

CeramTec TopCo GmbH
Plochingen

**Interim Condensed
Consolidated Financial Statements
for the period ended
31 March 2020**

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 31 March 2020

| Assets | Notes | 31 March 2020 | 31 December 2019 |
|---|--------------|----------------------|-------------------------|
| | | EUR k | EUR k |
| Goodwill | 4.1 | 1,011,678 | 1,011,678 |
| Other intangible assets | 4.1 | 1,022,616 | 1,038,533 |
| Property, plant and equipment | 4.2 | 283,643 | 289,387 |
| Other financial assets | 4.3 | 1,346 | 25,243 |
| Other assets | 4.4 | 1,037 | 1,107 |
| Deferred tax assets | | 866 | 1,172 |
| Non-current assets | | 2,321,186 | 2,367,120 |
| Inventories | | 100,546 | 97,093 |
| Trade receivables | 4.5 | 71,819 | 52,740 |
| Trade accounts receivable from affiliates | | 1 | 20 |
| Income tax receivables | | 2,521 | 2,808 |
| Other financial assets | 4.3 | 2,044 | 3,074 |
| Other receivables and assets | 4.4 | 8,355 | 8,026 |
| Cash and cash equivalents | 4.6 | 78,834 | 64,380 |
| Current assets | | 264,120 | 228,141 |
| Total Assets | | 2,585,306 | 2,595,261 |

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 31 March 2020

| Equity and Liabilities | Notes | 31 March 2020 | 31 December 2019 |
|--|-------|------------------|------------------|
| | | EUR k | EUR k |
| Issued capital | 4.7 | 25 | 25 |
| Capital reserves | 4.7 | 780,371 | 780,371 |
| Accumulated losses | 4.7 | -441,909 | -442,793 |
| Accumulated other comprehensive income | 4.7 | -2,174 | 865 |
| Equity | | 336,313 | 338,468 |
| Provisions for pension obligations | | 97,100 | 113,433 |
| Other provisions | | 5,530 | 5,506 |
| Financial liabilities to affiliates | 4.8 | 259,544 | 256,270 |
| Financial liabilities to third parties | 4.9 | 1,440,100 | 1,433,324 |
| Deferred tax liabilities | | 290,303 | 298,417 |
| Non-current liabilities | | 2,092,577 | 2,106,950 |
| Other provisions | | 18,865 | 17,765 |
| Provision for taxes | | 5,444 | 4,425 |
| Financial liabilities to affiliates | 4.8 | 0 | 55,233 |
| Financial liabilities to third parties | 4.9 | 92,782 | 25,406 |
| Trade payables | | 22,675 | 30,277 |
| Other liabilities | 4.10 | 16,650 | 16,737 |
| Current liabilities | | 156,416 | 149,843 |
| Total liabilities | | 2,248,993 | 2,256,793 |
| Total equity and liabilities | | 2,585,306 | 2,595,261 |

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of comprehensive income

from 1 January to 31 March 2020

| | Notes | 1 January to 31 March 2020 | 1 January to 31 March 2019 |
|--|-------|-------------------------------|-------------------------------|
| | | EUR k | EUR k |
| Revenue | 3.1 | 158,118 | 165,453 |
| Cost of sales | 3.2 | 89,221 | 92,020 |
| Gross profit | | 68,897 | 73,433 |
| Selling costs | 3.3 | 23,800 | 24,752 |
| Research and development costs | 3.4 | 5,816 | 6,009 |
| General administrative costs | 3.5 | 5,963 | 6,063 |
| Other income and expenses (-), net | 3.6 | 1,830 | -784 |
| Operating income | | 35,148 | 35,825 |
| Interest income and other finance income | | 382 | 15,232 |
| Interest expenses and other finance costs | | 49,384 | 25,653 |
| Financial result | 3.7 | -49,002 | -10,421 |
| Profit / loss (-) before income tax | | -13,854 | 25,404 |
| Income tax benefit / expense (-) | | 2,729 | -11,291 |
| Net profit / net loss (-) for the period | | -11,125 | 14,113 |
| Items that will not be reclassified through profit or loss | | | |
| Income / expenses (-) from the remeasurement of pension provisions | | 16,885 | -3,043 |
| Deferred taxes | | -4,876 | 872 |
| | | 12,009 | -2,171 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Losses (-) / gains on cash flow hedges | | -956 | 206 |
| Deferred taxes | | 276 | -59 |
| | | -680 | 147 |
| Changes in the fair value of financial assets available for sale | | 0 | -4 |
| Deferred taxes | | 0 | 1 |
| | | 0 | -3 |
| Exchange differences on translation of foreign operations | | -2,359 | 2,851 |
| Other comprehensive income, net of income tax | | 8,970 | 824 |
| Total comprehensive income / loss (-) | | -2,155 | 14,937 |

