

**CeramTec TopCo GmbH  
Plochingen**

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

**CeramTec TopCo GmbH, Plochingen**

**Interim condensed consolidated statement of financial position as at 30 September 2020**

<b>Assets</b>	<b>Notes</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
		EUR k	EUR k
Goodwill	4.1	874,613	1,011,678
Other intangible assets	4.1	991,326	1,038,533
Property, plant and equipment	4.2	276,405	289,387
Other financial assets	4.3	4,420	25,243
Other assets	4.4	914	1,107
Deferred tax assets		800	1,172
<b>Non-current assets</b>		<b>2,148,478</b>	<b>2,367,120</b>
Inventories		94,035	97,093
Trade receivables	4.5	65,904	52,740
Trade accounts receivable from affiliates		0	20
Income tax receivables		2,855	2,808
Other financial assets	4.3	3,048	3,074
Other receivables and assets	4.4	9,288	8,026
Cash and cash equivalents	4.6	36,484	64,380
<b>Current assets</b>		<b>211,614</b>	<b>228,141</b>
<b>Total Assets</b>		<b>2,360,092</b>	<b>2,595,261</b>

**CeramTec TopCo GmbH, Plochingen**

**Interim condensed consolidated statement of financial position as at 30 September 2020**

Equity and Liabilities	Notes	30 September 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	-601,004	-442,793
Accumulated other comprehensive income	4.7	-1,795	865
<b>Equity</b>		<b>177,597</b>	<b>338,468</b>
Provisions for pension obligations		121,787	113,433
Other provisions		3,162	5,506
Financial liabilities to affiliates	4.8	269,054	256,270
Financial liabilities to third parties	4.9	1,434,880	1,433,324
Deferred tax liabilities		275,485	298,417
<b>Non-current liabilities</b>		<b>2,104,368</b>	<b>2,106,950</b>
Other provisions		19,910	17,765
Provision for taxes		4,576	4,425
Financial liabilities to affiliates	4.8	0	55,233
Financial liabilities to third parties	4.9	17,717	25,406
Trade payables		20,658	30,277
Other liabilities	4.10	15,266	16,737
<b>Current liabilities</b>		<b>78,127</b>	<b>149,843</b>
<b>Total liabilities</b>		<b>2,182,495</b>	<b>2,256,793</b>
<b>Total equity and liabilities</b>		<b>2,360,092</b>	<b>2,595,261</b>

**CeramTec TopCo GmbH, Plochingen**

**Interim condensed consolidated statement of comprehensive income**

**from 1 January to 30 September 2020**

	Notes	1 July to 30 September 2020	1 July to 30 September 2019	1 January to 30 September 2020	1 January to 30 September 2019
		EUR k	EUR k	EUR k	EUR k
Revenue	3.1	138,113	148,682	418,316	474,871
Cost of sales	3.2	82,359	85,618	251,263	268,608
<b>Gross profit</b>		<b>55,754</b>	<b>63,064</b>	<b>167,053</b>	<b>206,263</b>
Selling costs	3.3	20,624	23,610	65,778	72,853
Research and development costs	3.4	4,834	5,650	15,602	17,323
General administrative costs	3.5	5,893	6,205	17,741	20,636
Other income and expenses (-), net	3.6	-647	337	-136,487	-1,000
<b>Operating income</b>		<b>23,756</b>	<b>27,936</b>	<b>-68,555</b>	<b>94,451</b>
Interest income and other finance income		6,130	420	2,408	1,204
Interest expenses and other finance costs		19,435	39,750	85,515	84,756
<b>Financial result</b>	3.7	<b>-13,305</b>	<b>-39,330</b>	<b>-83,107</b>	<b>-83,552</b>
<b>Profit / loss (-) before income tax</b>		<b>10,451</b>	<b>-11,394</b>	<b>-151,662</b>	<b>10,899</b>
Income tax benefit / expense (-)		-4,756	592	-1,920	-12,430
<b>Net profit / net loss (-) for the period</b>		<b>5,695</b>	<b>-10,802</b>	<b>-153,582</b>	<b>-1,531</b>
<b>Items that will not be reclassified through profit or loss</b>					
Income / expenses (-) from the remeasurement of pension provisions		-5,496	-28,794	-6,514	-29,285
Deferred taxes		1,588	8,265	1,885	8,392
		<b>-3,908</b>	<b>-20,529</b>	<b>-4,629</b>	<b>-20,893</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Losses (-) / gains on cash flow hedges		3	38	-736	82
Deferred taxes		-1	-23	213	-24
		<b>2</b>	<b>15</b>	<b>-523</b>	<b>58</b>
Changes in the fair value of financial assets available for sale		0	317	0	-13
Deferred taxes		0	-91	0	4
		<b>0</b>	<b>226</b>	<b>0</b>	<b>-9</b>
Exchange differences on translation of foreign operations		-679	-578	-2,137	-262
<b>Other comprehensive loss, net of income tax</b>		<b>-4,585</b>	<b>-20,866</b>	<b>-7,289</b>	<b>-21,106</b>
<b>Total comprehensive income / loss (-)</b>		<b>1,110</b>	<b>-31,668</b>	<b>-160,871</b>	<b>-22,637</b>

