

CeramTec TopCo GmbH
Plochingen

**Interim Condensed
Consolidated Financial Statements
for the period ended
31 March 2019**

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 31 March 2019

Assets	Notes	31 March 2019	31 December 2018
		EUR k	EUR k
Goodwill	4.1	1,341,431	1,341,431
Other intangible assets	4.1	1,093,150	1,105,674
Property, plant and equipment	4.2	290,782	288,994
Other financial assets	4.3	38,885	21,063
Other assets	4.4	1,279	1,316
Deferred tax assets		1,784	363
Non-current assets		2,767,311	2,758,841
Inventories		97,246	96,497
Trade receivables	4.5	77,336	57,880
Income tax receivables		3,015	3,242
Other financial assets	4.3	3,295	2,397
Other receivables and assets	4.4	8,783	8,667
Cash and cash equivalents	4.6	30,710	21,058
Current assets		220,385	189,741
Total Assets		2,987,696	2,948,582

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 31 March 2019

Equity and Liabilities	Notes	31 March 2019	31 December 2018
		EUR k	EUR k
Issued capital	4.7	25	25
Capital reserves	4.7	500,417	500,417
Accumulated losses	4.7	-84,155	-96,096
Accumulated other comprehensive income	4.7	4,263	1,267
Equity		420,550	405,613
Provisions for pension obligations		104,175	100,200
Other provisions		5,080	4,883
Financial liabilities to affiliates	4.8	562,248	552,688
Financial liabilities to third parties	4.9	1,479,255	1,471,844
Deferred tax liabilities		321,094	318,200
Non-current liabilities		2,471,852	2,447,815
Other provisions		21,074	20,156
Provision for taxes		10,294	6,347
Financial liabilities to third parties	4.9	22,942	22,227
Trade payables		24,994	34,907
Other liabilities	4.10	15,990	11,517
Current liabilities		95,294	95,154
Total liabilities		2,567,146	2,542,969
Total equity and liabilities		2,987,696	2,948,582

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of comprehensive income

from 1 January to 31 March 2019

	Notes	1 January to 31 March 2019	1 January to 31 March 2018
		EUR k	EUR k
Revenue	3.1	165,453	53,716
Cost of sales	3.2	92,020	29,144
Gross profit		73,433	24,572
Selling costs	3.3	24,752	7,256
Research and development costs	3.4	6,009	1,916
General administrative costs	3.5	6,063	3,374
Other income and expenses (-), net	3.6	-784	-10,432
Operating income		35,825	1,594
Interest income and other finance income		15,232	364
Interest expenses and other finance costs		25,653	32,077
Financial result	3.7	-10,421	-31,713
Profit / loss (-) before income tax		25,404	-30,119
Income tax benefit / expense (-)		-11,291	4,569
Net profit / net loss (-) for the period		14,113	-25,550
Items that will not be reclassified through profit or loss			
Income / expenses (-) from the remeasurement of pension provisions		-3,043	-156
Deferred taxes		872	45
		-2,171	-111
Items that may be reclassified subsequently to profit or loss			
Losses (-) / gains on cash flow hedges		206	-31
Deferred taxes		-59	0
		147	-31
Changes in the fair value of financial assets available for sale		-4	0
Deferred taxes		1	0
		-3	0
Exchange differences on translation of foreign operations		2,851	665
Other comprehensive income, net of income tax		824	523
Total comprehensive income / loss (-)		14,937	-25,027