**Interim condensed consolidated statement of cash flows
from 1 January to 31 March 2020**

| | 1 January to 31 March 2020 EUR k | 1 January to 31 March 2019 EUR k |
|--|---|---|
| Net profit / net loss (-) for the period | -11,125 | 14,113 |
| Income tax expense / benefit (-) | -2,729 | 11,291 |
| Interest result | 18,683 | 24,999 |
| Amortisation, depreciation and impairment charges of non-current assets | 26,770 | 27,028 |
| Gain (-) / loss on disposal of property, plant and equipment and intangible assets | -55 | 17 |
| Increase in provisions (excluding deferred taxes) | 1,340 | 1,437 |
| Income tax payment (-) | -8,142 | -5,004 |
| Other non-cash income (-) / expenses, net | 28,343 | -15,147 |
| Increase (-) in inventories | -3,453 | -749 |
| Increase (-) in trade receivables | -19,079 | -19,456 |
| Increase (-) / decrease in other receivables and (financial) assets | 77 | -827 |
| Decrease (-) in trade payables | -2,687 | -6,373 |
| Increase / decrease (-) in other (financial) liabilities | -1,469 | 7,725 |
| Cash flow from operating activities | 26,474 | 39,055 |
| Cash received from disposals of property, plant and equipment | 86 | 33 |
| Cash paid (-) for investments in property, plant and equipment | -9,857 | -9,455 |
| Cash paid (-) for investments in intangible assets | -692 | -131 |
| Cash flow from investing activities | -10,463 | -9,553 |
| Cash received from syndicated loan | 7,266 | 0 |
| Interest paid (-) | -55,404 | -19,439 |
| Cash received from drawing of revolver loan | 67,000 | 0 |
| Repayment (-) of shareholder loan | -19,599 | 0 |
| Cash paid for capitalized leases (right-of-use assets) | -665 | -765 |
| Cash flow from financing activities | -1,402 | -20,203 |
| Increase in cash and cash equivalents | 14,609 | 9,298 |
| Net foreign exchange difference | -155 | 354 |
| Cash and cash equivalents at the beginning of the period | 64,380 | 21,058 |
| Cash and cash equivalents at the end of the period | 78,834 | 30,710 |

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen

**Interim condensed consolidated statement of changes in equity
for the period ended 31 March 2020**

| | 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 |
| 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 |
| 31 December 2019 | 25 | 780,371 | -442,793 | 510 | 0 | 355 | 338,468 |
| Net loss for the period | 0 | 0 | -11,125 | 0 | 0 | 0 | -11,125 |
| Other comprehensive income / loss (-) | 0 | 0 | 12,009 | -680 | 0 | -2,359 | 8,970 |
| <i>Total comprehensive income / loss (-)</i> | <i>0</i> | <i>0</i> | <i>884</i> | <i>-680</i> | <i>0</i> | <i>-2,359</i> | <i>-2,155</i> |
| 31 March 2020 | 25 | 780,371 | -441,909 | -170 | 0 | -2,004 | 336,313 |

**CeramTec TopCo GmbH
Plochingen**

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
31 March 2020**

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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 2020 on 15 May 2020.

