

CeramTec TopCo GmbH
Plochingen

**Interim Condensed
Consolidated Financial Statements
for the period ended
30 June 2020**

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 June 2020

Assets	Notes	30 June 2020	31 December 2019
		EUR k	EUR k
Goodwill	4.1	874,613	1,011,678
Other intangible assets	4.1	1,007,178	1,038,533
Property, plant and equipment	4.2	279,234	289,387
Other financial assets	4.3	1,416	25,243
Other assets	4.4	971	1,107
Deferred tax assets		837	1,172
Non-current assets		2,164,249	2,367,120
Inventories		98,815	97,093
Trade receivables	4.5	57,294	52,740
Trade accounts receivable from affiliates		0	20
Income tax receivables		3,390	2,808
Other financial assets	4.3	1,973	3,074
Other receivables and assets	4.4	10,217	8,026
Cash and cash equivalents	4.6	90,876	64,380
Current assets		262,565	228,141
Total Assets		2,426,814	2,595,261

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of financial position as at 30 June 2020

Equity and Liabilities	Notes	30 June 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	-602,791	-442,793
Accumulated other comprehensive income	4.7	-1,118	865
Equity		176,487	338,468
Provisions for pension obligations		115,602	113,433
Other provisions		5,275	5,506
Financial liabilities to affiliates	4.8	264,273	256,270
Financial liabilities to third parties	4.9	1,439,660	1,433,324
Deferred tax liabilities		279,930	298,417
Non-current liabilities		2,104,740	2,106,950
Other provisions		13,792	17,765
Provision for taxes		5,273	4,425
Financial liabilities to affiliates	4.8	0	55,233
Financial liabilities to third parties	4.9	89,637	25,406
Trade payables		22,121	30,277
Other liabilities	4.10	14,764	16,737
Current liabilities		145,587	149,843
Total liabilities		2,250,327	2,256,793
Total equity and liabilities		2,426,814	2,595,261

CeramTec TopCo GmbH, Plochingen

Interim condensed consolidated statement of comprehensive income

from 1 January to 30 June 2020

	Notes	1 April to 30 June 2020	1 April to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	122,085	160,736	280,203	326,189
Cost of sales	3.2	79,684	90,971	168,904	182,990
Gross profit		42,401	69,765	111,299	143,199
Selling costs	3.3	21,354	24,492	45,154	49,244
Research and development costs	3.4	4,952	5,664	10,768	11,673
General administrative costs	3.5	5,884	8,368	11,848	14,431
Other income and expenses (-), net	3.6	-137,670	-552	-135,840	-1,336
Operating income		-127,459	30,689	-92,311	66,515
Interest income and other finance income		1,272	435	769	6,767
Interest expenses and other finance costs		22,072	34,236	70,571	50,989
Financial result	3.7	-20,800	-33,801	-69,802	-44,222
Profit / loss (-) before income tax		-148,259	-3,112	-162,113	22,293
Income tax benefit / expense (-)		107	-1,730	2,836	-13,022
Net profit / net loss (-) for the period		-148,152	-4,842	-159,277	9,271
Items that will not be reclassified through profit or loss					
Income / expenses (-) from the remeasurement of pension provisions		-17,903	-10,161	-1,018	-10,770
Deferred taxes		5,173	2,925	297	3,086
		-12,730	-7,236	-721	-7,684
Items that may be reclassified subsequently to profit or loss					
Losses (-) / gains on cash flow hedges		218	112	-739	81
Deferred taxes		-63	-23	214	-23
		155	89	-525	58
Changes in the fair value of financial assets available for sale		0	322	0	-8
Deferred taxes		0	-92	0	2
		0	230	0	-6
Exchange differences on translation of foreign operations		901	639	-1,458	273
Other comprehensive loss, net of income tax		-11,674	-6,278	-2,704	-7,359
Total comprehensive income / loss (-)		-159,826	-11,120	-161,981	1,912

