

**CeramTec TopCo GmbH
Plochingen/Germany**

Consolidated financial statements
and group management report
for the financial year from
1 January to 31 December 2021

TRANSLATION

– German version prevails –



CeramTec TopCo GmbH

Plochingen/Germany

Group Management Report

for Financial Year 2021

Translation – German version prevails

1 Basic information about the consolidated group

1.1 Preliminary remarks

CeramTec TopCo GmbH (hereinafter referred to as CT TopCo or Company) is headquartered in Plochingen/Germany. The financial year corresponds to the calendar year.

CT TopCo is the ultimate German parent company of the CeramTec companies.

In addition to the financial statements of CT TopCo, the consolidated financial statements include the financial statements of subsidiaries which are directly and indirectly controlled by CT TopCo. Of the 25 fully consolidated subsidiaries, 10 are headquartered in Germany, and 15 are headquartered abroad. The notes to the consolidated financial statements include details of shareholdings.

The consolidated financial statements of CT TopCo are prepared by applying Sec. 315e (3) in conjunction with (1) German Commercial Code (HGB) in conformity with the International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and related interpretations (SICs/IFRICs) which must be applied in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the EU, and the supplementary requirements of the HGB.

1.2 Business model/targets and strategies

CeramTec is a leading global developer, manufacturer and supplier of high-performance ceramics ("HPC") solutions. Our HPC solutions are made of advanced ceramics, which are highly specialized materials with superior biological, mechanical, electric, thermal and/or chemical properties compared to often competing products made from metal or organic polymers (plastics). CeramTec has been engaged in the HPC industry for over 100 years, with operational expertise and experience in creating innovative system solutions for longstanding regular customers. CeramTec serves mainly medical device and industrial markets, and supplies products for all areas of life, including components for hip joint prostheses, dental implants, various piezo components for sensors (for medical and industrial end applications), various components for conventional, hybrid and electric vehicles, SPK tools for high-performance cutting, and high-performance ceramic substrata for various electronic components. The versatility of HPC products and resulting wide-range of applications provides us with a highly diversified end-market witnessing a long-term growth trend, and customer base.

Our operations can be divided into two businesses — Medical Products and Industrial.

- The Medical Products business focuses on developing and manufacturing ceramic components for joint replacements in hip endoprosthetics as well as – since 2020 – entering into the market for ceramic dental implants. In 2021, we generated 43.0% of our revenue from our Medical Products business.
- The Industrial business develops, manufactures and supplies a broad range of highly specialized, application-intensive HPC solutions for customers spanning a wide range of markets, including automotive, electronics, industrial machinery and medical equipment. In 2021, 57.0% of our revenue was generated by products for industrial applications.

CeramTec generates more than 60% of revenue in Europe (including Germany). However, our customers have a strong export focus as their end-products, such as automotive parts or medical products, are exported world-wide.

CeramTec has a global manufacturing footprint with 20 manufacturing facilities across Europe, North America, South America and Asia. Manufacturing plants in Germany are located at Plochingen (headquarters), Marktredwitz, Lauf, Ebersbach, Wittlich, Lohmar and Wilhermsdorf.

CeramTec's business model is based on a number of key strengths:

- Ability to deliver compelling customer value through high-tech, tailored solutions for complex applications
- R&D and manufacturing excellence with high degree of customer integration
- Highest quality standards as an important criterion mainly for our customers using orthopedic and medical technology products, and industrial customers who need to fulfill ever-rising quality requirements
- Leading market position in a critical and growing segment of the orthopedics market
- Extensive expertise in manufacturing highly complex ceramic components in small or large batch sizes meeting the highest quality standards
- Global expertise in the relevant regulatory requirements and processes within the medical components market
- Tailored solutions for OEMs (original equipment manufacturers) in diversified industrial business segments
- Strong assets, liabilities, financial position and financial performance as well as sustainable cash flows
- Experienced management team supported by dedicated workforce

Our goal is profitable and sustainable business growth. We aim to:

- Continuously improve our strong position in medical device end-markets with long-term growth potential and enter into further medical device end-markets.
- Expand our high-performance product portfolio for attractive industrial end-markets with long-term potential for demanding ceramics solutions.
- Maintain and improve leadership in high-performance ceramics through commercial, operational and innovation excellence and continuous process improvement.
- Further expand our close cooperation with customers to jointly develop technologically innovative solutions based on the outstanding material properties of ceramics and a clear understanding of customer requirements as well as the regulatory requirements for various products and countries.
- Expand globally in markets with strong underlying fundamentals where CeramTec is currently underrepresented such as the United States and China, by focusing on growth initiatives and delivering customer driven innovations.
- Maintain a disciplined approach in using such cash while preserving attractive margins.
- Pursue a sustainable acquisition strategy, with future acquisitions focused on attractive end-markets and technologies as well as accessing new geographies.

1.3 Research and development

As a manufacturer of high-tech solutions we believe that our continued emphasis on research and development is key to our future profitability. Our research and development efforts consist mainly of applications-oriented development and processes cooperatively developed with our customers and innovative solutions which promise high market potential. CeramTec cooperates with many well-known research institutions and universities. We have a strong research and development infrastructure with a large number of globally working scientists and engineers.

We will continue to focus on closer cooperation with our customers and marketability of technologically differentiated products that clearly create value for our customers. Our research and development efforts will also be directed towards innovative new products and materials for markets with long-term growth potential, focusing on products which enable CeramTec to substantially differentiate from competitors, based on its in-depth knowhow about materials and processes.

In the financial year, expenses for the consolidated group's research and development efforts amounted to EUR 22,858k (prior year: EUR 20,628k), and the ratio of research and development expenses to revenues was 3.6% (prior year: 3.7%). At the balance sheet date, 170 (31 December 2020: 161) people were employed in research and development.

2 Economic report

2.1 Macroeconomic development and sector-related general conditions

Macroeconomic development

The Institute for the World Economy expects the global economy to grow at 5.7% in 2021, according to the Institute's Economic Outlook report released on 15 December 2021. In the meantime, the global economy is recovering in fits and starts from a COVID-induced slump, given the global economy's uneven recovery. Although global manufacturing output continued to increase sharply in the course of 2021, total output from manufacturing was perceived as being only moderately dynamic. Economic activity continues to be noticeably affected by the COVID-19 pandemic, and supply chain disruptions directly or indirectly linked to the COVID-19 pandemic. Waves of COVID-19 infections become, however, less synchronous. In addition, the economic effects of the pandemic vary, mainly because countries that have higher vaccination rates can ease the restrictions imposed to contain the spread of the coronavirus that are harmful to the economy.

In the eurozone, the recovery from COVID-19 in manufacturing output, that had declined in the winter half-year 2020/2021 because of the pandemic, continued almost unchanged. In many cases, COVID-19 infections rebounded, however, relatively late here. Slower manufacturing output growth in the United States was due mainly to the declining effectiveness of fiscal stimulus that in the first half of 2021 substantially boosted private consumption in particular, increasing problems associated with procuring pre-manufactured products, and the effects of a hurricane on oil production. In China, where the government pursues a strict zero-COVID strategy, in some cases stringent containment measures were adopted regionally that impacted global supply chains. In addition, China's economic activity was dampened by China's energy supply shortage and payment difficulties of large real estate companies. Within emerging economies the situation varies from country to country. While India recovered from another pandemic-induced slump in spring 2021, economic activity in many other Asian emerging countries declined sharply in summer 2021.

Gross domestic product (GDP), that is a broad measurement of Germany's overall economic activity, grew slightly by 2.6% in 2021. After economic activity rose relatively sharply in the summer half-year of 2021, economic activity is expected to decline slightly in the fourth quarter of 2021. 2021 saw a pattern of weakening economic activity in the winter half-year due to, among other things, tightening of restrictions imposed on contact-intensive services sectors. However, the effects of these restrictions were far less severe than those of restrictions imposed in the previous year that dampened economic activity. The important thing was restrictions imposed on the total population in Germany were eased as a result of vaccination progress.

Development of the industry sector

Macroeconomic and Other Developments in our Key Geographical Target Markets

CeramTec mostly generates revenue from customers based in Europe and specifically in Germany although many customers, especially medical and automotive customers, are export-oriented, globally operating companies. Consequently, we view our business as globally diversified. Our actual end-markets are likely to be more strongly located in North America and Asia than our direct sales show.

Development of Markets for Hip Joint Prostheses as Indicator for the Medical Products business

Medical Product revenues and operating profit are influenced by the development of the market for hip joint prostheses in general and the market share for ceramic hip implants in particular, and have historically not been particularly sensitive to macroeconomic developments, while short-term restrictions on the performance of elective operations, such as those resulting from the COVID pandemic, are expected to result in relatively high rates of “catch-up” growth as demand rebounds over the long-term due to the medical necessity of such procedures.

The share of ceramic ball heads in implanted hip joint prostheses is rising continuously. We have created a strong market position in the market for ceramic components for hip joint implants. We have established long-lasting partnerships with the four largest OEMs (original equipment manufacturers), given long-term contractual relationships. In addition to growth in the total market for hip prostheses, the share of ceramic components for dental, knee, shoulder and spinal prostheses is expected to increase by gradually replacing traditional materials such as metal which can, for example, trigger allergic reactions. Continuously positive development in ceramic market share is expected in North America and China in particular.

Demand Cycles in Various End-Markets Relevant for our Industrial Business

Revenue in our Industrial business is influenced by economic growth in our target markets.

In addition to the overall GDP growth rate influencing our Industrial business, each industrial sub-market is also subject to different influential factors. Specifically, the automotive, electronics and engineering industries are cyclical end-markets in some cases, and can be broken down into sub-markets that have different cycles.

The CT TopCo Group’s key revenue drivers include, among others, the market for orthopedic operations, such as hip operations in particular, the automotive industry, the electronics industry and various other industrial niche markets, such as the machine component market in the textile industry. Particularly for the automotive end-market, but also various other industrial end-markets, such as machine construction, the economic developments in Germany and Europe have a significant effect on our business.

2.2 Business development

The CT TopCo Group has an extensive portfolio of ceramic materials, and our highly trained and experienced product development and manufacturing specialists enable us to provide state-of-the-art solutions and a wide range of the finest quality products for demanding customers operating in the medical technology, automotive, electronics, energy-and-environment, and mechanical and plant engineering industries.

Thus, the CT TopCo Group operates in a very heterogeneous market, and in the financial year 2021 achieved revenues totaling EUR 641,731k. The financial year was again dominated by the economic effects of the coronavirus pandemic. In the first half of the year, significant growth rates were achieved in all end-markets while, in the second half of 2021, a slowdown in growth was directly linked to retightening of COVID-related restrictions and delivery bottlenecks in many markets.

The management of the CT TopCo Group had forecast for year 2021 a significant increase in revenue, adjusted EBITDA, and EBITDA compared to the preceding year. In actuality, in 2021 the planned level of revenue was met, EBITDA were even substantially higher than planned, and the planned level of adjusted EBITDA was significantly exceeded.

In the financial year 2021, order intake amounted to EUR 745,997k (prior year: EUR 582,972k), and as of 31 December 2021 the backlog of orders on hand amounted to EUR 302,562k (prior year: EUR 196,360k).

Operating profit/loss of kEUR 131,231 (prior year: kEUR -53,634) adjusted for special items, depreciation, amortization, write-downs, and loss allowances (adjusted EBITDA) amounted to kEUR 258,933 (prior year: kEUR 213,099). Adjusted EBITDA margin was hence 40.3% (prior year: 38.6%).

CeramTec GmbH, Plochingen/Germany, is the largest company which engages in operating activities, and is part of the CT TopCo Group.

3 Presentation of the consolidated group's position

3.1 Financial performance

In the financial year 2021, the CT TopCo Group achieved sales revenue of EUR 641,731k (prior year: EUR 552,702k). This equates to an increase in sales revenue of 16.1% compared to financial year 2020.

Medical Products generated revenues of EUR 275,980k (prior year: EUR 230,171k). Revenue raised by selling hip implants mainly in North America and Asia grew substantially while COVID-related restrictions in Europe led to slower growth. Entry into the ceramic dental implants business also contributed EUR 6,562k to revenue growth because of the acquisition of the Dentalpoint Group.

The CeramTec Group achieved sales revenue of EUR 365,751k in its Industrial business (prior year: EUR 322,531k), given that all relevant end-markets experienced solid growth, although growth trends slowed in the second half of 2021 because of numerous supply chain disruptions, particularly growth trends in the automotive industry.

Europe and Germany are the most important markets in terms of sales, accounting for 63.1% (prior year: 62.5%) of the revenues of the consolidated group. Asia and North America account for 18.7% (prior year: 19.1%) and 17.4% (prior year: 17.7%) of the revenues respectively.

The consolidated group made a gross profit of EUR 276,888k (prior year: EUR 217,796k) in the financial year. Gross margin (gross profit in relation to revenue) amounted to 43.1% (prior year: 39.4%). Gross margin rose because we improved our ability to cover our fixed costs and re-increased productivity compared to the shortfalls that we faced in the previous year because of the economic impact of coronavirus.

The ratio of selling costs to revenue, expressed as a percentage, stands at 15.0% (following 15.8% in the previous year). The percentage decrease resulted from a non-linear increase in depreciation, amortization and write-downs as well as one-off effects in the previous year, such as litigation costs, additional pension expenses, consulting fees and severance pay. The ratio of research and development costs to revenue, expressed as a percentage, stands at 3.6% (prior year: 3.7%), and the ratio of general administrative costs to revenue stands at 4.5% (prior year: 4.4%).

Other income and expenses (net) amounted to EUR 2,098k in the reporting year compared to EUR -138,975k in the previous year. Impairment of goodwill of EUR 137,065k was a key factor impacting the previous year.

Operating profit/loss amounted to EUR 131,231k in the financial year 2021 (prior year: EUR -53,634k). Operating profit reflected mainly revenue growth, accompanied by improvement in gross margin, and the previous year's impairment of goodwill.

Negative net finance expense of EUR 67,594k (prior year: EUR 92,693k) results from interest income and similar income of EUR 19,432k (prior year: EUR 6,849k), and interest expenses and similar expenses of EUR 87,026k (prior year: EUR 99,542k).

In the financial year, interest income resulted mainly from interest income from derivatives of EUR 17,741k (prior year: EUR 0k), and discounting of financial liabilities of EUR 1,518k (prior year: EUR 1,447k). In the previous year, foreign currency gains of EUR 5,276k had been additionally included. Interest expenses were due mainly to expenses for interest on a syndicated loan and corporate bond of EUR 52,189k (prior year: EUR 49,672k), and interest on a shareholder loan of EUR 20,165k (prior year: EUR 19,131k). In the previous year, interest expenses for derivatives of EUR 22,710k had been additionally included.

Net profit/loss for the year breaks down as follows:

| (EURk) | 2021 | 2020 |
|-----------------------------------------|---------------|-----------------|
| Profit/loss before income tax | 63,637 | -146,327 |
| Current income tax expense | -35,958 | -28,123 |
| Deferred tax income | 11,544 | 25,276 |
| Net profit/loss for the year (-) | 39,223 | -149,175 |

For details of tax effects see explanations in the notes to the consolidated financial statements under "3.8 Income tax".

In the financial year, EBITDA and adjusted EBITDA (operating profit/loss, plus depreciation, amortization, write-downs/impairments, after adjustment for special items) were determined as follows:

| (EURk) | 2021 | 2020 |
|----------------------------------------------------------|----------------|----------------|
| Operating profit/loss | 131,231 | -53,634 |
| Depreciation, amortization, write-downs / impairments | 110,910 | 244,160 |
| EBITDA | 242,141 | 190,526 |
| Special items | 16,792 | 22,573 |
| Adjusted EBITDA | 258,933 | 213,099 |

EBITDA has been adjusted to reflect special items that mainly include costs for strategic and operational re-alignment and other one-time expenses (EUR 12,996k; prior year: EUR 13,011k), and costs caused by COVID-19 (EUR 1,644k; prior year: EUR 4,733k). In the reporting year, adjusted EBITDA in relation to revenue was 40.3% (prior year: 38.6%).

3.2 Assets, liabilities and financial position

Asset and capital structure

The Group's balance sheet total rose by EUR 73,293k to EUR 2,620,497k as of 31 December 2021. This corresponds to a rise of 2.9%, mainly reflecting a rise in equity as a result of total earnings in the financial year and an increase in financial liabilities on the liabilities side due to, on the one hand, effects associated with the process of calculating future value and the currency translation impact and, on the other hand, accrued interest on the shareholder loan shown on the liabilities side of the balance sheet. On the assets side, mainly cash and cash equivalents increased, and several asset items rose because of first-time consolidation of Dentalpoint AG in Spreitenbach/Switzerland, effective as of 4 January 2021.

Goodwill of EUR 898,226k (31 December 2020: EUR 874,613k) relates only to the cash-generating unit (CGU) Medical Products. The goodwill increased because of goodwill of EUR 23,613k resulting from the acquisition of Dentalpoint AG. Goodwill of the GCU Industrial had been fully written off in the previous year.

The carrying amount of trademarks also rose to EUR 54,382k (31 December 2020: EUR 53,544k) because of the acquisition of Dentalpoint AG in 2021. The useful life for the recognized trademarks was classified as indefinite.

Technology has a carrying amount of EUR 270,488k (31 December 2020: EUR 283,853k), and primarily contains the basic technology underlying the Medical Products business, and the basic technology underlying the Industrial business. These have an average weighted remaining useful life of 14.2 years (31 December 2020: 15.2 years). The carrying amount fell because of amortization.

Customer relationships have a carrying amount of EUR 598,677k (31 December 2020: EUR 632,084k) and primarily contain customer relationships from medical applications. These have an average weighted remaining useful life of 13.1 years (31 December 2020: 14.1 years).

Long-term and short-term other financial assets include mainly the termination rights of EUR 12,181k (31 December 2020: EUR 10,221k) associated with the corporate bond issue which are carried in the balance sheet, and must be separated. They declined because of amortization.

Trade receivables amounted to EUR 60,036k (31 December 2020: EUR 51,880k). An increase in trade receivables correlates with an increase in operating activities and revenue growth. A factoring agreement has been concluded whereby receivables of EUR 13,811k (31 December 2020: EUR 13,599k) were sold as of the balance sheet date.

Cash and cash equivalents include cash in bank of EUR 291,400k (31 December 2020: EUR 244,113k), and cash on hand of EUR 4k (31 December 2020: EUR 5k). For details see explanations on liquidity.

Equity of EUR 228,764k (31 December 2020: EUR 180,957k) accounts for 8.7% (31 December 2020: 7.1%) of total capital. A rise in equity is due mainly to total earnings in the financial year.

Long-term provisions of EUR 121,028k (31 December 2020: EUR 127,111k) include mainly pension provisions of EUR 118,657k (31 December 2020: EUR 124,350k). A decline in the provisions results mainly from revaluation associated with financial assumptions as of the balance sheet date.

In addition to the above-mentioned long-term provisions and deferred taxes of EUR 263,434k (31 December 2020: EUR 270,110k), long-term liabilities of the consolidated group include mainly liabilities to banks of EUR 1,174,549k (31 December 2020: EUR 1,156,680k), liabilities arising from the issuance of a corporate bond of EUR 412,775k (31 December 2020: EUR 414,293k), lease liabilities of EUR 9,514k (31 December 2020: EUR 3,636k), derivative financial instruments that have a negative market value of EUR 8,584k (31 December 2020: EUR 22,489k), and financial liabilities to affiliated companies of EUR 288,596k (31 December 2020: EUR 273,523k).

Equity and long-term liabilities cover 116.6% (31 December 2020: 114.3%) of the CT TopCo Group's long-term assets.

Liabilities to banks nominally amount to EUR 1,069,000k (31 December 2020: EUR 1,069,000k) from a tranche in EUR and EUR 131,463k (31 December 2020: EUR 121,326k) from two tranches in USD. These loans have variable interest rates and mature on 8 March 2025. Transaction costs associated with the loan that amounted to EUR 33,641k 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 2020: EUR 406,000k). This bond matures on 15 December 2025. The CT TopCo Group has a termination option for this bond, which is recognized as a separate financial asset (see above). Associated transaction costs that originally amounted to EUR 13,570k are spread over the term of the bond using the effective interest method.

The negative market value of derivative financial instruments relates to embedded interest-rate floors which must be separated.

Long-term financial liabilities to affiliated companies consist of a shareholder loan of EUR 288,596k (31 December 2020: EUR 273,523k). A rise resulted from accrued interest shown on the liabilities side as of the balance sheet date. The loan matures on 31 December 2028, and bears interest of 7.3 % p. a.

Short-term financial liabilities to third parties of EUR 33,242k (31 December 2020: EUR 23,973k) include mainly granted bonuses and discounts of EUR 11,000k (31 December 2020: EUR 3,065k), accrued interest on bonds payable of EUR 7,993k (31 December 2020: EUR 7,993k), derivative financial instruments that have a negative market value of EUR 6,209k (31 December 2020: EUR 8,256k), and the short-term part of liabilities to banks of EUR 3,445k (31 December 2020: EUR 141k).

In the previous year, short-term financial liabilities to affiliated companies consisted of the accrued interest on the shareholder loan amounting to EUR 312k that was paid out in January 2021.

Operating working capital (inventories and trade receivables, less trade payables and provisions recognized for operating activities) amounts to EUR 89,031k as of 31 December 2021 (31 December 2020: EUR 84,403k).

