

CeramTec Holding GmbH
Plochingen

Interim Condensed
Consolidated Financial Statements
for the period ended
30 September 2017

Interim condensed consolidated statement of comprehensive income

from 1 January to 30 September 2017

	Notes	1 July to 30 September 2017	1 July to 30 September 2016	1 January to 30 September 2017	1 January to 30 September 2016
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	141,558	122,954	419,735	376,374
Cost of sales	3.2	81,872	73,894	236,676	224,655
Gross profit		59,686	49,060	183,059	151,719
Selling costs	3.3	20,441	24,780	60,946	70,431
Research and development costs	3.4	5,088	5,403	15,375	17,797
General administrative costs	3.5	4,995	4,448	16,670	16,331
Other income and expenses (-), net	3.6	364	205	1,796	-26
Operating income		29,525	14,634	91,864	47,134
Interest income and other finance income		1,309	5,552	4,390	5,211
Interest expenses and other finance costs		63,224	17,732	57,933	53,794
Financial result	3.7	-61,915	-12,180	-53,543	-48,583
Profit / loss (-) before income tax		-32,390	2,454	38,321	-1,449
Income tax benefit / expense (-)		8,811	-2,861	-13,946	-6,012
Net profit / net loss (-) for the period		-23,579	-407	24,375	-7,461
Items that will not be reclassified through profit or loss					
Income / expenses (-) from the remeasurement of pension provisions		-896	-8,813	2,949	-19,342
Deferred taxes		257	2,525	-582	5,543
		-639	-6,288	2,367	-13,799
Items that may be reclassified subsequently to profit or loss					
Losses (-) / gains on cash flow hedges		-262	17	-1,497	-915
Deferred taxes		117	-5	408	262
		-146	12	-1,089	-653
Exchange differences on translation of foreign operations		-2,088	-1,069	-7,902	-1,868
Other comprehensive loss, net of income tax		-2,873	-7,345	-6,624	-16,320
Total comprehensive income / loss (-)		-26,452	-7,752	17,751	-23,781

Interim condensed consolidated statement of financial position as at 30 September 2017

Assets	Notes	30 September 2017	31 December 2016
		EUR k	EUR k
Goodwill		570,057	557,961
Other intangible assets	4.1	550,528	557,421
Property, plant and equipment	4.2	263,715	275,532
Other financial assets	4.3	11,436	72,484
Other assets	4.4	678	711
Deferred tax assets		1,232	851
Non-current assets		1,397,646	1,464,960
Inventories		86,777	76,904
Trade receivables	4.5	61,293	53,553
Income tax receivables		1,909	1,281
Other financial assets	4.3	27,436	12,390
Other receivables and assets	4.4	5,079	4,268
Cash and cash equivalents	4.6	17,037	124,585
Current assets		199,531	272,981
Total Assets		1,597,177	1,737,941

Interim condensed consolidated statement of financial position as at 30 September 2017

Equity and Liabilities	Notes	30 September 2017	31 December 2016
		EUR k	EUR k
Issued capital		25	25
Capital reserves		378,148	378,148
Accumulated losses		-92,650	-119,392
Accumulated other comprehensive income		1,655	10,646
Equity		287,178	269,427
Provisions for pension obligations		97,811	102,410
Other provisions		6,224	10,636
Financial liabilities to affiliates	4.7	54,234	98,021
Financial liabilities to third parties	4.8	663,569	927,004
Other liabilities		30	0
Deferred tax liabilities		146,898	156,258
Non-current liabilities		968,766	1,294,329
Other provisions		19,472	16,425
Provision for taxes		10,105	2,790
Financial liabilities to affiliates	4.7	0	56,402
Financial liabilities to third parties	4.8	274,370	62,529
Trade payables		23,588	22,376
Trade payables to affiliates		125	205
Other liabilities	4.9	13,573	13,458
Current liabilities		341,233	174,185
Total liabilities		1,309,999	1,468,514
Total equity and liabilities		1,597,177	1,737,941

