

CeramTec TopCo GmbH
Plochingen

**Interim Condensed
Consolidated Financial Statements
for the period ended
30 June 2019**

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 June 2019

Assets	Notes	30 June 2019	31 December 2018
		EUR k	EUR k
Goodwill	4.1	1,341,431	1,341,431
Other intangible assets	4.1	1,073,746	1,105,674
Property, plant and equipment	4.2	292,800	288,994
Other financial assets	4.3	38,881	21,063
Other assets	4.4	1,204	1,316
Deferred tax assets		292	363
Non-current assets		2,748,354	2,758,841
Inventories		98,099	96,497
Trade receivables	4.5	70,520	57,880
Income tax receivables		2,303	3,242
Other financial assets	4.3	1,759	2,397
Other receivables and assets	4.4	9,689	8,667
Cash and cash equivalents	4.6	31,512	21,058
Current assets		213,882	189,741
Total Assets		2,962,236	2,948,582

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 June 2019

Equity and Liabilities	Notes	30 June 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	-94,491	-96,096
Accumulated other comprehensive income	4.7	1,592	1,267
Equity		407,543	405,613
Provisions for pension obligations		112,508	100,200
Other provisions		4,427	4,883
Financial liabilities to affiliates	4.8	571,913	552,688
Financial liabilities to third parties	4.9	1,450,886	1,471,844
Deferred tax liabilities		310,452	318,200
Non-current liabilities		2,450,186	2,447,815
Other provisions		16,874	20,156
Provision for taxes		13,235	6,347
Financial liabilities to third parties	4.9	30,407	22,227
Trade payables		26,053	34,907
Other liabilities	4.10	17,938	11,517
Current liabilities		104,507	95,154
Total liabilities		2,554,693	2,542,969
Total equity and liabilities		2,962,236	2,948,582

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of comprehensive income

from 1 January to 30 June 2019

	Notes	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	160,736	152,610	326,189	206,326
Cost of sales	3.2	90,971	106,018	182,990	135,162
Gross profit		69,765	46,592	143,199	71,164
Selling costs	3.3	24,492	25,805	49,244	33,061
Research and development costs	3.4	5,664	5,513	11,673	7,429
General administrative costs	3.5	8,368	6,965	14,431	10,339
Other income and expenses (-), net	3.6	-552	-716	-1,336	-11,148
Operating income		30,689	7,593	66,515	9,187
Interest income and other finance income		435	30,300	6,767	13,482
Interest expenses and other finance costs		34,236	31,796	50,989	46,692
Financial result	3.7	-33,801	-1,496	-44,222	-33,210
Profit / loss (-) before income tax		-3,112	6,097	22,293	-24,023
Income tax expense		-1,730	-7,052	-13,022	-2,481
Net profit / net loss (-) for the period		-4,842	-955	9,271	-26,504
Items that will not be reclassified through profit or loss					
Income / expenses (-) from the remeasurement of pension provisions		-10,161	-38	-10,770	-38
Deferred taxes		2,925	11	3,086	11
		-7,236	-27	-7,684	-27
Items that may be reclassified subsequently to profit or loss					
Gains on cash flow hedges		112	43	81	43
Deferred taxes		-23	0	-23	0
		89	43	58	43
Changes in the fair value of financial assets available for sale		322	0	-8	0
Deferred taxes		-92	0	2	0
		230	0	-6	0
Exchange differences on translation of foreign operations		639	1,348	273	1,348
Other comprehensive income / loss (-), net of income tax		-6,278	1,364	-7,359	1,364
Total comprehensive income / loss (-)		-11,120	409	1,912	-25,140