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

	<b>1 January to 30 September 2020 EUR k</b>	<b>1 January to 30 September 2019 EUR k</b>
Net loss for the period	-153,582	-1,531
Income tax expense	1,920	12,429
Interest result	56,051	73,414
Amortisation, depreciation and impairment charges of non-current assets	217,272	80,500
Loss on disposal of property, plant and equipment and intangible assets	41	37
Increase in provisions (excluding deferred taxes)	634	1,026
Income tax payment (-)	-21,955	-21,251
Other non-cash expenses, net	22,303	8,203
Increase (-) / decrease in inventories	3,058	-3,800
Increase (-) in trade receivables	-13,164	-5,419
Increase (-) / decrease in other receivables and (financial) assets	-1,847	1,274
Decrease (-) in trade payables	-4,490	-7,100
Increase / decrease (-) in other (financial) liabilities	-4,335	9,891
<b>Cash flow from operating activities</b>	<b>101,906</b>	<b>147,673</b>
Cash received from disposals of property, plant and equipment	203	125
Cash paid (-) for investments in property, plant and equipment	-24,677	-26,456
Cash paid (-) for investments in intangible assets	-2,377	-1,417
<b>Cash flow from investing activities</b>	<b>-26,851</b>	<b>-27,748</b>
Repayment (-) of syndicated loan	0	-53,872
Interest paid (-)	-80,707	-46,730
Repayment (-) of shareholder loan	-19,599	0
Cash paid for capitalized leases (right-of-use assets)	-1,956	-2,031
<b>Cash flow from financing activities</b>	<b>-102,262</b>	<b>-102,633</b>
<b>Change in cash and cash equivalents</b>	<b>-27,207</b>	<b>17,292</b>
Net foreign exchange difference	-689	243
Cash and cash equivalents at the beginning of the period	64,380	21,058
<b>Cash and cash equivalents at the end of the period</b>	<b>36,484</b>	<b>38,593</b>

Please refer to notes, section 5

**CeramTec TopCo GmbH, Plochingen**

**Interim condensed consolidated statement of changes in equity  
for the period ended 30 September 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
<b>31 December 2018</b>	<b>25</b>	<b>500,417</b>	<b>-96,096</b>	<b>0</b>	<b>236</b>	<b>1,031</b>	<b>405,613</b>
Net loss for the period	0	0	-1,531	0	0	0	-1,531
Other comprehensive income / loss (-)	0	0	-20,892	58	-10	-262	-21,106
<i>Total comprehensive income / loss (-)</i>	<i>0</i>	<i>0</i>	<i>-22,423</i>	<i>58</i>	<i>-10</i>	<i>-262</i>	<i>-22,637</i>
Other Changes	0	0	19	0	0	0	19
<b>30 September 2019</b>	<b>25</b>	<b>500,417</b>	<b>-118,501</b>	<b>58</b>	<b>226</b>	<b>769</b>	<b>382,995</b>
<b>31 December 2019</b>	<b>25</b>	<b>780,371</b>	<b>-442,793</b>	<b>510</b>	<b>0</b>	<b>355</b>	<b>338,468</b>
Net loss for the period	0	0	-153,582	0	0	0	-153,582
Other comprehensive loss	0	0	-4,629	-523	0	-2,137	-7,289
<i>Total comprehensive loss</i>	<i>0</i>	<i>0</i>	<i>-158,211</i>	<i>-523</i>	<i>0</i>	<i>-2,137</i>	<i>-160,871</i>
<b>30 September 2020</b>	<b>25</b>	<b>780,371</b>	<b>-601,004</b>	<b>-13</b>	<b>0</b>	<b>-1,782</b>	<b>177,597</b>