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 TopCo's annual consolidated financial statements as of 31 December 2019.

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 2020 | 31 December 2019 | |
| 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 |

| Name of the entity | Share of capital in % | | Business activities |
|---|-----------------------|------------------|---------------------|
| | 31 March 2020 | 31 December 2019 | |
| 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 |
| DAI Ceramics LLC, 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 2019.

Foreign currency translation

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

| | 31 Mar 2020 Period-end exchange rate | 1 Jan to 31 Mar 2020 Average exchange rate | 31 Dec 2019 Period-end exchange rate | 1 Jan to 31 Mar 2019 Average exchange rate |
|---------------------------|--|---|--|---|
| USD USA | 1.0956 | 1.1023 | 1.1189 | 1.1356 |
| CNY China | 7.7784 | 7.6937 | 7.8175 | 7.6619 |
| GBP Great Britain | 0.8864 | 0.8616 | 0.8521 | 0.8723 |
| PLN Poland | 4.5506 | 4.3226 | 4.2567 | 4.3020 |
| CZK Czech Republic | 27.3120 | 25.6138 | 25.4630 | 25.6842 |

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 3: "Definition of a Business" | 1 January 2020 |
| IAS 1 / IFRS 8: "Definition of Material" | 1 January 2020 |
| IFRS 9 / IAS 39 / IFRS 7: "Interest Rate Benchmark Reform " | 1 January 2020 |

The aforementioned changes have no effect on the consolidated financial statements of CeramTec TopCo Group.

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 |
|--|------------------------------------|
| IFRS 17: "Insurance Contracts" | 1 January 2021 |
| IAS 1: "Classification of Liabilities as Current or Non-current" | 1 January 2022 |

3 Notes to the consolidated statement of comprehensive income

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 2020 EUR k | 1 January to 31 March 2019 EUR k |
|----------------------|--|--|
| Regions | | |
| Europe (w/o Germany) | 74,021 | 73,602 |
| Germany | 33,981 | 38,763 |
| Asia | 21,855 | 24,505 |
| North America | 25,092 | 24,226 |
| Rest of world | 3,169 | 4,357 |
| Total | 158,118 | 165,453 |
| Businesses | | |
| Industrial | 87,702 | 97,307 |
| Medical products | 70,416 | 68,146 |
| Total | 158,118 | 165,453 |

Unfilled orders on hand amount to EUR 165,278k as of the balance sheet date (31 March 2019: EUR 213,605), of which EUR 115,411k (31 March 2019: EUR 144,455k) and EUR 49,867k (31 March 2019: EUR 69,150k) are attributable to the Industrial and Medical Products businesses respectively. The decline of orders on hand compared to the prior year period reflects on the Industrial side slower overall macro economic activity which started in the second half of 2019 as well as impacts from the Covid 19 outbreak. On the medical side the reduction is also driven by the Covid 19 impact but also by a change in the methodology as to when certain orders are captured timing wise in the system which has led to a reduction of the orders at hand compared to the prior year period.

3.2 Cost of sales

The cost of sales breaks down as follows:

| | 1 January to 31 March 2020 EUR k | 1 January to 31 March 2019 EUR k |
|------------------------------|--|--|
| Personnel expenses | 33,657 | 33,990 |
| Material and packaging costs | 26,757 | 33,446 |
| Amortization and depreciat. | 14,027 | 13,966 |
| Other cost of sales | 14,780 | 10,618 |
| Total | 89,221 | 92,020 |

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 2020 EUR k | 1 January to 31 March 2019 EUR k |
|---|--|--|
| Foreign currency results | 1,489 | -183 |
| Gains / losses (-) on disposal of property, plant and equipment | 55 | -16 |
| Addition to allowance for bad debts | -38 | -15 |
| Income from the reversal of allowances for bad debt | 2 | 66 |
| Write-downs and impairment | 0 | -262 |
| Sundry other income | 366 | 43 |
| Sundry other expenses | -44 | -417 |
| Total | 1,830 | -784 |