CeramTec TopCo GmbH, Plochingen

**Interim condensed consolidated statement of cash flows
from 1 January to 30 June 2019**

	1 January to 30 June 2019 EUR k	1 January to 30 June 2018 EUR k
Net profit / net loss (-) for the period	9,271	-26,504
Income tax expense	13,021	2,481
Interest result	49,434	39,761
Amortisation, depreciation and impairment charges of non-current assets	53,686	48,607
Gain (-) / loss on disposal of property, plant and equipment and intangible assets	19	99
Increase / decrease (-) in provisions (excluding deferred taxes)	-3,355	-6,008
Income tax payment (-)	-9,819	-7,410
Other non-cash income (-) / expenses, net	-7,463	-5,342
Increase (-) in inventories	-1,601	1,747
Increase (-) in trade receivables	-12,640	-3,695
Increase (-) / decrease in other receivables and (financial) assets	-301	33,284
Decrease (-) in trade payables	-6,642	-48,339
Increase in other (financial) liabilities	11,055	12,470
Cash flow from operating activities	94,665	41,151
Cash received from disposals of property, plant and equipment	63	1,040
Cash paid (-) for investments in property, plant and equipment	-20,773	-7,216
Cash paid (-) for investments in intangible assets	-531	-217
Cash paid (-) for the acquisition of entities	0	-2,478,975
Cash flow from investing activities	-21,241	-2,485,368
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
Repayment (-) of syndicated loan	-33,361	0
Interest paid (-)	-28,269	-10,847
Cash received from shareholder loan	0	523,798
Cash paid for capitalized leases (right-of-use assets)	-1,418	0
Cash flow from financing activities	-63,048	2,492,605
Increase in cash and cash equivalents	10,376	48,388
Net foreign exchange difference	78	1
Cash and cash equivalents at the beginning of the period	21,058	39
Cash and cash equivalents at the end of the period	31,512	48,428

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen

**Interim condensed consolidated statement of changes in equity
for the period ended 30 June 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	-26,504	0	0	0	-26,504
Other comprehensive income / loss (-)	0	0	-27	43	0	1,348	1,364
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>-26,531</i>	<i>43</i>	<i>0</i>	<i>1,348</i>	<i>-25,140</i>
Contribution by owners	0	500,367	0	0	0	0	500,367
30 June 2018	25	500,417	-35,828	43	0	1,348	466,005
31 December 2018	25	500,417	-96,096	0	236	1,031	405,613
Net income for the period	0	0	9,271	0	0	0	9,271
Other comprehensive income / loss (-)	0	0	-7,684	58	-6	273	-7,359
<i>Total comprehensive income</i>	<i>0</i>	<i>0</i>	<i>1,587</i>	<i>58</i>	<i>-6</i>	<i>273</i>	<i>1,912</i>
Other changes	0	0	18	0	0	0	18
30 June 2019	25	500,417	-94,491	58	230	1,304	407,543

**CeramTec TopCo GmbH
Plochingen**

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
30 June 2019**

1	General	3
2	Accounting principles and policies	6
3	Notes to the consolidated statement of comprehensive income	9
4	Notes to the consolidated statement of financial position.....	12
5	Notes to the interim condensed consolidated statement of cash flows	23
6	Other notes	23
7	Reconciliation to CeramTec BondCo GmbH	25

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 30 June 2019 on 12 August 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
	30 June 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
CeramTec North America LLC, Laurens/USA	100.00	100.00	3

Name of the entity	Share of capital in %		Business activities
	30 June 2019	31 December 2018	
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:

	30 Jun 2019	1 Apr to 30 Jun 2019	1 Jan to 30 Jun 2019	31 Dec 2018	1 Apr to 30 Jun 2018	1 Jan to 30 Jun 2018
	Period-end exchange rate	Average exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate	Average exchange rate
USD USA	1.1380	1.1239	1.1298	1.1454	1.1924	1.2109
CNY China	7.8185	7.6721	7.6670	7.8778	7.6047	7.7098
GBP Great Br.	0.8966	0.8749	0.8736	0.9027	0.8761	0.8797
PLN Poland	4.2496	4.2819	4.2919	4.3028	4.2605	4.2199
CZK Czech Rep.	25.4470	25.6834	25.6838	25.7780	25.5920	25.4962

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 30 June 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 April to 30 June 2019 EUR k	1 April to 30 June 2018 EUR k	1 January to 30 June 2019 EUR k	1 January to 30 June 2018 EUR k
Regions				
Europe (w/o Germany)	71,278	66,337	144,880	89,567
Germany	35,673	38,728	74,436	53,063
Asia	26,979	23,285	51,484	30,438
North America	23,074	19,105	47,300	26,716
Rest of world	3,732	5,155	8,089	6,542
Total	160,736	152,610	326,189	206,326
Businesses				
Industrial	92,495	94,950	189,802	128,961
Medical products	68,241	57,660	136,387	77,365
Total	160,736	152,610	326,189	206,326

Unfilled orders on hand amount to EUR 195,700k as of the balance sheet date, of which EUR 130,712k and EUR 64,988k are attributable to the Industrial and Medical Products businesses respectively.