Capital investment

In the reporting year, EUR 47,456k (31 December 2020: EUR 36,715k) in total was spent on property, plant and equipment, and intangible assets. Additions to right-of-use assets pursuant to IFRS 16 are not included in this figure. Replacement investments, business growth investments and investments in health, safety and environment accounted for 60%, 34% and 6% of the total capital investment respectively. The total capital investment included investments in the Medical Products (some 23%) and Industrial (some 77%) businesses. In addition to necessary capacity expansion, replacement and business growth investments included mainly projects designed to optimize processes and improve productivity in the manufacturing department, and digitalization projects.

Capital investment in the Medical Products business is designed to add capacity in the long run and continuously improve productivity, while capital investment in the Industrial business is related mainly to machinery replacement, and selected growth projects. In addition, a great number of different facilities were purchased and put into operation by other subsidiaries in Germany and abroad with investments in increasing capacity primarily taking place in Malaysia where we invested in glove dipping molds.

Liquidity

In the financial year, the consolidated group received cash inflows of EUR 200,856k (prior year: EUR 163,433k) from its operations. The cash inflows went up mainly because of revenue growth accompanied by improvement in gross margin and EBITDA margin.

The cash outflows resulting from the consolidated group's investing activities amounted to EUR 96,444k (prior year: EUR 37,638k). The rise in the cash outflows resulted mainly from the acquisition of Dentalpoint AG of EUR 48,960k.

With respect to financing activities, the cash outflows amounted to EUR 59,322k (prior year: cash inflows of EUR 54,845k). The cash outflows resulted mainly from interest paid of EUR 51,166k (prior year: EUR 90,831k). In the previous year, cash inflows consisted of cash proceeds of EUR 168,161k from a syndicated loan.

Liquid funds amount to EUR 291,404k as of the balance sheet date (31 December 2020: EUR 244,118k).

The CT TopCo Group has a credit line under which it could borrow up to EUR 67,000k in revolving tranches as well as a further short-term overdraft credit line amounting to EUR 8,000k. Neither credit had been drawn on as of the balance sheet date.

3.3 General statement on the consolidated group's position

Overall, the management of the parent company believes that the economic position of the consolidated group is stable. No factors are known today which could result in significant deviation from the assets, liabilities, financial position and financial performance reported above.

4 Financial and non-financial performance indicators

4.1 Financial performance indicators

Adjusted EBITDA is a key measure of the performance of the CT TopCo Group, and is the basis of performance-related pay. Other important parameters include sales revenue, working capital and cash flow from operating activities.

The CT TopCo Group uses an extensive management system which provides information on performance in terms of the mentioned financial data and other financial data. The system comprises monthly financial reporting with a relevant scorecard, and monthly meetings of the management of CeramTec GmbH with the market and production directors, and team leaders, of CeramTec GmbH and the managing directors of all subsidiaries to discuss the business situation in the individual markets and functions. At least once a year, these meetings take place at international level with the participation of the managing directors of the foreign subsidiaries in order to discuss, in addition to the current business situation and the development of the business situation expected for the remainder of the financial year, the strategic alignment and development of the CT TopCo Group.

Earnings and expectations for the next few months are discussed with the management of the parent company of CT TopCo on a regular basis. In addition, an internal control system has been installed, and last but not least reviews are conducted by third parties on a regular basis.

4.2 Non-financial performance indicators

The non-financial key performance indicators used within the group are measures that relate to employees, quality, and environmental protection.

Employees

By the end of the financial year, the CT TopCo Group employed a workforce of 3,468 people (31 December 2020: 3,420).

The staffing structure is as follows:

| | <u>31 December 2021</u> | <u>31 December 2020</u> |
|------------------------------|-------------------------|-------------------------|
| Employees by region | | |
| Europe | 642 | 629 |
| Germany | 2,000 | 1,975 |
| Asia | 531 | 513 |
| North and South America | 295 | 303 |
| | <u>3,468</u> | <u>3,420</u> |
| Employees by function | | |
| Manufacturing | 2,730 | 2,717 |
| Sales | 304 | 289 |
| Research and development | 170 | 161 |
| Administration | 264 | 253 |
| | <u>3,468</u> | <u>3,420</u> |

Details vary, but the management and employees of the CT TopCo Group participate in performance-related pay schemes. The performance-related pay schemes generally reward participants for the achievement of company-related objectives (adjusted EBITDA and working capital) and personal targets.

In the reporting year 2021, the recruitment of skilled employees and executive personnel continued to be in the foreground for the CT TopCo Group.

On the balance sheet date, 140 apprentices (31 December 2020: 150) in total were employed by the CT TopCo Group who are trained in technical and commercial occupations. CeramTec has always set great store by apprenticeships. With a large number of training programs and qualifications as well as through close cooperation with schools and various universities, CeramTec promotes their own young talents. Given demographic change, we believe that it is important that young employees have the opportunity to achieve qualifications, which will be a major task over the next few years. In order to add more weight to the qualification of our employees, we conduct annual appraisal interviews.

Established initiatives to improve workplace health and do staff development were performed and implemented according to plan. In addition, we took extensive actions to protect the health of our employees during the coronavirus pandemic. The actions included extensive testing and vaccination campaigns, more extended work-from-home policies, and regular disinfection strategies at all locations.

Quality and environmental management

CeramTec is subject to the health, safety and environmental legislation in the jurisdictions where our manufacturing sites are located. Most of our production is located within the European Union and specifically in Germany. As a result, we are principally subject to the health and safety standards as well as the environmental standards as applicable there. We have also adopted a corporate social responsibility policy aimed at achieving profitable global growth, conserving energy, reducing emissions, protecting natural resources while acting in an ethical way with integrity. To this end, CeramTec will continue to focus on customer satisfaction, conserving scarce resources, energy management as well as working conditions for our employees.

CeramTec GmbH's environmental management and energy management systems have been certified in accordance with DIN EN ISO 14001 and ISO 50001 respectively. Expenses related to environmental protection in the CT TopCo Group amounted to EUR 1,632k in the financial year (prior year: EUR 1,846k).

CeramTec's Industrial business has been certified according to DIN EN ISO 9001 and IATF 16949 (automotive sites), and CeramTec's Medical Products business has been certified according to ISO 13485. The manufacturing plants of the Medical Products business have registered with the Food and Drug Administration (FDA) and other country-specific authorities. Specific products and components implement further norms and requirements, if necessary. Suppliers of CeramTec must still follow a guideline designed to ensure the quality of supplied items.

The quality and environmental management system is regarded as appropriate, effective and suitable. The certifications are reviewed on a regular basis. The management system is used to determine, implement and monitor changing requirements, including legal developments.

5 Report on subsequent events

With effect as of 1 January 2022, Horst Garbrecht became new managing director for our Industrial business. He succeeds Richard Boulter who has left the Company of his own accord.

On 17 August 2021, the Canada Pension Plan Investment Board (“CPP Investments”) announced through its wholly-owned subsidiary CPP Investment Board Europe S.à.r.l., Luxembourg, and leading private equity firm BC Partners, that an agreement was concluded to purchase the CeramTec Group from its previous owner BC European Capital X (“BCEC X”). Upon conclusion of the transaction, CeramTec TopCo will be controlled by CPP Investments and BC Partners Fund XI (“BC XI”).

On 28 February 2022, the share capital of CeramTec TopCo GmbH was increased by EUR 1.00.

On 2 March 2022, all requirements for the transfer of ownership were met.

Upon transfer of ownership, existing financing is repaid, and negotiated new financing becomes effective. New financing includes a syndicated loan with a nominal value of EUR 1,480,000k that bears variable interest (initially EURIBOR + 3.75 %) and has a maturity date of 16 March 2029, and a revolving credit facility with a nominal volume of EUR 250,000k that also bears variable interest (initially EURIBOR + 3.25 %) and may be drawn on by 16 September 2028 at the latest, should the need arise. In addition, a fixed-interest bond with a nominal value of EUR 465,000k and an interest coupon of 5.25 % has been issued that will become due as of 15 February 2030.

Because of war-related events in the Ukraine, a comprehensive risk assessment was performed immediately for the CeramTec Group, including secure deliveries. It was proactively decided to stop until further notice direct and indirect business relationships maintained by all CeramTec companies with Russia and Belarus. This is not expected to significantly and directly impact our assets, liabilities, financial position and financial performance, it is currently impossible to assess the indirect effects of the possible economic impact of the conflict on the world economy. CeramTec complies with all current sanctions against Russia and Belarus, and all official requirements, and continues to be committed to implementing the sanctions and official requirements.

6 Report on outlook, opportunities and risks

6.1 Report on outlook

General conditions – situation of the overall economy and industry sector

According to forecasts produced by the Institute for the World Economy on 15 December 2021, the world economy will grow by 4.5% in the financial year 2022. The pandemic and delivery bottlenecks are expected to continue to dampen economic activity in 2020, but their effects will be less severe.

After experiencing a setback in the winter half-year, eurozone recovery will again gain momentum in spring 2022, resulting in a rise of 3.5% in GDP. Delivery bottlenecks, that currently substantially hamper economic output, are expected to be gradually eliminated as the year progresses, and enable manufacturing companies to add massive value to their businesses. Because of the latest wave of COVID cases that is currently hitting Europe with a vengeance, and uncertainties arising from the incidence of Omicron infections, contact-intensive services sectors, that are hit by the pandemic particularly hard, will pick up later than expected as the year progresses.

The U.S. economy remains strong, given a 4.4% U.S. GDP growth rate in 2022, and inflation that is above the Federal Reserve's target rate of inflation. China's property crisis and local coronavirus outbreaks will reduce China's GDP growth rate to 4.1% in 2022. However, the crisis engulfing the Chinese energy sector subsides already, because additional fuel quantities are mobilized and better incentives are used to generate electricity. Emerging economies are expected to experience a relatively strong rebound because of favorable financing conditions and high raw materials prices which have a stimulative effect there.

In Germany, GDP is expected to grow by 4.0% in 2022. However, the pre-crisis GDP level will not be met until the second quarter of next year, and Germany's normal overall capacity utilization rate will not be reached until the third quarter.

We expect the market for hip joint prostheses to develop in line with historical trends and projections as described in Chapter 2.1. Growth potential, in general, is related to the increase of hip replacement surgeries and, in particular, the negative perception of metallic implants, which may, for example, trigger allergic reactions. The acquisition of Dentalpoint AG as well as our organic activities in the previous area of ceramic dental implants mean that the development of the overall implant market is becoming increasingly important. We also anticipate a continuous market recovery and continual increase in penetration rates of ceramics here. The same is true for other orthopedic markets, mainly markets for solutions for the knee, shoulder and spine.

We anticipate moderate growth in 2022 for the industries described in Chapter 2.1, although we expect end-markets to be more volatile mainly in the first half-year. In this regard, the growth of CeramTec will depend on the development of its respective end-markets as a whole as well as on the successful development of new products and the replacement of existing products with ceramic solutions.

Forecast development of the CT TopCo Group's business and income

According to the Company's plan for the financial year 2022, revenue, EBITDA adjusted for special items, and EBITDA will grow significantly, and positive cash flow generated from operations will be significantly above the level of the prior year, based on the above-mentioned development of the relevant markets and industries.

The further economic effects of coronavirus, and ways in which changes in supply chains will affect mainly customers in industrial end-markets, remain difficult to foresee.

With respect to the non-financial performance indicators which relate to employees, quality, and environmental protection, our aim is to maintain at least the levels reached also in financial year 2022.

6.2 Report on opportunities and risks

The CT TopCo Group has an institutionalized risk management system which includes a relevant financial reporting system. The financial reporting system consists of, among other things, monthly financial reporting, reporting through individuals responsible for operations which forms an integral part of monthly meetings, an internal control system, and reviews carried out by third parties. Thus, a risk of price changes, non-payment, liquidity risk and exposure to variability in cash flows are taken into account. Risk monitoring is aimed at allowing the Company to plan, carry out, and check the success of suitable countermeasures. Activities designed to ensure compliance with the internal control system are complementary to these systems.

Macroeconomic risk and industry risk

Generally, risks arise from uncertainty over the future of the global economy. Negative developments can hence have a marked impact on business. However, global business operations and the diversification of our customers operating in different industries, e.g. medical technology, automotive industry, electrical and electronics industry, energy and environmental technology as well as the mechanical and plant engineering industries, can help us compensate for the weakness of demand experienced in individual markets or regions. Also, our broad portfolio of products, low customer concentration, and a large number of industries which we serve, allow us to some extent to cushion the effect of weak demand experienced by certain customer industries, or risks of price changes. We assess the risk of bad debts as low due to the consolidated group's customer structure, and accounts receivable insurance which largely protects CeramTec GmbH and CeramTec ETEC GmbH against loss on receivables.

Risk of price changes/procurement risk

A risk of price changes arises from both the procurement market as well as the sales market, the latter is due mainly to increasing competition from Asia. In addition, risks are associated with the rising price of raw materials, and rising and highly volatile energy prices. These risks are mitigated by continuously improving processes and productivity, implementing well-considered price increases, and actively managing costs in particular.

Product risk

Production units use our quality management systems to mitigate product risks. The quality management systems are based on international standards, and ensure that all legal requirements are met. Quality management involves carrying out reviews regularly, and training employees continuously. Ongoing processes do not pose a threat to the continued existence of the Company.

Personnel-related risk

One of the biggest personnel-related risks is changing population demographics and the recruitment of enough skilled employees and executive personnel. CeramTec is engaged in numerous activities focused on developing and training young employees as well as on exhibiting at various trade shows and through various kinds of media.

IT risk

IT system failure or substantial data loss could affect the business operations of group companies or the consolidated group. Group companies have data backup policies in place for mitigating risks of data loss, and use modern IT infrastructures. Group-wide security measures ensure that data is protected from unauthorized access and harmful software. Risks associated with all business-critical applications have been analyzed, and emergency management policies are in place. Availability for critical systems is ensured, depending on the systems' risk ratings.

Investment risk

All substantial acquisitions and investments are made after performing a multi-step analysis and approval process. The complex risks arising from an acquisition – e.g. the risk that, after the acquisition, issues become known that would have affected the purchase decision or the price, if they had been known before the conclusion of a contract – are minimized by thoroughly investigating the attractiveness of an acquisition, the so-called due diligence procedures, and drafting contracts accordingly.

Financial risk

The CT TopCo Group is exposed to foreign currency risks associated mainly with foreign currency loans (USD) used to receive financing.

In addition, the CT TopCo Group is exposed to variability in cash flows that is attributable to interest payments on variable-rate USD and EUR loans. To hedge its interest rate risks, the consolidated group entered into interest rate cap agreements. The interest rate floors contained in the syndicated loan agreement represent embedded derivatives which must be separated.

Compliance with financial covenants was agreed to in connection with obtaining the syndicated loan. The CT TopCo Group must hence comply with a financial covenant when an amount defined in the loan agreement is drawn down from a revolving credit line under which up to EUR 67,000k can be borrowed. As the amount drawn down at the end of the financial year remained below the threshold specified, the Company was not required to review compliance with this financial covenant. In addition, an analysis must be undertaken by the end of the financial year to determine whether the value of the collateral used to secure the syndicated loan does not fall below a certain threshold. If so, additional collateral would have to be provided. At the end of the current financial year, the collateral value did not fall below the threshold. We expect that the Company will continue to comply with the financial covenants in the following financial year.

The Company's risk management objective in relation to these financial instruments is to continuously monitor risks, and minimize risks by engaging in operating and financing activities. Various policies establish rules regarding the use of financial instruments, and ensure that financial transactions which go beyond a specified limit are not conducted without consulting the management. Generally, derivative financial instruments are used only to hedge risk.

For details see explanations in the notes to the consolidated financial statements under '6.1 Management of financial risk' and '4.15 Financial instruments'.

Opportunities

We aim to expand further globally in markets with strong underlying fundamentals where we are underrepresented. They include, on the one hand, specific end-markets such as markets for further orthopedic applications or the electric mobility market and, on the other hand, regional markets, particularly North America and China. China is becoming one of the most important markets for HPC solutions. In particular, China is one of the fastest growing markets for hip joint prostheses. With an existing presence in Suzhou, China, we also intend to continue partnering and strengthening our cooperation with local players to accelerate growth and achieve scale. Furthermore, by using our expertise, we want to maximize our focus on key projects and achieve sustainable regional standing.

As part of our growth strategy, we intend to grow our customer base and form partnerships with further global companies which can benefit from our expertise in materials and production processes, our broad range of products and global presence.

In addition, we intend to focus on capturing emerging growth opportunities beyond our core markets as we believe the versatility and lasting technical benefits of ceramics leave room for ceramics to expand into new fields of application in various end-markets. In the market for medical products, we intend to maximize the value of existing solutions by exploring additional medical applications, such as solutions for the knee, dental (focusing on implants), shoulder and spine. In addition, we will capitalize on our research and development strength and expertise in regulatory procedures to produce new innovations, such as ceramic foams or dental ceramics for tooth replacements. In our Industrial business, we are continuously monitoring technology trends such as 3D printing, e-mobility, autonomous vehicles and big data in order to consider how best to apply our materials expertise, manufacturing know-how and regulatory experience to develop relevant HPC solutions that can be successfully commercialized.

Overall statement on the consolidated group's risks and opportunities

Risks that go beyond the risks that every entrepreneur must take and that might jeopardize the entire group are currently not seen because the companies of the CT TopCo Group operate in many markets. The risk position did not change substantially. We use insurance to protect against liability risks, the forces of nature, and further risks to the extent possible.

One subsidiary issued a bond and further subsidiaries arranged a framework financing agreement with sufficient lines of credit at conditions consistent with the market, meaning that no liquidity risks are expected for the future.

Market risks should be considered in relation to substantial opportunities. Generally, our broad and diversified portfolio of products provides opportunities to compensate for weak economic activity in individual industries.

At the time this report is prepared the management is not aware of any claims of third parties which would be expected to significantly impact the assets, liabilities, financial position and financial performance of the CT TopCo Group. CeramTec GmbH and the other companies included in the consolidated group currently do not see any risks that go beyond the risks that every entrepreneur must take and might threaten the CT TopCo Group 's ability to continue as a going concern.

Corporate governance declaration

CT TopCo does not have a Supervisory Board and therefore no women's quota could be set for this company. In the CT TopCo Group, CeramTec GmbH has a supervisory board that set quotas for this company in 2021, namely for the Supervisory Board (8% share of women) and Executive Board (0% share of women).