CeramTec Holding GmbH, Plochingen

**Interim condensed consolidated statement of cash flows
from 1 January to 30 September 2017**

	1 January to 30 September 2017 EUR k	1 January to 30 September 2016 EUR k
Net profit for the period	24,375	-7,461
Income tax expense	13,946	6,012
Interest result	46,636	53,741
Amortisation, depreciation and impairment charges of non-current assets	62,716	62,823
Gain on disposal of property, plant and equipment	-3,180	-15
Increase / decrease (-) in provisions (excluding deferred taxes)	-4,314	8,092
Income tax refund / payment (-)	-17,024	-10,868
Other non-cash income (-) / expenses, net	2,968	-5,232
Increase (-) / decrease in inventories	-6,790	738
Increase (-) / decrease in trade receivables	-4,627	-8,698
Increase (-) / decrease in other receivables and (financial) assets	-2,545	1,514
Increase / decrease (-) in trade payables	-17	-2,601
Increase / decrease (-) in other (financial) liabilities	1,644	3,652
Cash flow from operating activities	113,788	101,697
Cash received from disposals of property, plant and equipment	3,402	287
Cash paid (-) for investments in property, plant and equipment	-14,580	-10,736
Cash received from grants	0	139
Cash paid (-) for investments in intangible assets	-467	-343
Cash paid (-) for the acquisition of production sites	-55,485	0
Cash flow from investing activities	-67,130	-10,653
Repayment (-) of syndicated loan	-27,775	-21,652
Interest paid (-)	-49,874	-47,110
Cash received from drawing of revolver loan	22,000	0
Repayment of shareholder loan	-97,620	0
Cash flow from financing activities	-153,269	-68,762
Change in cash and cash equivalents	-106,611	22,282
Net foreign exchange difference	-937	-471
Cash and cash equivalents at the beginning of the period	124,585	86,476
Cash and cash equivalents at the end of the period	17,037	108,287

CeramTec Holding GmbH, Plochingen

**Interim condensed consolidated statement of changes in equity
for the period ended 30 September 2017**

	Issued capital	Capital reserves	Accumulated losses	Accumulated other comprehensive		Equity
				Cash flow hedge reserve	Difference from currency translation	
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
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 loss	0	0	-13,799	-653	-1,868	-16,320
<i>Total comprehensive 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
31 December 2016	25	378,148	-119,392	1,798	8,848	269,427
Net income for the period	0	0	24,375	0	0	24,375
Other comprehensive income / loss (-)	0	0	2,367	-1,089	-7,902	-6,624
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>26,742</i>	<i>-1,089</i>	<i>-7,902</i>	<i>17,751</i>
30 September 2017	25	378,148	-92,650	709	946	287,178

CeramTec Holding GmbH
Plochingen

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
30 September 2017**

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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 controlling shareholding or to entities that are controlled by the same ultimate controlling shareholder. It establishes branch offices, legal entities and other operations in Germany and abroad and acquires, invests in and holds these investments and/or manages them as well as enters into and/or issues various financial instruments.

The subsidiaries of CeramTec Holding are global leaders in the development, production and sale of assemblies, components and parts made from high performance ceramic materials. The Companies' work closely with customers to develop and supply high performance ceramics products, efficiently, at scale, in compliance with all relevant industry standards. High performance ceramics are highly specialized materials that offer superior mechanical, electrical, thermal and biochemical properties compared to alternatives such as metals or organic polymers. Due to their unique material properties, high performance ceramics products are used in mission-critical applications across all areas of human activity and across technology sectors, including orthopedic implants, medical equipment, automotive, aerospace and defence, electronics, industrial machinery and other.

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.

The management of CeramTec Holding approved the interim condensed consolidated financial statements for the period ended 30 September 2017 on 10 November 2017.

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 2016.

The interim condensed consolidated financial statements give a true and fair view of the results of operations and financial position 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.

1.3 Changes to the consolidated group

In accordance with the purchase agreement signed on 21 February 2017 CeramTec UK Ltd., Colyton, UK, acquired assets, net of liabilities, of the UK electro-ceramics business from Morgan Advanced Materials plc., Stourport-on-Severn, UK effective on 3 April 2017 (transfer of ownership). We paid a total cash consideration of EUR 55,485k in April and June 2017. The business acquisition was accounted for using the acquisition method.