3.2 Cost of sales

The cost of sales breaks down as follows:

	1 April to 30 June 2019 EUR k	1 April to 30 June 2018 EUR k	1 January to 30 June 2019 EUR k	1 January to 30 June 2018 EUR k
Personnel expenses	33,613	30,575	67,603	41,266
Material and packaging costs	29,098	29,687	62,544	40,041
Amortization and depreciation	13,865	27,913	27,831	31,943
Other cost of sales	14,395	17,843	25,013	21,912
Total	90,971	106,018	182,990	135,162

In the period 1 April to 30 June 2018 the amortization includes the first-time recognition of the PPA (Purchase Price Allocation) in June 2018. This amount includes the amortization for four months beginning with the acquisition date as of 8 March 2018.

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 April to 30 June 2019 EUR k	1 April to 30 June 2018 EUR k	1 January to 30 June 2019 EUR k	1 January to 30 June 2018 EUR k
Write-downs and impairment	18	0	-244	0
Foreign currency results	-125	-101	-308	-96
Transaction costs	0	-740	-146	-11,169
Losses (-) on disposal of property, plant and equipment	-2	-98	-19	-99
Addition to allowance for bad debts	-144	-3	-159	-3
Income from the reversal of allowances for bad debt	0	0	66	0
Sundry other income	88	292	132	305
Sundry other expenses	-387	-66	-658	-86
Total	-552	-716	-1,336	-11,148

In the period 1 January 2018 to 30 June 2018 transaction costs of EUR 11,169k 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 April to 30 June 2019 EUR k	1 April to 30 June 2018 EUR k	1 January to 30 June 2019 EUR k	1 January to 30 June 2018 EUR k
Interest income from derivatives	0	29,887	5,982	12,706
Interest income from effective interest method	343	359	682	718
Other interest income	92	54	103	58
Total interest income and other finance income	435	30,300	6,767	13,482
Interest expense from shareholder loan	9,666	9,666	19,225	12,427
Interest expense from syndicated loan	8,216	9,360	16,665	12,021
Interest expense from bond	5,263	5,329	10,526	11,018
Expense from unwinding the discount on financial liabilities	928	1,611	2,128	2,061
Interest expense from provision and use of revolving line of credit	177	201	357	263
Interest expense from derivatives	8,591	0	0	0
Exchange rate losses	589	4,947	279	6,051
Other interest expenses	891	696	1,976	2,870
Interest capitalized	-85	-14	-167	-19
Total interest expenses and other finance costs	34,236	31,796	50,989	46,692
Total financial result	-33,801	-1,496	-44,222	-33,210

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 1,154k (1 January to 30 June 2018: EUR 602k), 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) based on the business plan prepared in the end of 2018.

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 32,561k (1 April to 30 June 2019: EUR 16,283k; 1 January to 30 June 2018: EUR 35,245k; 1 April to 30 June 2018: EUR 31,434k), which arise mainly from customer relationships and technology.

CeramTec TopCo Group purchased intangible assets at cost of EUR 531k (1 April to 30 June 2019: EUR 400k; 1 January to 30 June 2018: EUR 217k; 1 April to 30 June 2018: EUR 93k).

4.2 Property, plant and equipment

During the reporting period, additions to property, plant and equipment amount to EUR 19,738k (1 April to 30 June 2019: EUR 13,255k; 1 January to 30 June 2018: EUR 7,326k; 1 April to 30 June 2018: EUR 5,345k), from which no subsidies are deducted. Excluding the right-of-use assets CeramTec TopCo Group acquired assets at cost of EUR 18,560. Furthermore there's an increase in cost of right-of-use assets of EUR 4,848 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 20,880k (1 April to 30 June 2019: EUR 10,391k; 1 January to 30 June 2018: EUR 13,362k; 1 April to 30 June 2018: EUR 10,273k).