**CeramTec TopCo GmbH  
Plochingen**

**Selected explanatory notes to the  
Interim Condensed  
Consolidated Financial Statements  
for the period ended  
30 September 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 30 September 2020 on 11 November 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 September 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 September 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 Sep 2020	1 Jul to 30 Sep 2020	1 Jan to 30 Sep 2020	31 Dec 2019	1 Jul to 30 Sep 2019	1 Jan to 30 Sep 2019
		Period-end exchange rate	Average exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate	Average exchange rate
<b>USD</b>	USA	1.1708	1.1695	1.1241	1.1189	1.1118	1.1238
<b>CNY</b>	China	7.9720	8.0879	7.8614	7.8175	7.8018	7.7119
<b>GBP</b>	Great Brit.	0.9123	0.9050	0.8845	0.8521	0.9020	0.8830
<b>PLN</b>	Poland	4.5462	4.4405	4.4226	4.2567	4.3194	4.3011
<b>CZK</b>	Czech Rep.	27.2330	26.4740	26.3861	25.4630	25.7390	25.7022

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*

<b>Standards and interpretations</b>	<b>Date of first-time adoption</b>
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 Concessions"	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.

<b>Standards and interpretations</b>	<b>Date of first-time adoption</b>
IFRS 9 / IAS 39 / IFRS 7 / IFRS 4 / IFRS 16: "Interest Rate Benchmark Reform Phase 2"	1 January 2021
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, IAS 41	1 January 2022
IFRS 17: "Insurance Contracts"	1 January 2023
IAS 1: "Classification of Liabilities as Current or Non-current"	1 January 2023

### 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 July to 30 September 2020 EUR k	1 July to 30 September 2019 EUR k	1 January to 30 September 2020 EUR k	1 January to 30 September 2019 EUR k
<b>Regions</b>				
Europe (w/o Germany)	51,386	60,719	174,248	205,599
Germany	26,487	35,627	84,775	110,063
Asia	32,888	23,952	77,741	75,436
North America	24,279	23,775	73,401	71,075
Rest of world	3,073	4,609	8,151	12,698
<b>Total</b>	<b>138,113</b>	<b>148,682</b>	<b>418,316</b>	<b>474,871</b>
<b>Businesses</b>				
Industrial	80,959	89,227	241,961	279,029
Medical products	57,154	59,455	176,355	195,842
<b>Total</b>	<b>138,113</b>	<b>148,682</b>	<b>418,316</b>	<b>474,871</b>

Unfilled orders on hand amount to EUR 157,281k as of the balance sheet date (30 September 2019: EUR 183,139k), of which EUR 111,743k (30 September 2019: EUR 118,696k) and EUR 45,538k (30 September 2019: EUR 64,443k) are attributable to the Industrial and Medical Products businesses respectively. The decline of orders on hand compared to the prior year period is mostly driven by the impacts of the Covid 19 outbreak.

