

CTEC I GmbH
Plochingen

Operating and Financial Review
for the period ended
31 March 2022

Canada Pension Plan Investment Board (“CPP Investments”), through its wholly owned subsidiary, CPP Investment Board Europe S.à.r.l., and BC Partners, a leading international investment firm, announced on August 16, 2021, an agreement jointly to acquire CeramTec TopCo Group, from existing owner BC European Capital X (“BCEC X”) and its co-investors. The closing for the transfer of ownership occurred in March 2022. Following this transaction, CeramTec TopCo is indirectly jointly owned by CPP Investments and BC Partners Fund XI (“BC XI”). Under this ownership structure and the current corporate structure, CPP Investments and BC XI, together with co-investors, each hold equal stakes in the CeramTec Group. While the CeramTec TopCo GmbH was the ultimate parent of the CeramTec Group and has historically prepared the consolidated financial statements of the CeramTec Group, this role has now been assumed by CTEC I GmbH, a company formed in the course of the transaction and indirect parent company of CeramTec TopCo GmbH.

The purpose of this Operational and Financial Review is to show the development of the financial results of the CeramTec Group for the three-month period ended March 31, 2022, in comparison to the three-month period ended March 31, 2021. The financial data as of, and for, the three-month period ended March 31, 2022, have been derived from the Interim Condensed Pro-Forma Consolidated Financial Statements. The interim Condensed Pro-Forma Consolidated Financial Statements give a true and fair view of the results of operations and financial position of the CeramTec Group.

The following discussion should be read in conjunction with the information contained in our legal Consolidated Financial Statements for the three-month period ended March 31, 2022, and the Interim Condensed Pro-Forma Consolidated Financial Statements for the three-month period ended March 31, 2022, including the notes thereto. In the following, we will discuss certain financial quantities on an adjusted basis before giving effect to depreciation and amortization, and certain extraordinary, non-recurring items.

The figures in this review are presented in Euro (€). The amounts are in millions of Euros (€ million). All amounts are rounded using standard commercial principles. In some cases, adding single values to the total values may therefore lead to differences. Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (units of currency, percentages, etc.).

Business Overview

CeramTec is a leading global med-tech platform with a focus on high-performance ceramics (“HPC”) solutions, and is specialized in the development, manufacturing and sale of parts, components and products made from ceramic materials. With over a century of developmental and production experience in the HPC industry, CeramTec is a global leader in the manufacturing of advanced ceramics and engineers these materials for use in a wide variety of applications. HPC from CeramTec are used in a range of areas, including critical medical applications such as hip replacements, other orthopedic implants, dental implants and medical equipment, and industries including mobility, electronics, and also in other industrial applications.

We believe that our BIOLOX® brand has become the “gold-standard” for ceramic hip replacement implants. Based on the number of implants sold globally every thirty seconds, a hip joint replacement with a BIOLOX® component on average is implanted.

We are focused on broadening our Medical portfolio and relationships, complemented by our Industrials product portfolio, which offers a wide range of HPC solutions to mobility markets, electronics markets and industrial applications markets, including among others actuators in engine valves for fuel injection systems, high-end substrates for power electronics, high-speed cutting tools and sensing solutions for different applications.

Our end-market driven approach in our Industrial Markets actively strives to focus on areas for development in the largest and most attractive industrial segments while our growth strategy in the Medical Markets centers on organic growth and M&A, particularly in dental, orthopedics, complementary materials, and digital solutions.

Medical Markets

Our Medical Market business focuses on the development and manufacturing of ceramic components for orthopedics, dentistry, and veterinary medicine as well as different applications for medical equipment. These include ceramic ball heads and cup inserts for hip joint replacement or ceramic implants for dental restoration or various medical sensing solutions for therapeutic and diagnostic applications.

In the three-month period ended March 31, 2022, Medical Market generated 50.6% of our sales.

HPC replace conventional materials for hip joint prostheses such as metal, which can potentially trigger negative immunological reactions, leading to the loss of the implant, for example due to allergic reactions resulting from metal sensitivity. Medical HPC solutions have excellent biocompatibility and very high wear resistance with excellent friction behaviour. This makes them one of the few materials that are durable and strong enough to withstand the corrosive effects of body fluids. To date, more than 21 million of our BIOLOX® ceramic components have been implanted in patients worldwide. We estimate that nearly one in two hip implant systems sold worldwide contains at least one BIOLOX® ceramic component. We believe that our BIOLOX® brand stands for high quality and innovation and

is increasingly preferred by orthopedic surgeons and other medical professionals. We believe that HPC components may also be used for other joint prostheses such as knee and shoulder and further spinal applications in the future. Furthermore, we are convinced that the superior properties of ceramic materials will also have a significant impact on the market for dental implants. We are contributing to this market with our custom-made dental implant solutions, but also with the acquisition of Dentalpoint AG, a Swiss manufacturer of dental implants, white-label solutions as well as digital workflow offerings for dental OEM manufacturers. Further products for Medical Markets include medical equipment, which includes among others different sensors for therapeutic and diagnostic purposes.