The UK electro-ceramics business, comprising two manufacturing sites, is a manufacturer of highly specialised piezoelectric and dielectric components that enhance the reliability and performance of customers' products in the most technically challenging applications. The business is focused on the Lead Zirconate Titanate and dielectric market and has the widest range of products available for polycrystalline piezo and dielectric applications across core target markets.

The combined and complementary piezo-ceramic businesses of UK electro-ceramics business and CeramTec creates a new international leader in piezo and electrical ceramics with an even stronger and more resilient business for the future.

The preliminary fair values of the acquired assets, net of liabilities were as follows:

	Fair Value EUR k
Patents and other intellectual property	18,020
Customer relationships	10,329
Other intangible assets	735
Intangible Assets	29,084
Buildings and improvements	829
Machinery and equipment	5,815
Property, plant & equipment	6,644
Inventories	3,084
Trade receivables	3,113
Other assets	5
Assets	41,930
Deferred tax liability	59
Other provisions and liabilities	558
Trade payables	1,926
Liabilities	2,543
Total net	39,387
Total consideration transferred	55,485
Goodwill from the acquisition	16,098

The fair value of purchased receivables equals the gross amount of contractual receivables as we believe the receivables can be fully recovered.

Goodwill reflects the value of the future earnings to be realized over the next few years. In addition, the consideration paid for the aforementioned UK electro-ceramics business, included amounts in relation to benefit or expected synergies, revenue growth and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets.

The costs associated with the acquisition amounted to EUR 1,328k. These are recognized in the consolidated statement of comprehensive income under the item “other income and expenses (-), net”.

Included in the revenue and net profit for the period are EUR 14,304k and EUR 1,911k, net of acquisition costs. Had this acquisition been effective at 1 January 2017, the revenue and net profit for the year would have been increased by EUR 20,712k, and EUR 2,774k, respectively.

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

2 Accounting principles and policies

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 principles and policies is shown in the notes to the consolidated financial statements as of and for the year ended 31 December 2016.

Foreign currency translation

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

		30 Sep 2017 Period-end exchange rate	1 July to 30 Sep 2017 Average exchange rate	1 Jan to 30 Sep 2017 Average exchange rate	31 Dec 2016 Period-end exchange rate	1 July to 30 Sep 2016 Average exchange rate	1 Jan to 30 Sep 2016 Average exchange rate
USD	USA	1.1806	1.1744	1.1132	1.0541	1.1164	1.1158
CNY	China	7.8534	7.8327	7.5721	7.3202	7.4422	7.3432
GBP	UK	0.8818	0.8974	0.8725	0.8562	0.8495	0.8022
PLN	Poland	4.3042	4.2574	4.2648	4.4103	4.3392	4.3588
CZK	Czech Republic	25.9810	26.0848	26.5530	27.0210	27.0295	27.0361

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 was adopted for the first time in the fiscal year:

Standards and Interpretations	Effective date
Annual Improvements Project (2014 - 2016) for IFRS 12	1 January 2017

These amendments did not have a material impact 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. These new or amended standards and interpretations noted below were not adopted early during the period ended 30 September 2017.

Standards and Interpretations	Effective date
Amendments to IFRS 10 and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	date not yet determined
IFRS 14: “Accounting for Regulatory Deferral Accounts”	1 January 2016
Amendments to IAS 7: “Disclosure Initiative”	1 January 2017
Amendments to IAS 12: “Recognition of Deferred Tax Assets for Unrealised Losses”	1 January 2017
IFRS 9: “Financial Instruments”	1 January 2018
IFRS 15: “Revenue from Contracts with Customers”	1 January 2018
Amendments to IFRS 2: “Classification and Measurement of Share-based Payment Transactions”	1 January 2018
Amendments to IFRS 4: “Applying IFRS 9 with IFRS 4”	1 January 2018
IFRIC 22: “Foreign Currency Transactions and Advance Consideration”	1 January 2018
Amendments to IAS 40: “Transfers of Investment Property”	1 January 2018
Annual Improvements Project (2014 - 2016) for IFRS 1 and IAS 28	1 January 2018
IFRS 16: “Leases”	1 January 2019
IFRIC 23: “Recognition of Deferred Tax Assets for Unrealised Losses”	1 January 2019
IFRS 17: “Insurance Contracts”	1 January 2021