CeramTec TopCo GmbH, Plochingen

**Interim condensed consolidated statement of cash flows
from 1 January to 31 March 2019**

	1 January to 31 March 2019 EUR k	1 January to 31 March 2018 EUR k
Net profit / net loss (-) for the period	14,113	-25,550
Income tax expense	11,291	-4,570
Interest result	24,999	13,413
Amortisation, depreciation and impairment charges of non-current assets	27,028	6,900
Gain (-) / loss on disposal of property, plant and equipment and intangible assets	17	1
Increase in provisions (excluding deferred taxes)	1,437	-704
Income tax payment (-)	-5,004	-2,958
Other non-cash income (-) / expenses, net	-15,147	17,714
Increase (-) in inventories	-749	-426
Increase (-) in trade receivables	-19,456	-2,163
Increase (-) / decrease in other receivables and (financial) assets	-827	32,860
Decrease (-) in trade payables	-6,373	-40,363
Increase in other (financial) liabilities	7,725	4,745
Cash flow from operating activities	39,055	-1,101
Cash received from disposals of property, plant and equipment	33	34
Cash paid (-) for investments in property, plant and equipment	-9,455	-2,138
Cash paid (-) for investments in intangible assets	-131	-125
Cash paid (-) for the acquisition of entities	0	-2,467,981
Cash flow from investing activities	-9,553	-2,470,210
Cash received from contribution to capital reserve	0	500,367
Cash received from issuance of bond	0	393,468
Cash received from syndicated loan	0	1,085,819
Interest paid (-)	-19,439	-1,987
Cash received from drawing of revolver loan	0	2,616
Cash received from shareholder loan	0	523,798
Cash paid for capitalized leases (right-of-use assets)	-765	0
Cash flow from financing activities	-20,203	2,504,081
Increase in cash and cash equivalents	9,298	32,770
Net foreign exchange difference	354	0
Cash and cash equivalents at the beginning of the period	21,058	39
Cash and cash equivalents at the end of the period	30,710	32,809

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of changes in equity
for the period ended 31 March 2019

	Issued capital	Capital reserves	Accumulated losses	Accumulated other comprehensive income			Equity
	EUR k	EUR k	EUR k	Cash flow hedge reserve EUR k	Financial assets available for sale EUR k	Difference from currency translation EUR k	EUR k
01 January 2018	25	50	-9,297	0	0	0	-9,222
Net loss for the period	0	0	-25,550	0	0	0	-25,550
Other comprehensive income / loss (-)	0	0	-111	-31	0	665	523
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>-25,661</i>	<i>-31</i>	<i>0</i>	<i>665</i>	<i>-25,027</i>
Contribution by owners	0	500,367	0	0	0	0	500,367
31 March 2018	25	500,417	-34,958	-31	0	665	466,118
31 December 2018	25	500,417	-96,096	0	236	1,031	405,613
Net income for the period	0	0	14,113	0	0	0	14,113
Other comprehensive income / loss (-)	0	0	-2,172	147	-3	2,851	824
<i>Total comprehensive income</i>	<i>0</i>	<i>0</i>	<i>11,941</i>	<i>147</i>	<i>-3</i>	<i>2,851</i>	<i>14,937</i>
31 March 2019	25	500,417	-84,155	147	233	3,882	420,550

**CeramTec TopCo GmbH
Plochingen**

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
31 March 2019**

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1 General

1.1 Corporate information and purpose of the Company

The purpose of CeramTec TopCo GmbH (hereinafter “CeramTec TopCo”) 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.

CeramTec TopCo and its subsidiaries are leading global developers, manufacturers and suppliers of high performance ceramics (“HPC”) solutions. The HPC solutions are made of advanced ceramics, which are highly specialized materials with superior biological/chemical, mechanical, thermal or electric properties compared to competing products made from metal or polymers (plastics). The operations can be divided into two businesses – Medical Products and Industrial. Medical Products business focuses on developing and manufacturing ceramic components for hip joint prostheses. Industrial business develops, manufactures and supplies a broad range of highly specialized, performance critical HPC solutions for customers spanning a wide range for industrial areas as mobility, electronics and industrial applications.

CeramTec TopCo’s registered office is located at CeramTec-Platz 1-9 in 73207 Plochingen, Germany, and the entity is registered with the Amtsgericht (local court) Stuttgart, Germany, under the number HRB 764651. CeramTec TopCo is the parent company of the Group (“CeramTec TopCo Group” or “Group”) and the ultimate parent, which prepares exempting interim condensed consolidated financial statements.

The management of CeramTec TopCo authorized for issue the interim condensed consolidated financial statements for the period ended 31 March 2019 on 20 May 2019.

