556.306	557.567
Other intangible assets	4.1	570.098	603.922
Property, plant and equipment	4.2	277.918	300.199
Other financial assets	4.3	46.895	56.444
Other assets	4.4	816	1.188
Deferred tax assets		878	1.085
Non-current assets		1.452.911	1.520.405
Inventories		74.399	75.137
Trade receivables	4.5	61.876	53.178
Financial receivables from affiliates		226	1.022
Income tax receivables		917	1.665
Other financial assets	4.3	9.049	8.515
Other receivables and assets	4.4	4.229	5.207
Cash and cash equivalents	4.6	108.287	86.476
Assets held for sale		4	11
Current assets		258.987	231.211
Total Assets		1.711.898	1.751.616

Interim condensed consolidated statement of financial position as at 30 September 2016

Equity and Liabilities	Notes	30 September 2016	31 December 2015
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378.148	378.148
Retained earnings		-124.431	-103.171
Accumulated other comprehensive income		6.907	9.428
Equity		260.649	284.430
Provisions for pension obligations		106.067	86.071
Other provisions	4.7	7.847	3.653
Financial liabilities to affiliates		151.939	144.574
Financial liabilities to third parties	4.8	918.764	956.856
Deferred tax liabilities		155.104	167.346
Non-current liabilities		1.339.721	1.358.500
Other provisions	4.7	17.899	13.081
Provision for taxes		2.950	2.364
Financial liabilities to third parties	4.8	54.056	55.029
Trade payables		19.370	24.354
Trade payables to affiliates		125	0
Other liabilities	4.9	17.128	13.858
Current liabilities		111.528	108.686
Total liabilities		1.451.249	1.467.186
Total equity and liabilities		1.711.898	1.751.616

CeramTec Holding GmbH, Plochingen

**Interim condensed consolidated statement of cash flows
from 1 January to 30 September 2016**

	1 January to 30 September 2016 EUR k	1 January to 30 September 2015 EUR k
Net loss for the period	-7.461	-5.441
Income tax expense	6.012	7.840
Interest result	53.741	56.291
Amortisation, depreciation and impairment charges of non-current assets	62.823	62.925
Gain (-) / Loss on disposal of fixed assets	-15	3
Increase / decrease (-) in provisions (excluding deferred taxes)	8.092	4.061
Income tax refund / payment (-)	-10.868	-7.321
Other non-cash income (-) / expenses, net	-5.232	-2.174
Increase (-) / decrease in inventories	738	-5.055
Increase (-) / decrease in trade receivables	-8.698	-12.673
Increase (-) / decrease in other receivables and (financial) assets	1.514	1.594
Increase / decrease (-) in trade payables	-2.601	-494
Increase / decrease (-) in other (financial) liabilities	3.652	4.401
Cash flow from operating activities	101.697	103.957
Cash received from disposals of property, plant and equipment	287	242
Cash paid (-) for investments in property, plant and equipment	-10.736	-19.752
Cash received from grants	139	0
Cash paid (-) for investments in intangible assets	-343	-442
Cash paid (-) for the acquisition of entities	0	-10.934
Cash flow from investing activities	-10.653	-30.886
Repayment (-) of syndicated loan	-21.652	-13.938
Interest paid (-)	-47.110	-47.905
Cash flow from financing activities	-68.762	-61.843
Change in cash and cash equivalents	22.282	11.228
Net foreign exchange difference	-471	169
Cash and cash equivalents at the beginning of the period	86.476	62.246
Cash and cash equivalents at the end of the period	108.287	73.643

CeramTec Holding GmbH, Plochingen

**Interim condensed consolidated statement of changes in equity
for the period ended 30 September 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
31 December 2014	25	378.148	-95.696	-258	3.003	285.222
Net loss for the period	0	0	-5.441	0	0	-5.441
Other comprehensive income / loss (-)	0	0	0	1.846	3.904	5.750
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>-5.441</i>	<i>1.846</i>	<i>3.904</i>	<i>309</i>
30 September 2015	25	378.148	-101.137	1.588	6.907	285.531
31 December 2015	25	378.148	-103.171	1.629	7.799	284.430
Net loss for the period	0	0	-7.461	0	0	-7.461
Other comprehensive income / loss (-)	0	0	-13.799	-653	-1.868	-16.320
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>-21.260</i>	<i>-653</i>	<i>-1.868</i>	<i>-23.781</i>
30 September 2016	25	378.148	-124.431	976	5.931	260.649