3.7 Financial result

The financial result breaks down as follows:

| | 1 January to 31 March 2020 EUR k | 1 January to 31 March 2019 EUR k |
|---|--|--|
| Interest income from effective interest method | 356 | 339 |
| Interest income from derivatives | 0 | 14,573 |
| Exchange rate gains | 0 | 310 |
| Other interest and financial income | 26 | 10 |
| Total interest income and other finance income | 382 | 15,232 |
| Interest expense from derivatives | 27,076 | 0 |
| Interest expense from syndicated loan | 7,212 | 8,449 |
| Interest expense from bond | 5,329 | 5,263 |
| Interest expense from shareholder loan | 4,840 | 9,559 |
| Exchange rate losses | 3,222 | 0 |
| Expense from unwinding the discount on financial liabilities | 1,120 | 1,199 |
| Interest expense from provision and use of revolving line of credit | 218 | 180 |
| Other interest expenses | 502 | 1,085 |
| Interest capitalized | -135 | -82 |
| Total interest expenses and other finance costs | 49,384 | 25,653 |
| Total financial result | -49,002 | -10,421 |

Exchange rate gains and losses result from loans not designated in the functional currency of the group companies.

The other interest expenses include an amount of EUR 338k (1 January to 31 March 2019: EUR 609k), 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 2018. It was allocated to the cash-generating units (CGUs) Medical and Industrial. The net carrying amounts as of the reporting date amount to EUR 874,613k and EUR 137,065k respectively.

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 16,380k (1 January to 31 March 2019: EUR 16,278k), which arise mainly from customer relationships and technology.

CeramTec TopCo Group purchased intangible assets at cost of EUR 692k (1 January to 31 March 2019: EUR 131k).

4.2 Property, plant and equipment

During the reporting period, additions to property, plant and equipment amount to EUR 5,785k (1 January to 31 March 2019: EUR 6,483k), from which no subsidies are deducted. Excluding the right-of-use assets CeramTec TopCo Group acquired assets at cost of EUR 4,943k.

The recognized depreciation expenses amount to EUR 10,391k (1 January to 31 March 2019: EUR 10,489k).

There were contractual commitments to acquire property, plant and equipment of EUR 20,968k (31 December 2019: EUR 21,161k) as of the reporting date.

4.3 Other financial assets

The following table breaks down other financial assets as follows:

| | 31 March 2020 EUR k | 31 December 2019 EUR k |
|---|------------------------|---------------------------|
| Other financial assets (non-current) | | |
| Separated termination rights | 1,301 | 25,139 |
| Insurance claims | 45 | 45 |
| Other financial assets | 0 | 59 |
| Total | 1,346 | 25,243 |
| Other financial assets (current) | | |
| Receivables arising from amounts retained by a factor as a security | 1,700 | 1,792 |
| Derivative financial instruments | 0 | 717 |
| Other financial assets | 344 | 565 |
| Total | 2,044 | 3,074 |

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 4.11.

The significant decrease of the value of the prepayment option reflects the market prices of the bond and the situation of the global bond market in March 2020.

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 2020 | 31 December 2019 |
|--|---------------|------------------|
| | EUR k | EUR k |
| Other non-current assets | | |
| Deferred finance costs for the revolving credit line | 643 | 697 |
| Other assets | 394 | 410 |
| Total | 1,037 | 1,107 |
| Other current assets | | |
| Prepaid insurance | 4,067 | 2,454 |
| Receivables from energy tax refunds | 1,272 | 989 |
| VAT receivables | 1,099 | 2,383 |
| Deferred finance costs for the revolving credit line | 219 | 219 |
| Sundry assets | 1,698 | 1,981 |
| Total | 8,355 | 8,026 |