Plochingen/Germany, 13 April 2022

CeramTec TopCo GmbH

The Management

Dr. Hadi Saleh

CeramTec TopCo GmbH, Plochingen/Germany
Consolidated statement of financial position as at 31 December 2021

| Assets | Notes | 31 December 2021 | 31 December 2020 |
|-------------------------------|--------------|-------------------------|-------------------------|
| | | EUR k | EUR k |
| Goodwill | 4.1 | 898,226 | 874,613 |
| Other intangible assets | 4.1 | 938,609 | 976,472 |
| Property, plant and equipment | 4.2 | 294,431 | 278,689 |
| Other financial assets | 4.3 | 14,195 | 10,275 |
| Other assets | 4.4 | 3,884 | 4,078 |
| Deferred tax assets | | 926 | 934 |
| Non-current assets | | 2,150,271 | 2,145,061 |
| Inventories | 4.5 | 103,695 | 91,565 |
| Trade receivables | 4.6 | 60,036 | 51,880 |
| Income tax receivables | | 3,658 | 3,015 |
| Other financial assets | 4.3 | 1,836 | 3,262 |
| Other receivables and assets | 4.4 | 9,597 | 8,303 |
| Cash and cash equivalents | 4.7 | 291,404 | 244,118 |
| Current assets | | 470,226 | 402,143 |
| Total Assets | | 2,620,497 | 2,547,204 |

| Equity and Liabilities | Notes | 31 December 2021 | 31 December 2020 |
|----------------------------------------|--------------|-------------------------|-------------------------|
| | | EUR k | EUR k |
| Subscribed capital | 4.8 | 25 | 25 |
| Capital reserves | 4.8 | 780,371 | 780,371 |
| Accumulated losses | 4.8 | -552,728 | -598,134 |
| Accumulated other comprehensive income | 4.8 | 1,096 | -1,305 |
| Equity | | 228,764 | 180,957 |
| Provisions for pension obligations | 4.9 | 118,657 | 124,350 |
| Other provisions | 4.10 | 2,371 | 2,761 |
| Financial liabilities to affiliates | 4.11 | 288,596 | 273,523 |
| Financial liabilities to third parties | 4.12 | 1,605,422 | 1,597,098 |
| Other liabilities | 4.13 | 0 | 3,763 |
| Deferred tax liabilities | | 263,434 | 270,110 |
| Non-current liabilities | | 2,278,480 | 2,271,605 |
| Other provisions | | 18,642 | 15,797 |
| Provision for taxes | | 3,870 | 3,929 |
| Financial liabilities to affiliates | 4.11 | 0 | 312 |
| Financial liabilities to third parties | 4.12 | 33,242 | 23,973 |
| Trade payables | | 34,977 | 29,034 |
| Other liabilities | 4.13 | 22,522 | 21,597 |
| Current liabilities | | 113,253 | 94,642 |
| Total liabilities | | 2,391,733 | 2,366,247 |
| Total equity and liabilities | | 2,620,497 | 2,547,204 |

CeramTec TopCo GmbH, Plochingen/Germany

Consolidated statement of comprehensive income

from 1 January to 31 December 2021

| | Notes | 1 January to 31 December 2021 | 1 January to 31 December 2020 |
|----------------------------------------------------------------------|-------|----------------------------------|----------------------------------|
| | | kEUR | kEUR |
| Revenue | 3.1 | 641,731 | 552,702 |
| Cost of sales | 3.2 | 364,843 | 334,906 |
| Gross profit | | 276,888 | 217,796 |
| Selling costs | 3.3 | 96,100 | 87,285 |
| Research and development costs | 3.4 | 22,858 | 20,628 |
| General administrative costs | 3.5 | 28,797 | 24,542 |
| Other income and expenses (-), net | 3.6 | 2,098 | -138,975 |
| Operating income | | 131,231 | -53,634 |
| Interest income and other finance income | | 19,432 | 6,849 |
| Interest expenses and other finance costs | | 87,026 | 99,542 |
| Financial result | 3.7 | -67,594 | -92,693 |
| Profit / loss (-) before income tax | | 63,637 | -146,327 |
| Income tax expense | 3.8 | -24,414 | -2,848 |
| Net profit / net loss (-) for the period | | 39,223 | -149,175 |
| Items that will not be reclassified through profit or loss | | | |
| Income / expenses (-) from the remeasurement of pension provisions | | 8,491 | -8,638 |
| Deferred taxes | | -2,308 | 2,472 |
| | | 6,183 | -6,166 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Losses on cash flow hedges | | -294 | -404 |
| Deferred taxes | | 85 | 117 |
| | | -209 | -287 |
| Exchange differences on translation of foreign operations | | 2,610 | -1,884 |
| Other comprehensive income / loss (-), net of income tax | | 8,584 | -8,337 |
| Total comprehensive income / loss (-) | | 47,807 | -157,512 |

CeramTec TopCo GmbH, Plochingen/Germany

**Consolidated statement of cash flows
from 1 January to 31 December 2021**

| | 1 January to 31 December 2021 kEUR | 1 January to 31 December 2020 kEUR |
|------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Net profit / net loss (-) for the period | 39,223 | -149,175 |
| Income tax expense | 24,413 | 2,847 |
| Interest result (without changes in fair value of derivatives) | 80,381 | 74,867 |
| Amortisation, depreciation and impairment charges of non-current assets | 110,911 | 244,160 |
| Gain (-) / loss on disposal of property, plant and equipment and intangible assets | 779 | 799 |
| Increase / decrease (-) in provisions (excluding deferred taxes) | 3,960 | -3,491 |
| Income tax refund / payment (-) | -36,729 | -28,832 |
| Other non-cash income (-) / expenses, net | -15,275 | 11,749 |
| Increase (-) / decrease in inventories | -7,860 | 5,529 |
| Increase (-) / decrease in trade receivables | -7,454 | 860 |
| Increase (-) / decrease in other receivables and (financial) assets | 174 | -3,990 |
| Increase / decrease (-) in trade payables | 5,825 | 305 |
| Increase / decrease (-) in other (financial) liabilities | 2,508 | 7,805 |
| Cash flow from operating activities | 200,856 | 163,433 |
| Cash received from disposals of property, plant and equipment | 444 | 625 |
| Cash paid (-) for investments in property, plant and equipment | -43,782 | -34,328 |
| Cash paid (-) for investments in intangible assets | -4,146 | -3,935 |
| Cash paid (-) for the acquisition of entities | -48,960 | 0 |
| Cash flow from investing activities | -96,444 | -37,638 |
| Cash received from syndicated loan | 0 | 168,161 |
| Interest paid (-) | -51,166 | -90,831 |
| Repayment of shareholder loan | -4,815 | -19,599 |
| Cash paid for capitalized leases (right-of-use assets) | -3,341 | -2,886 |
| Cash flow from financing activities | -59,322 | 54,845 |
| Increase in cash and cash equivalents | 45,090 | 180,640 |
| Net foreign exchange difference | 2,196 | -902 |
| Cash and cash equivalents at the beginning of the period | 244,118 | 64,380 |
| Cash and cash equivalents at the end of the period | 291,404 | 244,118 |

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen/Germany
**Consolidated statement of changes in equity
for the period ended 31 December 2021**

| | Subscribed capital | Capital reserves | Accumulated losses | Accumulated other comprehensive income | | Equity |
|----------------------------------------------|--------------------|------------------|--------------------|----------------------------------------|----------------------------------------------|-----------------|
| | kEUR | kEUR | kEUR | Cash flow hedge reserve kEUR | Difference from currency translation kEUR | kEUR |
| 31 December 2019 | 25 | 780,371 | -442,793 | 510 | 355 | 338,468 |
| Net loss for the period | 0 | 0 | -149,175 | 0 | 0 | -149,175 |
| Other comprehensive loss | 0 | 0 | -6,166 1) | -287 2) | -1,884 2) | -8,336 |
| <i>Total comprehensive loss</i> | <i>0</i> | <i>0</i> | <i>-155,341</i> | <i>-287</i> | <i>-1,884</i> | <i>-157,511</i> |
| 31 December 2020 | 25 | 780,371 | -598,134 | 223 | -1,528.00 | 180,957 |
| 31 December 2020 | 25 | 780,371 | -598,134 | 223 | -1,528 | 180,957 |
| Net income for the period | 0 | 0 | 39,223 | 0 | 0 | 39,223 |
| Other comprehensive income / loss (-) | 0 | 0 | 6,183 1) | -209 2) | 2,610 2) | 8,584 |
| <i>Total comprehensive income / loss (-)</i> | <i>0</i> | <i>0</i> | <i>45,406</i> | <i>-209</i> | <i>2,610</i> | <i>47,807</i> |
| 31 December 2021 | 25 | 780,371 | -552,728 | 14 | 1,082 | 228,764 |

1) Other comprehensive income that will not be reclassified to profit or loss in the future

2) Other comprehensive income to be reclassified to the statement of profit and loss in the future under certain conditions

CeramTec TopCo GmbH
Plochingen/Germany

Notes to the Consolidated Financial Statements
for the year ended
31 December 2021

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1 General

1.1 Corporate information and purpose of the Company

CeramTec TopCo GmbH (hereinafter "CeramTec TopCo") and its subsidiaries (hereinafter "CeramTec TopCo Group" or "Group") are a group of 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, mechanical, electric, thermal and/or chemical properties compared to often competing products made from metal or organic polymers (plastics). The operations can be divided into two businesses – Medical Products and Industrial. The Medical Products business focuses on developing and manufacturing ceramic components for joint replacements in hip endoprosthetics. In the Industrial business, a broad range of highly specialized, application-intensive technical HPC solutions is developed, manufactured and supplied for customers spanning a range of sub-markets including automotive, electronics, industrial machinery and medical equipment.

CeramTec TopCo's registered office is located at CeramTec-Platz 1-9 in 73207 Plochingen/Germany, and is registered at the Stuttgart local court (*Amtsgericht*) under the number HRB 764651. The purpose of 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.

CeramTec TopCo is the parent company of the Group and the ultimate German parent, which prepares exempting consolidated financial statements. CTEC Acquisition S.à.r.l., Luxembourg, is the direct parent company of CeramTec TopCo, and does not prepare consolidated financial statements.

The management of CeramTec TopCo approved the consolidated financial statements on 13 April 2022 for submission to the shareholder meeting.

1.2 Basis for the preparation of the consolidated financial statements

The consolidated financial statements are prepared pursuant to Sec. 315e (1) and (3) German Commercial Code (*Handelsgesetzbuch* – HGB) in accordance with the International Financial Reporting Standards (IFRS/IAS) as adopted by the EU as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) applicable for the financial year and the supplementary requirements of German commercial law. These consolidated financial statements are prepared for the largest and smallest groups of consolidated companies.

The requirements of the standards and interpretations adopted were satisfied in full. Furthermore, all applicable requirements of German commercial law were observed during the preparation. The consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the CeramTec TopCo Group.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability (such as condition and location of the asset or limitations of sale and use) if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for

- share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*,
- leasing transactions that are within the scope of IFRS 16 *Leases*, and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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 in its entirety, 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 inputs are quoted (unadjusted) prices in markets for identical assets or liabilities that the entity can access at the measurement date
- 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 inputs are unobservable measurement parameters for the asset or liability.

The consolidated financial statements are presented in euros. The amounts are shown in thousands of euros (kEUR) in the consolidated financial statements. All amounts are rounded using standard commercial principles. In individual cases, adding individual values to the total value 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 consolidated financial statements. Assets and liabilities are broken down into non-current and 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 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Business combination

Effective as of 4 January 2021, 100 % of the shares of Dentalpoint AG, a company headquartered in Spreitenbach/Switzerland, was acquired which, in turn, holds 100% of the shares of Dentalpoint Germany GmbH headquartered in Lörrach/Germany. With this acquisition, the CeramTec Group has invested in the rapidly growing future market for ceramic dental implants, and the related digital services designed for this market, and is expanding its portfolio for medical technology applications.

The consideration transferred to obtain control amounts to EUR 49,908k. The consideration does not include a contingent consideration. The total consideration given consists of only cash. The following table shows a purchase price allocation that categorizes the purchase price into the various assets acquired and liabilities assumed at the acquisition date:

| | Fair value |
|----------------------------------------|---------------|
| | kEUR |
| Customer relationships | 13,550 |
| Technology / trademarks | 13,097 |
| Other intangible assets | 38 |
| Intangible assets | 26,685 |
| Technical equipment and machinery | 1,691 |
| Land and buildings | 254 |
| Right-of-use assets | 2,383 |
| Property, plant and equipment | 4,328 |
| Inventories | 4,270 |
| Trade receivables | 702 |
| Other current assets | 281 |
| Cash and cash equivalents | 948 |
| Assets | 37,214 |
| Deferred tax liabilities | 2,394 |
| Provisions | 663 |
| Liabilities to banks | 4,883 |
| Trade payables | 591 |
| Other liabilities | 2,388 |
| Liabilities | 10,919 |
| Total net assets at fair value | 26,295 |
| Total consideration transferred | 49,908 |
| Goodwill arising on acquisition | 23,613 |

Goodwill of EUR 23,613k resulting from the acquisition reflects market position and anticipated synergies in the Medical Products segment. It is expected that the goodwill will not be deductible for income tax purposes.

Acquisition-related costs total EUR 849k, of which EUR 114k was incurred in the financial year 2021 (see note “3.6 other income and expenses (-), net”).

Dentalpoint AG and Dentalpoint Germany GmbH contributed EUR 6,562k to revenue, and EUR -2,747k to consolidated earnings for the period between the date of acquisition and the date of the statement of financial position. A negative contribution made to the Group’s annual results was due mainly to purchase price allocation effects.

If the acquisition of Dentalpoint AG and Dentalpoint Germany GmbH had been completed on the first day of the financial year, consolidated revenue and consolidated earnings of the financial year would not be impacted significantly.

1.5 Entities included in the consolidated financial statements

The financial statements of the following subsidiaries in which CeramTec TopCo has a direct or indirect shareholding are included in the consolidated financial statements for the financial year:

| Name of the entity | Share of capital in % | | Business activities |
|------------------------------------------------------------------|-----------------------|------------------|---------------------|
| | 31 December 2021 | 31 December 2020 | |
| CeramTec BondCo GmbH, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec AcquiCo GmbH, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec Holding GmbH, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec Group GmbH, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec FinCo GmbH, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec GmbH, Plochingen/Germany | 100.00 | 100.00 | 2 |
| Cerasiv GmbH Innovatives Keramik-Engineering, Plochingen/Germany | 100.00 | 100.00 | 1 |
| CeramTec-E TEC GmbH, Lohmar/Germany | 100.00 | 100.00 | 3 |
| Emil Müller GmbH, Wilhermsdorf/Germany | 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 |

| Name of the entity | Share of capital in % | | Business activities |
|-----------------------------------------------------------------------------|-----------------------|------------------|---------------------|
| | 31 December 2021 | 31 December 2020 | |
| CeramTec Ibérica Innovative Ceramic Engineering S.L., Vilassar de Mar/Spain | 100.00 | 100.00 | 5 |
| 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 |
| Dentalpoint AG, Spreitenbach/Switzerland | 100.00 | 0.00 | 4 |
| Dentalpoint Germany GmbH, Lörrach/Germany | 100.00 | 0.00 | 5 |
| 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 Entity performing the functions of a holding company.
- 2 Manufacturing and distribution companies operating in the Industrial and Medical Products segments.
- 3 Manufacturing and distribution companies operating in the Industrial segment.
- 4 Manufacturing and distribution companies operating in the Medical Products segment.
- 5 Distribution companies.

CeramTec TopCo has a direct shareholding in CeramTec BondCo, and an indirect shareholding in the other subsidiaries. A shareholding in Dalag Grundstücksverwaltungsgesellschaft mbH & Co. KG, Mainz/Germany, is a financial investment (accounting for 10.1% of voting rights).

CeramTec BondCo, CeramTec AcquiCo, CeramTec Holding, CeramTec Group, CeramTec FinCo GmbH, CeramTec GmbH, Cerasiv GmbH Innovatives Keramik-Engineering, Emil Müller GmbH and CeramTec-ETEC GmbH make use of the exemption from publishing the financial statements and the management report for the financial year 2021 pursuant to Sec. 264 (3) HGB.

2 Accounting Principles and Policies

2.1 Basis of consolidation

Entities included in the consolidated financial statements are included from the date on which CeramTec TopCo obtains control over them. They are deconsolidated on the date on which CeramTec TopCo ceases to have control.

In accordance with IFRS 10 *Consolidated Financial Statements*, uniform accounting policies are used to prepare the separate financial statements of the companies included in the consolidated financial statements.

All significant intercompany receivables and liabilities, revenue, income and expenses and any intercompany profits and losses are eliminated. Pursuant to IAS 12 *Income Taxes*, deferred taxes are recognized for temporary differences arising from consolidation entries.

If less than 100% of equity in a subsidiary is allocable to CeramTec TopCo, the interests allocated to the other shareholders are generally disclosed separately under equity as non-controlling interests. For reasons of immateriality, this does not apply to the non-controlling interests in CeramTec India Innovative Ceramic Engineering Pvt. Ltd., Panaji – Goa/India.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is determined as the total of the acquisition-date fair values of the transferred assets, the liabilities assumed from the former owners of the acquired entity and the equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related transaction costs are recognized in profit or loss.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the equity share in the acquiree previously held by the acquirer (if available) over the net of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of the acquired net assets is higher than the consideration transferred, CeramTec TopCo reassesses and examines whether it has correctly identified all acquired assets and all assumed liabilities. In the event of a negative difference, even after reassessment, the resulting gain is recognized directly in profit or loss.

For acquisitions of equity investments with shares in capital below 100%, IFRS 3 allows for the goodwill attributable to non-controlling interests to also be recognized. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. This option can be newly exercised each time a business combination takes place. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other standards.

If a company which is part of the CeramTec TopCo Group acquires an entity, it measures the financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This also includes separating embedded derivatives in host contracts of the acquiree.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

All contingent consideration that must be transferred by the acquirer is recognized at fair value as of the date of acquisition. Any contingent consideration classified as an asset or liability, which is recognized as a financial instrument under IFRS 9 *Financial Instruments*, is measured at fair value. Changes in the fair value are recognized through profit or loss. Should the contingent consideration not fall under IFRS 9, it is accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairments. Goodwill is tested for impairment at least once a year (in the fourth quarter) as well as when there are indications of impairment. For the purpose of impairment testing, goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the cash-generating units of CeramTec TopCo, which is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups.

If goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. If the internal management reporting structure is reorganized, any goodwill allocated to a cash-generating unit is reallocated based on the new reporting structure. Any goodwill reallocated under these circumstances is measured based on the relative values of the newly established operation and the portion of the cash-generating unit.

Foreign currency translation

The line items included in the consolidated financial statements of all group companies are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are prepared in euros, the functional and reporting currency of CeramTec TopCo.

The financial statements prepared by entities that use a different functional currency are translated into euros in accordance with IAS 21. The equity of the foreign entities included in the consolidated financial statements is translated at the historical rates. The remaining items of the statement of financial position are translated at the respective closing rates. Income and expenses are translated at annual average rates. These are calculated as the mean value from the individual monthly average rates of the past twelve months.

Differences from the currency translation of assets and liabilities compared to the translation of 31 December 2021 as well as exchange differences between the income statement and the statement of financial position are recognized under other comprehensive income and retained in equity under accumulated other comprehensive income. These amounts recognized under other comprehensive income are reclassified to the income statement upon the partial or complete disposal of a subsidiary included in the consolidated financial statements.

On the disposal of a foreign operation, all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

| | | 2021 | | 2020 | |
|------------|----------------|---------------------|---------------------|---------------------|---------------------|
| | | <u>Closing rate</u> | <u>Average rate</u> | <u>Closing rate</u> | <u>Average rate</u> |
| USD | USA | 1.1334 | 1.1835 | 1.2281 | 1.1412 |
| CNY | China | 7.2230 | 7.6336 | 8.0134 | 7.8706 |
| GBP | Great Britain | 0.8393 | 0.8600 | 0.9031 | 0.8892 |
| PLN | Poland | 4.5960 | 4.5642 | 4.5565 | 4.4429 |
| CZK | Czech Republic | 24.9170 | 25.6473 | 26.2520 | 26.4557 |

The individual items in the consolidated statement of cash flows are translated at average rates, unless exchange rates fluctuate significantly during that period, while cash and cash equivalents are measured at the spot rate applicable at the date of the statement of financial position.

Foreign currency transactions in local financial statements are translated at the date of the transactions at the spot rate.

At each reporting date, monetary line items that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rates prevailing at the date when they were recognized in the statement of financial position for the first time.

2.2 Accounting policies

Revenue recognition

Revenue is recognized in accordance with the five-step model framework applied to all contracts with customers pursuant to IFRS 15. In accordance with this five-step model, the contract with the customer is first identified (step 1). The performance obligations in the contract are then identified (step 2). The transaction price is then determined (step 3) with explicit requirements stipulated on how to account for variable consideration, financing components, payments made to a customer, and exchanges of goods or services. After determining the transaction price, the transaction price is allocated to each of the performance obligations in the contract (step 4), by reference to their relative standalone selling prices. Finally, revenue is recognized when (or as) the entity satisfies a performance obligation (step 5). As a requirement, revenue can only be recognized once (or as) control of the goods or services is transferred to the customer.

Upon conclusion of a contract, the CeramTec TopCo Group companies determine whether revenue resulting from the contract should be recognized at a point in time or over time. The CeramTec TopCo Group uses IFRS 15 criteria to determine whether control is transferred over time. If it is not, revenue is recognized at the point in time, when control is passed to the customer.

The CeramTec TopCo Group generates its revenue through the sale of goods and merchandise. Revenue is recognized when control is transferred to a customer (when the customer has legal title to the asset, has the significant risks and rewards related to the ownership of the asset, or has formally accepted the asset).

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product to a customer.

In addition, agreements are in place with individual customers (mainly Medical Products customers), which provide for a bonus/malus system based on revenue and/or quantity targets. Revenue is recognized from which discounts or estimated discount amounts related to sales transactions have been deducted. There is no significant financing component that has been explicitly contractually agreed-upon or implied by agreed payment terms. Payment terms are mainly between 30 and 60 days.

The Group does not offer guarantees to customers that provide greater protection than that stipulated by law. Guarantees that we are legally obliged to provide do not constitute a separate performance obligation. The Group does usually not grant customers extensions of payment terms. However, in specific cases, special agreements can be concluded. A warranty provision is set up for the Group's obligation to repair or replace defective products under standard warranty conditions.

Interest income, royalties, dividend income

Interest income is recognized pro rata temporis using the effective interest method. Income from royalties is recognized in accordance with the terms of the underlying contracts on an accrual and pro rata basis. Dividend income is recognized when the right to receive payment is established.

Research and development costs

Research costs are recognized as expenses in the period in which they are incurred. If the requirements for capitalization are not satisfied, development costs are recognized in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets are recognized if a future economic benefit is probable and can be measured reliably.

Individually acquired intangible assets are recognized at cost. The cost of intangible assets acquired in a business combination is their acquisition-date fair value. Internally generated intangible assets are stated at the cost that arises during the development phase if all of the following criteria are met:

- Technical feasibility of completing the intangible asset
- Intention to complete development of the intangible asset and use or sell it
- Ability to use or sell the intangible asset
- Existence of a market or demonstration of the usefulness of the intangible asset if it is to be used internally
- Availability of technical and financial resources to complete the development
- Ability to measure reliably the expenditure attributable to the intangible asset during its development

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairments.

Intangible assets with definite useful lives are amortized on a straight-line basis over their useful life. Intangible assets acquired during the year are amortized pro rata temporis. The useful life and amortization method are reviewed at least annually at the end of each financial year. Changes are treated as changes in accounting estimates. Amortization is recognized in the cost of sales, research and development, general administrative and selling costs. The useful life for technology amounts to

10 to 18 years and for customer relationships it amounts to 5 to 18 years. Intangible assets with definite useful lives are tested for impairment if there is an indication that the asset may be impaired.

Intangible assets with an indefinite useful life are tested at least annually for impairment, or more frequently when there is an indication that the assets may be impaired. If the carrying amount of the asset is no longer recoverable, an impairment is recognized. Trademarks are assigned an indefinite useful life based on expectations of future use.