**Interim condensed consolidated statement of cash flows
from 1 January to 30 June 2020**

	1 January to 30 June 2020 EUR k	1 January to 30 June 2019 EUR k
Net profit / net loss (-) for the period	-159,277	9,271
Income tax expense / benefit (-)	-2,837	13,021
Interest result	37,175	49,434
Amortisation, depreciation and impairment charges of non-current assets	190,642	53,686
Loss on disposal of property, plant and equipment and intangible assets	32	19
Decrease (-) in provisions (excluding deferred taxes)	-3,726	-3,355
Income tax payment (-)	-14,211	-9,819
Other non-cash income (-) / expenses, net	30,321	-7,463
Increase (-) in inventories	-1,721	-1,601
Increase (-) in trade receivables	-4,554	-12,640
Increase (-) in other receivables and (financial) assets	-1,707	-301
Decrease (-) in trade payables	-2,543	-6,642
Increase / decrease (-) in other (financial) liabilities	-5,032	11,055
Cash flow from operating activities	62,562	94,665
Cash received from disposals of property, plant and equipment	189	63
Cash paid (-) for investments in property, plant and equipment	-17,100	-20,773
Cash paid (-) for investments in intangible assets	-1,798	-531
Cash flow from investing activities	-18,709	-21,241
Repayment (-) of syndicated loan	0	-33,361
Interest paid (-)	-63,075	-28,269
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)	-1,278	-1,418
Cash flow from financing activities	-16,952	-63,048
Increase in cash and cash equivalents	26,901	10,376
Net foreign exchange difference	-405	78
Cash and cash equivalents at the beginning of the period	64,380	21,058
Cash and cash equivalents at the end of the period	90,876	31,512

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen

**Interim condensed consolidated statement of changes in equity
for the period ended 30 June 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	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
31 December 2019	25	780,371	-442,793	510	0	355	338,468
Net loss for the period	0	0	-159,277	0	0	0	-159,277
Other comprehensive loss	0	0	-721	-525	0	-1,458	-2,704
<i>Total comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>-159,998</i>	<i>-525</i>	<i>0</i>	<i>-1,458</i>	<i>-161,981</i>
30 June 2020	25	780,371	-602,791	-15	0	-1,103	176,487

**CeramTec TopCo GmbH
Plochingen**

**Selected explanatory notes to the
Interim Condensed
Consolidated Financial Statements
for the period ended
30 June 2020**

1	General	3
2	Accounting principles and policies	6
3	Notes to the consolidated statement of comprehensive income	8
4	Notes to the consolidated statement of financial position.....	12
5	Notes to the interim condensed consolidated statement of cash flows	22
6	Other notes	22
7	Reconciliation to CeramTec BondCo GmbH	24

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 2020 on 19 August 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
	30 June 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
Cerasiv GmbH Innovatives Keramik-Engineering, Plochingen	100.00	100.00	1

Name of the entity	Share of capital in %		Business activities
	30 June 2020	31 December 2019	
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:

		30 Jun 2020	1 Apr to 30 Jun 2020	1 Jan to 30 Jun 2020	31 Dec 2019	1 Apr to 30 Jun 2019	1 Jan to 30 Jun 2019
		Period-end exchange rate	Average exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate	Average exchange rate
USD	USA	1.1198	1.1006	1.1015	1.1189	1.1239	1.1298
CNY	China	7.9219	7.8025	7.7481	7.8175	7.6721	7.6670
GBP	Great Brit.	0.9124	0.8870	0.8743	0.8521	0.8749	0.8736
PLN	Poland	4.4560	4.5046	4.4136	4.2567	4.2819	4.2919
CZK	Czech Rep.	26.7400	27.0706	26.3422	25.4630	25.6834	25.6838

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
IFRS 16: "Covid-19-Related Rent ConcessionsInterest"	1 June 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
IFRS 3: "Reference to the Conceptual Framework"	1 January 2022
IAS 37: "Onerous Contracts - Costs of Fulfilling a Contract "	1 January 2022
IAS 16: "PP&E: Proceeds before Intended Use "	1 January 2022
Annual Improvements Project (2018–2020): IFRS 1, IFRS 9, IFRS 16, IAS41	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 April to 30 June 2020 EUR k	1 April to 30 June 2019 EUR k	1 January to 30 June 2020 EUR k	1 January to 30 June 2019 EUR k
Regions				
Europe (w/o Germany)	48,841	71,278	122,862	144,880
Germany	24,307	35,673	58,288	74,436
Asia	22,998	26,979	44,853	51,484
North America	24,030	23,074	49,122	47,300
Rest of world	1,909	3,732	5,078	8,089
Total	122,085	160,736	280,203	326,189
Businesses				
Industrial	73,301	92,495	161,002	189,802
Medical products	48,784	68,241	119,201	136,387
Total	122,085	160,736	280,203	326,189