1.2 Basis of preparation

As of 8 March 2018, the former owner Cinven closed the acquisition of CeramTec Group by a Consortium led by Funds advised by leading private equity firm BC Partners ("BC Partners"). The Public Sector Pension Investment Board (PSP Investments) and Ontario Teachers' Pension Plan (Ontario Teachers') are part of the consortium. The transaction was announced in October 2017. On 22 February 2018, anti-trust authorities approved the takeover. As a result, CeramTec AcquiCo GmbH ("CeramTec AcquiCo") acquired the shares in CeramTec Holding GmbH ("CeramTec Holding"). CeramTec AcquiCo GmbH is a 100% subsidiary of CeramTec BondCo GmbH ("CeramTec BondCo"), which is itself a 100% subsidiary of CeramTec TopCo. CeramTec TopCo is the ultimate parent, and prepares the interim condensed consolidated financial statements.

Based on the described acquisition CeramTec TopCo indirectly obtained control of the operating Advanced Ceramics Business as from the acquisition date 8 March 2018. Thus in the period 1 January 2018 to acquisition date the group consisted of the holding companies CeramTec TopCo, CeramTec BondCo and CeramTec AcquiCo without running an operating business. Accordingly prior-year figures in the interim condensed consolidated financial statements reflect operating business only for the period beginning with acquisition date.

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 TopCo's annual consolidated financial statements as of 31 December 2018.

The interim condensed consolidated financial statements give a true and fair view of the results of operations and financial position of the CeramTec TopCo 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 consolidated statement of financial position and consolidated statement of comprehensive income were combined and explained accordingly in the notes to the interim condensed consolidated financial statements. Assets and liabilities are broken down into current and non-current items. Assets and liabilities are classified as current if they are expected to be realized within twelve months from the reporting date. The expense recognized in profit or loss is broken down using 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 Entities included in the consolidated financial statements

In addition to the financial statements of the parent company, the financial statements of the following subsidiaries in which CeramTec TopCo has a direct or indirect shareholding are included in the interim condensed consolidated financial statements in the reporting period:

Name of the entity	Share of capital in %		Business activities
	31 March 2019	31 December 2018	
CeramTec BondCo GmbH, Plochingen	100.00	100.00	1
CeramTec AcquiCo GmbH, Plochingen	100.00	100.00	1
CeramTec Holding GmbH, Plochingen	100.00	100.00	1
CeramTec Group GmbH, Plochingen	100.00	100.00	1
CeramTec FinCo GmbH, Plochingen	100.00	100.00	1
CeramTec GmbH, Plochingen	100.00	100.00	2
Cerasiv GmbH Innovatives Keramik-Engineering, Plochingen	100.00	100.00	1
CeramTec-ETEC GmbH, Lohmar	100.00	100.00	3
Emil Müller GmbH, Wilhermsdorf	100.00	100.00	3
CeramTec UK Ltd., Southampton/Great Britain	100.00	100.00	3
CeramTec Czech Republic s.r.o., Sumperk/ Czech Republic	100.00	100.00	3
CeramTec Ibérica Innovative Ceramic Engineering S.L., Vilassar de Mar/Spain	100.00	100.00	4
CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd., Seremban/Malaysia	100.00	100.00	3
CeramTec Korea Ltd., Suwon-Si/South Korea	100.00	100.00	3
CeramTec Suzhou Ltd., Suzhou/China	100.00	100.00	3
PST Press Sintertécnica Brasil Ltda., Nova Odessa/Brazil	100.00	100.00	3
CeramTec India Innovative Ceramic Engineering Pvt. Ltd., Panaji - Goa/India	99.90	99.90	3
Press and Sinter Technics de Mexico S.A. de C.V., Puebla/Mexico	100.00	100.00	3
CeramTec BidCo LLC, Laurens/USA	100.00	100.00	1
CeramTec Acquisition LLC, Laurens/USA	100.00	100.00	1

Name of the entity	Share of capital in %		Business activities
	31 March 2019	31 December 2018	
CeramTec North America LLC, Laurens/USA	100.00	100.00	3
DAI Ceramics Inc., Willoughby/USA	100.00	100.00	3
PST Press + Sintertechnik Sp. z.o.o., Gorzyce/Poland	100.00	100.00	3

- 1 Entities perform the functions of a holding company.
- 2 Manufacturing and distribution companies operate in the Industrial and Medical Products segments.
- 3 Manufacturing and distribution companies operate in the Industrial segment.
- 4 Distribution companies.