CeramTec Holding GmbH
Plochingen

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
30 September 2016**

1	General information.....	3
2	Accounting principles.....	5
3	Notes to the interim condensed consolidated statement of comprehensive income.....	7
4	Notes to the interim condensed consolidated statement of financial position.....	10
5	Additional notes to the interim condensed consolidated statement of cash flows	18
6	Other notes.....	19
7	Reconciliation to CeramTec Group GmbH	20

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 30 September 2016 on 10 November 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:

		30 September 2016	1 July to 30 September 2016	1 January to 30 September 2016	31 December 2015	1 July to 30 September 2015	1 January to 30 September 2015
		Period-end exchange rate	Average exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate	Average exchange rate
USD	USA	1,1161	1,1164	1,1158	1,0887	1,1121	1,1146
CNY	China	7,4463	7,4422	7,3432	7,0608	7,0134	6,9652
GBP	UK	0,8610	0,8495	0,8022	0,7340	0,7175	0,7274
PLN	Poland	4,3192	4,3392	4,3588	4,2639	4,1889	4,1561
CZK	Czech Republic	27,0210	27,0295	27,0361	27,0230	27,0769	27,3617

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

Standards and Interpretations	Effective date
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 July to 30 September 2016 EUR k	1 July to 30 September 2015 EUR k	1 January to 30 September 2016 EUR k	1 January to 30 September 2015 EUR k
Regions				
Europe	50,931	46,666	162,702	161,372
Germany	35,060	33,902	102,539	100,661
North America	17,785	22,484	54,323	62,758
Asia	15,361	16,034	45,031	46,469
Rest of world	3,817	4,189	11,779	12,163
Total	122,954	123,275	376,374	383,423
Product groups				
Industrial applications	77,335	81,264	234,555	242,395
Medical applications	45,619	42,011	141,819	141,028
Total	122,954	123,275	376,374	383,423

3.2 Cost of sales

The cost of sales break down as follows:

	1 July to 30 September 2016 EUR k	1 July to 30 September 2015 EUR k	1 January to 30 September 2016 EUR k	1 January to 30 September 2015 EUR k
Material and packaging costs	21,529	23,665	67,369	71,593
Amortization and depreciation	12,578	12,909	37,772	38,047
Personnel expenses	25,916	26,614	85,073	81,280
Other cost of sales	13,871	12,589	34,441	36,405
Total	73,894	75,777	224,655	227,325

Other cost of sales primarily contain energy costs, maintenance expenses and freight costs.

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 2016 EUR k	1 July to 30 September 2015 EUR k	1 January to 30 September 2016 EUR k	1 January to 30 September 2015 EUR k
Foreign currency results	70	0	-303	1,807
Reversal of provisions	0	400	0	400
Restructuring costs	-38	-497	-50	-686
Write-downs and impairment	0	0	0	-18
Allowance for bad debts	-21	-13	-28	-23
Income from reversal of bad debt allowance	42	0	56	12
Gains/Losses on disposal of property, plant and equipment	-16	50	15	-4
Sundry other income	218	162	437	426
Sundry other expenses	-50	-219	-153	-800
Total	205	-117	-26	1,114

3.7 Financial result

The financial result breaks down as follows:

	1 July to 30 September 2016 EUR k	1 July to 30 September 2015 EUR k	1 January to 30 September 2016 EUR k	1 January to 30 September 2015 EUR k
Interest income and other finance income				
Net gain on derivative financial instruments	4,781	1,262	4,006	6,638
Net exchange rate gains	757	0	1,159	0
Other interest income	14	16	46	52
Total interest income and other finance income	5,552	1,278	5,211	6,690
Interest expenses and other finance costs				
Interest expense from syndicated loan	6,398	7,268	19,546	21,956
Interest expense from bond	6,326	6,326	18,977	18,977
Expense from effective interest rate method	1,288	1,817	4,304	5,439
Interest expense from shareholder loans	2,992	2,781	8,765	8,098
Net loss on derivative financial instruments	0	0	0	0
Net exchange rate losses	0	245	0	5,184
Other interest expenses	728	717	2,202	2,053
Less: amounts included in the cost of qualifying assets	0	-42	0	-168
Total interest expenses and other finance costs	17,732	19,112	53,794	61,539
Total financial result	-12,180	-17,834	-48,583	-54,849

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 33,730k (1 July to 30 September 2016: EUR 11,213k; 1 January to 30 September 2015: EUR 33,422k; 1 July to 30 September 2015: EUR 11,335k), which arise mainly from customer relationships and technology.