Industrial Markets

Our Industrial business develops, manufactures and supplies a broad range of highly specialized, performance-critical HPC solutions for customers, spanning a wide range of markets including automotive, defence, electronics and industrial machinery.

In the three-month period ended March 31, 2022, 49.5% of our revenue was generated by our Industrial Markets.

Our dedicated teams of scientists and engineers collaborate closely with customers to develop tailor-made solutions and production processes to fulfil distinct functionality and performance requirements. We believe that we are one of the few advanced ceramics manufacturers with a full range of HPC materials and manufacturing processes with a global reach. Our HPC solutions are often used in performance-critical components. For example, our cutting tools have a longer life and faster cutting speeds compared to non-HPC cutting tools, allowing our customers to save costs and reduce downtime. In automotive engineering, HPC products, including our piezo ceramic components, play a vital role in increasing safety, improving cost-effectiveness, and enhancing comfort in vehicles. Our ceramic substrates are used for a variety of purposes in the electronics, mobility and telecommunications sector, including measurement and control technology and entertainment electronics. We believe that the specialized, mission-critical nature of our solutions, our long-standing customer relationships and our highly diversified portfolio of solutions and customer base reduce the exposure of our Industrial business to any single industry or product.

Results of Operations

The following table sets forth amounts from our income statement along with the percentage change for the three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021. All figures are unaudited in € million, as reported.

| | Three months Ended March 31, | | |
|---|------------------------------|--------------|--------------|
| | 2022 | 2021 | Change |
| | <i>(in € million)</i> | | <i>(%)</i> |
| Revenue | 185.1 | 168.4 | +9.9 |
| Cost of sales | 104.0 | 93.2 | +11.6 |
| Gross profit | 81.1 | 75.2 | +7.8 |
| Selling costs..... | 24.7 | 25.3 | -2.5 |
| Research and development costs | 5.9 | 5.9 | -1.4 |
| General administrative costs | 7.5 | 5.9 | +27.5 |
| Other income and expenses (-), net..... | -11.7 | 1.4 | N/A |
| Operating income | 31.4 | 39.5 | -20.5 |
| Interest income and other finance income..... | 9.5 | 5.9 | +62.1 |
| Interest expenses and other finance costs | 28.2 | 22.2 | +27.0 |
| Financial result | -18.7 | -16.3 | +14.5 |
| Profit/(Loss) before income tax | 12.7 | 23.1 | -45.1 |
| Income tax expense | 5.6 | 6.7 | -16.3 |
| Net profit/(loss) for the period | 7.1 | 16.4 | -56.8 |

Our management considers the results of operations on an adjusted basis, before giving effect to depreciation and amortization as well as certain extraordinary, non-recurring items, to be an important indicator of business performance. Management-adjusted EBITDA, its main components, and its reconciliation to Operating Income as reported is shown in the following table.

| | Three months Ended March 31, | | |
|---|-------------------------------------|-------------|---------------|
| | 2022 | 2021 | Change |
| | <i>(in € million)</i> | | <i>(%)</i> |
| Revenue | 185.1 | 168.4 | +9.9 |
| Cost of sales* | 89.2 | 77.7 | +14.9 |
| Gross profit* | 95.8 | 90.7 | +5.6 |
| Selling costs* | 11.6 | 11.1 | +4.1 |
| Research and development costs* | 5.2 | 4.7 | +8.7 |
| General administrative costs* | 5.7 | 4.9 | +16.5 |
| Other income and expenses (-), net* | -0.4 | 0.5 | N/A |
| Management-Adjusted EBITDA | 73.0 | 70.5 | +3.5 |
| - Exceptional Items | 13.8 | 3.8 | +259.9 |
| EBITDA | 59.2 | 66.7 | -11.2 |
| - Amortization, depreciation and impairment charges on non-current assets | 27.8 | 27.2 | +2.1 |
| Operating income | 31.4 | 39.5 | -20.5 |

* Excluding depreciation, amortization and exceptional items

The following table provides a breakdown of the Exceptional Items for the three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021.

| | Three months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2022 | 2021 |
| | <i>(in € million)</i> | |
| Exceptional items | 13.8 | 3.8 |
| Restructuring costs | 0.2 | 1.4 |
| Other non-recurring costs | 1.4 | 2.1 |
| Foreign exchange conversion effects | -3.3 | -1.0 |
| Acquisition costs | 0.0 | 0.1 |
| Start-up losses | 0.1 | 0.6 |
| Discontinued operations | 0.1 | 0.3 |
| Transaction related costs | 15.2 | 0.1 |
| PPA on inventories | - | 0.3 |

Restructuring costs in 2022 and 2021 mainly comprise severance payments for the reduction of staff at CeramTec GmbH and CeramTec-ETEC GmbH for restructuring initiatives undertaken mainly in our Industrial business.