CeramTec TopCo has a direct shareholding in CeramTec BondCo GmbH, and an indirect shareholding in the other subsidiaries.

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 2018.

Foreign currency translation

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

	31 Mar 2019 Period-end exchange rate	1 Jan to 31 Mar 2019 Average exchange rate	31 Dec 2018 Period-end exchange rate	1 Jan to 31 Mar 2018 Average exchange rate
USD USA	1.1235	1.1356	1.1454	1.2294
CNY China	7.5397	7.6619	7.8778	7.8149
GBP Great Britain	0.8583	0.8723	0.9027	0.8834
PLN Poland	4.3006	4.3020	4.3028	4.1793
CZK Czech Republic	25.8020	25.6842	25.7780	25.4003

The individual items in the consolidated statement of cash flows are translated at average rates, while cash and cash equivalents are measured at the spot rate at the balance sheet date.

Adoption of amended and new standards and interpretations: Changes in accounting policies due to first-time adoption of revised and newly issued IFRSs and IFRICs

IFRS amended for the first time in the reporting period

Standards and interpretations	Date of first-time adoption
IFRS 16: "Accounting for Leases"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to IAS 28: "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Amendments to IFRS 9: "Prepayment Features with Negative Compensation"	1 January 2019
Annual Improvements Project (2015 – 2017) for IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IAS 19: "Employee Benefits"	1 January 2019

The aforementioned changes have no effect on the consolidated financial statements of CeramTec TopCo Group, except for IFRS 16.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 superseded the current lease guidance including IAS 17 Leases and the related interpretations with effectiveness.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows is also affected as operating lease payments under IAS 17 were presented as operating cash flows; whereas under the IFRS 16 model, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Furthermore, additional disclosures are required by IFRS 16.

Revised and newly issued IFRSs and IFRICs not yet compulsory

Adoption of the following revised and newly issued 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 reporting period, these new or amended standards and interpretations were not adopted earlier.

Standards and interpretations	Date of first-time adoption
Amendments to References of the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3: "Business Combinations"	1 January 2020
IAS 1 / IFRS 8: "Definition of Material"	1 January 2020
IFRS 17: "Insurance Contracts"	1 January 2021

3 Notes to the consolidated statement of comprehensive income

Prior-year figures reflect operating business only for the period beginning with acquisition date as of 8 March 2018 until 31 March 2018 (please refer to 1.2).

3.1 Revenue

Revenue results primarily from the sale of goods and merchandise. Revenue breaks down into regions and businesses as follows:

	1 January to 31 March 2019 EUR k	1 January to 31 March 2018 EUR k
Regions		
Europe (w/o Germany)	73,602	23,230
Germany	38,763	14,335
Asia	24,505	7,153
North America	24,226	7,611
Rest of world	4,357	1,387
Total	165,453	53,716
Businesses		
Industrial	97,307	34,011
Medical products	68,146	19,705
Total	165,453	53,716

Unfilled orders on hand amount to EUR 213,605k as of the balance sheet date, of which EUR 144,455k and EUR 69,150k are attributable to the Industrial and Medical Products businesses respectively.

3.2 Cost of sales

The cost of sales breaks down as follows:

	1 January to 31 March 2019 EUR k	1 January to 31 March 2018 EUR k
Personnel expenses	33,990	10,691
Material and packaging costs	33,446	10,354
Amortization and depreciation	13,966	4,029
Other cost of sales	10,618	4,070
Total	92,020	29,144

Other costs 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 / expenses (-), net

Other income / expenses (-), net, breaks down as follows:

	1 January to 31 March 2019 EUR k	1 January to 31 March 2018 EUR k
Write-downs and impairment	-262	0
Foreign currency results	-183	5
Transaction costs	-146	-10,430
Losses (-) on disposal of property, plant and equipment	-16	-1
Addition to allowance for bad debts	-15	0
Income from the reversal of allowances for bad debt	66	0
Sundry other income	43	13
Sundry other expenses	-271	-19
Total	-784	-10,432

In the period 1 January 2018 to 31 March 2018 transaction costs of EUR 10.430k were incurred in connection with the acquisition of CeramTec Holding and its subsidiaries.