Property, plant and equipment

Property, plant and equipment are recognized at cost if a future economic benefit is probable and can be measured reliably. The cost of internally generated property, plant and equipment comprises direct material and labor costs as well as the directly attributable material and labor overheads. If the requirements of a qualifying asset are met, the cost also includes borrowing costs incurred during production pursuant to IAS 23. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale.

Following initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairments.

Property, plant and equipment are generally depreciated using the straight-line method. Property, plant and equipment acquired during the year are depreciated pro rata temporis. The useful lives of property, plant and equipment amount to 10 to 40 years for buildings and building components, 3 to 25 years for plant and machinery and 3 to 12 years for other equipment, furniture and fixtures. Low-value assets with an acquisition cost not exceeding EUR 250 are expensed immediately. Low-value assets with cost of between EUR 250 and EUR 1,000 are recognized in a catch-all item and depreciated collectively over a period of five years using the straight-line method.

Property, plant and equipment are tested for impairment if there is an indication that the asset may be impaired.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life, and intangible assets not yet available for use, are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years.

Leases

A lease within the meaning of IFRS 16 exists if a customer is contractually given the right to control an identified asset. For all leases, the lessee must account for the right-of-use asset (ROU asset) as well as a corresponding lease liability. Exceptions to this exist only for short-term leases and leases of low-value assets and for certain intangible assets.

The initial amount of the right-of-use asset corresponds to the amount of the lease liability, taking into account the lease payments made, any lease incentives, initial direct costs and estimated costs for restoration obligations. In subsequent reporting periods, the right-of-use asset is (apart from certain exceptions) measured at cost less accumulated depreciation and impairments, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are paid over the lease term. In addition to the contractual basic lease term, all facts and circumstances, which provide reasonable assurance of the economic incentive of exercising a termination or extension option, are taken into account in determining the lease term. The present values of the lease liabilities are generally discounted using an incremental borrowing rate. Subsequently, the carrying amount of the lease liability is adjusted for interest using the discount rate and reduced in the amount of the lease payments made. Modifications to the lease payments result in a remeasurement of the lease liability. Cash flows are broken down into payments of principal and payments of interest, which are part of the cash flow from financing activities and the cash flow from operating activities respectively.

Financial assets

Financial assets are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets that are measured at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are recognized and derecognized on a trade date basis if delivery of the assets within the time frame established by regulation or convention in the marketplace is required.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise solely to payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise to solely payments of principal and interest on the nominal amount outstanding.

All other financial assets that do not fulfill the aforementioned conditions are generally measured at fair value through profit or loss (FVTPL).

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income to the relevant period.

For financial assets for which no objective evidence of impairment was present upon their origination or purchase, the effective interest rate is the rate that discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other

premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition. For financial assets for which objective evidence of impairment was present upon their origination or purchase, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured at amortized cost or at FVTOCI. For financial assets for which no objective evidence of impairment was present upon their origination or purchase, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets for which objective evidence of impairment subsequently arose. For these latter financial assets, interest income is recognized by applying the effective interest rate to the net carrying amount of the financial asset at the beginning of the reporting period that follows the occurrence of objective evidence of impairment. If, in subsequent reporting periods, the credit risk of such a financial instrument improves so that there is no longer objective evidence of impairment, interest income is recognized again by applying the effective interest rate to the gross carrying amount of the financial asset at the beginning of the following reporting period.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The interest rate calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in the consolidated statement of comprehensive income and is included in the "Interest income and other finance income" line item.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on financial assets and is included in the "Interest income and other finance income" or "Interest expenses and other finance costs" line items respectively.

Impairment of financial assets

The Group generally recognizes a loss allowance for expected losses on financial investments in debt instruments that are measured at amortized cost or at FVTOCI, finance lease receivables, trade

receivables and contract assets. The amount of expected losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognizes a loss allowance for all trade receivables in the amount of the expected losses based on debtor-specific factors and information about their current economic situations. When estimating this, reference is also made to actual credit loss experiences of debtors. Irrespective of the above approach, the Group considers a default to have occurred when a financial asset is more than 60 days/90 days past due unless the Group has reasonable and supportable information showing that a financial asset is still unimpaired.

For all other financial instruments, the Group recognizes a loss allowance in the amount of the expected losses over their lifetimes if the credit risk of the financial instrument has increased significantly since initial recognition. If, however, the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the expected 12-month loss.

The Group directly writes off a financial asset and hence reduces the gross carrying amount when there is information indicating that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures. Any recoveries made are recognized in profit or loss.

In addition to using external sources of information, the measurement of expected credit losses is based on the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

Derecognition of financial assets

Derecognition of financial assets is carried out by the Group only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to a third party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the consideration received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation surplus is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously

accumulated in the investments revaluation surplus is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial liabilities are measured at amortized cost using the effective interest method, or at fair value through profit or loss.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities that are measured at fair value through profit or loss are recognized immediately in profit or loss.

Financial liabilities at FVTPL

Financial liabilities are classified as financial liabilities at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination, is held for trading, or is voluntarily designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Designated financial liabilities at FVTPL are measured at fair value. Any gains or losses arising on changes in the fair value are recognized in profit or loss unless the financial liabilities are designated as hedging instruments as part of a hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured at amortized cost

Financial liabilities that are not a contingent consideration of an acquirer in a business combination, held for trading, or voluntarily designated as at FVTPL, are financial liabilities subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or a shorter period, to the net carrying amount of a financial liability on initial recognition.

Derecognition of financial liabilities

Derecognition of financial liabilities is carried out by the Group when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the entire contract concerned is not measured at FVTPL.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Measurement at fair value

On the reporting date, the CeramTec TopCo Group measures derivative financial instruments at fair value. The fair value is also stated in the notes to the financial statements for all other financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price is directly observable or has been determined by applying a valuation method. Measurement at fair value is based on the assumption that the transaction, in order to sell or transfer the asset or liability, is performed in one of the following places:

- on the principal market for the asset or the liability or,
- if there is no principal market, on the most advantageous market for the asset or the liability.

The principal market or the most advantageous market must be accessible for the CeramTec TopCo Group as of the reporting date.

When calculating the fair value of an asset or a liability, the Group takes into account certain characteristics of the asset or the liability (such as condition and location of the asset or limitations of sale and use) if market participants would also take these characteristics into account when determining the price for the acquisition of the respective asset or transferring the liability as of the reporting date.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the best use of the asset or by selling it to another market participant that would find the best use for the asset.

Inventories

Inventories are measured at the lower of cost or net realizable value.

Costs of purchase comprise the purchase price as well as all other ancillary costs directly attributable to the acquisition. Costs of purchase are determined using the moving weighted average cost method.

In addition to direct material and labor costs, production costs also comprise a share of production-related indirect material and labor overheads, including depreciation insofar as it is a consequence of the production process, as well as production-related administrative costs. Production costs do not contain any borrowing costs incurred during production as inventories held at the CeramTec TopCo Group are not qualifying assets pursuant to IAS 23.

Inventories are written down to reflect risks from reduced salability. The net realizable value is the selling price during the ordinary course of business less the estimated costs of completion and selling costs. Previously recognized write-downs are reversed if the reasons for the write-downs cease to apply. In this case, the write-up can at most be up to the original cost amount.

Cash and cash equivalents

Cash and cash equivalents generally comprise cash in hand and bank deposits as well as cash and short-term deposits with an original term of up to three months. The cash and cash equivalents reported in the statement of cash flows correspond to the amounts recognized in the statement of financial position.

Provisions for pension obligations

Defined benefit obligations are measured using the projected unit credit method, taking into account actuarial assumptions. These take into account the benefits vested in the current period and previous periods in exchange for the work performed by employees. When calculating the amount of total obligations, adjustment to salaries and pensions expected in the future as well as the probability of employee turnover and employee age and gender are also factored into calculations. Pension obligations in Germany are determined on the basis of the 2018G Guideline Tables of Prof. Dr. Klaus Heubeck. Pension obligations outside of Germany are determined taking into account country-specific parameters.

The obligations are discounted using discount rates derived from high-quality, fixed-interest corporate bonds with the same currency and term. If no high-quality, fixed-interest corporate bonds are available, yields on government bonds are used instead. Net interest on the net liability is determined by multiplying the net liability with the discount rate.

Remeasurements comprise actuarial gains and losses, the return on plan assets and changes in the effect of the asset ceiling while excluding net interest on the net liability. These are recognized in other comprehensive income. Remeasurements are not reclassified to the income statement in later periods.

Past service cost results from the change in the present value of the defined benefit obligation arising from a plan amendment or curtailment and is recognized as an expense.

The fair value of the plan assets is deducted from the present value of the pension obligations. Plan assets are assets that are held by a long-term employee benefit fund. This fund must be legally separate from the reporting entity and exist solely to pay or fund employee benefits.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the provision. Information on estimation uncertainties can be found in note 2.3.2.

The amount of the provision recognized is the best estimate of the expenditure required to settle the present obligation as of the reporting date. The best estimate must take account of inherent risks and uncertainties. If a provision is measured on the basis of the estimated cash flow required to settle the

obligation, these cash flows are discounted in cases where the effect of the time value of money is significant.

If it can be assumed that portions of or the entire economic benefits required to settle the provision are reimbursable by an external third party, this claim is recognized as an asset if the reimbursement is probable with reasonable assurance and the amount can be reliably determined. The amount recognized for the reimbursement should not exceed the amount of the provision.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated statement of financial position, except when an outflow of economic benefits is probable and a liability could be measured reliably. A contingent liability is disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are also not recognized in the statement of financial position. They are described in the notes to the financial statements provided an inflow of economic benefits is probable.

Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the tax rates that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets and liabilities are recorded for all deductible and taxable temporary differences between the carrying amounts in the tax accounts and the IFRS consolidated statement of financial position. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in transactions that effect neither the taxable profit nor the accounting profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets also include tax refund claims that result from the expected utilization of existing unused losses or interest carryforwards in subsequent years and the recognition of which, being based on future taxable profits, is ensured with reasonable assurance.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences are likely to reverse, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date of the relevant company.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which event the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

There is a consolidated tax group for income tax purposes between CeramTec BondCo GmbH (as the parent company), CeramTec AcquiCo GmbH, CeramTec Holding GmbH, CeramTec Group GmbH, CeramTec FinCo GmbH, CeramTec GmbH, Cerasiv GmbH Innovatives Keramik-Engineering, CeramTec-ETEC GmbH and Emil Müller GmbH.

Furthermore, a consolidated tax group for VAT purposes is in place between CeramTec AcquiCo GmbH as the parent company and CeramTec GmbH, Cerasiv GmbH Innovatives Keramik-Engineering, CeramTec-ETEC GmbH and Emil Müller GmbH.

2.3 Estimation uncertainties and exercise of judgment

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions are made to obtain an appropriate overview of the assets, liabilities, financial position and financial performance of the CeramTec TopCo Group.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.3.1 Critical judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies.

Allocation of goodwill

Critical judgements have been made in the process of allocating goodwill to the cash-generating units (CGU) Industrial and Medical Products as part of the previous acquisition of CeramTec Holding and its subsidiaries in 2018.

2.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Business combinations

Business combinations are accounted for using the acquisition method. The acquired assets and liabilities are measured at their acquisition-date fair value. Goodwill of EUR 23,613k, trademarks of EUR 931k, technology of EUR 4,424k and customer relationships of EUR 13,550k at the acquisition date result from a purchase price allocation as part of the acquisition of Dentalpoint AG (see note 1.4).

Using the acquisition method requires certain estimates and judgments, particularly with regard to determining the fair value of the acquired intangible assets and property, plant and equipment as well as the fair value of liabilities assumed. In addition, the expected useful lives of acquired intangible assets and property, plant and equipment need to be determined.

This measurement is largely based on estimated future cash flows. Deviations between the actual cash flows and those determined when calculating the fair value can have a significant effect on the future net profit/loss for the period of the CeramTec TopCo Group.

Goodwill of EUR 898,226k (31 December 2020: EUR 874,613k) and other intangible assets of EUR 938,609k (31 December 2020: EUR 976,472k) were recognized as of the reporting date.

Impairment of non-financial assets

Assumptions were made to calculate the recoverable amount to determine whether impairment losses had to be recognized on intangible assets and property, plant and equipment. In this regard, future cash flows were derived from the budget planning and medium-term forecast for each of the cash-generating units. Management assumes that the assumptions and estimates, on which the discounted cash flows are based, are accurate. Nevertheless, changes in the economic environment and growth assumptions can affect impairment testing resulting in the need to recognize impairment losses or to reverse impairment losses in the future.

Impairment losses recognized on non-financial assets for the financial year can be found in notes 4.1 Goodwill and intangible assets and 4.2 Property, plant and equipment.

Provisions for pension obligations

Defined benefit plans are measured using actuarial valuations. These contain assumptions of discount rates, future salary trends, mortality rates and future pension increases, which are presented in note 4.10. Provisions for pension obligations of EUR 118,657k were recorded as of the end of the reporting period (31 December 2020: EUR 124,350k).

Provisions

Provisions for the expected expenses from warranty obligations in accordance with national sales contract law are recognized as of the date on which the relevant products are sold, and in the event of specific guarantees and occurrence of risk. As of the end of the reporting period, provisions of EUR 784k (31 December 2020: EUR 3,445k) were recognized for the expected expenses from warranty obligations.

A provision is set up for the obligation to eliminate environmental damage if it is likely to occur and the costs can be estimated reliably. As of the end of the reporting period, the provision amounted to EUR 310k (31 December 2020: EUR 315k). With ongoing examination and over the course of performing renovation measures, the provisions are adjusted in line with the knowledge gained. The amount of the individual provisions is influenced by factors such as the extent of the contamination, the renovation measures called for and additional demands from authorities, companies or private persons.

In the aggregate, provisions (other provisions and provisions for taxes) of EUR 24,883k were recorded as of the end of the reporting period (31 December 2020: EUR 22,487k).

Deferred tax assets

The calculation of deferred tax assets requires assumptions to be made relating to the future taxable income and historical use of deferred tax assets. These assumptions take into account the anticipated development and effect on earnings from the reversal of taxable temporary differences. As future business developments cannot be foreseen with certainty and are not entirely within the CeramTec TopCo Group's sphere of influence, the measurement of deferred tax assets involves a level of uncertainty.

As of the reporting date, deferred tax assets of EUR 926k were recognized (31 December 2020: EUR 934k).

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

The following IFRSs and IFRICs were revised:

| Standards and interpretations | Date of first-time adoption |
|-------------------------------------------------------------------------------------------------|------------------------------------|
| Amendments to IFRS 9/ IAS 39/ IFRS 7/ IFRS 4/ IFRS 16: “Interest Rate Benchmark Reform Phase 2” | 1 January 2021 |
| Amendments to IFRS 4: “Extension of the Temporary Exemption from Applying IFRS 9” | 1 January 2021 |
| Amendments to IFRS 16: “Covid-19-Related Rent Concessions after 30 June 2021” | 1 April 2021 |

Amendments to IFRS 9/ IAS 39/ IFRS 7/ IFRS 4/ IFRS 16: “Interest Rate Benchmark Reform Phase 2”

In the current year, the Group adopted the Phase 2 amendments for the first time. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. These amendments do not have a significant impact on the consolidated financial statements of the CeramTec TopCo Group.

The other aforementioned changes do not have an effect on the consolidated financial statements of the CeramTec TopCo Group.

Revised and newly issued IFRSs and IFRICs not yet mandatorily to be adopted

The following revised IFRSs and IFRICs were not yet to be adopted mandatorily in the financial year or have not yet been adopted by the Commission of the European Communities under the endorsement procedure for the European Union. In the financial year, none of these new or amended standards and interpretations has been early adopted.

| Standards and interpretations | Date of first-time adoption |
|--------------------------------------------------------------------------------------------|------------------------------------|
| Amendments to IFRS 3: “Reference to the Conceptual Framework” | 1 January 2022 |
| Amendments to IAS 37: “Onerous Contracts – Cost of Fulfilling a Contract” | 1 January 2022 |
| Amendments to IAS 16: “Property, Plant and Equipment – Proceeds before Intended Use” | 1 January 2022 |
| Annual Improvements to IFRS Standards (2018 – 2020) for IFRS 1, IFRS 9, IFRS 16 and IAS 41 | 1 January 2022 |
| IFRS 17: “Insurance Contracts” | 1 January 2023 |

| Standards and interpretations | Date of first-time adoption |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Amendments to IAS 1: "Classification of Liabilities as Current or Non-Current" | 1 January 2023 |
| Amendments to IAS 1: "Disclosure of Accounting Policies" | 1 January 2023 |
| Amendments to IAS 8: "Definition of Accounting Estimates" | 1 January 2023 |
| Amendments to IAS 12: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | deferred indefinitely |

The aforementioned changes will not have a significant effect on the consolidated financial statements of the CeramTec TopCo Group.

3 Notes to the Consolidated Statement of Comprehensive Income

3.1 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following regions and businesses.

| | 2021 kEUR | 2020 kEUR |
|----------------------|----------------|----------------|
| Regions | | |
| Europe (w/o Germany) | 279,083 | 233,661 |
| Germany | 125,841 | 111,748 |
| Asia | 119,811 | 105,435 |
| North America | 111,847 | 98,092 |
| Other regions | 5,149 | 3,766 |
| Total | 641,731 | 552,702 |
| Businesses | | |
| Industrial | 365,751 | 322,531 |
| Medical Products | 275,980 | 230,171 |
| Total | 641,731 | 552,702 |

Revenue increased because business operations were normalized and relatively high rates of "catch-up" growth were achieved as demand for goods and services rebounded. Reduced sales volume due to canceled or postponed orders related to a COVID-19 outbreak was a key factor impacting the previous year.

So far, business operations have been disclosed by business which corresponded its legal structure. In the future, business operations are supposed to be structured according to markets. This restructuring would equal revenue for 2021 of EUR 332,657k and EUR 309,075k in the Industrial and Medical Products businesses' markets respectively.

Orders on hand amount to EUR 302,562k as of the reporting date (31 December 2020: EUR 196,360k), and will probably be realized within the next twelve months. Thereof, EUR 231,029k (31 December 2020: EUR 129,042k) is attributable to the Industrial business and EUR 71,533k (31 December 2020: EUR 67,318k) is attributable to the Medical Products business.

3.2 Cost of sales

The cost of sales breaks down as follows:

| | 2021 kEUR | 2020 kEUR |
|-------------------------------|----------------|----------------|
| Personnel expenses | 133,980 | 124,398 |
| Material and packaging costs | 120,733 | 101,459 |
| Amortization and depreciation | 57,162 | 55,817 |
| Other costs of sales | 52,968 | 53,232 |
| Total | 364,843 | 334,906 |

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 (-) breaks down as follows:

| | 2021 kEUR | 2020 kEUR |
|--------------------------------------------------------------|--------------|-----------------|
| Foreign currency results | 1,760 | -863 |
| Losses on disposal of property, plant and equipment | -601 | -799 |
| Addition to allowance for bad debts | -341 | -195 |
| Depreciation and impairment of property, plant and equipment | -326 | -186 |
| Transaction costs | -114 | 0 |
| Impairment of other intangible assets | -82 | 0 |
| Income from reversal of allowances for bad debts | 82 | 385 |
| Impairment of goodwill | 0 | -137,065 |
| Sundry other income | 2,984 | 562 |
| Sundry other expenses | -1,264 | -814 |
| Total | 2,098 | -138,975 |

In the current financial year, the annual impairment test did not result in the need to recognize impairment losses with regard to goodwill of the Medical Products cash-generating unit (CGU), as in the previous year. Goodwill of the Industrial CGU, written down for the last time in the financial year 2020 by EUR 137,065k, had been fully written off in the previous years.

Impairment of property, plant and equipment of EUR 326k (prior year: EUR 186k) results mainly from the permanent shutdown of machinery. The losses on disposal of property, plant and equipment in the amount of EUR 601k (prior year: EUR 799k) result mainly from the scrapping of machinery.

Sundry other income includes income related to a sold product line of EUR 2,278k.

3.7 Financial result

The financial result breaks down as follows:

| | 2021 kEUR | 2020 kEUR |
|------------------------------------------------------------------|----------------|----------------|
| Gains arising from changes in valuation of derivatives * | 17,741 | 0 |
| Income from discounting of financial liabilities | 1,518 | 1,447 |
| Foreign currency gains | 0 | 5,276 |
| Other finance and interest income | 173 | 126 |
| | <hr/> | <hr/> |
| Interest income and other finance income | 19,432 | 6,849 |
| | <hr/> | <hr/> |
| Interest expense from syndicated loan | 30,874 | 28,357 |
| Interest expense from bond | 21,315 | 21,315 |
| Interest expense from shareholder loan | 20,165 | 19,131 |
| Expense from unwinding the discount on financial liabilities | 8,140 | 5,242 |
| Foreign currency losses | 3,843 | 0 |
| Interest expense from provision and use of revolving credit line | 644 | 1,271 |
| Losses arising from changes in valuation of derivatives * | 0 | 22,710 |
| Other interest expenses | 2,569 | 2,172 |
| Interest capitalized | -524 | -656 |
| | <hr/> | <hr/> |
| Interest expenses and other finance costs | 87,026 | 99,542 |
| | <hr/> | <hr/> |
| Financial result | -67,594 | -92,693 |

* Gains or losses arising from changes in the fair value of financial liabilities designated as at fair value through profit or loss

Other interest expenses include an amount of EUR 642k (prior year: EUR 1,058k), which is due to unwinding the discount on provisions.