No material impact is expected on the consolidated financial statements and related disclosure due to these amendments. However, our assessment of IFRS 16 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 and merchandise. Revenue breaks down into regions according to invoice address and businesses as follows:

	1 July to 30 September 2017 EUR k	1 July to 30 September 2016 EUR k	1 January to 30 September 2017 EUR k	1 January to 30 September 2016 EUR k
Regions				
Europe	63,670	50,931	187,171	162,702
Germany	34,799	35,060	102,479	102,539
North America	19,800	17,785	62,799	54,323
Asia	18,818	15,361	54,171	45,031
Rest of world	4,471	3,817	13,115	11,779
Total	141,558	122,954	419,735	376,374
Business				
Industrial	90,045	77,335	264,524	234,555
Medical products	51,513	45,619	155,211	141,819
Total	141,558	122,954	419,735	376,374

3.2 Cost of sales

The cost of sales break down as follows:

	1 July to 30 September 2017 EUR k	1 July to 30 September 2016 EUR k	1 January to 30 September 2017 EUR k	1 January to 30 September 2016 EUR k
Material and packaging costs	28,827	21,529	79,774	67,369
Amortization and depreciation	12,786	12,578	37,272	37,772
Personnel expenses	28,249	25,916	87,718	85,073
Other cost of sales	12,010	13,871	31,912	34,441
Total	81,872	73,894	236,676	224,655

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 primarily 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 2017	1 July to 30 September 2016	1 January to 30 September 2017	1 January to 30 September 2016
	EUR k	EUR k	EUR k	EUR k
Foreign currency results	421	70	66	-303
Additions to allowance for bad debts	-29	-21	-112	-28
Income from the reversal of allowances for bad debt	29	42	12	56
Gains / losses (-) on disposal of property, plant and equipm.	29	-16	16	15
Gains / losses (-) on disposal of assets held for sale	0	0	3,164	0
Acquisition costs	-25	0	-1,328	0
Sundry other income	91	218	238	437
Sundry other expenses	-153	-88	-260	-203
Total	363	205	1,796	-26

The property of CeramTec UK Ltd. located in Colyton was reclassified to assets held for sale with a book value of EUR 258k as at 31 March 2017. It was subsequently sold in June 2017 resulting in a gain on disposal of EUR 3,164k

The acquisition costs occurred within the purchase process of assets, net of liabilities, of the UK electro-ceramics business, comprising two manufacturing sites, from Morgan Advanced Materials plc., Stourport-on-Severn, UK (please refer to 1.3).

3.7 Financial result

The financial result breaks down as follows:

	1 July to 30 September 2017	1 July to 30 September 2016	1 January to 30 September 2017	1 January to 30 September 2016
	EUR k	EUR k	EUR k	EUR k
Interest income and other finance income				
Gains on derivative valuations	0	4,781	0	4,006
Exchange rate gains	1,301	757	4,266	1,159
Other interest income	8	14	124	46
Total interest income and other finance income	1,309	5,552	4,390	5,211
Interest expenses and other finance costs				
Interest expense from syndicated loan	5,144	6,397	16,003	19,546
Interest expense from revolving credit line	328	128	656	381
Interest expense from bond	6,326	6,326	18,977	18,977
Interest expense from effective interest method	1,451	1,288	4,374	4,304
Interest expense from shareholder loans	1,203	2,992	5,263	8,765
Losses on derivative valuations	48,239	0	11,123	0
Other interest expenses	533	601	1,537	1,821
Total interest expenses and other finance costs	63,224	17,732	57,933	53,794
Total financial result	-61,915	-12,180	-53,543	-48,583

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 34,131k (1 July to 30 September 2017: EUR 11,934k); 1 January to 30 September 2016: EUR 33,730k; 1 July to 30 September 2016: EUR 11,213k, which arise mainly from customer relationships and technology.

CeramTec Holding Group purchased intangible assets at cost of EUR 467k (1 July to 30 September 2017: EUR 88k; 1 January to 30 September 2016: EUR 343k; 1 July to 30 September 2016: EUR 107k).

4.2 Property, plant and equipment

During the reporting period, CeramTec Holding Group purchased assets at cost of EUR 13,779k (1 July to 30 September 2017: EUR 5,731k; 1 January to 30 September 2016: EUR 8,238k; 1 July to 30 September 2016: EUR 3,001k), from which no subsidies are deducted.