Other non-recurring costs in 2022 mainly are comprised of non-recurring consulting and litigation expenses and Covid-19 costs for measures to safeguard employees' health. In the first quarter of 2021 we aligned the presentation table for exceptional items of our already published discussions for the sake of comparability and consistency by switching € 0.1 million for a risk insurance from other non-recurring costs to transaction-related costs.

Foreign exchange conversion effects reflect certain impacts related to currency conversions that are accounted for in our Operating income.

Acquisition costs in 2022 and 2021 represent acquisition-related consulting expenses.

Start-up losses reflect the ramp up cost of our knee business in Medical.

Discontinued operations mainly comprise the exit of certain product groups in some Industrial applications.

2021 transaction-related costs comprise an on-going impact arising out of 2018 acquisition by BC Partners, 2022 includes additional audit-related expenses in preparation of the acquisition of CeramTec TopCo by CPP Investment Board Europe S.à.r.l. and BC Partners Fund XI as well as certain consulting expenses and transaction costs. In the first quarter of 2021 we aligned the presentation table for exceptional items of our already published discussions for the sake of comparability and consistency by switching € 0.1 million for a risk insurance from other non-recurring costs to transaction related costs.

PPA on inventories and fixed assets comprises step-ups at transactions, in finished goods and work in progress inventories calculated based on customary asset valuation methodology.

Revenue

Historically, the performance of the Group was monitored based on a business unit / legal entity view. In that structure Medical Products included Orthopaedic and Dental implants only. All products produced in our non-medical business units were allocated to the Industrial business. Going forward, we will look at the overall business from a target market perspective, that is, split into Medical Markets and Industrial Markets.

The following table provides a breakdown of our revenue for the three months ended March 31, 2022, compared to the three months ended March 31, 2021:

| | Three months Ended March 31, | | |
|----------------------------|-------------------------------------|--------------|---------------|
| | 2022 | 2021 | Change |
| | <i>(in € million)</i> | | <i>(%)</i> |
| Medical Markets | 93.6 | 82.9 | +12.9 |
| Industrial Markets | 91.5 | 85.6 | +6.9 |
| Others | -0.1 | -0.1 | -44.2 |
| Total revenue | 185.1 | 168.4 | +9.9 |

Total revenue for the three months ended March 31, 2022, was € 185.1 million, an increase of € 16.7 million or 9.9%, as compared to € 168.4 million for the three months ended March 31, 2021.

Revenue in our Medical Markets business was € 93.6 million for the three months ended March 31, 2022, an increase of € 10.7 million or 12.9%, as compared to € 82.9 million for the three months ended March 31, 2021. Strong order intake as a result from the recovery of COVID with catchup effects in elective surgeries worldwide affects the growth in the medical market revenue.

Revenue in our Industrial Markets business was € 91.5 million for the three months ended March 31, 2022, an increase of € 5.9 million or 6.9%, as compared to € 85.6 million for the three months ended March 31, 2021. Strong order income which already saw a positive trend and recovery of business after first wave of Corona pandemic still leading to a good performance in the market.

The following table provides a breakdown of our revenue for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, by region based on the billing address of our customers. The split is mainly unchanged between the periods.

| | Three months Ended March 31, | | |
|----------------------------------|-------------------------------------|--------------|---------------|
| | 2022 | 2021 | Change |
| | <i>(in € million)</i> | | <i>(%)</i> |
| Europe (excluding Germany) | 81.0 | 71.3 | +13.5 |
| Germany | 36.6 | 34.6 | +5.6 |
| Asia | 36.9 | 33.5 | +9.9 |
| North America* | 29.1 | 27.8 | +4.8 |
| Other regions..... | 1.5 | 1.1 | +33.5 |
| Total net sales | 185.1 | 168.4 | +9.9 |

*Sales in North America consist of sales in USA, Canada and Mexico

Cost of Sales and Gross Profit

The following table provides a breakdown of our cost of sales for the three months ended March 31, 2022, compared to the three months ended March 31, 2021.