3.8 Income tax

There is a consolidated tax group for income tax purposes between CeramTec BondCo and its German subsidiaries. CeramTec TopCo is not included in the German consolidated tax group for income tax purposes.

This means that German corporate income tax and trade tax is primarily levied at the level of the ultimate parent company, CeramTec BondCo.

CeramTec TopCo also has indirect shareholdings in foreign corporations.

The current income taxes of the CeramTec TopCo Group therefore include, in addition to German corporate income tax and trade tax, the tax expense of the foreign corporations, which was calculated based on taxable income according to local tax law and the tax rate applicable in each case.

Profit/loss before income tax of EUR 63,637k (prior year: EUR -146,327k) is allocable to Germany and abroad as follows:

| | 2021 kEUR | 2020 kEUR |
|--------------|---------------|-----------------|
| Germany | 34,491 | -170,883 |
| Abroad | 29,146 | 24,556 |
| Total | 63,637 | -146,327 |

The tax expense of EUR -24,414k (prior year: EUR -2,848k) breaks down as follows:

| | 2021 kEUR | 2020 kEUR |
|-----------------------------------------|----------------|---------------|
| Current income tax expense | -35,958 | -28,123 |
| Deferred tax income | 11,544 | 25,275 |
| Tax expense (-) / tax income (+) | -24,414 | -2,848 |

Overall, the CeramTec TopCo Group's tax rate, based on the profit before income tax and mainly driven by the German entities, is 28.9% (prior year: 28.9%), which will be used for the following reconciliation. The effective tax rate, i.e., tax expense in relation to profit before income tax, factors in both the current and the deferred tax expense and takes into account all influential factors, such as non-deductible operating expenses or a change in the assessment base.

| | 2021 | | 2020 | |
|-----------------------------------------------------------|----------------|---------------|-----------------|---------------|
| | kEUR | % | kEUR | % |
| Profit (+) / loss (-) before income tax | 63,637 | | -146,327 | |
| Expected tax expense (-) / tax income (+) | -18,389 | 28.9 % | 42,284 | 28.9 % |
| Permanent differences | -2,066 | 3.2 % | -3,246 | -2.2 % |
| Non-tax deductible impairment of goodwill | 0 | 0.0 % | -39,607 | -27.1 % |
| Tax rate differences | 1,892 | -3.0 % | 1,830 | 1.3 % |
| Non-recognition of deferred tax on interest carryforwards | -5,420 | 8.5 % | -5,947 | -4.1 % |
| Tax income for previous years | 160 | -0.3 % | 1,796 | 1.2 % |
| Effects of changed income tax rates | -1,275 | 2.0 % | -441 | -0.3 % |
| Other adjustments | 684 | -1.1 % | 483 | 0.3 % |
| Tax expense and effective tax rate | -24,414 | 38.4 % | -2,848 | -1.9 % |

The effects of permanent differences result mainly from trade tax add-backs in the amount of EUR 2,380k as well as other permanent differences of EUR -314k.

Deferred taxes

Deferred income taxes were calculated using the expected tax rate of the relevant company. The deferred taxes are offset where there is an enforceable legal right to offset current taxes and the taxes are levied by the same tax authority.

In the consolidated statement of financial position, deferred taxes are disclosed as follows:

| | 31 December 2021 | 31 December 2020 |
|-----------------------------------------------|------------------|------------------|
| | kEUR | kEUR |
| Deferred tax assets | 926 | 934 |
| Deferred tax liabilities | 263,434 | 270,110 |
| Net amount of deferred tax liabilities | 262,508 | 269,176 |

The deferred tax assets and liabilities stem from the following:

| | 31 December 2021 | | 31 December 2020 | |
|-------------------------------------------|------------------|---------------------|------------------|---------------------|
| | Assets kEUR | Liabilities kEUR | Assets kEUR | Liabilities kEUR |
| Tax loss carryforwards | 1,399 | 0 | 71 | 0 |
| Property, plant and equipment | 275 | 23,109 | 733 | 22,432 |
| Goodwill and other intangible assets | 1,397 | 266,186 | 1,509 | 281,391 |
| Inventories, receivables and other assets | 9,635 | 5,669 | 16,366 | 4,245 |
| Non-current provisions | 27,435 | 7,465 | 27,559 | 6,525 |
| Current provisions and other liabilities | 3,537 | 3,757 | 3,870 | 4,691 |
| Total deferred taxes | 43,678 | 306,186 | 50,108 | 319,284 |
| Offsetting | -42,752 | -42,752 | -49,174 | -49,174 |
| Deferred taxes | 926 | 263,434 | 934 | 270,110 |

The following table shows the development of the net amount of deferred tax liabilities:

| | 2021 kEUR | 2020 kEUR |
|---------------------------------------------------------------------------|----------------|----------------|
| Net amount of deferred tax liabilities as of 1 January | 269,176 | 297,245 |
| Deferred tax income shown in the statement of profit or loss | -11,544 | -25,275 |
| Changes in deferred taxes recognized in other comprehensive income | 2,223 | -2,589 |
| Changes arising from acquisitions and disposals | 2,413 | 0 |
| Other changes (e.g. changes arising from foreign currency translation) | 240 | -205 |
| Net amount of deferred tax liabilities as of 31 December | 262,508 | 269,176 |

Other comprehensive income contains deferred tax expenses on the remeasurement of defined benefit plans of EUR 2,308k (prior year: EUR 2,472k) and deferred tax income on gain/loss arising from cash-flow hedges in the amount of EUR 85k (prior year: EUR 117k).

Unused losses and interest carryforwards

Unused losses and interest carryforwards break down as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------------------------------------------------------------|--------------------------|--------------------------|
| Interest carryforwards | 125,763 | 81,568 |
| <i>Interest carryforwards on which no deferred tax assets are recognized</i> | <i>125,763</i> | <i>81,568</i> |
| Foreign unused losses | 7,593 | 513 |
| <i>Foreign unused losses on which no deferred tax assets are recognized</i> | <i>291</i> | <i>320</i> |
| Total unused losses | 9,054 | 678 |
| <i>Total unused losses on which no deferred tax assets are recognized</i> | <i>1,753</i> | <i>320</i> |

Deferred tax assets were recognized on unused tax losses in the amount of EUR 7,301k (31 December 2020: EUR 358k).

Foreign unused losses, for which deferred tax assets have been capitalized, result from unused losses made by group companies in Switzerland of EUR 7,100k (31 December 2020: EUR 0k) and in Spain of EUR 201k (31 December 2020: EUR 193k). Each unused tax loss in Switzerland can only be used in the following seven calendar years after the tax loss occurs. The tax loss carryforwards in Spain do not expire.

Temporary differences in connection with shares in subsidiaries in the amount of EUR 6,489k (prior year: EUR 2,412k) are not subject to deferred tax liabilities, because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3.9 Government grants

In the context of the coronavirus pandemic, the following government grants (mainly social security contributions) were received and recognized with a cost-reducing effect in the following functional areas:

| | 2021 kEUR | 2020 kEUR |
|--------------------------------|--------------|--------------|
| Cost of sales | 334 | 847 |
| Selling costs | 12 | 113 |
| Research and development costs | 6 | 56 |
| General administrative costs | 1 | 57 |
| | 353 | 1,073 |

3.10 Additional information on the type of expenses

Cost of materials

In the financial year, cost of materials amounted to EUR 139,109k (prior year: EUR 119,438k). Cost of materials is mainly contained in cost of sales.

Personnel expenses

Personnel expenses break down as follows:

| | 2021 kEUR | 2020 kEUR |
|-------------------------------|----------------|----------------|
| Wages and salaries | 164,121 | 152,397 |
| Social security contributions | 32,519 | 29,272 |
| Pension expenses | 7,628 | 7,106 |
| Total | 204,268 | 188,775 |

Personnel expenses are contained in cost of sales, selling, research and development, as well as general administrative costs.

Employees

On average, the Group employed 3,456 people in the financial year (prior year: 3,410). These break down as follows:

| | 2021 Headcount (average) | 2020 Headcount (average) |
|--------------------|--------------------------------|--------------------------------|
| Salaried employees | 1,349 | 1,307 |
| Wage earners | 2,107 | 2,103 |
| Total | 3,456 | 3,410 |

Amortization, depreciation and impairment

Amortization, depreciation and impairment break down as follows:

| | 2021 kEUR | 2020 kEUR |
|-----------------------------------------------|----------------|----------------|
| Amortization of intangible assets | 68,570 | 65,669 |
| Depreciation of property, plant and equipment | 41,933 | 41,239 |
| Impairment of goodwill and intangible assets | 82 | 137,065 |
| Impairment of property, plant and equipment | 326 | 186 |
| Total | 110,910 | 244,159 |

4 Notes to the Consolidated Statement of Financial Position

4.1 Goodwill and intangible assets

Goodwill and intangible assets break down as follows:

| | Other intangible assets | | | | | | Total |
|----------------------------------------------|-------------------------|-----------------|----------------|---------------------------------|-------------------------------------|---------------|------------------|
| | Goodwill | Trade- marks | Technology | Customer- relation- ships | Capitalized development costs | Other | |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | |
| Cost | | | | | | | |
| 1 January 2020 | 1,341,431 | 59 | 336,275 | 761,8 | 0 | 6,744 | 2,505,250 |
| Additions | 0 | 0 | 0 | 0 | 0 | 3,935 | 3,935 |
| Disposals | 0 | 0 | 0 | 0 | 0 | -44 | -44 |
| Exchange differences | 0 | 0 | -501 | 0 | 0 | -26 | -527 |
| 31 December 2020 | 1,341,431 | 59 | 335,774 | 761,8 | 0 | 10,609 | 2,508,614 |
| Additions arising from business combinations | 23,613 | 931 | 4,424 | 13,55 | 7,741 | 38 | 50,297 |
| Additions | 0 | 0 | 250 | 0 | 861 | 3,035 | 4,146 |
| Disposals | 0 | 0 | 0 | 0 | -610 | -438 | -1,048 |
| Exchange differences | 0 | 0 | 636 | 0 | 345 | 81 | 1,063 |
| 31 December 2021 | 1,365,044 | 59,931 | 341,084 | 775,35 | 8,337 | 13,325 | 2,563,072 |
| Amortization/ impairment | | | | | | | |
| 1 January 2020 | 329,753 | 5,456 | 33,794 | 84,011 | 0 | 2,025 | 455,039 |
| Additions to amortization | 0 | 0 | 18,189 | 45,824 | 0 | 1,656 | 65,669 |
| Additions to impairment | 137,065 | 0 | 0 | 0 | 0 | 0 | 137,065 |
| Disposals | 0 | 0 | 0 | 0 | 0 | -44 | -44 |
| Exchange differences | 0 | 0 | -61 | -120 | 0 | -19 | -200 |
| 31 December 2020 | 466,818 | 5,456 | 51,921 | 129,715 | 0 | 3,618 | 657,529 |
| Additions to amortization | 0 | 93 | 18,558 | 46,728 | 393 | 2,798 | 68,57 |
| Additions to impairment | 0 | 0 | 0 | 0 | 0 | 82 | 82 |
| Disposals | 0 | 0 | 0 | 0 | -120 | -256 | -376 |
| Exchange differences | 0 | 0 | 117 | 229 | 16 | 70 | 432 |
| 31 December 2021 | 466,818 | 5,549 | 70,596 | 176,672 | 289 | 6,312 | 726,237 |
| Net carrying amounts | | | | | | | |
| 31 December 2021 | 898,226 | 54,382 | 270,488 | 598,678 | 8,048 | 7,013 | 1,836,835 |
| 31 December 2020 | 874,613 | 53,544 | 283,852 | 632,085 | 0 | 6,991 | 1,851,086 |

Goodwill results primarily from the previous acquisition of CeramTec Holding and its subsidiaries in 2018. Goodwill was allocated to the groups of cash-generating units (CGUs) Medical Products and Industrial. At the date of acquisition, goodwill of EUR 874,613k and EUR 466,818k was allocated to the CGUs Medical Products and Industrial respectively. Because of the acquisition of shares in Dentalpoint AG (see note 1.4) in the reporting year, goodwill of the CGU Medical Products rose by EUR 23,613k to EUR 898,226k now. The remaining goodwill of the CGU Industrial of EUR 137,065k was in 2020 fully written off.

The CGU Medical Products includes the business activities designed to develop, manufacture and supply technical high-performance ceramics products used for medical technology, and the CGU Industrial includes the business activities designed to develop, manufacture and supply technical high-performance ceramics products used in the electronics and automotive industries, and for mechanical engineering.

For the cash-generating units, an annual impairment test was performed as of 30 November 2021. The management did not believe that it was necessary to perform an additional impairment test as of 31 December 2021 because there were no changes in assumptions during December 2021. The recoverable amount was calculated based on the asset's value in use. Value in use is calculated by discounting the future cash flow surpluses. The projected future cash inflows are based on the approved financial budgets, which are undertaken by the CeramTec TopCo Group and, as a rule, have a three-year planning horizon. For this purpose, assumptions are made in particular about future selling prices, quantities and costs.

The financial budgets are prepared on the basis of historical experience, and reflect the management's expectations for the following years.

Different benchmark companies were considered for the peer group of the CGU Medical Products and the CGU Industrial.

The growth rate of the perpetuity was assumed to be 1.00% (prior year: 1.00%). The weighted average cost of capital for the CGU Medical Products is 8.90% (prior year: 9.30%) before tax and 6.50% (prior year: 6.90%) after tax. The weighted average cost of capital for the CGU Industrial is 11.90% (prior year: 13.20%) before tax and 9.10% (prior year: 9.60%) after tax. Equity costs were calculated using a base interest rate of 0.10% (prior year: -0.10%) each and a market risk premium of 7.50% (prior year: 7.75%) each.

According to our assessment, reasonably possible changes in significant basic assumptions (weighted average cost of capital, growth rate) underlying the determination of value in use would not result in an excess of the carrying amount of long-term assets of the CGU Medical Products and the CGU Industrial over their value in use.

As of 8 March 2018, the CeramTec, BIOLOX, SPK and DAI Ceramics trademarks were identified within the scope of the purchase price allocation. At the date of acquisition, trademarks of EUR 33,200k and EUR 25,800k were allocated to the CGU Medical Products and CGU Industrial respectively. Because of the acquisition of shares in Dentalpoint AG (see note 1.4), the net carrying amount of trademarks of the CGU Medical products rose by EUR 838k to EUR 34,038k now. In previous years, there was a need to recognize impairment losses of EUR 5,456k on trademarks of the CGU Industrial resulting in a carrying amount of EUR 20,344k as of the date of the statement of financial position.

The carrying amount of the above trademarks was EUR 54,382k as of 31 December 2021 (31 December 2020: EUR 53,544k). As the recognized CeramTec, BIOLOX, SPK and DAI Ceramics trademarks do not represent a product-specific trademark and do not have identifiable useful lives, the useful life for the recognized trademarks was classified as indefinite.

Technology has a carrying amount of EUR 270,488k (31 December 2020: EUR 283,852k) and primarily contains the basic technology underlying high-performance ceramics. This has an average weighted remaining useful life of 14.2 years (31 December 2020: 15.2 years).

Customer relationships have a carrying amount of EUR 598,678k (31 December 2020: EUR 632,085k) and primarily contain customer relationships from the Medical Products business. These have an average weighted remaining useful life of 13.1 years (31 December 2020: 14.1 years).

Scheduled amortization of other intangible assets is recognized under cost of sales, selling expenses, research and development costs and general administrative costs, while impairment losses are recognized under the line item "Other income and expenses (-), net".

4.2 Property, plant and equipment

Property, plant and equipment break down as follows:

| | Land and buildings | Technical plant and machinery | Other equipment | Right-of- use assets | Assets under construction | Total |
|-------------------------------------------------|-----------------------|-------------------------------------|--------------------|-------------------------|---------------------------------|----------------|
| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| Cost | | | | | | |
| 1 January 2020 | 109,915 | 216,582 | 11,259 | 6,641 | 22,562 | 366,960 |
| Additions | 972 | 10,011 | 2,790 | 2,761 | 19,007 | 35,541 |
| Disposals | -588 | -2,417 | -596 | -2,111 | -3 | -5,716 |
| Reclassifications | 800 | 10,882 | 469 | -106 | -12,151 | -106 |
| Exchange differences | -1,215 | -3,271 | -291 | -136 | -185 | -5,098 |
| 31 December 2020 | 109,884 | 231,788 | 13,630 | 7,049 | 29,230 | 391,581 |
| Additions arising from business combinations | 0 | 1,691 | 254 | 2,383 | 0 | 4,328 |
| Additions | 1,620 | 11,926 | 3,627 | 6,944 | 26,137 | 50,254 |
| Disposals | -211 | -10,647 | -1,425 | -2,004 | 705 | -13,582 |
| Reclassifications | -92 | 20,259 | 1,083 | 1,684 | -22,935 | 0 |
| Exchange differences | 1,386 | 3,756 | 386 | 284 | 450 | 6,262 |
| 31 December 2021 | 112,587 | 258,773 | 17,555 | 16,341 | 33,587 | 438,842 |
| Depreciation/impairment | | | | | | |
| 1 January 2020 | 13,131 | 56,876 | 5,025 | 2,542 | 0 | 77,573 |
| Additions to depreciation | 7,456 | 27,932 | 3,267 | 2,584 | 0 | 41,239 |
| Additions to impairment | 0 | 99 | 0 | 0 | 87 | 186 |
| Disposals | -8 | -1,638 | -570 | -2,074 | 0 | -4,290 |
| Reclassifications | 79 | 0 | 1 | -187 | 0 | -106 |
| Exchange differences | -228 | -1,299 | -152 | -31 | 0 | -1,709 |
| 31 December 2020 | 20,430 | 81,970 | 7,570 | 2,834 | 87 | 112,891 |
| Additions to depreciation | 7,294 | 27,898 | 3,545 | 3,196 | 0 | 41,933 |
| Additions to impairment | 0 | 289 | 0 | 0 | 37 | 326 |
| Disposals | -50 | -9,524 | -1,392 | -2,016 | -50 | -13,031 |
| Reclassifications | -651 | 0 | -3 | 654 | 0 | 0 |
| Exchange differences | 341 | 1,681 | 181 | 89 | 0 | 2,291 |
| 31 December 2021 | 27,365 | 102,314 | 9,901 | 4,757 | 74 | 144,411 |
| Net carrying amounts | | | | | | |
| 31 December 2021 | 85,222 | 156,459 | 7,654 | 11,584 | 33,513 | 294,431 |
| 31 December 2020 | 89,453 | 149,817 | 6,060 | 4,215 | 29,143 | 278,689 |

Scheduled depreciation of property, plant and equipment is recognized under cost of sales, selling costs, research and development costs and general administrative costs, while impairment losses are reported as other income and expenses.

In the financial year, borrowing costs of EUR 524k (prior year: EUR 656k) were capitalized in property, plant and equipment applying an unchanged interest rate of 5.80%.

4.3 Other financial assets

The breakdown of other financial assets is shown in the following table:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|-----------------------------------------------------------------------|--------------------------|--------------------------|
| Other non-current financial assets | | |
| Separated termination rights | 12,181 | 10,221 |
| Derivative financial instruments | 1,898 | 0 |
| Insurance claims | 35 | 40 |
| Minority shareholding without controlling interest | 4 | 4 |
| Sundry financial assets | 77 | 10 |
| Total | 14,195 | 10,275 |
| Other current financial assets | | |
| Receivables arising from amounts retained by the factor as a security | 1,520 | 1,850 |
| Derivative financial instruments | 161 | 314 |
| Sundry financial assets | 155 | 1,098 |
| Total | 1,836 | 3,262 |

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 instrument. Further explanations can be found in note 4.15.

Due to the default risk being classified as low, no impairment was recognized in relation to other financial assets in the reporting period.

4.4 Other assets

The breakdown of other assets is shown in the following table:

| | 31 December 2021 | 31 December 2020 |
|------------------------------------------------------|------------------|------------------|
| | kEUR | kEUR |
| Other non-current assets | | |
| Deferred finance costs for the revolving credit line | 259 | 478 |
| Sundry assets | 3,625 | 3,600 |
| Total | 3,884 | 4,078 |
| Other current assets | | |
| VAT receivables | 3,187 | 2,024 |
| Receivables from energy tax refunds | 1,760 | 1,809 |
| Prepaid insurance | 1,685 | 2,017 |
| Deferred finance costs for the revolving credit line | 219 | 219 |
| Sundry assets | 2,746 | 2,234 |
| Total | 9,597 | 8,303 |

Other assets mainly include advance payments.

4.5 Inventories

Inventories break down as follows:

| | 31 December 2021 | 31 December 2020 |
|-------------------|------------------|------------------|
| | kEUR | kEUR |
| Raw materials | 38,654 | 35,331 |
| Work in progress | 33,614 | 28,018 |
| Finished goods | 26,384 | 25,237 |
| Merchandise | 3,445 | 1,656 |
| Other inventories | 1,598 | 1,323 |
| Total | 103,695 | 91,565 |

Other inventories include packaging materials and spare parts for machinery.