The recognized depreciation expenses amount to EUR 28,585k (1 July to 30 September 2017: EUR 9,609k; 1 January to 30 September 2016: EUR 29,093k; 1 July to 30 September 2016: EUR 9,704k).

There were contractual commitments to acquire property, plant and equipment of EUR 11,155k as of the reporting date (31 December 2016: EUR 2,702k).

4.3 Other financial assets

The following table breaks down other financial assets as follows:

	30 September 2017 EUR k	31 December 2016 EUR k
Other financial assets (non-current)		
Derivative financial instruments	0	47,907
Separated termination rights	11,320	24,459
Insurance claims	116	118
Total	11,436	72,484
Other financial assets (current)		
Derivative financial instruments	25,578	12,212
Other financial assets	1,858	178
Total	27,436	12,390

4.4 Other assets/other receivables and assets

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

	30 September 2017 EUR k	31 December 2016 EUR k
Other non-current assets		
Accrued finance costs for the revolving credit line	0	312
Other assets	678	399
Total	678	711
Other current assets		
VAT receivables	444	992
Receivables from energy tax refunds	1,367	866
Deferred finance costs for the revolving credit line	431	471
Sundry assets	2,837	1,939
Total	5,079	4,268

Sundry current assets primarily contain prepayments, e.g. for insurances and for trade fairs.

4.5 Trade receivables

At the end for the reporting period, trade receivables amounted to EUR 61,293k (31 December 2016: EUR 53,553k) after taking into account impairment losses of EUR 605k (31 December 2016: EUR 535k).

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 seasonality.

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

	30 September 2017 EUR k	31 December 2016 EUR k
Gross amount (before impairment)	61,898	54,088
thereof not yet due on the reporting date	52,616	43,878
thereof past due on the reporting date	9,282	10,210

The gross amount of receivable of EUR 11,688k was sold to PB Factoring GmbH according to the factoring agreement signed end of June 2017.

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 17,009k (31 December 2016: EUR 124,557k and cash in hand of EUR 28k (31 December 2016: EUR 28k).

4.7 Financial liabilities to affiliates

Financial liabilities to affiliates was comprised of a loan payable to Faenza Luxembourg S.à.r.l, Luxembourg, of EUR 54,234k (31 December 2016: EUR 154,423k), and the following table breaks down the non-current and current portions of the loan by their maturity:

	30 September 2017 EUR k	31 December 2016 EUR k
Non-current financial liabilities		
Loan payable	53,844	98,021
Accrued interest	390	0
	54,234	98,021
Current financial liabilities		
Loan payable	0	52,830
Accrued interest	0	3,572
	0	56,402
Total	54,234	154,423

The loan increases every year on 29 August by the amount of incurred expenses for interest which is unpaid.

4.8 Financial liabilities to third parties

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

	30 September 2017 EUR k	31 December 2016 EUR k
Non-current financial liabilities		
Liabilities to banks	356,793	618,791
Liabilities from the bond	300,229	299,214
Derivative financial instruments	5,274	7,490
Finance lease liabilities	1,273	1,404
Purchase price for technology	0	105
Total	663,569	927,004
Current financial liabilities		
Liabilities to banks	262,029	46,016
Liabilities from the bond	3,163	9,489
Derivative financial instruments	3,447	3,540
Discounts and bonuses	3,549	1,855
Finance lease liabilities	10	26
Other current financial liabilities	2,172	1,603
Total	274,370	62,529

4.9 Other liabilities

Other liabilities break down as follows:

	30 September 2017 EUR k	31 December 2016 EUR k
Other current liabilities		
Wages and salaries including taxes	8,117	6,261
Real estate transfer tax	2,087	4,151
Other current liabilities	3,369	3,046
Total	13,573	13,458