There were contractual commitments to acquire property, plant and equipment of EUR 22,249k (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:

	30 June 2019 EUR k	31 December 2018 EUR k
Other financial assets (non-current)		
Separated termination rights	38,831	20,988
Insurance claims	50	49
Derivative financial instruments	0	26
Total	38,881	21,063
Other financial assets (current)		
Receivables arising from amounts retained by a factor as a security	1,441	2,032
Derivative financial instruments	81	0
Other financial assets	237	365
Total	1,759	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:

	30 June 2019 EUR k	31 December 2018 EUR k
Other non-current assets		
Deferred finance costs for the revolving credit line	807	916
Other assets	397	400
Total	1,204	1,316

	30 June 2019	31 December 2018
	EUR k	EUR k
Other current assets		
Prepaid insurance	3,660	2,869
Receivables from energy tax refunds	1,715	1,154
VAT receivables	1,113	2,710
Deferred finance costs for the revolving credit line	219	219
Sundry assets	2,982	1,715
Total	9,689	8,667

Sundry current assets primarily contain prepayments, e.g. for trade fairs or customs duty guarantees.

4.5 Trade receivables

At the end of the reporting period, trade receivables amounted to EUR 70,520k (31 December 2018: EUR 57,880k) after taking into account valuation allowance of EUR 597k (31 December 2018: EUR 530k). The receivables are seasonally impacted with lower levels in summer and December due to less customer activity and temporary 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 13,591k were sold as of the balance sheet date (31 December 2018: EUR 14,146k). Under the terms of the agreement, EUR 1,441k (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:

	30 June 2019	31 December 2018
	EUR k	EUR k
Carrying amount before impairment	71,117	58,410
thereof not yet due on the reporting date	59,185	43,613
thereof past due on the reporting date	11,932	14,797
past due up to 30 days	9,059	11,255
past due up to 60 days	1,367	2,019
past due up to 90 days	258	506
past due more than 90 days	1,248	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 31,503k (31 December 2018: EUR 21,049k) and cash in hand of EUR 9k (31 December 2018: EUR 9k).

4.7 Equity

The following table breaks down the equity as follows:

	30 June 2019 EUR k	31 December 2018 EUR k
	<hr/>	<hr/>
Issued capital	25	25
Capital reserves	500,417	500,417
Accumulated losses	-94,491	-96,096
Accumulated other comprehensive income	1,592	1,267
	<hr/>	<hr/>
Total	407,543	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 571,913k (31 December 2018: EUR 552,688k).

	30 June 2019 EUR k	31 December 2018 EUR k
	<hr/>	<hr/>
Non-current financial liabilities		
Loan payable	523,798	523,798
Accrued interest	48,115	28,890
	<hr/>	<hr/>
	571,913	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:

	30 June 2019 EUR k	31 December 2018 EUR k
Non-current financial liabilities		
Liabilities to banks	1,015,493	1,045,858
Liabilities from the bond	411,316	411,990
Derivative financial instruments	20,901	12,748
Lease liabilities	3,176	1,248
Total	1,450,886	1,471,844
Current financial liabilities		
Liabilities from the bond	7,895	7,895
Derivative financial instruments	7,529	5,012
Discounts and bonuses	7,298	2,961
Lease liabilities	2,790	8
Liabilities to banks	2,629	3,103
Other current financial liabilities	2,266	3,248
Total	30,407	22,227

Liabilities to banks nominally amount to EUR 910,000k (31 December 2018: EUR 938,000k) from a tranche in EUR and EUR 135,325k (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.

In the reporting period voluntary repayments were made regarding the loans (please refer to note 5).