3.7 Financial result

The financial result breaks down as follows:

	1 January to 31 March 2019 EUR k	1 January to 31 March 2018 EUR k
Interest income from derivatives	14,573	0
Interest income from effective interest method	339	360
Exchange rate gains	310	0
Other interest income	10	4
Total interest income and other finance income	15,232	364
Interest expense from shareholder loan	9,559	2,762
Interest expense from syndicated loan	8,449	2,661
Interest expense from bond	5,263	5,689
Expense from unwinding the discount on financial liabilities	1,199	449
Interest expense from provision and use of revolving line of credit	180	61
Interest expense from derivatives	0	17,181
Exchange rate losses	0	1,104
Other interest expenses	1,085	2,175
Interest capitalized	-82	-5
Total interest expenses and other finance costs	25,653	32,077
Total financial result	-10,421	-31,713

Exchange rate gains (1 January to 31 March 2018: exchange rate losses) result from loans not designated in the functional currency of the group companies.

The other interest expenses include an amount of EUR 609k (1 January to 31 March 2018: EUR 150k), which are due to unwinding the discount on provisions.

4 Notes to the consolidated statement of financial position

4.1 Goodwill and intangible assets

Goodwill results from the acquisition of CeramTec Holding and its subsidiaries in the prior fiscal year. It was allocated to the cash-generating units (CGUs) Medical (EUR 874,613k), and Industrial (EUR 466,818k).

The CGU Medical includes the business activities designed to develop, manufacture and sell technical high-performance ceramics products used for medical technology, and the CGU Industrial includes the business activities designed to develop, manufacture and sell technical high-performance ceramics products used in industrial areas as mobility, electronics and industrial applications.

During the reporting period, CeramTec TopCo Group recognized amortization expenses in the amount of EUR 16,278k (1 January to 31 March 2018: EUR 3,812k), which arise mainly from customer relationships and technology.

CeramTec TopCo Group purchased intangible assets at cost of EUR 131k (1 January to 31 March 2018: EUR 125k).

4.2 Property, plant and equipment

During the reporting period, additions to property, plant and equipment amount to EUR 6,483k (1 January to 31 March 2018: EUR 1,981k), from which no subsidies are deducted. Excluding the right-of-use assets CeramTec TopCo Group acquired assets at cost of EUR 5,914. Furthermore there's an increase in cost of right-of-use assets of EUR 4,887 resulting from the first-time adoption of IFRS 16 as at 1 January 2019. Further explanations regarding IFRS 16 can be found in note 4.11.

The recognized depreciation expenses amount to EUR 10,489k (1 January to 31 March 2018: EUR 3,088k).

There were contractual commitments to acquire property, plant and equipment of EUR 26,376k (31 December 2018: EUR 28,611k) as of the reporting date.

4.3 Other financial assets

The following table breaks down other financial assets as follows:

	31 March 2019 EUR k	31 December 2018 EUR k
Other financial assets (non-current)		
Separated termination rights	38,835	20,988
Insurance claims	50	49
Derivative financial instruments	0	26
Total	38,885	21,063
Other financial assets (current)		
Receivables arising from amounts retained by a factor as a security	2,095	2,032
Derivative financial instruments	206	0
Other financial assets	994	365
Total	3,295	2,397

The CeramTec TopCo Group has a termination option for the issued bond. This termination option represents an embedded derivative, which is accounted for separately from the underlying transaction. Further explanations can be found in note 4.12.

Because of a low risk of default, in the reporting period no loss allowance for other financial assets was recognised.