At the reporting date, the write-down of inventories amounts to EUR 16,334k (31 December 2020: EUR 15,994k). The expense resulting from the increase of EUR 340k in the write-down is reported in cost of sales.

4.6 Trade receivables

As of the reporting date, trade receivables were recognized to the amount of EUR 60,036k (31 December 2020: EUR 51,880k) after taking into account loss allowances of EUR 711k (31 December 2020: EUR 495k).

As part of the factoring agreement concluded in 2017, receivables of EUR 13,811k were sold as of the reporting date (31 December 2020: EUR 13,599k). Under the terms of the agreement, EUR 1,520k was retained by the factor as of the reporting date as a security (31 December 2020: EUR 1,850k), and is recognized in other current financial assets (see note 4.3).

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

| | Trade receivables, gross kEUR | 31 December 2021 | | | Total loss allowances kEUR |
|----------------------------|-------------------------------------|--------------------|-----------------|-----------------|----------------------------------|
| | | Level 2 Ratio * | Level 2 kEUR | Level 3 kEUR | |
| not due yet | 47,218 | 0.00% | 0 | 0 | 0 |
| past due up to 30 days | 10,316 | 1.00% | 103 | 57 | 160 |
| past due up to 60 days | 1,363 | 1.00% | 14 | 176 | 190 |
| past due up to 90 days | 211 | 2.00% | 4 | 8 | 12 |
| past due more than 90 days | 1,639 | 5.75% | 94 | 255 | 349 |
| Total | 60,747 | | 215 | 496 | 711 |

* Impairment loss to trade receivables ratio or likelihood of default

| | Trade receivables, gross kEUR | 31 December 2020 | | | Total loss allowances kEUR |
|----------------------------|-------------------------------------|--------------------|-----------------|-----------------|----------------------------------|
| | | Level 2 Ratio * | Level 2 kEUR | Level 3 kEUR | |
| not due yet | 40,066 | 0.00% | 0 | 2 | 2 |
| past due up to 30 days | 8,140 | 1.00% | 81 | 63 | 144 |
| past due up to 60 days | 3,286 | 1.00% | 33 | 0 | 33 |
| past due up to 90 days | 343 | 2.50% | 9 | 10 | 19 |
| past due more than 90 days | 540 | 6.00% | 32 | 265 | 297 |
| Total | 52,375 | | 155 | 340 | 495 |

* Impairment loss to trade receivables ratio or likelihood of default

The age structure of receivables past due which are not impaired breaks down as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|----------------------------|--------------------------|--------------------------|
| past due up to 30 days | 10,253 | 7,991 |
| past due up to 60 days | 1,168 | 3,286 |
| past due up to 90 days | 203 | 324 |
| past due more than 90 days | 1,356 | 199 |
| Total | 12,980 | 11,800 |

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 include, on the one hand, loss allowances for receivables due from customers who have entered into bankruptcy proceedings or who are facing severe financial difficulties (level 3) and, on the other hand, expected loss allowances based on the historical default experience (level 2).

Default risks in the majority of trade receivables (usually between 75% and 80%) of CeramTec GmbH, Plochingen/Germany, the largest company that engages in operating activities, are covered by using credit insurance. After taking credit insurance into account, the maximum default risk on trade receivables of the CeramTec TopCo Group comes to 46% of the carrying amount as of the date of the statement of financial position (31 December 2020: 51%) before deducting accounts receivable factoring.

Based on the CeramTec TopCo Group's historical credit loss experience and customer structure, the Group is expected to sustain a small loss in the event of default, taking into account future-oriented macroeconomic information and existing insurance that protects the Group against loss on receivables.

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. On average, the Group has recognized loss allowances of around 20% (prior year: around 40%) in relation to all receivables past due more than 60 days.

The following table shows the development of loss allowances on trade receivables during the past reporting period.

| Loss allowances | 2021 | | Total kEUR |
|-------------------------------------|-----------------|-----------------|---------------|
| | Level 2 kEUR | Level 3 kEUR | |
| As of 1 January | 152 | 343 | 495 |
| Addition | 103 | 238 | 341 |
| Utilization | -21 | -49 | -70 |
| Reversal | -25 | -57 | -82 |
| Foreign currency translation | 6 | 7 | 13 |
| Change recognized in profit or loss | 215 | 482 | 697 |
| Changes in scope of consolidation | 0 | 14 | 14 |
| Balance on 31 December | 215 | 496 | 711 |

| Loss allowances | 2020 | | Total kEUR |
|-------------------------------|-----------------|-----------------|---------------|
| | Level 2 kEUR | Level 3 kEUR | |
| As of 1 January | 232 | 528 | 760 |
| Addition | 59 | 136 | 195 |
| Utilization | -13 | -28 | -41 |
| Reversal | -116 | -269 | -385 |
| Foreign currency translation | -10 | -24 | -34 |
| Balance on 31 December | 152 | 343 | 495 |

4.7 Cash and cash equivalents

The "Cash and cash equivalents" line item contains bank balances of EUR 291,400k (31 December 2020: EUR 244,113k) and cash in hand of EUR 4k (31 December 2020: EUR 5k).

4.8 Equity

Subscribed capital

The fully paid in capital stock of the parent company CeramTec TopCo amounts to EUR 25k (31 December 2020: EUR 25k), and consists of a business interest.

Capital reserve

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

The capital reserve is freely available and not subject to any earmarking.

Retained earnings and net profit/loss for the period

The "Retained earnings and net profit/loss for the period" line item contains the current profits/losses incurred by the CeramTec TopCo Group and those incurred in previous years. This also includes the change in the revaluation reserve for pension obligations (after tax) in the amount of EUR 6,182k (31 December 2020: EUR -6,166k).

Accumulated other comprehensive income

Accumulated other comprehensive income relates to foreign currency translation adjustments and differences from the market valuation of financial assets and liabilities including deferred tax effects.

4.9 Provisions for pension obligations

Within the CeramTec TopCo Group, there are defined benefit and defined contribution plans in place granting eligible employees benefits in the event of retirement, occupational disability or death – in the latter case to employees' surviving dependents. These benefits are based, as a rule, on the length of service and level of remuneration or contributions of the eligible employees taking into account conditions in terms of tax, labor and welfare law in the respective country.

In Germany, there are various direct commitments that depend on the remuneration and length of service and are subject to a cap. These commitments do not contain any rights to inflation-related pension adjustments. These defined benefit plans were closed for employees that joined after 1 January 2002. There is also a defined benefit plan in place with direct commitments for a fixed pension amount which depends on the employee's length of service. This plan was also closed for employees that joined after 1 January 2002. For the management of the German CeramTec TopCo group companies, there are direct commitments in place comprising benefits that depend on the remuneration and length of service and are subject to a cap as well as benefits that are calculated based on the performance of the Company. The eligible employees are also entitled to deferred compensation which is subsidized by the relevant group company depending on the achievement of personal targets by employees.

Furthermore, since the end of 2014, the Company has committed itself to directly providing benefits as compensation to employees who have been enrolled into Hoechster Pensionskasse, which was subject to the realignment of pension funds that might be to their disadvantage. The obligation is measured annually by an actuarial expert.

The pension plan in the UK is a funded defined benefit plan. The plan is administered by an external sponsoring institution managed by employer and employee representatives. The pension plan is closed. The plan grants the entitled employees annual pension payments, the amount of which depends on the length of service and the last salary earned. Pension payments are also made in the event of death to the surviving dependents. The obligation is measured annually by an actuarial expert.

The provisions for pension obligations break down as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|--------------|--------------------------|--------------------------|
| Germany | 116,646 | 120,622 |
| UK | 1,384 | 3,489 |
| Other | 627 | 239 |
| Total | 118,657 | 124,350 |

The following table shows the extent of the obligation and the amount of plan assets as well as the provisions and other assets disclosed in the consolidated statement of financial position as of 31 December 2021.

| | German plans kEUR | 2021 Foreign plans kEUR | Total kEUR |
|---------------------------------------------------------------------------|-------------------------|-------------------------------|----------------|
| <u>Change in benefit obligations</u> | | | |
| Benefit obligations at the beginning of the financial year | 120,622 | 12,801 | 133,423 |
| Addition arising from changes in scope of consolidation | 0 | 4,336 | 4,336 |
| Service cost | 3,931 | 253 | 4,184 |
| Employer contributions | 0 | 83 | 83 |
| Interest expense | 597 | 191 | 788 |
| Remeasurements | -6,090 | -1,055 | -7,145 |
| <i>from the change in demographic assumptions</i> | <i>0</i> | <i>322</i> | <i>322</i> |
| <i>from the change in financial assumptions</i> | <i>-4,630</i> | <i>-1,036</i> | <i>-5,666</i> |
| <i>Experience adjustments</i> | <i>-1,460</i> | <i>-341</i> | <i>-1,801</i> |
| Foreign currency translation | 0 | 1,148 | 1,148 |
| Benefits paid | -2,412 | -500 | -2,912 |
| Benefit obligations at the end of the year | 116,648 | 17,257 | 133,905 |
| <u>Change in plan assets</u> | | | |
| Market value of plan assets at the beginning of the financial year | 0 | 9,073 | 9,073 |
| Addition arising from changes in scope of consolidation | 0 | 3,739 | 3,739 |
| Interest income from plan assets | 0 | 141 | 141 |
| Expense for managing the plans | 0 | -91 | -91 |
| Employer contributions | 0 | 567 | 567 |
| Employer contributions | 0 | 83 | 83 |
| Remeasurements | 0 | 1,343 | 1,343 |
| <i>from the change in financial assumptions</i> | <i>0</i> | <i>1,343</i> | <i>1,343</i> |
| Foreign currency translation | 0 | 880 | 880 |
| Benefits paid | 0 | -487 | -487 |
| Market value of plan assets at the end of the year | 0 | 15,248 | 15,248 |
| Net obligation amount / provisions for benefits | 116,648 | 2,009 | 118,657 |

The change in financial assumptions primarily results from the increased interest rate.

The following table shows the extent of the obligation and the amount of plan assets as well as the provisions disclosed in the consolidated statement of financial position for the comparable period as of 31 December 2020.

| | 2020 | | Total |
|---------------------------------------------------------------------------|----------------|---------------|----------------|
| | German plans | Foreign plans | |
| | kEUR | kEUR | kEUR |
| <u>Change in benefit obligations</u> | | | |
| Benefit obligations at the beginning of the financial year | 109,504 | 12,702 | 122,206 |
| Service cost | 4,146 | 20 | 4,166 |
| Interest expense | 974 | 241 | 1,215 |
| Remeasurements | 8,363 | 983 | 9,346 |
| <i>from the change in demographic assumptions</i> | 0 | 46 | 46 |
| <i>from the change in financial assumptions</i> | 9,748 | 937 | 10,685 |
| <i>Experience adjustments</i> | -1,385 | 0 | -1,385 |
| Foreign currency translation | 0 | -702 | -702 |
| Benefits paid | -2,365 | -443 | -2,808 |
| Benefit obligations at the end of the year | 120,622 | 12,801 | 133,423 |
| <u>Change in plan assets</u> | | | |
| Market value of plan assets at the beginning of the financial year | 0 | 8,773 | 8,773 |
| Interest income from plan assets | 0 | 165 | 165 |
| Expense for managing the plans | 0 | -89 | -89 |
| Employer contributions | 0 | 448 | 448 |
| Remeasurements | 0 | 701 | 701 |
| <i>from the change in financial assumptions</i> | 0 | 701 | 701 |
| Foreign currency translation | 0 | -492 | -492 |
| Benefits paid | 0 | -433 | -433 |
| Market value of plan assets at the end of the year | 0 | 9,073 | 9,073 |
| Net obligation amount / provisions for benefits | 120,622 | 3,728 | 124,350 |

The calculation of the pension obligations was based on the following assumptions as of 31 December 2021:

| | Germany | Abroad |
|-------------------------------|----------------------------|------------------|
| Interest rate (in %) | 1.00 | 1.50 |
| Wage and salary trends (in %) | 2.50 | 1.00 |
| Pension trend (in %) | 1.80 | 2.22 |
| Life expectancy | 2018 G Guideline Tables | Mortality Tables |

The calculation of the pension obligations was based on the following assumptions as of 31 December 2020:

| | Germany | Abroad |
|-------------------------------|----------------------------|------------------|
| Interest rate (in %) | 0.50 | 1.40 |
| Wage and salary trends (in %) | 2.50 | N/A |
| Pension trend (in %) | 1.50 | 2.60 - 3.00 |
| Life expectancy | 2018 G Guideline Tables | Mortality Tables |

The average term of the benefit obligations amounts to 22.2 years in Germany (prior year: 22.7 years) and 16.1 years abroad (prior year: 16.0 years).

The employer contributions expected to be paid into the plans during the next financial year amount to EUR 582k (prior year: EUR 450k) and benefit payments amount to EUR 3,126k (prior year: EUR 2,994k).

The risk from changes in actuarial assumptions underlying the measurement of the defined pension plans is borne by the relevant group company. The sensitivity analyses presented in the table below were performed based on reasonably possible changes in the respective assumptions as of the reporting date. The change in key actuarial assumptions would have the following effects (in kEUR) on the present value of pension obligations:

| | Change | Effect 31 December 2021 |
|------------------------|--------------------------|----------------------------|
| Discount rate | - 0.50 percentage points | 15,303 |
| | + 0.50 percentage points | -13,102 |
| Wage and salary trends | - 0.50 percentage points | -458 |
| | + 0.50 percentage points | 479 |
| Pension trend | - 0.50 percentage points | -13,171 |
| | + 0.50 percentage points | 14,843 |
| Life expectancy | + 1 year | 5,855 |

The change in key actuarial assumptions would have had the following impact (in kEUR) on the present value of pension obligations for the prior year:

| | Change | Effect 31 December 2020 |
|------------------------|--------------------------|----------------------------|
| Discount rate | - 0.50 percentage points | 15,895 |
| | + 0.50 percentage points | -13,540 |
| Wage and salary trends | - 0.50 percentage points | -492 |
| | + 0.50 percentage points | 514 |
| Pension trend | - 0.50 percentage points | -14,368 |
| | + 0.50 percentage points | 15,965 |
| Life expectancy | + 1 year | 6,004 |

There are no plan assets for German plans. The plan assets of the foreign plans break down into the following assets:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------------|--------------------------|--------------------------|
| Securities/shares | 7,185 | 4,456 |
| Equity funds and other funds | 2,968 | 2,468 |
| Fixed-interest securities | 3,346 | 1,405 |
| Real estate | 1,666 | 744 |
| | 15,165 | 9,073 |

The fair values of the securities and shares were determined based on prices quoted on active markets, while the fair values of real estate are not based on prices quoted on active markets. The real estate contained in plan assets relates to non-owner-occupied property in the UK. The investment horizon for plan assets takes into account the expected payout profile.

From 1 January 2002 to 31 December 2014, all new hires at CeramTec GmbH, CeramTec Service and Emil Müller GmbH were members of the pension fund Dynamit Nobel VVaG. Furthermore, some active and former employees of CeramTec GmbH and Emil Müller GmbH are members of the pension fund Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG. These pension funds are multi-employer plans which are generally defined benefit plans. The two pension funds are subject to regulatory supervision. In the event that the funds are unable to settle their obligations, the employer is legally liable for the vested benefits (secondary liability). This obligation remains in place even if the CeramTec TopCo Group were to terminate its participation in the plans. However, terminating its participation would generally not directly result in having to make supplementary payments. In the consolidated financial statements, these pension plans are classified as defined contribution plans in accordance with IAS 19.34. As several employers are responsible for these pension funds, contributions made by

the CeramTec TopCo Group can under certain circumstances be used to finance another entity's employee benefits.

Dynamit Nobel VVaG is funded for commitments made before 1 December 2007 with income-based contributions by the entitled employees as well as variable employer contributions. The employers' contribution must, together with the member contributions and return on plan assets from the pension fund, sufficiently fund the agreed benefit payments according to actuarial principles. Once pension payments have begun, the pension fund assumes the statutory pension adjustments provided it has the sufficient means to do so. In the last few years, the pension adjustments could not be assumed by the pension fund and had to be funded by the employers. For commitments given as from 1 December 2007, the employees and employer made a fixed, income-based contribution. There is no obligation on the part of the employer to adjust current pension benefits. Surpluses are used to increase the pension benefits. Although the existing obligations are at present fully covered by assets in accordance with German accounting standards for pension funds, the additional capital requirements have not been satisfied. There is a plan approved by regulatory authorities in place to remedy the contravention of requirements. Negative budget variances, for example due to the pension fund earning an insufficient return on assets, may result in the CeramTec TopCo Group having to make additional payments. The proportion of members whose membership is based on an existing or former work contract with CeramTec GmbH, CeramTec Service or Emil Müller GmbH in the total number of pension fund members amounts to around 26% for active employees, around 11% for non-contributory employees and around 4% for pensioners.

The pension fund Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG is funded with income-based contributions by entitled employees as well as variable employer contributions. The employers' contribution must, together with the employees' member contributions and pension fund surpluses, sufficiently fund the agreed benefit payments according to actuarial principles. Once pension payments have begun, the pension fund assumes the statutory pension adjustments provided it has the sufficient means to do so. The proportion of members whose membership is based on an existing or former work contract with the CeramTec TopCo Group in the total number of members for active employees, non-contributory employees and pensioners ranges between around 0.1% and 0.15% in each case.

As of 1 December 2014, company pension schemes underwent some realignment, and all employees whose membership was based on an existing contract with the pension fund Dynamit Nobel VVaG were enrolled into Hoechster Pensionskasse VVaG. Since 1 January 2015, contributions have not been paid anymore to the pension fund Dynamit Nobel VVaG, and the employees have become extraordinary members. All new hires become members of Hoechster Pensionskasse VVaG. The employees and employer make a fixed, income-based contribution to Hoechster Pensionskasse VVaG. There is no obligation on the part of the employer to adjust current pension benefits. Surpluses are used to increase the pension benefits. CeramTec GmbH has committed itself to directly providing benefits as compensation for the realignment which involved enrolling the employees into another pension fund, which may be to their disadvantage.

The contributions made to the pension funds amounted to EUR 2,882k in the financial year (prior year: EUR 2,413k). The expenses are recorded in cost of sales, selling expenses, research and development costs as well as general administrative costs. Planned contributions of EUR 3,095k are expected to be made in 2022 (prior year: EUR 2,426k).

The expenses for additional defined contribution plans related to the employer's share of contributions to the German state pension insurance scheme, and amounted to EUR 11,855k (prior year: EUR 11,827k).

4.10 Provisions

The development of provisions in the financial year was as follows:

| | Balance as of 31 Decem- ber 2020 | Addition arising from business combination | Addition | Utilization | Reversal | Exchange difference | Balance as of 31 Decem- ber 2021 |
|-------------------------------------|-------------------------------------------|-----------------------------------------------------|---------------|---------------|--------------|------------------------|-------------------------------------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Provisions for employee bonuses | 9,293 | 10 | 13,924 | 6,236 | 2,698 | 275 | 14,568 |
| Provisions for warranties | 3,445 | 28 | 59 | 419 | 2,330 | 1 | 784 |
| Provisions for environmental risks | 315 | 0 | 9 | 32 | 0 | 18 | 310 |
| Provisions for long-service awards | 745 | 0 | 123 | 280 | 0 | 0 | 588 |
| Provision for solvency requirements | 1,006 | 0 | 470 | 841 | 0 | 0 | 635 |
| Provisions for litigation risks | 543 | 0 | 197 | 112 | 135 | 6 | 499 |
| Provisions for taxes | 3,929 | 13 | 3,761 | 3,929 | 0 | 96 | 3,870 |
| Sundry provisions | 3,211 | 15 | 1,470 | 654 | 535 | 122 | 3,629 |
| | 22,487 | 66 | 20,013 | 12,503 | 5,698 | 518 | 24,883 |

Provisions for environmental risks relate to the elimination of residual pollution, renovation measures and water conservation practices. Estimations and, where possible, external expert opinions are used to measure the amount of the provisions.

A provision was recognized for the solvency plan for the pension fund Dynamit Nobel VVaG which has been approved by the German Federal Financial Supervisory Authority (Bafin).

The provision for taxes includes anticipated income tax payments for past assessment periods.

Sundry provisions primarily comprise provisions for severance pay, legal and consulting fees as well as provisions for other contingent liabilities.

The maturities of the provisions were as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------|--------------------------|--------------------------|
| Current provisions | 22,512 | 19,726 |
| Non-current provisions | 2,371 | 2,761 |
| Total | 24,883 | 22,487 |

The non-current provisions mainly relate to long-service awards and solvency obligations as well as environmental risks.

The cash outflow of current provisions takes place within one year.

4.11 Financial liabilities to affiliates

Financial liabilities to affiliates comprise a loan payable to CTEC Acquisition S.à.r.l., Luxembourg, in the amount of EUR 288,596k (31 December 2020: EUR 273,835k) with a term until 31 December 2028. The lenders have the right to request full repayment of the loan by adhering to a four weeks' notice period beginning on 1 July 2026.

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------------------------|--------------------------|--------------------------|
| Non-current financial liabilities | | |
| Loan payable | 288,596 | 273,523 |
| Total | 288,596 | 273,523 |
| Current financial liabilities | | |
| Accrued interest | 0 | 312 |
| Total | 0 | 312 |

The amount of accrued interest, reported in the previous year as current, of EUR 312k was paid to the shareholder in January 2021.