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 71,819k (31 December 2019: EUR 52,740k) after taking into account valuation allowance of EUR 784k (31 December 2019: EUR 760k). 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 12,538k were sold as of the balance sheet date (31 December 2019: EUR 14,422k). Under the terms of the agreement, EUR 1,700k (31 December 2019: EUR 1,792k) 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 2020 EUR k | 31 December 2019 EUR k |
|---|------------------------|---------------------------|
| Carrying amount before impairment | 72,603 | 53,500 |
| thereof not yet due on the reporting date | 60,749 | 41,248 |
| thereof past due on the reporting date | 11,854 | 12,252 |
| past due up to 30 days | 8,485 | 10,001 |
| past due up to 60 days | 1,537 | 896 |
| past due up to 90 days | 849 | 181 |
| past due more than 90 days | 983 | 1,174 |

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 78,829k (31 December 2019: EUR 64,373k) and cash in hand of EUR 5k (31 December 2019: EUR 7k).

4.7 Equity

The following table breaks down the equity as follows:

| | 31 March 2020 EUR k | 31 December 2019 EUR k |
|--|------------------------|---------------------------|
| Issued capital | 25 | 25 |
| Capital reserves | 780,371 | 780,371 |
| Accumulated losses | -441,909 | -442,793 |
| Accumulated other comprehensive income | -2,174 | 865 |
| Total | 336,313 | 338,468 |

Effective as of 31 December 2019, a nominal amount of EUR 247,929k of the shareholder loan and the interest payable in the amount of EUR 32,025k were contributed to the capital reserves.

4.8 Financial liabilities to affiliates

Financial liabilities to affiliates comprise a loan payable to CTEC Acquisition S.à.r.l., Luxembourg, of EUR 259,544k (31 December 2019: EUR 311,503k).

| | 31 March 2020 EUR k | 31 December 2019 EUR k |
|--|------------------------|---------------------------|
| Non-current financial liabilities | | |
| Loan payable | 256,270 | 256,270 |
| Accrued interest | 3,274 | 0 |
| | 259,544 | 256,270 |
| Current financial liabilities | | |
| Loan payable | 0 | 19,599 |
| Accrued interest | 0 | 35,634 |
| | 0 | 55,233 |
| Total | 259,544 | 311,503 |

In January 2020, an amount of EUR 56,799k was paid, consisting of a nominal amount of EUR 19,599k and interest payable which has been accrued until the date of payment of EUR 37,200k (thereof accrued in 2020 EUR 1,566k).

Unpaid interest is added annually to the Company's loan balance on 31 December, for the first time on 31 December 2020.

4.9 Financial liabilities to third parties

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

| | 31 March 2020 EUR k | 31 December 2019 EUR k |
|--|------------------------|---------------------------|
| Non-current financial liabilities | | |
| Liabilities to banks | 1,003,164 | 999,334 |
| Liabilities from the bond | 415,385 | 415,740 |
| Derivative financial instruments | 17,736 | 15,179 |
| Lease liabilities | 3,815 | 3,071 |
| Total | 1,440,100 | 1,433,324 |

| | 31 March 2020 | 31 December 2019 |
|--------------------------------------|---------------|------------------|
| | EUR k | EUR k |
| Current financial liabilities | | |
| Liabilities to banks | 76,938 | 2,672 |
| Derivative financial instruments | 6,132 | 5,743 |
| Discounts and bonuses | 3,538 | 4,139 |
| Liabilities from the bond | 2,664 | 7,993 |
| Lease liabilities | 1,784 | 2,355 |
| Other current financial liabilities | 1,726 | 2,504 |
| Total | 92,782 | 25,406 |

Liabilities to banks nominally amount to EUR 894,000k (31 December 2019: EUR 894,000k) from a tranche in EUR and EUR 135,999k (31 December 2019: EUR 133,167k) 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 26,803k 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 2019: EUR 406,000k). 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 13,570k 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 4.11.

The increase in current liabilities to banks mainly results from the existing revolving credit line fully drawn with an amount of EUR 67,000k and a partly drawn ancillary line which is available up to EUR 8,000k.