### 3.2 Cost of sales

The cost of sales breaks down as follows:

	1 July to 30 September 2020 EUR k	1 July to 30 September 2019 EUR k	1 January to 30 September 2020 EUR k	1 January to 30 September 2019 EUR k
Personnel expenses	29,789	31,784	93,024	99,387
Material and packaging costs	24,747	27,311	74,272	89,855
Amortization and depreciat.	13,899	14,068	41,977	41,899
Other cost of sales	13,924	12,455	41,990	37,467
<b>Total</b>	<b>82,359</b>	<b>85,618</b>	<b>251,263</b>	<b>268,608</b>

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 July to 30 September 2020 EUR k	1 July to 30 September 2019 EUR k	1 January to 30 September 2020 EUR k	1 January to 30 September 2019 EUR k
Impairment of goodwill	0	0	-137,065	0
Foreign currency results	-412	176	585	-131
Income from the reversal of allowances for bad debt	160	5	371	71
Losses (-) on disposal of property, plant and equipment	-8	-18	-41	-37
Add. to allowance for bad debts	-6	47	-111	-112
Write-downs and impairment of property, plant and equipment	0	51	0	-193
Transaction costs	0	0	0	-146
Sundry other income	64	154	470	285
Sundry other expenses	-445	-78	-696	-737
<b>Total</b>	<b>-647</b>	<b>337</b>	<b>-136,487</b>	<b>-1,000</b>

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 July to 30 September 2020 EUR k	1 July to 30 September 2019 EUR k	1 January to 30 September 2020 EUR k	1 January to 30 September 2019 EUR k
Interest income from effective interest method	364	347	1,079	1,029
Interest income from derivatives	2,154	0	0	0
Exchange rate gains	3,580	0	1,243	0
Other interest and financial income	32	73	86	175
<b>Total interest income and other finance income</b>	<b>6,130</b>	<b>420</b>	<b>2,408</b>	<b>1,204</b>
Interest expense from derivatives	0	12,010	28,010	6,028
Interest expense from syndicated loan	6,898	7,586	21,097	24,251
Interest expense from bond	5,329	5,263	15,986	15,789
Interest expense from shareholder loan	4,781	9,772	14,350	28,997
Exchange rate losses	0	3,291	0	3,571
Expense from unwinding the discount on financial liabilities	1,535	1,018	3,717	3,146
Interest expense from provision and use of revolving credit line	419	168	1,093	525
Other interest expenses	642	764	1,734	2,739
Interest capitalized	-169	-122	-472	-290
<b>Total interest expenses and other finance costs</b>	<b>19,435</b>	<b>39,750</b>	<b>85,515</b>	<b>84,756</b>
<b>Total financial result</b>	<b>-13,305</b>	<b>-39,330</b>	<b>-83,107</b>	<b>-83,552</b>

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

The other interest expenses include expenses from unwinding the discount on provisions with an amount of EUR 1,007k (1 July to 30 September 2020: EUR 334k; 1 January to 30 September 2019: EUR 1,697k; 1 July to 30 September 2019: EUR 543k).

### 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 739k.

## **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 for intangible assets in the amount of EUR 49,208k (1 July to 30 September 2020: EUR 16,433k; 1 January to 30 September 2019: EUR 48,875k; 1 July to 30 September 2019: EUR 16,314k), which arise mainly from customer relationships and technology.

CeramTec TopCo Group purchased intangible assets at cost of EUR 2,377k (1 July to 30 September 2020: EUR 579k; 1 January to 30 September 2019: EUR 1,417k; 1 July to 30 September 2019: EUR 885k).

### **4.2 Property, plant and equipment**

During the reporting period, additions to property, plant and equipment amount to EUR 21,210k (1 July to 30 September 2020: EUR 8,608k; 1 January to 30 September 2019: EUR 25,140k; 1 July to 30 September 2019: EUR 5,402k), from which no subsidies are deducted. Excluding the right-of-use assets CeramTec TopCo Group acquired assets at cost of EUR 19,549k.

The recognized depreciation expenses amount to EUR 30,999k (1 July to 30 September 2020: EUR 10,198k; 1 January to 30 September 2019: EUR 31,432k; 1 July to 30 September 2019: EUR 10,552k).