4.12 Financial liabilities to third parties

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

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------------------------|--------------------------|--------------------------|
| Non-current financial liabilities | | |
| Liabilities to banks | 1,174,549 | 1,156,680 |
| Liabilities from the bond | 412,775 | 414,293 |
| Lease liabilities | 9,514 | 3,636 |
| Derivative financial instruments | 8,584 | 22,489 |
| Total | 1,605,422 | 1,597,098 |
| Current financial liabilities | | |
| Bonuses and discounts | 11,000 | 3,065 |
| Liabilities from the bond | 7,993 | 7,993 |
| Derivative financial instruments | 6,209 | 8,256 |
| Liabilities to banks | 3,445 | 141 |
| Lease liabilities | 2,045 | 1,759 |
| Other current financial liabilities | 2,550 | 2,759 |
| Total | 33,242 | 23,973 |

Liabilities to banks nominally include an EUR tranche of EUR 1,069,000k and two USD tranches of EUR 131,463k. The tranches have variable interest rates and mature on 8 March 2025. Transaction costs of EUR 33,641k associated with the loan 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 2020: nominal volume of EUR 406,000k). It is due to mature on 15 December 2025. The CeramTec TopCo Group has a termination option for this bond, which is recognized as a separate financial asset (note 4.3). Associated transaction costs of EUR 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 4.15.

4.13 Other liabilities

Other liabilities break down as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|--------------------------------------------------------|--------------------------|--------------------------|
| Other non-current liabilities | | |
| Contractual liabilities under contracts with customers | 0 | 3,763 |
| Total | 0 | 3,763 |
| Other current liabilities | | |
| Wages and salaries including taxes | 9,571 | 10,696 |
| Contractual liabilities under contracts with customers | 6,219 | 3,935 |
| Real estate transfer tax | 804 | 1,023 |
| Sundry current liabilities | 5,928 | 5,943 |
| Total | 22,522 | 21,597 |

The contractual liabilities from contracts with customers reported as current will be recognized in income in 2022.

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

4.14 Accounting for leases (IFRS 16)

In accordance with IFRS 16 the lessee is required to recognize a right-of-use asset (or "RoU asset") and a corresponding lease liability for all leases. The CeramTec TopCo Group primarily leases a parking building, various office and warehouse buildings as well as vehicles.

The right-of-use assets can be related to the asset categories of property, plant and equipment as follows:

| | Land and buildings | Technical plant and machinery | Other equipment | Total |
|----------------------------------------------|-----------------------|-------------------------------------|--------------------|---------------|
| | kEUR | kEUR | kEUR | kEUR |
| Cost | | | | |
| 1 January 2020 | 2,597 | 202 | 3,842 | 6,641 |
| Additions | 1,100 | 220 | 1,441 | 2,761 |
| Disposals | -202 | -362 | -1,546 | -2,111 |
| Reclassifications | -106 | 0 | 0 | -106 |
| Exchange differences | -105 | -3 | -28 | -136 |
| 31 December 2020 | 3,284 | 57 | 3,708 | 7,049 |
| Additions arising from business combinations | 1,416 | 944 | 23 | 2,383 |
| Additions | 5,312 | 356 | 1,276 | 6,944 |
| Disposals | -247 | -160 | -1,597 | -2,004 |
| Reclassifications | 1,679 | 0 | 5 | 1,684 |
| Exchange differences | 280 | -4 | 8 | 284 |
| 31 December 2021 | 11,724 | 1,193 | 3,423 | 16,340 |
| Depreciation/impairment | | | | |
| 1 January 2020 | 690 | 185 | 1,666 | 2,542 |
| Additions to depreciation | 733 | 213 | 1,638 | 2,584 |
| Disposals | -177 | -362 | -1,534 | -2,074 |
| Reclassifications | -187 | 0 | 0 | -187 |
| Exchange differences | 13 | -5 | -39 | -31 |
| 31 December 2020 | 1,072 | 31 | 1,731 | 2,834 |
| Additions to depreciation | 1,132 | 391 | 1,673 | 3,196 |
| Disposals | -346 | -160 | -1,510 | -2,016 |
| Reclassifications | 649 | 0 | 5 | 654 |
| Exchange differences | 78 | -5 | 16 | 89 |
| 31 December 2021 | 2,585 | 257 | 1,915 | 4,757 |
| Net carrying amounts | | | | |
| 31 December 2021 | 9,139 | 936 | 1,508 | 11,584 |
| 31 December 2020 | 2,212 | 26 | 1,977 | 4,215 |

At the commencement date, the lease liability is measured at the present value of the lease payments that are paid over the lease term. Subsequently, the carrying amount of the lease liability is adjusted for interest using the discount rate and reduced in the amount of the lease payments made. Modifications to the lease payments result in a remeasurement of the lease liability.

The following table shows the undiscounted cash flows for the lease liabilities existing as of the reporting date pursuant to IFRS 16:

| | 31 December 2021 | | | | | | |
|----------------------------|------------------|-------|-------|-------|------|------|-------|
| | Carrying amount | 2022 | 2023 | 2024 | 2025 | 2026 | >2026 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Lease liabilities (IFRS16) | 11,559 | 2,323 | 2,591 | 1,064 | 904 | 611 | 5,632 |

| | 31 December 2020 | | | | | | |
|----------------------------|------------------|-------|-------|------|------|------|-------|
| | Carrying amount | 2021 | 2022 | 2023 | 2024 | 2025 | >2025 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Lease liabilities (IFRS16) | 4,309 | 1,824 | 1,155 | 634 | 419 | 153 | 419 |

The effect of IFRS 16 on the consolidated statement of comprehensive income is as follows:

| | 2021 kEUR | 2020 kEUR |
|-----------------------------------------------------------------------------|--------------|--------------|
| Depreciation of right-of-use-assets | 3,196 | 2,584 |
| Interest expense associated with unwinding of discount on lease liabilities | 290 | 227 |
| Total | 3,486 | 2,811 |

In the financial year, expenses related to short-term leases, leases of low-value assets as well as software leases are included in the consolidated statement of comprehensive income at EUR 933k (prior year: EUR 981k).

The total cash outflows for leases amount to EUR 4,274k in the financial year (prior year: EUR 3,867k).

4.15 Financial instruments

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities reported in the consolidated financial statements, sorted by class and measurement category in accordance with IFRS 9.

| | Measurement category of IFRS 9 ¹ | 31 December 2021 | |
|--------------------------------|---------------------------------------------|-------------------------|--------------------|
| | | Carrying amount kEUR | Fair value kEUR |
| Financial assets | | | |
| Trade receivables | AC | 60,036 | 60,036 |
| Separated termination rights | FVtPL | 12,181 | 12,181 |
| Cash and cash equivalents | AC | 291,404 | 291,404 |
| Forward exchange transactions | FVtPL | 161 | 161 |
| Interest rate cap | FVtPL | 1,898 | 1,898 |
| Other financial assets | AC | 1,791 | 1,791 |
| Total | | 367,471 | 367,471 |
| Financial liabilities | | | |
| Liabilities to banks | AC | 1,177,994 | 1,201,138 |
| Bond liabilities | AC | 420,768 | 423,256 |
| Liabilities to affiliates | AC | 288,596 | 290,508 |
| Trade payables | AC | 34,977 | 34,977 |
| Separated interest rate floors | FVtPL | 12,948 | 12,948 |
| Lease liabilities | N/A | 11,559 | N/A |
| Interest rate cap | FVtPL | 1,704 | 1,704 |
| Forward exchange transactions | FVtPL | 142 | 142 |
| Other financial liabilities | AC | 13,550 | 13,550 |
| Total | | 1,962,238 | 1,978,223 |

¹ AC: measured at amortized cost using the effective interest method; FVtPL: measured at fair value through profit or loss

| | | 31 December 2020 | |
|--------------------------------|---------------------------------------------|-------------------------|--------------------|
| | Measurement category of IFRS 9 ¹ | Carrying amount kEUR | Fair value kEUR |
| Financial assets | | | |
| Trade receivables | AC | 51,880 | 51,880 |
| Separated termination rights | FVtPL | 10,221 | 10,221 |
| Cash and cash equivalents | AC | 244,118 | 244,118 |
| Forward exchange transactions | FVtPL | 314 | 314 |
| Other financial assets | AC | 3,001 | 3,001 |
| Total | | 309,534 | 309,534 |
| Financial liabilities | | | |
| Liabilities to banks | AC | 1,156,821 | 1,190,326 |
| Bond liabilities | AC | 422,286 | 421,702 |
| Liabilities to affiliates | AC | 273,835 | 275,595 |
| Trade payables | AC | 29,034 | 29,034 |
| Separated interest rate floors | FVtPL | 26,079 | 26,079 |
| Lease liabilities | N/A | 5,395 | N/A |
| Interest rate cap | FVtPL | 4,665 | 4,665 |
| Other financial liabilities | AC | 5,825 | 5,825 |
| Total | | 1,923,940 | 1,953,226 |

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:

| | 31 Dezember 2021 | | |
|--------------------------------|------------------|-----------------|-----------------|
| | Level 1 kEUR | Level 2 kEUR | Level 3 kEUR |
| Financial assets | | | |
| Separated termination rights | 0 | 12,181 | 0 |
| Interest rate cap | 0 | 1,898 | 0 |
| Forward exchange transactions | 0 | 161 | 0 |
| Financial liabilities | | | |
| Separated interest rate floors | 0 | 12,948 | 0 |
| Interest rate cap | 0 | 1,704 | 0 |
| | | | |
| | 31 December 2020 | | |
| | Level 1 kEUR | Level 2 kEUR | Level 3 kEUR |
| Financial assets | | | |
| Separated termination rights | 0 | 10,221 | 0 |
| Forward exchange transactions | 0 | 314 | 0 |
| Financial liabilities | | | |
| Separated interest rate floors | 0 | 26,079 | 0 |
| Interest rate cap | 0 | 4,665 | 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.

| | 31 December 2021 | | |
|------------------------------|------------------|-----------------|-----------------|
| | Level 1 kEUR | Level 2 kEUR | Level 3 kEUR |
| Financial liabilities | | | |
| Bond liabilities | 0 | 423,256 | 0 |
| Liabilities to banks | 0 | 1,201,138 | 0 |
| Liabilities to affiliates | 0 | 0 | 290,508 |
| | | | |
| | 31 December 2020 | | |
| | Level 1 kEUR | Level 2 kEUR | Level 3 kEUR |
| Financial liabilities | | | |
| Bond liabilities | 0 | 421,702 | 0 |
| Liabilities to banks | 0 | 1,190,326 | 0 |
| Liabilities to affiliates | 0 | 0 | 275,595 |

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, on the basis of which the fair value was also 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.

Liabilities to affiliates consist of a shareholder loan from CTEC Acquisition S.à.r.l., Luxembourg, which pays interest and is discounted to the balance sheet date to determine fair value until the end of the loan according to the contract provisions, including interest payable that is recognized annually every year as of 31 December. Because no observable measurement parameters are available here, the fair value measurement is allocated to level 3 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, 2 and 3 during the reporting period.

Net gains and losses as well as total interest income and expenses

The following table presents the net gains and losses from financial assets and liabilities in accordance with IFRS 9:

| | Change in fair value | 31 December 2021 | | Total |
|-----------------------------------------------------|-------------------------|-------------------------|--------------------|---------------|
| | | Currency translation | Impairment loss | |
| | kEUR | kEUR | kEUR | kEUR |
| Financial assets | | | | |
| Trade receivables | 0 | -110 | -259 | -369 |
| Cash and cash equivalents | 0 | 1,870 | 0 | 1,870 |
| Separated termination rights - FVtPL | 1,960 | 0 | 0 | 1,960 |
| | 1,960 | 1,760 | -259 | 3,461 |
| Financial liabilities | | | | |
| Interest rate floors - FVtPL | 15,781 | 0 | 0 | 15,781 |
| Financial liabilities measured at amortized cost | 0 | -6,264 | 0 | -6,264 |
| Financial liabilities to affiliates | 0 | 2,421 | 0 | 2,421 |
| | 15,781 | -3,843 | 0 | 11,938 |
| Total | 17,741 | -2,083 | -259 | 15,399 |

| | 31 December 2020 | | | Total |
|--------------------------------------|-------------------------|-------------------------|--------------------|-----------------------|
| | Change in fair value | Currency translation | Impairment loss | |
| | kEUR | kEUR | kEUR | |
| Financial assets | | | | |
| Trade receivables | 0 | 293 | 189 | 482 |
| Cash and cash equivalents | 0 | -1,156 | 0 | -1,156 |
| Separated termination rights - FVtPL | -14,917 | 0 | 0 | -14,917 |
| | <u>-14,917</u> | <u>-863</u> | <u>189</u> | <u>-15,591</u> |
| Financial liabilities | | | | |
| Interest rate floors - FVtPL | -7,793 | 0 | 0 | -7,793 |
| | <u>-7,793</u> | <u>0</u> | <u>0</u> | <u>-7,793</u> |
| Total | <u>-22,710</u> | <u>-863</u> | <u>189</u> | <u>-23,384</u> |

Net gains from the changes in the fair value of embedded derivatives are primarily due to changes in market interest rates.

The following table shows the total interest income and expenses from financial assets and liabilities that are measured at amortized cost using the effective interest method.

| | 2021 | 2020 |
|------------------------|--------|--------|
| | kEUR | kEUR |
| Total interest expense | 80,956 | 74,905 |
| Total interest income | 1,691 | 1,573 |

No finance fees, which are not part of the effective interest method, were expensed in profit or loss in the reporting period and in the prior year.

Derivative financial instruments

The following table shows the fair value and nominal value of derivative financial instruments as of 31 December 2021:

| | 31 December 2021 | |
|------------------------------------------------------|-----------------------|--------------------|
| | Nominal value kEUR | Fair value kEUR |
| <i>Derivatives with a positive fair value</i> | | |
| Separated termination rights | 406,000 | 12,181 |
| Forward exchange transactions | 21,977 | 1,898 |
| <i>Derivatives with a negative fair value</i> | | |
| Separated interest rate floors | 1,069,000 | -12,948 |
| Interest rate cap | 978,876 | -1,704 |
| Total | 2,475,853 | -573 |

| | 31 December 2020 | |
|------------------------------------------------------|-----------------------|--------------------|
| | Nominal value kEUR | Fair value kEUR |
| <i>Derivatives with a positive fair value</i> | | |
| Separated termination rights | 406,000 | 10,221 |
| Forward exchange transactions | 21,253 | 314 |
| <i>Derivatives with a negative fair value</i> | | |
| Separated interest rate floors | 1,069,000 | -26,079 |
| Interest rate cap | 970,712 | -4,665 |
| Total | 2,466,965 | -20,210 |

Embedded derivatives

As described in note 4.12, the CeramTec TopCo Group took out a syndicated loan with one EUR and two USD tranches with a syndicate of banks in March 2018. These loans include embedded interest rate floors, which oblige the CeramTec TopCo Group to pay a minimum interest rate that exceeds the variable interest rate. Furthermore, the bond issued in December 2017 contains various arrangements that entitle the CeramTec TopCo Group to prematurely repay the bond. Both the interest rate floors and termination rights were separated from the host contract in accordance with the provisions of IFRS 9 and subsequently recognized as stand-alone derivatives at fair value through profit or loss.

5 Notes to the Consolidated Statement of Cash Flows

In the 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 statement of financial position and comprise cash in hand, bank balances and cash investments with an original term of up to three months. The bank balances are not subject to drawing restrictions.

In the reporting period, cash flow from investing activities included the price paid for the acquisition of the shares in Dentalpoint AG (see note 1.4) of EUR 49,908k. Cash funds of EUR 948k were transferred.

In the previous year, the funds raised under the EUR tranche were increased by a nominal amount of EUR 175,000k.

Other non-cash income and expenses primarily contain changes in the market value of financial instruments and accrued interest.

During the financial year, the Group made cash payments for investments in property, plant and equipment in the amount of EUR 5,164k which had already been added to property, plant and equipment in the previous period. At the same time, additions to property, plant and equipment in the financial year amounted to EUR 4,691k that will affect cash only during the following accounting period.

Non-cash investing activities relate exclusively to the addition of right-of-use assets.

In the financial year, liabilities arising from financing activities developed as follows:

| | Liabilities to banks | Liabilities from the bond | Liabilities from shareholder loans | Derivative financial instruments | Lease liabilities | Total |
|-------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------|----------------------------------------|----------------------|------------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Balance as of 31 December 2020 | 1,156,821 | 422,286 | 273,835 | 30,745 | 5,395 | 1,889,082 |
| Cash flow from financing activities | | | | | | |
| Cash payments | 0 | 0 | -4,815 | 0 | -3,341 | -8,156 |
| Interest payments | -26,873 | -21,315 | -589 | -2,389 | 0 | -51,166 |
| | -26,873 | -21,315 | -5,404 | -2,389 | -3,341 | -59,322 |
| Interest expenses | 39,658 | 19,797 | 20,165 | 96 | 291 | 80,007 |
| Currency translation effect | 3,493 | 0 | 0 | 29 | 339 | 3,861 |
| Fair value changes | 0 | 0 | 0 | -12,977 | 6,811 | -6,166 |
| Additions arising from business combinations | 4,895 | 0 | 0 | 0 | 2,064 | 6,959 |
| Reclassification as asset item | 0 | 0 | 0 | -711 | 0 | -711 |
| | 48,046 | 19,797 | 20,165 | -13,563 | 9,505 | 83,950 |
| Balance as of 31 December 2021 | 1,177,994 | 420,768 | 288,596 | 14,793 | 11,559 | 1,913,710 |

In the prior year, liabilities arising from financing activities developed as follows:

| | Liabilities to banks | Liabilities from the bond | Liabilities from shareholder loans | Derivative financial instruments | Lease liabilities | Total |
|----------------------------------------------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------|----------------------------------------|----------------------|------------------|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Balance as of 31 December 2019 | 1,002,006 | 423,733 | 311,503 | 20,922 | 5,426 | 1,763,590 |
| Cash flow from financing activities | | | | | | |
| Cash receipts | 168,161 | 0 | 0 | 0 | 0 | 168,161 |
| Cash payments | 0 | 0 | -19,599 | 0 | -2,886 | -22,485 |
| Interest payments | -29,911 | -21,315 | -37,200 | -2,405 | 0 | -90,831 |
| | 138,250 | -21,315 | -56,799 | -2,405 | -2,886 | 54,845 |
| Interest expenses | 34,870 | 19,868 | 19,131 | 209 | 227 | 74,305 |
| Currency translation effect | -7,181 | 0 | 0 | -59 | -133 | -7,373 |
| Fair value changes | 0 | 0 | 0 | 12,078 | 2,761 | 14,839 |
| Effects from the increase in the syndicated loan not affecting profit or loss | -11,124 | 0 | 0 | 0 | 0 | -11,124 |
| | 16,565 | 19,868 | 19,131 | 12,228 | 2,855 | 70,647 |
| Balance as of 31 December 2020 | 1,156,821 | 422,286 | 273,835 | 30,745 | 5,395 | 1,889,082 |

The interest expenses relating to liabilities from the bond in the current financial year include income of EUR 1,518k (prior year EUR 1,447k) associated with discounting of financial liabilities that arose because the effective interest method was applied.

6 Other Notes

6.1 Management of financial risks

The CeramTec TopCo Group is exposed to credit risks and various market risks. Credit risks are mainly due to receivables from customers. Market risks are primarily attributable to the risk of changes in variable interest rates and exchange rate risks. Furthermore, the CeramTec TopCo Group is exposed to liquidity risks, which mainly result from the EUR and USD loans taken out in EUR as well as the bond also issued in EUR.

The CeramTec TopCo Group operates on the basis of an appropriate framework to manage financial risks, which is an integral part of ongoing business operations and ongoing financing activities. Taking these risk management objectives into consideration, risks are identified, assessed and managed on an ongoing basis. In some cases, the CeramTec TopCo Group enters into derivative financial instruments to hedge certain financial risks. By contrast, it is not permitted to enter into derivative financial instruments for speculative purposes.

Market risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk particularly comprises risks arising from exchange rate and interest rate fluctuations and other price risks, such as share price risks and commodity price risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In connection with the loans in USD, the CeramTec TopCo Group is exposed in particular to foreign currency risks arising from changes in the USD/EUR exchange rate.

The following sensitivity analysis in terms of the foreign currency risk was prepared based on the assumption that the portion of financial instruments in foreign currency will remain constant. The table shows the effects on net profit/loss for the period before tax and group equity assuming a hypothetical change of +/- 10% to the closing rate and forward rate as of the reporting date for the CeramTec TopCo group companies' main foreign currency items.

| | Change in the spot rate % | 31 December 2021 | | | | | |
|----------------------------------------------------|------------------------------------|------------------|------|------|------|--------|---------------|
| | | USD | GBP | CZK | PLN | CNY | Total |
| Effect on net profit/loss before tax in kEUR | +10% | 6,069 | -462 | 198 | -92 | -1,097 | 4,616 |
| | -10% | -7,417 | 565 | -242 | 113 | 1,340 | -5,641 |
| | Change in the spot rate % | 31 December 2020 | | | | | |
| | | USD | GBP | CZK | PLN | CNY | Total |
| Effect on net profit/loss before tax in kEUR | +10% | 7,046 | 79 | 26 | -130 | -674 | 6,347 |
| | -10% | -8,612 | -97 | -32 | 159 | 824 | -7,757 |

Forward exchange transactions were concluded until the end of 2021 to cover the monthly demand for local national currency of two subsidiaries:

| | 31 December 2021 | |
|---------------|------------------|------------------------------------------|
| | Total kEUR | Residual term of up to 1 year kEUR |
| Nominal value | 21,977 | 21,977 |
| Fair value | 188 | 188 |
| Average rate | | |
| GBP / EUR | 0.8431 | |
| USD / GBP | 1.3470 | |
| CZK / EUR | 25.4197 | |
| | 31 December 2020 | |
| | Total kEUR | Residual term of up to 1 year kEUR |
| Nominal value | 21,253 | 21,253 |
| Fair value | 314 | 314 |
| Average rate | | |
| GBP / EUR | 0.9064 | |
| USD / GBP | 1.3613 | |
| CZK / EUR | 26.3018 | |

Interest rate risk

Interest rate risk is the risk that the fair value of fixed-interest rate financial instruments or the future cash flows of variable-interest rate financial instruments will fluctuate because of changes in market interest rates.