4.10 Other liabilities

Other liabilities break down as follows:

| | 31 March 2020 | 31 December 2019 |
|--|---------------|------------------|
| | EUR k | EUR k |
| Other current liabilities | | |
| Wages and salaries including taxes | 12,712 | 12,208 |
| Real estate transfer tax | 1,023 | 1,023 |
| Payables under terms of contracts with customers | 20 | 907 |
| Other current liabilities | 2,895 | 2,599 |
| Total | 16,650 | 16,737 |

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 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.

| | | 31 March 2020 | |
|--------------------------------|---|-----------------------------|---------------------|
| | Measurement category of IFRS 9 ¹ | Carrying amount EUR k | Fair value EUR k |
| Financial assets | | | |
| Trade receivables | AC | 71,819 | 71,819 |
| Separated termination rights | FVtPL | 1,301 | 1,301 |
| Cash and cash equivalents | AC | 78,834 | 78,834 |
| Other financial assets | AC | 2,089 | 2,089 |
| Total | | 154,043 | 154,043 |
| Financial liabilities | | | |
| Liabilities to banks | AC | 1,080,102 | 1,104,264 |
| Bond liabilities | AC | 418,049 | 356,989 |
| Liabilities to affiliates | AC | 259,544 | 261,819 |
| Trade payables | AC | 22,675 | 22,675 |
| Separated interest rate floors | FVtPL | 18,623 | 18,623 |
| Lease liabilities | AC | 5,599 | 5,599 |
| Interest rate cap | FVtPL | 5,006 | 5,006 |
| Forward exchange transactions | Hedge | 239 | 239 |
| Other financial liabilities | AC | 5,264 | 5,264 |
| Total | | 1,815,101 | 1,780,478 |

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 2019 | |
|--------------------------------|---|-------------------------|--------------------|
| | Measurement category of IFRS 9 ¹ | Carrying amount kEUR | Fair value kEUR |
| Financial assets | | | |
| Trade receivables | AC | 52,740 | 52,740 |
| Separated termination rights | FVtPL | 25,139 | 25,139 |
| Cash and cash equivalents | AC | 64,380 | 64,380 |
| Forward exchange transactions | FVtPL | 717 | 717 |
| Other financial assets | AC | 2,461 | 2,461 |
| Total | | 145,437 | 145,437 |
| Financial liabilities | | | |
| Liabilities to banks | AC | 1,002,006 | 1,027,167 |
| Liabilities to affiliates | AC | 311,503 | 314,158 |
| Bond liabilities | AC | 423,733 | 448,597 |
| Trade payables | AC | 30,277 | 30,277 |
| Separated interest rate floors | FVtPL | 15,272 | 15,272 |
| Interest rate cap | FVtPL | 5,650 | 5,650 |
| Lease liabilities | AC | 5,425 | 5,425 |
| Other financial liabilities | AC | 6,644 | 6,644 |
| Total | | 1,800,510 | 1,853,190 |

¹ AC: measured at amortized cost using the effective interest method; FVtOCI: measured at 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:** Level 1 inputs are quoted (unadjusted) prices in markets for identical assets or liabilities that the entity can access at the measurement date
- **Level 2:** Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Level 3 inputs are unobservable 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:

| | Level 1 EUR k | 31 March 2020 Level 2 EUR k | Level 3 EUR k |
|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Financial assets | | | |
| Separated termination rights | 0 | 1,301 | 0 |
| Financial liabilities | | | |
| Separated interest rate floors | 0 | 18,623 | 0 |
| Interest rate caps | 0 | 5,006 | 0 |
| Forward exchange transactions | 0 | 239 | 0 |

| | Level 1 kEUR | 31 December 2019 Level 2 kEUR | Level 3 kEUR |
|--------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Financial assets | | | |
| Separated termination rights | 0 | 25,139 | 0 |
| Forward exchange transactions | 0 | 717 | 0 |
| Financial liabilities | | | |
| Separated interest rate floors | 0 | 15,272 | 0 |
| Interest rate cap | 0 | 5,650 | 0 |

The following table shows the fair value hierarchy for the financial instruments that are not recognized at fair value in the consolidated financial statements; however, their fair value is provided in the notes to the financial statements. The Group does not disclose the fair values of financial instruments when their carrying amounts are a reasonable approximation of the fair values, such as current trade receivables and payables.