Unfilled orders on hand amount to EUR 165,547k as of the balance sheet date (30 June 2019: EUR 195,700k), of which EUR 117,254k (30 June 2019: EUR 130,712k) and EUR 48,293k (30 June 2019: EUR 64,988k) 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 mostly 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 April to 30 June 2020 EUR k	1 April to 30 June 2019 EUR k	1 January to 30 June 2020 EUR k	1 January to 30 June 2019 EUR k
Personnel expenses	29,578	33,613	63,235	67,603
Material and packaging costs	22,768	29,098	49,525	62,544
Amortization and depreciat.	14,051	13,865	28,078	27,831
Other cost of sales	13,287	14,395	28,066	25,012
Total	79,684	90,971	168,904	182,990

Other costs of sales primarily contain energy costs, freight costs and maintenance expenses. Especially personnel as well as material expenses are driven by lower volumes but also significant restructuring and cost down measures to react to Covid 19 impacts.

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 2020 EUR k	1 April to 30 June 2019 EUR k	1 January to 30 June 2020 EUR k	1 January to 30 June 2019 EUR k
Impairment of goodwill	-137,065	0	-137,065	0
Foreign currency results	-492	-125	996	-308
Income from the reversal of allowances for bad debt	209	0	211	66
Losses (-) on disposal of property, plant and equipment	-88	-2	-32	-19
Add. to allowance for bad debts	-66	-144	-104	-159
Write-downs and impairment of property, plant and equipment	0	18	0	-244
Transaction costs	0	-146	0	-146
Sundry other income	39	88	405	132
Sundry other expenses	-207	-241	-251	-658
Total	-137,670	-552	-135,840	-1,336

Explanations regarding the impairment of goodwill can be found in note 4.1.

3.7 Financial result

The financial result breaks down as follows:

	1 April to 30 June 2020 EUR k	1 April to 30 June 2019 EUR k	1 January to 30 June 2020 EUR k	1 January to 30 June 2019 EUR k
Interest income from effective interest method	360	343	715	682
Interest income from derivatives	0	0	0	5,982
Exchange rate gains	884	0	0	0
Other interest and financial income	28	92	54	103
Total interest income and other finance income	1,272	435	769	6,767
Interest expense from derivatives	3,088	8,591	30,165	0
Interest expense from syndicated loan	6,986	8,216	14,199	16,665
Interest expense from bond	5,329	5,263	10,657	10,526
Interest expense from shareholder loan	4,729	9,666	9,569	19,225
Exchange rate losses	0	589	2,337	279
Expense from unwinding the discount on financial liabilities	1,062	928	2,182	2,128
Interest expense from provision and use of revolving credit line	456	177	674	357
Other interest expenses	589	891	1,091	1,976
Interest capitalized	-167	-85	-303	-167
Total interest expenses and other finance costs	22,072	34,236	70,571	50,989
Total financial result	-20,800	-33,801	-69,802	-44,222

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 674k (1 January to 30 June 2019: EUR 1,154k), which are due to unwinding the discount on provisions.

3.8 Government grants

Group companies received government supports related to the Covid 19 crisis. They are presented in the profit and loss by deducting the specific costs. In the reporting period the Group received reimbursements of labour-related taxes and contributions of EUR 120k.

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 groups of cash-generating units (CGUs) Medical and Industrial. The net carrying amount as of the reporting date of the CGU Medical amount to EUR 874,613k. With regard to the CGU Industrial, there was the need to recognize impairment losses during the reporting period totaling EUR 137,065k as the carrying amount exceeded the assets' value in use. The lower value in use in the amount of EUR 501,650k was mainly attributable to the worldwide impacts from the Covid 19 crisis and the estimated, correlated mid-term impacts on the economic development partly compensated by a decrease in the weighted average cost of capital. As of the reporting date the goodwill of the CGU Industrial is fully amortized.