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 2017	
	Measurement category of IAS 39 ¹	Carrying amount EUR k	Fair value EUR k
Financial assets			
Cash and cash equivalents	LaR	17,037	17,037
Trade receivables	LaR	61,293	61,293
Other financial assets	LaR	1,974	1,974
Separated termination rights – HfT	FVtPL	11,320	11,320
Currency swaps in effective hedges	Hedge	25,578	25,578
Total		117,202	117,202
Financial liabilities			
Bond liabilities	FLAC	303,392	322,096
Liabilities to banks	FLAC	618,822	623,834
Trade payables	FLAC	23,588	23,588
Finance lease liabilities	FLAC	1,283	1,283
Trade payables owed to affiliates	FLAC	125	125
Other financial liabilities	FLAC	5,721	5,721
Liabilities to affiliates	FLAC	54,234	55,433
Separated interest rate floors – HfT	FVtPL	8,258	8,258
Interest rate cap – HfT	FVtPL	438	438
Currency swaps in effective hedges	Hedge	25	25
Total		1,015,886	1,040,801

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 2016	
	Measurement category of IAS 39 ¹	Carrying amount EUR k	Fair value EUR k
Financial assets			
Cash and cash equivalents	LaR	124,585	124,585
Trade receivables	LaR	53,553	53,553
Other financial assets	LaR	296	296
Separated termination rights – HfT	FVtPL	24,459	24,459
Currency swaps in effective hedges	Hedge	60,119	60,119
Total		263,012	263,012
Financial liabilities			
Bond liabilities	FLAC	308,702	325,746
Liabilities to banks	FLAC	664,807	672,864
Trade payables	FLAC	22,376	22,376
Finance lease liabilities	FLAC	1,430	1,430
Trade payables owed to affiliates	FLAC	205	205
Other financial liabilities	FLAC	3,564	3,563
Financial liabilities to affiliates	FLAC	154,423	157,377
Separated interest rate floors – HfT	FVtPL	10,275	10,275
Interest rate cap – HfT	FVtPL	755	755
Total		1,166,537	1,194,591

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 2017		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Currency swaps in effective hedges	0	25,578	0
Separated termination rights – HfT	0	11,320	0
Financial liabilities			
Separated interest rate floors – HfT	0	8,258	0
Interest rate caps – HfT	0	438	0
Currency swaps in effective hedges	0	25	0

	31 December 2016		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
Currency swaps in effective hedges	0	60,119	0
Separated termination rights – HfT	0	24,459	0
Financial liabilities			
Separated interest rate floors – HfT	0	10,275	0
Interest rate cap - HfT	0	755	0

The following table shows the fair value hierarchy for the financial instruments that are not recognized at fair value in the interim condensed 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 as their carrying amounts are a reasonable approximation of fair values:

	30 September 2017		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial liabilities			
Bond liabilities	322,096	0	0
Liabilities to banks	0	623,834	0
Financial liabilities to affiliates	0	55,433	0
Finance lease liabilities	0	1,283	0

	31 December 2016		
	Level 1	Level 2	Level 3
	EUR k	EUR k	EUR k
Financial liabilities			
Bond liabilities	325,746	0	0
Liabilities to banks	0	672,864	0
Financial liabilities to affiliates	0	157,377	0
Finance lease liabilities	0	1,430	0

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 in 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 in 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 in 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 in 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 in 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 during the 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.

Other non-cash income and expenses primarily contain changes in the fair value of financial instruments and foreign exchange gains or losses.

An amount of EUR 11,688k of trade receivable was sold to PB Factoring GmbH according to the factoring agreement signed end of June 2017. The receipt of the proceeds from the factor was treated as an operating cash flow.

The cash flow from investing activities includes the purchase price payment of EUR 55,485k for assets, net of liabilities, of the UK electro-ceramics business (please refer to 1.3). No cash and cash equivalents were taken over.

During the period 1 January to 30 September 2017, CeramTec Holding Group purchased property, plant and equipment valued at EUR 1,201k (1 January to 30 September 2016: EUR 646k) on account; therefor, are not included in cash flows from investing activities.

During the period 1 January to 30 September 2017, CeramTec Holding Group paid EUR 2,003k (1 January to 30 September 2016: EUR 3,145k) for property, plant and equipment previously purchased on account, 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 recognized.