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. The company might consider from time to time to do further purchases of the bond. 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 (see 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:

	30 June 2019 EUR k	31 December 2018 EUR k
Other current liabilities		
Wages and salaries including taxes	14,161	8,113
Real estate transfer tax	1,023	1,279
Amounts payable under the terms of contracts with customers	8	135
Other current liabilities	2,746	1,990
Total	17,938	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	2,400	174	2,274	4,848
Additions	8	13	1,157	1,178
Reclassifications	1,196	0	5	1,201
Exchange differences	-52	-1	-20	-73
30 June 2019	3,552	186	3,416	7,154
Amortization/impairment				
31 December 2018	0	0	0	0
Additions to amortization	379	93	784	1,256
Reclassifications	81	0	1	82
Exchange differences	-21	0	0	-21
30 June 2019	439	93	785	1,316
Net carrying amounts				
30 June 2019	3,113	93	2,631	5,838
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:

	30 June 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	5,965	2,790	748	726	508	486	1,747

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

	1 April to 30 June 2019 EUR k	1 January to 30 June 2019 EUR k
Depreciation of right-of-use assets	580	1,256
Interest expense on the lease liabilities	65	125
Total	645	1,381

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	30 June 2019 Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	AC	70,520	70,520
Separated termination rights	FVtPL	38,831	38,831
Cash and cash equivalents	AC	31,512	31,512
Fx forward hedges	Hedge	81	81
Other financial assets	AC	1,728	1,728
Total		142,672	142,672
Financial liabilities			
Liabilities to banks	AC	1,018,121	1,045,325
Liabilities to affiliates	AC	571,913	692,448
Bond liabilities	AC	419,211	407,657
Trade payables	AC	26,053	26,053
Separated interest rate floors	FVtPL	22,134	22,134
Interest rate cap	FVtPL	6,297	6,297
Lease liabilities	AC	5,965	5,965
Other financial liabilities	AC	9,565	9,565
Total		2,079,259	2,215,444

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

	31 December 2018		
	Measurement category of IFRS 9 ¹	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:

	Level 1 EUR k	30 June 2019 Level 2 EUR k	Level 3 EUR k
	<u>EUR k</u>	<u>EUR k</u>	<u>EUR k</u>
Financial assets			
Separated termination rights	0	38,831	0
Financial liabilities			
Separated interest rate floors	0	22,134	0
Interest rate caps	0	6,297	0

	Level 1 EURk	31 December 2018 Level 2 EURk	Level 3 0,00
	<u>EURk</u>	<u>EURk</u>	<u>0,00</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.

	Level 1 EUR k	30 June 2019 Level 2 EUR k	Level 3 EUR k
	<u>EUR k</u>	<u>EUR k</u>	<u>EUR k</u>
Financial liabilities			
Bond liabilities	407,657	0	0
Liabilities to banks	0	1,045,325	0
Liabilities to affiliates	0	692,448	0
Finance lease liabilities	0	5,965	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 2,309k 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.

On 31 May 2019, voluntary repayments regarding the syndicate loan were made of EUR 28,000k in favour of a tranche in EUR and EUR 5,361k in favour of two tranches in USD.

Interest expenses of bond liabilities include income of EUR 682k associated with discounting of financial liabilities that arose because the effective interest method was applied.

6 Other notes

6.1 Interest rate risks

CeramTec TopCo Group companies entered with effective date 29 May 2018 into agreements governing interest rate caps of EUR 873,000k linked to 3-month EURIBOR respectively USD 157,500k linked to 3-month LIBOR. The interest rate caps limit the maximum variable interest rates to 0.75 % respectively 2.75 %.

With effective date 31 May 2019, the USD cap was limited to USD 120,000k to prevent from a potential overhedge resulting from the repayments of the syndicate loan.

6.2 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.

6.3 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 571,913k (31 December 2018: EUR 552,688k), including interest, with a fixed interest rate of 7.30 % p.a. has been obtained from CeramTec TopCo's controlling shareholder, CTEC Acquisition S.à.r.l., Luxembourg. Interest expenses of EUR 19,225k 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.

6.4 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 15k
- lower sundry other expenses of EUR 3k

The total comprehensive income of CeramTec BondCo would therefore have been EUR 18k 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 30 June 2019:

- higher receivables from affiliates of EUR 257k
- lower liquid funds of EUR 9k
- lower capital reserves of EUR 25k
- lower financial liabilities to third parties of EUR 113k

This would have resulted in a EUR 360k 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, 12 August 2019

CeramTec TopCo GmbH

The management

Dr. Hadi Saleh