4.4 Other assets

The following table breaks down other assets as follows:

	31 March 2019 EUR k	31 December 2018 EUR k
Other non-current assets		
Deferred finance costs for the revolving credit line	862	916
Other assets	417	400
Total	1,279	1,316

	31 March 2019 EUR k	31 December 2018 EUR k
Other current assets		
Prepaid insurance	4,365	2,869
Receivables from energy tax refunds	1,448	1,154
VAT receivables	488	2,710
Deferred finance costs for the revolving credit line	219	219
Sundry assets	2,263	1,715
Total	8,783	8,667

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

4.5 Trade receivables

At the end of the reporting period, trade receivables amounted to EUR 77,336k (31 December 2018: EUR 57,880k) after taking into account valuation allowance of EUR 469k (31 December 2018: EUR 530k). The receivables are seasonally impacted with lower levels in summer and December due to less customer activity and plant shut downs in August and December. Furthermore there's an increase due to higher revenues and a change in the customer mix.

A factoring agreement was concluded whereby receivables of EUR 19,804k were sold as of the balance sheet date (31 December 2018: EUR 14,146k). Under the terms of the agreement, EUR 2,095k (31 December 2018: EUR 2,032k) was retained by the factor as of the balance sheet date as a security, and recognized in other short-term financial assets (see note 4.3).

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

	31 March 2019 EUR k	31 December 2018 EUR k
Carrying amount before impairment	77,805	58,410
thereof not yet due on the reporting date	67,048	43,613
thereof past due on the reporting date	10,757	14,797
past due up to 30 days	8,732	11,255
past due up to 60 days	674	2,019
past due up to 90 days	404	506
past due more than 90 days	947	1,017

Loss allowances are based on information about a customer developed internally or obtained from external sources, and an estimate of the likelihood of default. The loss allowances mainly include specific loss allowances for receivables due from customers that have entered into bankruptcy proceedings, or are in severe financial difficulty.

There was no indication as of the reporting date that the debtors of receivables that were not impaired and not past due would not meet their payment obligations.

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 30,699k (31 December 2018: EUR 21,049k) and cash in hand of EUR 11k (31 December 2018: EUR 9k).

4.7 Equity

The following table breaks down the equity as follows:

	31 March 2019 EUR k	31 December 2018 EUR k
	<hr/>	<hr/>
Issued capital	25	25
Capital reserves	500,417	500,417
Accumulated losses	-84,155	-96,096
Accumulated other comprehensive income	4,263	1,267
	<hr/>	<hr/>
Total	420,550	405,613
	<hr/> <hr/>	<hr/> <hr/>

4.8 Financial liabilities to affiliates

Financial liabilities to affiliates comprise a loan payable to CTEC Acquisition S.à.r.l., Luxembourg, of EUR 562,248k (31 December 2018: EUR 552,688k).

	31 March 2019 EUR k	31 December 2018 EUR k
	<hr/>	<hr/>
Non-current financial liabilities		
Loan payable	523,798	523,798
Accrued interest	38,450	28,890
	<hr/>	<hr/>
	562,248	552,688
	<hr/> <hr/>	<hr/> <hr/>

Unpaid interest is added annually to the Company's loan balance on 31 December, for the first time on 31 December 2019.

4.9 Financial liabilities to third parties

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

	31 March 2019 EUR k	31 December 2018 EUR k
Non-current financial liabilities		
Liabilities to banks	1,049,669	1,045,858
Liabilities from the bond	411,655	411,990
Derivative financial instruments	14,657	12,748
Lease liabilities	3,274	1,248
Total	1,479,255	1,471,844
Current financial liabilities		
Discounts and bonuses	6,506	2,961
Derivative financial instruments	5,740	5,012
Liabilities to banks	3,069	3,103
Lease liabilities	2,780	8
Liabilities from the bond	2,632	7,895
Other current financial liabilities	2,215	3,248
Total	22,942	22,227

Liabilities to banks nominally amount to EUR 938,000k (31 December 2018: EUR 938,000k) from a tranche in EUR and EUR 142,412k (31 December 2018: EUR 139,689k) from two tranches in USD. These loans have variable interest rates and mature on 8 March 2025. Transaction costs associated with the loan of EUR 25,529k are spread over the term of the loan using the effective interest method.

The bond has a fixed interest rate and a nominal volume of EUR 406,000k (31 December 2018: EUR 406,000k). In the prior fiscal year, a group company acquired bonds of EUR 5,000k nominally. This bond matures on 15 December 2025. The CeramTec TopCo Group has a termination option for this bond, which is recognized as a separate financial asset (note 4.3). Associated transaction costs of EUR 12,532k are spread over the term of the bond using the effective interest method. Further information on the loans, the bond and derivatives can be found in note 4.12.