6 Other notes

6.1 Contingent liabilities

Consistent with comparative period, there were no material contingent liabilities as of 30 September 2017. The entities within the consolidated group are involved as parties in a number of lawsuits. These proceedings are linked to business activities and mainly relate to commercial, product liability and environmental litigations. The group accrues for such obligations if a liability is probable to arise and the amount of the potential claim can be sufficiently estimated. Where claims and obligations arising are not considered probable nor remote, such contingent liabilities are disclosed separately in the consolidated financial statements.

6.2 Related Party disclosures

Key management personnel

Henri Steinmetz

Chief Executive Officer / HR director

Dominique Janbon

Chief Financial Officer

Dr. Hadi Saleh

Chief Operating Officer / Medical Products

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 54,234k (31 December 2016: EUR 154,423k), 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. On 4 January 2017 and 10 July 2017 partial payments of EUR 105,452k (thereof loan repayment of EUR 97,620k and interest payments of EUR 7.832k) were made. The loan is not secured.

Interest expenses of EUR 5,263k was accrued in the reporting period ended 30 September 2017 (1 July to 30 September 2017: EUR 1,203k; 1 January to 30 September 2016: EUR 8,765k, 1 July to 30 September 2016: EUR 2,992k). Unpaid interest is added annually to the Company's loan balance as of 29 August.

CeramTec Service GmbH closed a Service Agreement with Faenza Luxembourg S.à.r.l., Luxembourg on 10 March 2014. Expenses for services of EUR 395k were booked during the reporting period ended

30 September 2017 (1 July to 30 September 2017: EUR 130k; 1 January to 30 September 2016: EUR 382k; 1 July to 30 September 2016: EUR 138k). The unpaid amount of EUR 125k (31 December 2016: EUR 205k) is shown as trade payables to affiliates.

In the fiscal year, no transaction costs were charged by CeramTec Holding Group to Faenza Luxembourg S.à.r.l. (1 July to 30 September 2017: EUR 0k; 1 January to 30 September 2016: EUR 48k; 1 July to 30 September 2016: EUR 0k). There were no payments made by Faenza Luxembourg S.à.r.l in the reporting period (1 July to 30 September 2017: EUR 0k; 1 January to 30 September 2016: EUR 796k; 1 July to 30 September 2016: EUR 0k).

6.3 Subsequent events

On 11 October 2017 CeramTec announced that a consortium led by funds advised by leading private equity firm BC Partner, had reached an agreement to acquire CeramTec Group from its current owner Cinven. The Public Sector Pension Investment Board and Ontario Teachers' Pension Plan both hold a stake in the consortium. The acquisition is subject to approval by anti-trust and foreign investment authorities.

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 191k (1 July to 30 September 2017: EUR 71k; 1 January to 30 September 2016: EUR 175k, 1 July to 30 September 2016: EUR 64k)
- higher interest income and other finance income of EUR 7,324k (1 July to 30 September 2017: EUR 2,553k; 1 January to 30 September 2016: EUR 6,748k, 1 July to 30 September 2016: EUR 2,339k)
- lower interest expenses and other finance costs of EUR 4,531k (1 July to 30 September 2017: EUR 861k; 1 January to 30 September 2016: EUR 8,762k, 1 July to 30 September 2016: EUR 2,991k)
- higher tax expenses of EUR 39k (1 July to 30 September 2017: EUR 14k; 1 January to 30 September 2016: EUR 36k, 1 July to 30 September 2016: EUR 14k)

The total comprehensive income of CeramTec Group GmbH would therefore have been EUR 12,007k higher (1 July to 30 September 2017: EUR 3,471k 4; 1 January to 30 September 2016: EUR 15,649k higher, 1 July to 30 September 2016: EUR 5,380k 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 2017 (31 December 2016):

- higher financial receivables to affiliates of EUR 131,482k (31 December 2016: EUR 19,273k)
- lower financial liabilities to affiliates of EUR 54,234k (31 December 2016: EUR 154,423k)
- lower financial liabilities to third parties of EUR 101k (31 December 2016: EUR 22k)
- lower trade payables of EUR 0k (31 December 2016: EUR 53k)
- higher income tax payables of EUR 515k (31 December 2016: EUR 476k)

This would have resulted in a EUR 185,302k (31 December 2016: EUR 173,295k) 4group 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 2017

CeramTec Holding GmbH

The management

Henri Steinmetz

Dominique Janbon

Dr. Hadi Saleh