The variable-interest rate loans in USD and EUR expose the CeramTec TopCo Group in particular to a cash flow risk from the change in the EURIBOR and LIBOR interest rates. By comparison, changes in variable interest rates relating to the fixed-interest rate bond may lead to a change in fair value. However, this risk does not impact the net profit/loss for the period or group equity, as the bond is carried at amortized cost and changes in fair value are not recognized.

CeramTec TopCo group companies entered into agreements governing interest rate caps until 31 May 2022 and until 31 May 2024 respectively, in the form of two successive EUR interest rate caps in the amount of EUR 873,000k each, linked to 3-month EURIBOR, and two successive USD interest rate caps of USD 120,000k and USD 149,000k respectively, linked to 3-month LIBOR. The interest rate caps limit the maximum variable interest rates to 0.75% or 0.25% (EURIBOR) and to 2.75% or 1.25% (LIBOR).

The following table shows the effects on the financial result assuming a hypothetical change of +/- 100 basis points to the variable USD and EUR interest rates.

| 31 December 2021 | | | | |
|------------------|------------------------------------------|----------------------------------|--------------------------|-----------------------------------|
| | Increase/ decrease in basis points | Effect on loan interest rates | Effect on derivatives | Total effect on profit or loss |
| | | kEUR | kEUR | kEUR |
| EURO | +100 | 10,809 | -23,956 | -13,147 |
| | -100 | -10,809 | 35,262 | 24,453 |
| US dollar | +100 | 1,329 | -2,307 | -978 |
| | -100 | -1,329 | 737 | -592 |

| 31 December 2020 | | | | |
|------------------|------------------------------------------|----------------------------------|--------------------------|-----------------------------------|
| | Increase/ decrease in basis points | Effect on loan interest rates | Effect on derivatives | Total effect on profit or loss |
| | | kEUR | kEUR | kEUR |
| EURO | +100 | 10,838 | -32,280 | -21,441 |
| | -100 | -10,838 | 49,985 | 39,147 |
| US dollar | +100 | 1,230 | -1,806 | -575 |
| | -100 | -1,230 | 0 | -1,230 |

If the interest rate increases, the increase in the loan interest rate will be more than compensated for mainly as a result of the lower valuation of the negative derivative from the interest rate floor.

Risk from compliance with financial covenants

Compliance with financial covenants was agreed to in connection with obtaining the syndicated loan. Accordingly, the CeramTec TopCo Group must comply with a covenant provided that the revolving credit line of EUR 67,000k is utilized to an extent as specified in the loan agreement. As the amount drawn down at the end of the fiscal year remained below the threshold specified, the Company was not required to review compliance with this financial covenant. In addition, an analysis must be undertaken by the end of the financial year to determine whether the volume of the collateral used to secure the syndicated loan does not fall below a certain threshold. If so, additional collateral would have to be provided. At the end of the current financial year, the collateral value did not fall below the threshold. The management expects that the Company will continue to comply with the financial covenants in the following financial year.

Liquidity risk

Liquidity risk is the risk that the CeramTec TopCo group companies will not be able to fulfill their financial obligations when they fall due. The objective of the management of the CeramTec TopCo Group is to minimize the liquidity risk as far as possible by ensuring sufficient financing and credit lines from banks. In light of this, the CeramTec TopCo group companies had an undrawn and confirmed credit line of EUR 75,000k as of the reporting date consisting of a revolving credit line of EUR 67,000k and another short-term credit line as overdraft facility of EUR 8,000k. Furthermore, the CeramTec group companies had cash and cash equivalents of EUR 291,404k.

The table below shows the contractually agreed undiscounted cash flows for the financial liabilities and derivative financial instruments as of the reporting date. The following cash flows were taken into account:

- Undiscounted, contractually agreed interest and principal payments from the loans in USD and EUR, including payments that are attributable to the separated interest rate floor. Cash flows in USD were translated into EUR based on the USD/EUR forward rate applicable as of the reporting date. Premature, voluntary special payments or repayments have not been taken into account.
- Undiscounted, contractually agreed interest and principal payments for the bond. Premature, voluntary special payments or repayments have not been taken into account.
- Undiscounted, contractually agreed payments for the interest rate cap.

| | Carrying amount kEUR | 31 December 2021 | | | | | |
|---------------------------------------------------|-------------------------|------------------|--------------|--------------|--------------|--------------|---------------|
| | | 2022 kEUR | 2023 kEUR | 2024 kEUR | 2025 kEUR | 2026 kEUR | >2026 kEUR |
| Trade payables | 34,977 | 34,977 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to banks | 1,177,994 | 31,369 | 32,609 | 32,021 | 1,202,407 | 0 | 0 |
| Bond liabilities | 420,768 | 21,315 | 21,315 | 21,315 | 434,420 | 0 | 0 |
| Liabilities to affiliates | 288,596 | 0 | 0 | 0 | 0 | 0 | 475,908 |
| Lease liabilities | 11,559 | 2,323 | 2,591 | 1,064 | 904 | 611 | 5,632 |
| Other financial liabilities | 13,550 | 13,550 | 0 | 0 | 0 | 0 | 0 |
| Derivatives with a negative fair value | | | | | | | |
| Currency swaps in effective hedging relationships | 142 | 142 | 0 | 0 | 0 | 0 | 0 |
| Interest rate cap | 1,704 | 1,718 | 0 | 0 | 0 | 0 | 0 |

| | Carrying amount kEUR | 31 December 2020 | | | | | |
|-----------------------------------------------|-------------------------|------------------|--------------|--------------|--------------|--------------|---------------|
| | | 2021 kEUR | 2022 kEUR | 2023 kEUR | 2024 kEUR | 2025 kEUR | >2025 kEUR |
| Trade payables | 29,034 | 29,034 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to banks | 1,156,821 | 28,531 | 30,695 | 30,690 | 30,823 | 1,196,256 | 0 |
| Bond liabilities | 422,286 | 21,315 | 21,315 | 21,315 | 21,315 | 434,420 | 0 |
| Liabilities to affiliates | 273,835 | 312 | 0 | 0 | 0 | 0 | 484,437 |
| Lease liabilities | 5,395 | 1,948 | 1,229 | 737 | 522 | 256 | 1,185 |
| Other financial liabilities | 5,825 | 5,825 | 0 | 0 | 0 | 0 | 0 |
| Derivatives with a negative fair value | | | | | | | |
| Interest rate cap | 4,665 | 2,372 | 2,135 | 1,017 | 72 | 0 | 0 |

Default risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments, leading to a financial loss on the part of the creditor. At the CeramTec TopCo Group, the credit risk is primarily associated with trade receivables, cash and cash equivalents and other receivables.

Trade receivables exist in respect of numerous customers in various sectors and regions. Default risks related to customer receivables are locally monitored, assessed and limited by using credit insurance. After taking credit insurance into account, the maximum default risk on trade receivables amounts to 46% of the carrying amount before deducting accounts receivable factoring.

Cash and cash equivalents mainly comprise bank balances and cash in hand. In connection with the investment of cash, the CeramTec TopCo group companies are exposed to losses from credit risks if counterparties do not meet their obligations. The resulting risk position is managed by diversifying the counterparties. For example, cash is only invested at banks with excellent credit ratings. There is no cash past due or impaired as of the reporting date. The maximum default risk for cash and cash equivalents corresponds to the carrying amount.

The CeramTec TopCo Group considers this default risk, that will not have a material impact, to be low as of the reporting date.

The termination option separated from the bond and recognized as other financial asset is not exposed to any credit risk as of the reporting date, because the positive market value is based solely on a potential premature repayment of the bond and an associated more favorable opportunity to refinance for the CeramTec TopCo Group, without giving rise to any actual cash receivable from the banks.

Trade receivables

A loss allowance of EUR 711k was recognized for lifetime expected credit losses on trade receivables (in accordance with the simplified approach set out in IFRS 9). The net receivables portfolio amounts to EUR 60,036k after deducting the loss allowance from the gross receivables portfolio of EUR 60,747k. The gross receivables portfolio of receivables that are more than 30 days past due amounts to EUR 3,213k. The net receivables portfolio amounts to EUR 2,661k after deducting the loss allowances of EUR 551k.

The loss allowance the Group is required to recognize is not determined based on external credit ratings. The expected credit losses are estimated by reference to factors that are specific to a debtor and information about the debtor's financial position (level 3) and anticipated default ratios (level 2). In addition, past default experience is also taken into account in the assessment.

Non-payment risks are not expected to be associated with all other financial assets, including separated termination rights or the amount retained by a factor as a security for any bad debts that may arise.

Capital management

The objective of capital management in the Group is to ensure that all group companies can operate as a going concern and, at the same time, maximize returns to business stakeholders by optimizing the proportion of equity versus debt. The Group's overall strategy remains unchanged from the previous year.

The capital structure consists of net debt and the Group's equity.

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|-------------------------|-------------------------|
| | kEUR | kEUR |
| Bond liabilities (nominal value) | 406,000 | 406,000 |
| Liabilities to banks (nominal value) | 1,201,138 | 1,190,327 |
| Accrued interest | 10,763 | 8,133 |
| Gross debt | <u>1,617,901</u> | <u>1,604,460</u> |
| Cash and cash equivalents | 291,404 | 244,118 |
| Net debt | <u>1,326,497</u> | <u>1,360,342</u> |
| <i>Unused revolving credit line</i> | <i>67,000</i> | <i>67,000</i> |

Equity comprises subscribed capital, capital reserve, revenue reserve, net profit/loss for the period and accumulated other comprehensive income, and amounts to EUR 228,764k as of the balance sheet date (31 December 2020: EUR 180,957k).

The Group is not subject to capital requirements that are externally imposed. Reviews of capital structure are carried out as part monthly management reporting. The review process involves taking into account capital costs and risk associated with all types of capital.

6.2 Contingent liabilities, and contingencies and commitments

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. If a possible cash outflow is deemed to be improbable, no provision is recognized for such obligations. However, the consolidated group recognizes a provision for all obligations arising from lawsuits for which a cash outflow is deemed to be probable and the amount of the potential claim can be sufficiently estimated. For details see explanations in note 4.10.

Contingencies and commitments associated with granted collateral

CeramTec AcquiCo, CeramTec BidCo LLC (hereinafter "US BidCo") and CeramTec GmbH are borrowers of the syndicated loan. In connection with the syndicated loan, certain assets of CeramTec BondCo, CeramTec AcquiCo, CeramTec Holding, CeramTec Group, CeramTec GmbH, US BidCo, CeramTec Acquisition LLC and CeramTec North America LLC (hereinafter "CeramTec NA") were provided as collateral. In the USA, (i) the shares in US BidCo, CeramTec Acquisition LLC and in CeramTec NA, (ii) all additional assets of US BidCo, CeramTec Acquisition LLC and CeramTec NA (including receivables, intellectual property and bank accounts) and (iii) CeramTec GmbH's intellectual property registered in the USA, were provided as collateral. In Germany, (i) the shares in CeramTec AcquiCo, CeramTec Holding, CeramTec Group and CeramTec GmbH, (ii) receivables of CeramTec BondCo (intercompany

receivables only), CeramTec AcquiCo (intercompany receivables and receivables relating to acquisition agreements only), CeramTec Holding (insurance, intercompany and hedging receivables), CeramTec Group (insurance, intercompany and hedging receivables) and CeramTec GmbH (insurance, intercompany, hedging and trade receivables, (iii) bank accounts of CeramTec BondCo, CeramTec AcquiCo, CeramTec Holding, CeramTec Group and CeramTec GmbH and (iv) the intellectual property of CeramTec GmbH, were provided as collateral for the syndicated loan, or encumbered.

The financial assets falling under the above collateral in accordance with IFRS 9 (see note 4.15) are stated on the statement of financial position as of 31 December 2021 to an amount of EUR 317,629k (31 December 2020: EUR 264,377k).

6.3 Other financial commitments

As of the date of the statement of financial position, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to EUR 27,795k (31 December 2020: EUR 12,286k), and other contractual commitments of EUR 96,570k (31 December 2020: EUR 47,732k).

6.4 Related party disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates/ joint ventures are disclosed below.

Key management personnel

Key management personnel are those persons having direct or indirect authority and responsibility for the planning, management and monitoring of the activities of the CeramTec TopCo Group.

In the financial year, the key management personnel of CeramTec TopCo Group consisted of the following persons:

Dr. Hadi Saleh
Chief Executive Officer

Richard Boulter
President Industrial until 31 December 2021

Eric Oellerer
Chief Financial Officer

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

The members of management in key positions received total remuneration (fixed and variable amounts) in the form of short-term employee benefits amounting to EUR 3,654k in the financial year (prior year: EUR 2,331k). The payments for post-employment benefits amount to EUR 444k (prior year: EUR 588k). This amount comprises the service cost for pension obligations and contributions to defined contribution plans. As has been the case in the prior year, former general managers were not granted any benefits in the financial year in the event of premature termination of management activities. Additionally, as of 31 December 2021 there are pension obligations to general managers in the amount of EUR 1,636k (prior year: EUR 1,639k) and to former general managers and their surviving dependents in the amount of EUR 4,102k (prior year: EUR 4,427k).

Information about the remuneration of the management of CT TopCo according to Sec. 314 (1) No. 6 HGB is not provided.

CeramTec GmbH has a supervisory board in accordance with the articles of incorporation. The total remuneration of the supervisory board in the financial year 2021 amounted to EUR 148k (prior year: EUR 148k).

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. An unsecured loan of EUR 288,596k (31 December 2020: EUR 273,835k), including interest, with a fixed interest rate of 7.3 % p.a. has been obtained from CeramTec TopCo's controlling shareholder, CTEC Acquisition S.à.r.l., Luxembourg. Interest expenses of EUR 20,165k were incurred in the financial year 2021. Unpaid interest is generally added annually to the Company's loan balance on 31 December.

6.5 Share-based remuneration/employee participation program

As part of a participation program, selected employees of the CeramTec TopCo Group were offered the option to directly acquire shares in CeramTec Management Beteiligungs GmbH & Co. KG and CeramTec Co-Investment GmbH & Co. KG. As of the reporting date, selected employees hold overall less than 10% of the shares in CeramTec TopCo GmbH indirectly. These shares were acquired at the shares' fair value at the grant date. The management participation program is intended to serve as an incentive instrument, motivating the management in view of growth and long-term business success of the CeramTec Group. For this purpose, the agreements define exit events (disposal, stock market flotation) upon the occurrence of which the entitled management will participate in any growth in value of the CeramTec Group in the same relation as the investors. In this case, depending on the respective exit event, the management has the right or the duty to sell their own shares. Given the case that the employment contract of an employee who holds shares in the Company is terminated before the occurrence of an exit event, this employee is obliged to offer his or her shares in CeramTec Management Beteiligungs GmbH & Co. KG for purchase to the Lead B.C. Investor or a third party determined by the Lead B.C. Investor. The amount of the purchase price for the management's interest

varies between the fair market value of the shares and the contribution made, depending on the reason and time of withdrawal.

In accordance with IFRS 2, the granting of shares from the Participation and Shareholders' Agreements is treated as settled by equity instruments. As, under the purchase, the managers pay the fair value of the shares, the fair value of the allocated shares, when settled by equity instruments, is zero. For this reason, provided that the assessment in respect of the occurrence of a payment obligation does not change, an expense does not, at any time, need to be disclosed (neither in the case of an exit nor upon withdrawal of a manager).

6.6 Auditor's fees

The total auditor's fees for the CeramTec TopCo Group, expensed in the consolidated statement of comprehensive income, break down as follows:

| | 31 December 2021 kEUR | 31 December 2020 kEUR |
|------------------------|--------------------------|--------------------------|
| Auditing services | 416 | 416 |
| Audit-related services | 1,003 | 0 |
| Other services | 35 | 10 |
| | 1,454 | 426 |

6.7 Events after the reporting period

With effect as of 1 January 2022, Horst Garbrecht becomes new managing director for our Industrial business. He succeeds Richard Boulter who leaves the Company of his own accord.

On 17 August 2021, the Canada Pension Plan Investment Board ("CPP Investments") announced through its wholly-owned subsidiary CPP Investment Board Europe S.à.r.l., Luxembourg, and leading private equity firm BC Partners, that an agreement was concluded to purchase the CeramTec Group from its previous owner BC European Capital X ("BCEC X"). Upon conclusion of the transaction, CeramTec TopCo will be controlled by CPP Investments and BC Partners Fund XI ("BC XI").

With effect as of 28 February 2022, the share capital of CeramTec TopCo GmbH was increased by EUR 1.00.

On 2 March 2022, all requirements for the transfer of ownership were met.

Upon transfer of ownership, existing financing is repaid, and negotiated new financing becomes effective. New financing includes a syndicated loan with a nominal value of EUR 1,480,000k that bears variable interest (initially EURIBOR + 3.75 %) and has a maturity date of 16 March 2029, and a revolving credit facility with a nominal volume of EUR 250,000k that also bears variable interest (initially EURIBOR + 3.25 %) and may be drawn on by 16 September 2028 at the latest, should the need arise.

In addition, a fixed-interest bond with a nominal value of EUR 465,000k and an interest coupon of 5.25 % has been issued that will become due as of 15 February 2030.

Because of war-related events in the Ukraine, a comprehensive risk assessment was performed immediately for the CeramTec Group, including secure deliveries. It was proactively decided to stop direct and indirect business relationships maintained by all CeramTec companies with Russia and Belarus. This is not expected to significantly and directly impact our assets, liabilities, financial position and financial performance, it is currently impossible to assess the indirect effects of the possible economic impact of the conflict on the world economy. CeramTec complies with all current sanctions against Russia and Belarus, and all official requirements, and continues to be committed to implementing the sanctions and official requirements.

7. Reconciliation to CeramTec BondCo GmbH

If the consolidated statement of comprehensive income of CeramTec BondCo had been prepared instead of the consolidated statement of comprehensive income of CeramTec TopCo, which is presented in these financial statements, this would have resulted in the following adjustments for the financial year:

- Lower general administrative expenses of EUR 1,236k (prior year: EUR 173k)
- Lower interest expenses of EUR 27k (prior year: EUR 260k)
- Higher tax expense of EUR 113k (prior year: lower tax expense of EUR 127k)

The total comprehensive income of CeramTec BondCo would therefore have been EUR 1,150k higher compared to the total comprehensive income recognized in these financial statements (prior year: EUR 560k).

If the consolidated statement of financial position of CeramTec BondCo had been prepared instead of the consolidated statement of financial position of CeramTec TopCo, which is presented in these financial statements, this would have resulted in the following adjustments as of 31 December 2021:

- Lower current tax assets of EUR 159k (31 December 2020: EUR 0k)
- Lower deferred tax assets of EUR 0k (31 December 2020: EUR 24k)
- Higher receivables from affiliates of EUR 1,591k (31 December 2020: EUR 684k)
- Lower other receivables from tax offices of EUR 7k (31 December 2020: EUR 0k)
- Lower liquid funds of EUR 9k (31 December 2020: EUR 10k)
- Lower capital reserve of EUR 25k (31 December 2020: EUR 25k)
- Lower financial liabilities to third parties of EUR 64k (31 December 2020: EUR 91k).
- Lower trade payables of EUR 582k (31 December 2020: EUR 35k)
- Lower tax liabilities of EUR 14k (31 December 2020: EUR 150k)
- This would have resulted in a EUR 2,077k higher level of group equity for CeramTec BondCo compared to the group equity recognized in these financial statements (31 December 2020: EUR 926k).

The impact on the consolidated statement of cash flows would have been EUR -9k (prior year: EUR -10k) if the consolidated statement of cash flows of CeramTec BondCo had been prepared instead of the consolidated statement of cash flows presented in these financial statements.

Plochingen/Germany, 13 April 2022

CeramTec TopCo GmbH

The Management

Dr. Hadi Saleh

Independent auditor's report

To CeramTec TopCo GmbH, Plochingen/Germany

Audit Opinions

We have audited the consolidated financial statements of CeramTec TopCo GmbH, Plochingen/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of CeramTec TopCo GmbH, Plochingen/Germany, for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) in conjunction with (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) and (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (3) in conjunction with (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart/Germany, 13 April 2022

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:
 (Birgit Gillar)
 Wirtschaftsprüferin
 (German Public Auditor)

Signed:
 (Wilhelm Röscheisen)
 Wirtschaftsprüfer
 (German Public Auditor)

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