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 32,776k (1 April to 30 June 2020: EUR 16,396k; 1 January to 30 June 2019: EUR 32,561k; 1 April to 30 June 2019: EUR 16,283k), which arise mainly from customer relationships and technology.

CeramTec TopCo Group purchased intangible assets at cost of EUR 1,798k (1 April to 30 June 2020: EUR 1,106k; 1 January to 30 June 2019: EUR 531k; 1 April to 30 June 2019: EUR 400k).

4.2 Property, plant and equipment

During the reporting period, additions to property, plant and equipment amount to EUR 12,602k (1 April to 30 June 2020: EUR 6,817k; 1 January to 30 June 2019: EUR 19,738k; 1 April to 30 June 2019: EUR 13,255k), from which no subsidies are deducted. Excluding the right-of-use assets CeramTec TopCo Group acquired assets at cost of EUR 11,488k.

The recognized depreciation expenses amount to EUR 20,802k (1 April to 30 June 2020: EUR 10,411k; 1 January to 30 June 2019: EUR 20,880k; 1 April to 30 June 2019: EUR 10,391k).

There were contractual commitments to acquire property, plant and equipment of EUR 18,158k (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:

	30 June 2020 EUR k	31 December 2019 EUR k
Other financial assets (non-current)		
Separated termination rights	1,355	25,139
Insurance claims	45	45
Derivative financial instruments	11	0
Minority non-controlling interest	5	0
Other financial assets	0	59
Total	1,416	25,243
Other financial assets (current)		
Receivables arising from amounts retained by a factor as a security	1,164	1,792
Derivative financial instruments	0	717
Other financial assets	809	565
Total	1,973	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 June 2020 as well as development of interest rates.

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 2020	31 December 2019
	EUR k	EUR k
Other non-current assets		
Deferred finance costs for the revolving credit line	588	697
Other assets	384	410
Total	972	1,107
Other current assets		
Prepaid insurance	3,320	2,454
Receivables from energy tax refunds	1,494	989
VAT receivables	1,584	2,383
Deferred finance costs for the revolving credit line	219	219
Sundry assets	3,600	1,981
Total	10,217	8,026

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

4.5 Trade receivables

At the end of the reporting period, trade receivables amounted to EUR 57,294k (31 December 2019: EUR 52,740k) after taking into account valuation allowance of EUR 633k (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.

A factoring agreement was concluded whereby receivables of EUR 11,528k were sold as of the balance sheet date (31 December 2019: EUR 14,422k). Under the terms of the agreement, EUR 1,164k (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:

	30 June 2020 EUR k	31 December 2019 EUR k
Carrying amount before impairment	57,927	53,500
thereof not yet due on the reporting date	45,100	41,248
thereof past due on the reporting date	12,827	12,252
past due up to 30 days	9,139	10,001
past due up to 60 days	2,006	896
past due up to 90 days	514	181
past due more than 90 days	1,168	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.

Following the Covid 19 outbreak receivable management has been further tightened with weekly reviews and closer interaction with customers. To date only minor changes on payment behaviors has been witnessed and 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 90,871k (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:

	30 June 2020 EUR k	31 December 2019 EUR k
Issued capital	25	25
Capital reserves	780,371	780,371
Accumulated losses	-602,791	-442,793
Accumulated other comprehensive income	-1,118	865
Total	176,487	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 264,273k (31 December 2019: EUR 311,503k).

	30 June 2020 EUR k	31 December 2019 EUR k
Non-current financial liabilities		
Loan payable	256,270	256,270
Accrued interest	8,003	0
	264,273	256,270
Current financial liabilities		
Loan payable	0	19,599
Accrued interest	0	35,634
	0	55,233
Total	264,273	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:

	30 June 2020 EUR k	31 December 2019 EUR k
Non-current financial liabilities		
Liabilities to banks	1,001,306	999,334
Liabilities from the bond	415,025	415,740
Derivative financial instruments	19,690	15,179
Lease liabilities	3,639	3,071
Total	1,439,660	1,433,324

	30 June 2020	31 December 2019
	EUR k	EUR k
Current financial liabilities		
Liabilities to banks	69,901	2,672
Liabilities from the bond	7,993	7,993
Derivative financial instruments	6,545	5,743
Discounts and bonuses	1,631	4,139
Lease liabilities	1,613	2,355
Other current financial liabilities	1,954	2,504
Total	89,637	25,406

Liabilities to banks nominally amount to EUR 894,000k (31 December 2019: EUR 894,000k) from a tranche in EUR and EUR 133,059k (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.