| | Level 1 EUR k | 31 March 2020 Level 2 EUR k | Level 3 EUR k |
|------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Financial liabilities | | | |
| Bond liabilities | 0 | 356,989 | 0 |
| Liabilities to banks | 0 | 1,104,264 | 0 |
| Liabilities to affiliates | 0 | 0 | 261,819 |
| Lease liabilities | 0 | 5,599 | 0 |

| | 31 December 2019 | | |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Level 1 kEUR | Level 2 kEUR | Level 3 kEUR |
| | <u> </u> | <u> </u> | <u> </u> |
| Financial liabilities | | | |
| Bond liabilities | 0 | 448,597 | 0 |
| Liabilities to banks | 0 | 1,027,167 | 0 |
| Liabilities to affiliates | 0 | 0 | 314,158 |
| Lease liabilities | 0 | 5,425 | 0 |

The fair value of the bond corresponds to the nominal value multiplied by the market value as of the reporting date, plus the separated termination right. Accordingly, the fair value measurement is allocated to level 2 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 intensity (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 intensity (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 1,798k that will affect cash during the following accounting period.

During the period CeramTec TopCo Group paid EUR 6,712k 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.

In January 2020, an amount of EUR 56,799k of the shareholder loan was paid to the shareholder, CTEC Acquisition S.à.r.l., Luxembourg, consisting of a nominal amount of EUR 19,599k and interest payable which has been accrued until the date of payment of EUR 37,200k.

Interest expenses of bond liabilities include income of EUR 1,380k 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 259,544k (31 December 2019: EUR 311,503k), 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 4,840k (1 January to 31 March 2019: 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 2020.

Costs were incurred for CTEC Invest S.à r.l., Luxembourg, the parent company of the shareholder, CTEC Acquisition S.à.r.l., Luxembourg. This gave rise to an account receivable from affiliates of EUR 1k (31 December 2019: EUR 20k).

6.3 Significant changes in the current reporting period

At the end of March 2020, the existing revolving credit line with an amount of EUR 67,000k was drawn down for an initial period of 6 months to secure liquidity, which is currently still largely available for future payments. Furthermore, an additional credit line of EUR 8,000k is available, which can be drawn on daily basis if required.

Trading in the first quarter was impacted by the consequences of the Covid 19 crises, mostly by a reduced order intake whereas sales overall have held up fairly well, numerous customers have partly closed their facilities or significantly reduced their activities and the impacts for the coming quarters are currently not clear. In preparation for potential further impacts numerous measures to ensure the health of all employees as well as liquidity and profitability have been put in place and are being monitored on a daily basis. Furthermore agreements have been negotiated and signed with the workers council regarding the flexible use of short time work and in some factories short time work has been introduced on a selective basis.

6.4 Subsequent events

The economic impact of coronavirus is still difficult to assess. We currently assume that the earnings situation (EBITDA) in 2020 will be significantly negatively affected. With regard to the financial position in 2020, cash flow from operating activities is likely to be significantly below the previous year's level, but should remain clearly positive.

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 47k (1 January to 31 March 2019: EUR 40k)
- lower interest expenses and other finance costs of EUR 11k (1 January to 31 March 2019: EUR 2k)

The total comprehensive income of CeramTec BondCo would therefore have been EUR 58k higher (1 January to 31 March 2019: EUR 42k) 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 2020:

- higher receivables from affiliates of EUR 15,372k (31 December 2019: EUR 261k)
- lower liquid funds of EUR 15,014k (31 December 2019: EUR 10k)
- lower capital reserves of EUR 25k (31 December 2019: EUR 25k)
- lower financial liabilities to third parties of EUR 65k (31 December 2019: EUR 114k)

This would have resulted in a EUR 423k (31 December 2019: EUR 365k) 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, 15 May 2020

CeramTec TopCo GmbH

The management

Dr. Hadi Saleh