CeramTec Holding Group acquired intangible assets at cost of EUR 343k (1 July to 30 September 2016: EUR 107k; 1 January to 30 September 2015: EUR 442k; 1 July to 30 September 2015: EUR 266k).

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 8,238k (1 July to 30 September 2016: EUR 3,001k; 1 January to 30 September 2015: EUR 17,337k; 1 July to 30 September 2015: EUR 6,639k), from which no subsidies (1 January to 30 September 2015: EUR 763k; 1 July to 30 September 2015: EUR 329k) are deducted.

The recognized depreciation expenses amount to EUR 29,093k (1 July to 30 September 2016: EUR 9,704k; 1 January to 30 September 2015: EUR 29,503k; 1 July to 30 September 2015: EUR 9,999k).

During the reporting period no borrowing costs are capitalized in property, plant and equipment (1 January to 30 September 2015: EUR 168k; 1 July to 30 September 2015: EUR 42k). Capitalized interest is based on an interest rate of 5.80% (1 January to 30 September 2015: 3.95%).

There were contractual commitments to acquire property, plant and equipment of EUR 3,712k (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:

	30 September 2016 EUR k	31 December 2015 EUR k
<i>Other financial assets (non-current)</i>		
Derivative financial instruments	35,362	47,348
Separated termination rights	11,386	8,946
Insurance claims	147	150
Total	46,895	56,444
<i>Other financial assets (current)</i>		
Derivative financial instruments	8,931	8,474
Other financial assets	118	41
Total	9,049	8,515

4.4 Other assets/other receivables and assets

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

	30 September 2016 EUR k	31 December 2015 EUR k
<i>Other assets (non-current)</i>		
Deferred finance costs for the revolving credit line	431	784
Other assets	385	404
Total	816	1,188
<i>Other receivables and assets (current)</i>		
Receivables from energy tax refunds	1,285	825
Deferred finance costs for the revolving credit line	471	471
VAT receivables	159	1,494
Investment grants	0	212
Sundry assets	2,314	2,205
Total	4,229	5,207

Sundry current assets primarily contain prepayments.

4.5 Trade receivables

Trade receivables of EUR 61,876k (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 563k (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 primarily a result of seasonal effects.

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

	30 September 2016 EUR k	31 December 2015 EUR k
Carrying amount before impairment	62,439	53,822
thereof not yet due on the reporting date	54,631	44,380
thereof past due on the reporting date	7,808	9,442

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 108,261k (31 December 2015: EUR 86,450k) and cash in hand of EUR 26k (31 December 2015: EUR 26k).

4.7 Other Provisions

In the reporting period the other provisions long-term increased by EUR 4,194k mainly because of a funding obligation resulting from the closed pension plan at "Pensionskasse Dynamit Nobel VVaG". The underlying solvency plan was approved by the authorities (BaFin). The current portion of this obligation amounts to EUR 1,227k.

4.8 Financial liabilities to third parties

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

	30 September 2016	31 December 2015
	EUR k	EUR k
<i>Financial liabilities (non-current)</i>		
Liabilities to banks	609,513	647,027
Liabilities from the bond	298,890	297,961
Derivative financial instruments	8,862	10,122
Finance lease liabilities	1,396	1,528
Purchase price for technology	103	218
Total	918,764	956,856
<i>Financial liabilities (current)</i>		
Liabilities to banks	42,780	37,202
Liabilities from the bond	3,163	9,489
Derivative financial instruments	3,823	4,437
Discounts and bonuses	2,325	1,861
Finance lease liabilities	332	504
Other current financial liabilities	1,633	1,536
Total	54,056	55,029

4.9 Other liabilities

Other liabilities break down as follows:

	30 September 2016	31 December 2015
	EUR k	EUR k
<i>Other liabilities (current)</i>		
Wages and salaries including taxes	8,009	6,433
Real estate transfer tax	4,147	4,136
Other current liabilities	4,972	3,289
Total	17,128	13,858