4.10 Other liabilities

Other liabilities break down as follows:

	31 March 2019 EUR k	31 December 2018 EUR k
Other current liabilities		
Wages and salaries including taxes	11,711	8,113
Real estate transfer tax	1,023	1,279
Amounts payable under the terms of contracts with customers	117	135
Other current liabilities	3,139	1,990
Total	15,990	11,517

Other current liabilities are mainly attributable to liabilities to employees, liabilities from social security contributions, liabilities to pension funds as well as deferred income.

4.11 Leases

According to IFRS 16 "Accounting for Leases" the right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The right-of-use assets break down to the general categories of property, plant and equipment as follows:

	Land and buildings TEUR	Plant and machinery TEUR	Other equipment TEUR	Total TEUR
Cost				
31 December 2018	0	0	0	0
First-time adoption of IFRS 16 as at 1 January 2019	2,456	173	2,257	4,887
Additions	0	0	581	581
Reclassifications	2,507	0	5	2,512
Exchange differences	91	0	1	92
31 March 2019	5,054	173	2,845	8,072
Amortization/impairment				
31 December 2018	0	0	0	0
Additions to amortization	225	52	400	677
Reclassifications	1,303	0	1	1,304
Exchange differences	8	0	1	9
31 March 2019	1,536	52	402	1,990
Net carrying amounts				
31 March 2019	3,519	121	2,442	6,082
31 December 2018	0	0	0	0

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The table below shows the undiscounted, contractually agreed cash flows for the lease liabilities as of the reporting date:

	31 March 2019						
	Carrying amount	2020	2021	2022	2023	2024	>2024
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Lease liabilities	6,055	2,279	1,162	752	452	433	1,610

The following table presents the expenses from the right-of-use assets and the lease liabilities:

	1 January to 31 March 2019 EUR k
Depreciation of right-of-use assets	677
Interest expense on the lease liabilities	60
Total	<u><u>737</u></u>

4.12 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 IFRS 9.

	Measurement category of IFRS 9 ¹	31 March 2019 Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	AC	77,336	77,336
Separated termination rights	FVtPL	38,835	38,835
Cash and cash equivalents	AC	30,710	30,710
Fx forward hedges	Hedge	206	206
Other financial assets	AC	3,138	3,138
Total		150,225	150,225
Financial liabilities			
Liabilities to banks	AC	1,052,739	1,077,816
Liabilities to affiliates	AC	562,248	675,450
Bond liabilities	AC	414,287	397,030
Trade payables	AC	24,994	24,994
Separated interest rate floors	FVtPL	13,877	13,877
Interest rate cap	FVtPL	6,519	6,519
Lease liabilities	AC	6,055	6,055
Other financial liabilities	AC	8,722	8,722
Total		2,089,441	2,210,463

¹ AC: measured at amortised cost using the effective interest method; FVtOCI: fair value through other comprehensive income; FVtPL: measured at fair value through profit or loss

	Measurement category of IFRS 9 ¹	31 December 2018	
		Carrying amount	Fair value
		EURk	EURk
Financial assets			
Trade receivables	AC	57,880	57,880
Cash and cash equivalents	AC	21,058	21,058
Separated termination rights	FVtPL	20,988	20,988
Interest rate cap	AC	26	26
Other financial assets	AC	2,446	2,446
Total		102,398	102,398
Financial liabilities			
Liabilities to banks	AC	1,048,961	1,077,822
Liabilities to affiliates	AC	552,688	656,600
Bond liabilities	AC	419,884	389,760
Trade payables	AC	34,907	34,907
Separated interest rate floors	FVtPL	12,205	12,205
Interest rate cap	FVtPL	5,556	5,556
Finance lease liabilities	AC	1,256	1,256
Other financial liabilities	AC	6,209	6,209
Total		2,081,666	2,184,315

¹ AC: measured at amortised cost using the effective interest method; FVtOCI: fair value through other comprehensive income; FVtPL: measured at fair value through profit or loss