There were contractual commitments to acquire property, plant and equipment of EUR 13,035k (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 September 2020 EUR k	31 December 2019 EUR k
<b>Other financial assets (non-current)</b>		
Separated termination rights	4,373	25,139
Insurance claims	42	45
Minority non-controlling interest	5	0
Other financial assets	0	59
<b>Total</b>	<b>4,420</b>	<b>25,243</b>
<b>Other financial assets (current)</b>		
Receivables arising from amounts retained by a factor as a security	1,484	1,792
Derivative financial instruments	0	717
Other financial assets	1,564	565
<b>Total</b>	<b>3,048</b>	<b>3,074</b>

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 September 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 receivables and assets

The following table breaks down other assets as follows:

	30 September 2020	31 December 2019
	EUR k	EUR k
<b>Other non-current assets</b>		
Deferred finance costs for the revolving credit line	533	697
Other assets	381	410
<b>Total</b>	<b>914</b>	<b>1,107</b>
<b>Other current assets</b>		
Prepaid insurance	2,608	2,454
Receivables from energy tax refunds	1,752	989
VAT receivables	1,744	2,383
Deferred finance costs for the revolving credit line	219	219
Sundry assets	2,965	1,981
<b>Total</b>	<b>9,288</b>	<b>8,026</b>

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 65,904k (31 December 2019: EUR 52,740k) after taking into account valuation allowance of EUR 433k (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 14,354k were sold as of the balance sheet date (31 December 2019: EUR 14,422k). Under the terms of the agreement, EUR 1,484k (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 September 2020 EUR k	31 December 2019 EUR k
<b>Carrying amount before impairment</b>	<b>66,337</b>	<b>53,500</b>
thereof not yet due on the reporting date	56,330	41,248
thereof past due on the reporting date	10,007	12,252
past due up to 30 days	6,078	10,001
past due up to 60 days	2,688	896
past due up to 90 days	786	181
past due more than 90 days	455	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 36,480k (31 December 2019: EUR 64,373k) and cash in hand of EUR 4k (31 December 2019: EUR 7k).

#### 4.7 Equity

The following table breaks down the equity as follows:

	30 September 2020 EUR k	31 December 2019 EUR k
Issued capital	25	25
Capital reserves	780,371	780,371
Accumulated losses	-601,004	-442,793
Accumulated other comprehensive income	-1,795	865
<b>Total</b>	<b>177,597</b>	<b>338,468</b>

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 269,054k (31 December 2019: EUR 311,503k).

	30 September 2020 EUR k	31 December 2019 EUR k
<b>Non-current financial liabilities</b>		
Loan payable	256,270	256,270
Accrued interest	12,784	0
	<b>269,054</b>	<b>256,270</b>
<b>Current financial liabilities</b>		
Loan payable	0	19,599
Accrued interest	0	35,634
	<b>0</b>	<b>55,233</b>
<b>Total</b>	<b>269,054</b>	<b>311,503</b>

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 September 2020 EUR k	31 December 2019 EUR k
<b>Non-current financial liabilities</b>		
Liabilities to banks	997,135	999,334
Liabilities from the bond	414,661	415,740
Derivative financial instruments	19,570	15,179
Lease liabilities	3,514	3,071
<b>Total</b>	<b>1,434,880</b>	<b>1,433,324</b>

	30 September 2020	31 December 2019
	EUR k	EUR k
<b>Current financial liabilities</b>		
Derivative financial instruments	6,942	5,743
Liabilities to banks	2,687	2,672
Liabilities from the bond	2,665	7,993
Discounts and bonuses	1,741	4,139
Lease liabilities	1,644	2,355
Other current financial liabilities	2,038	2,504
<b>Total</b>	<b>17,717</b>	<b>25,406</b>

Liabilities to banks nominally amount to EUR 894,000k (31 December 2019: EUR 894,000k) from a tranche in EUR and EUR 127,263k (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.