4.10 Other liabilities

Other liabilities break down as follows:

	30 June 2020	31 December 2019
	EUR k	EUR k
Other current liabilities		
Wages and salaries including taxes	11,378	12,208
Real estate transfer tax	1,023	1,023
Payables under terms of contracts with customers	10	907
Other current liabilities	2,353	2,599
Total	14,764	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.

	Measurement category of IFRS 9 ¹	30 June 2020 Carrying amount EUR k	Fair value EUR k
Financial assets			
Trade receivables	AC	57,294	57,294
Separated termination rights	FVtPL	1,355	1,355
Cash and cash equivalents	AC	90,876	90,876
Interest rate cap	AC	11	11
Other financial assets	AC	2,023	2,023
Total		151,559	151,559
Financial liabilities			
Liabilities to banks	AC	1,071,207	1,094,059
Bond liabilities	AC	423,018	401,707
Liabilities to affiliates	AC	264,273	266,572
Trade payables	AC	22,121	22,121
Separated interest rate floors	FVtPL	21,328	21,328
Lease liabilities	AC	5,252	5,252
Interest rate cap	FVtPL	4,886	4,886
Forward exchange transactions	Hedge	21	21
Other financial liabilities	AC	3,585	3,585
Total		1,815,691	1,819,531

¹ AC: measured at amortised cost using the effective interest method; 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; 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	30 June 2020 Level 2 EUR k	Level 3 EUR k
Financial assets			
Separated termination rights	0	1,355	0
Interest rate caps	0	11	0
Financial liabilities			
Separated interest rate floors	0	21,328	0
Interest rate caps	0	4,886	0
Forward exchange transactions	0	21	0

	Level 1 kEUR	31 December 2019 Level 2 kEUR	Level 3 kEUR
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	30 June 2020 Level 2 EUR k	Level 3 EUR k
Financial liabilities			
Bond liabilities	0	401,707	0
Liabilities to banks	0	1,094,059	0
Liabilities to affiliates	0	0	266,572
Lease liabilities	0	5,252	0

	31 December 2019		
	Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
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 1,100k 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 share-holder, 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 715k 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 264,273k (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 9,569k (1 January to 30 June 2019: 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 2020.

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 second quarter was strongly impacted by the consequences of the Covid 19 crisis, both by a reduced order intake as well as a sales level with a significant decrease compared to the first quarter and the previous year period. Numerous customers have partly closed their facilities or significantly reduced their activities which has led especially in April and May to a significant level of cancellations of already placed orders as well as a high level of order postponements. Since May the situation has started to normalize again. Some CeramTec facilities (CeramTec Malaysia, CeramTec India, CeramTec Suzhou, Emil Müller GmbH) also had to close for different periods (between two and six weeks) due to government order or complete factory

closures at key customer. Numerous measures to ensure the health of all employees are consequently applied throughout the whole group. Various cost down and working capital measures have been enacted to safeguard liquidity and profitability 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 104k (1 April to 30 June 2020: EUR 57k; 1 January to 30 June 2019: EUR 15k; 1 April to 30 June 2019: EUR -25k)
- lower interest expenses and other finance costs of EUR 138k (1 April to 30 June 2020: EUR 126k; 1 January to 30 June 2019: EUR 3k; 1 April to 30 June 2019: EUR 1k)

The total comprehensive income of CeramTec BondCo would therefore have been EUR 242k higher (1 April to 30 June 2020: EUR 183k; 1 January to 30 June 2019: EUR 18k; 1 April to 30 June 2019: EUR -24k) 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 2020:

- higher receivables from affiliates of EUR 15,469k (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 94k (31 December 2019: EUR 114k)
- lower trade payables of EUR 58k (31 December 2019: EUR 0k)

This would have resulted in a EUR 607k (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, 19 August 2020

CeramTec TopCo GmbH

The management

Dr. Hadi Saleh