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) prices in markets for identical assets or liabilities that the entity can access at 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 interim condensed consolidated financial statements:

	31 March 2019		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
	<u> </u>	<u> </u>	<u> </u>
Financial assets			
Separated termination rights	0	38,835	0
Financial liabilities			
Separated interest rate floors	0	13,877	0
Interest rate caps	0	6,519	0

	31 December 2018		
	Level 1 EURk	Level 2 EURk	Level 3 0,00
	<u> </u>	<u> </u>	<u> </u>
Financial assets			
Separated termination rights	0	20,988	0
Interest rate caps	0	26	0
Financial liabilities			
Separated interest rate floors	0	12,205	0
Interest rate caps	0	5,556	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; however, their fair value is provided in the notes to the financial statements. The Group does not disclose the fair value of financial instruments when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables.

	31 March 2019		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Bond liabilities	397,030	0	0
Liabilities to banks	0	1,077,816	0
Liabilities to affiliates	0	675,450	0
Finance lease liabilities	0	6,055	0

	31 December 2018		
	Level 1	Level 2	Level 3
	EURk	EURk	EURk
Financial liabilities			
Bond liabilities	389,760	0	0
Liabilities to banks	0	1,077,822	0
Liabilities to affiliates	0	656,600	0
Finance lease liabilities	0	1,256	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.

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 on a recurring basis, the CeramTec TopCo 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 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 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.

Additions to property, plant and equipment in the reporting period amounted to EUR 982k that will affect cash during the following accounting period.

During the period CeramTec TopCo Group paid EUR 4,522k 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.

Interest expenses of bond liabilities include income of EUR 339k associated with discounting of financial liabilities that arose because the effective interest method was applied.

6 Other notes

6.1 Contingent liabilities

The entities within the consolidated group 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 processes. 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 interim condensed consolidated financial statements.

6.2 Related party disclosures

Key management personnel

Key management personnel are people who are directly or indirectly responsible for the planning, directing and controlling the activities of the CeramTec TopCo Group.

In the reporting period, the key management personnel of CeramTec TopCo Group were:

Dr. Hadi Saleh

Chief Executive Officer

Richard Boulter

President Industrial

Eric Oellerer

Chief Financial Officer

Dr. Hadi Saleh is the sole general manager of CeramTec TopCo GmbH.

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 562,248k (31 December 2018: EUR 552,688k), including interest, with a fixed interest rate of 8.255 % p.a. has been obtained from CeramTec TopCo's controlling shareholder, CTEC Acquisition S.à.r.l., Luxembourg. Interest expenses of EUR 9,559k were incurred in the reporting period. Unpaid interest is added annually to the Company's loan balance on 31 December, for the first time on 31 December 2019.

6.3 Subsequent events

Events of special importance did not occur after the end of the reporting period.

7 Reconciliation to CeramTec BondCo GmbH

If the interim condensed consolidated statement of comprehensive income of CeramTec BondCo had been prepared instead of the interim condensed consolidated statement of comprehensive income of CeramTec TopCo, 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 40k
- lower sundry other expenses of EUR 2k

The total comprehensive income of CeramTec BondCo would therefore have been EUR 42k higher compared to the total comprehensive income recognized in these financial statements.

If the interim condensed consolidated statement of financial position of CeramTec BondCo had been prepared instead of the interim condensed consolidated statement of financial position of CeramTec TopCo, which is presented in these financial statements, this would have resulted in the following changes as of 31 March 2019:

- higher receivables from affiliates of EUR 188k
- lower liquid funds of EUR 9k
- lower capital reserves of EUR 25k
- lower financial liabilities to third parties of EUR 205k

This would have resulted in a EUR 384k higher level of group equity for CeramTec BondCo compared to the group equity recognized in these financial statements.

There would have been no impact on the interim condensed consolidated statement of cash flows if the interim condensed consolidated statement of cash flows of CeramTec BondCo had been prepared instead of the interim condensed consolidated statement of cash flows of CeramTec TopCo presented in these financial statements.

Plochingen, 20 May 2019

CeramTec TopCo GmbH

The management

Dr. Hadi Saleh