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 2016		
	Measurement category of IAS 39 ¹	Carrying amount EUR k	Fair value EUR k
<i>Financial assets</i>			
Cash and cash equivalents	LaR	108,287	108,287
Trade receivables	LaR	61,876	61,876
Financial receivables from affiliates	LaR	226	226
Other financial assets	LaR	265	265
Separated termination rights – HfT	FVtPL	11,386	11,386
Currency swaps in effective hedges	Hedge	44,293	44,293
Total		226,333	226,333
<i>Financial liabilities</i>			
Liabilities to banks	FLAC	652,292	660,704
Bond liabilities	FLAC	302,053	324,642
Financial liabilities to affiliates	FLAC	151,939	156,448
Trade payables	FLAC	19,370	19,370
Finance lease liabilities	FLAC	1,728	1,728
Trade payables to affiliates	FLAC	125	125
Other financial liabilities	FLAC	4,062	4,061
Separated interest rate floor – HfT	FVtPL	11,826	11,826
Interest rate cap - HfT	FVtPL	858	858
Total		1,144,253	1,179,762

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

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 2016		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
	<u> </u>	<u> </u>	<u> </u>
<i>Financial assets</i>			
Currency swaps in effective hedges	-	44,293	-
Separated termination rights – HfT	-	11,386	-
<i>Financial liabilities</i>			
Separated interest rate floor – HfT	-	11,826	-
Interest rate cap - HfT	-	858	-

	31 December 2015		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
	<u> </u>	<u> </u>	<u> </u>
<i>Financial assets</i>			
Currency swaps in effective hedges	-	55,822	-
Separated termination rights – HfT	-	8,946	-
<i>Financial liabilities</i>			
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:

	30 September 2016		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
	<u> </u>	<u> </u>	<u> </u>
<i>Financial liabilities</i>			
Bond liabilities	324,642	0	-
Liabilities to banks	0	660,704	-
Financial liabilities to affiliates	0	156,448	-
Finance lease liabilities	0	1,728	-

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

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 2016, CeramTec Holding Group invested EUR 647k (1 January to 30 September 2015: EUR 902k) 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 30 September 2016, CeramTec Holding Group paid EUR 3,145k (1 January to 30 September 2015: EUR 3,317k) 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 were obtained (1 January to 30 September 2015: EUR 769k), 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 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

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 151,939k (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 8,765k (1 January to 30 September 2015: EUR 8,098k) were accrued in the reporting period ended 30 September 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 382k were booked during the reporting period ended 30 September 2016 (1 January to 30 September 2015: EUR 340k). 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 844k reducing the receivables from affiliates as of 30 September 2016 to EUR 226k (31 December 2015: EUR 1,022k).

6.3 Subsequent events

With effect of 2 November 2016, CeramTec Holding Group renegotiated new conditions for the EUR-tranche of the bank loan. The applicable interest rate is reduced for future interest payments, which

will lead to lower financial expenses. The financial effect from the changed conditions is estimated with EUR 1,477k per financial year. For 2016 the effect will occur pro-rata.

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 175k (1 July to 30 September 2016: EUR 64k; 1 January to 30 September 2015: EUR 826k; 1 July to 30 September 2015: EUR 710k)
- Higher interest income and other finance income of EUR 6,748k (1 July to 30 September 2016: EUR 2,339k; 1 January to 30 September 2015: EUR 2,213k; 1 July to 30 September 2015: EUR 756k)
- Lower interest expenses and other finance costs of EUR 8,762k (1 July to 30 September 2016: EUR 2,991k; 1 January to 30 September 2015: EUR 8,098k; 1 July to 30 September 2015: EUR 2,780k)
- Higher tax expenses of EUR 36k (1 July to 30 September 2016: EUR 14k; 1 January to 30 September 2015: EUR 173k; 1 July to 30 September 2015: EUR 149k)

The total comprehensive income of CeramTec Group GmbH would therefore have been EUR 15,649k higher (1 July to 30 September 2016: EUR 5,380k higher; 1 January to 30 September 2015: EUR 10,964k higher; 1 July to 30 September 2015: EUR 4,097k 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 2016 (31 December 2015):

- Higher financial receivables to affiliates of EUR 153,559k (31 December 2015: EUR 144,764k)
- Lower cash and cash equivalents of EUR 0k (31 December 2015: EUR 25k)
- Lower other provisions of EUR 0k (31 December 2015: EUR 226k)
- Lower financial liabilities to affiliates of EUR 151,939k (31 December 2015: EUR 144,574k)
- Lower financial liabilities to third parties of EUR 104k (31 December 2015: EUR 81k)
- Lower trade payables of EUR 0k (31 December 2015: EUR 298k)
- Higher income tax payables of EUR 476k (31 December 2015: EUR 441k)

This would have resulted in a EUR 305,126k (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 November 2016

CeramTec Holding GmbH

The management

Henri Steinmetz

Dominique Janbon

Dr. Hadi Saleh