#### 4.10 Other liabilities

Other liabilities break down as follows:

	30 September 2020	31 December 2019
	EUR k	EUR k
<b>Other current liabilities</b>		
Wages and salaries including taxes	11,577	12,208
Real estate transfer tax	1,023	1,023
Payables under terms of contracts with customers	0	907
Other current liabilities	2,666	2,599
<b>Total</b>	<b>15,266</b>	<b>16,737</b>

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 <sup>1</sup>	30 September 2020	
		Carrying amount EUR k	Fair value EUR k
<b>Financial assets</b>			
Trade receivables	AC	65,904	65,904
Separated termination rights	FVtPL	4,373	4,373
Cash and cash equivalents	AC	36,484	36,484
Other financial assets	AC	3,095	3,095
<b>Total</b>		<b>109,856</b>	<b>109,856</b>
<b>Financial liabilities</b>			
Liabilities to banks	AC	999,822	1,021,263
Bond liabilities	AC	417,326	391,860
Liabilities to affiliates	AC	269,054	271,289
Trade payables	AC	20,658	20,658
Separated interest rate floors	FVtPL	21,578	21,578
Lease liabilities	AC	5,158	5,158
Interest rate cap	FVtPL	4,916	4,916
Forward exchange transactions	Hedge	18	18
Other financial liabilities	AC	3,779	3,779
<b>Total</b>		<b>1,742,309</b>	<b>1,740,519</b>

<sup>1</sup> 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 <sup>1</sup>	Carrying amount kEUR	Fair value kEUR
<b>Financial assets</b>			
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
<b>Total</b>		<b>145,437</b>	<b>145,437</b>
<b>Financial liabilities</b>			
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
<b>Total</b>		<b>1,800,510</b>	<b>1,853,190</b>

<sup>1</sup> 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:

	30 September 2020		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
<b>Financial assets</b>			
Separated termination rights	0	4,373	0
<b>Financial liabilities</b>			
Separated interest rate floors	0	21,578	0
Interest rate caps	0	4,916	0
Forward exchange transactions	0	18	0

	31 December 2019		
	Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
<b>Financial assets</b>			
Separated termination rights	0	25,139	0
Forward exchange transactions	0	717	0
<b>Financial liabilities</b>			
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.

	30 September 2020		
	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
<b>Financial liabilities</b>			
Bond liabilities	0	391,860	0
Liabilities to banks	0	1,021,263	0
Liabilities to affiliates	0	0	271,289
Lease liabilities	0	5,158	0

	31 December 2019		
	Level 1	Level 2	Level 3
	kEUR	kEUR	kEUR
<b>Financial liabilities</b>			
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 1,583k that will affect cash during the following accounting period.

During the period CeramTec TopCo Group paid EUR 6,711k 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 1,079k 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 269,054k (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 14,350k (1 January to 30 September 2019: EUR 28,997k) 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**

Trading in the third quarter remains strongly impacted by the consequences of the Covid 19 crisis even though both order intake as well as sales have recovered from the levels of the second quarter. Numerous customers still have reduced their respective production capacities, whereas in some industries an improvement in activities was witnessed. Different 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 closely monitored. Furthermore in the reporting period 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 133k (1 July to 30 September 2020: EUR 29k; 1 January to 30 September 2019: EUR 17k; 1 July to 30 September 2019: EUR 2k)
- lower interest expenses and other finance costs of EUR 256k (1 July to 30 September 2020: EUR 118k; 1 January to 30 September 2019: EUR 5k; 1 July to 30 September 2019: EUR 2k)

The total comprehensive income of CeramTec BondCo would therefore have been EUR 389k higher (1 July to 30 September 2020: EUR 147k; 1 January to 30 September 2019: EUR 22k; 1 July to 30 September 2019: EUR 4k) 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 September 2020:

- higher receivables from affiliates of EUR 615k (31 December 2019: EUR 261k)
- lower liquid funds of EUR 10k (31 December 2019: EUR 10k)
- lower capital reserves of EUR 25k (31 December 2019: EUR 25k)
- lower financial liabilities to third parties of EUR 122k (31 December 2019: EUR 114k)
- lower trade payables of EUR 26k (31 December 2019: EUR 0k)

This would have resulted in a EUR 754k (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 material 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, 11 November 2020

**CeramTec TopCo GmbH**

The management

Dr. Hadi Saleh