| | Three months Ended March 31, | | | |
|------------------------------------|-------------------------------------|-------------------------|-----------------------|-------------------------|
| | 2022 | | 2021 | |
| | <i>(in € million)</i> | <i>(% of net sales)</i> | <i>(in € million)</i> | <i>(% of net sales)</i> |
| Personnel expenses..... | 36.3 | 19.6 | 35.0 | 20.8 |
| Material and packing costs..... | 35.5 | 19.2 | 30.0 | 17.8 |
| Amortization and depreciation..... | 14.5 | 7.9 | 13.9 | 8.3 |
| Energy cost..... | 9.2 | 5.0 | 4.8 | 2.9 |
| Other cost of sales | 8.5 | 4.6 | 9.5 | 5.6 |
| Cost of sales | 104.0 | 56.2 | 93.2 | 55.3 |

Cost of sales was € 104.0 million (56.2% of revenue) for the three months ended March 31, 2022, an increase of € 10.8 million or 11.6%, as compared to € 93.2 million (55.3% of revenue) for the three months ended March 31, 2021. Excluding amortization and depreciation and non-recurring items such as additional consulting costs and severance payments, our adjusted cost of sales increased by 14.9 % from € 77.7 million or 46.1 % of revenue for the three months ended March 31, 2021, to € 89.2 million or 48.2% of revenue for the three months ended March 31, 2022.

Gross profit was € 81.1 million for the three months ended March 31, 2022, an increase of € 5.8 million or 7.8%, as compared to € 75.2 million for the three months ended March 31, 2021. Our Adjusted gross profit margin decreased to 51.8% for the three months ended March 31, 2022, from 53.9% for the three months ended March 31, 2021, strong volume growth is offset by mostly higher energy costs, inflation, and somewhat lower productivity driven still by Covid restrictions as well as large share of new staff driven by the high demand.

Selling Costs

Selling Costs were € 24.7 million (13.3% of revenue) for the three months ended March 31, 2022, a decrease of € 0.6 million or 2.5%, as compared to € 25.3 million (15.0% of revenue) for the three months ended March 31, 2021. Excluding amortization and depreciation and non-recurring items such as non-recurring litigation costs, consulting costs and severance payments, our adjusted selling costs increased to € 11.6 million or 6.3% of revenue for the three months ended March 31, 2022, from € 11.1 million or 6.6% of revenue for the three months March 31, 2021.

Research and Development Costs

Research and Development Costs were € 5.9 million (3.2% of revenue) for the three months ended March 31, 2022, a decrease of € 0.1 million or 1.4%, as compared to € 5.9 million (3.5% of revenue) for the three months ended March 31, 2021. Excluding amortization and depreciation and non-recurring items, such as severance payments, our adjusted research and development costs increased to € 5.2 million or 2.8% of revenue for the three months ended March 31, 2022, from € 4.7 million or 2.8% of revenue for the three months ended March 31, 2021.

General Administrative Costs

General Administrative Costs were € 7.5 million (4.1% of revenue) for the three months ended March 31, 2022, an increase of € 1.6 million or 27.5%, as compared to € 5.9 million (3.5% of revenue) for the three months ended March 31, 2021. Excluding amortization and depreciation and non-recurring items such as acquisition consulting and severance payments, our Adjusted general administrative costs increased to € 5.7 million or 3.1% of revenue for the three months ended March 31, 2022, from € 4.9 million or 2.9% of revenue for the three months ended March 31, 2021.

Other Income and Expenses

Other expenses, net, amounted to € 11.7 million for the three months ended March 31, 2022, a decrease of € 13.0 million compared to other income, net, of € 1.4 million for the three months ended March 31, 2021. Excluding non-recurring items such as transaction related expenses and foreign exchange effects, our Adjusted other expense, net, were € 0.4 million for the three months ended March 31, 2022, a deviation of € 1.0 million as compared with Adjusted other income, net, of € 0.5 million for the three months ended March 31, 2021.

Interest Income and Other Financial Income

Interest income and other finance income was € 9.5 million for the three months ended March 31, 2022, an increase of € 3.6 million or 62.1%, as compared to € 5.9 million for the three months ended March 31, 2021. This increase was mainly due to higher fair value gains on derivatives compared to the three months ended March 31, 2021.

Interest Expenses and Other Finance Costs

Interest expenses and other finance costs were € 28.2 million for the three months ended March 31, 2022, an increase of € 6.0 million or 27.0%, as compared to € 22.2 million for the three months ended March 31, 2021. This increase was mainly higher interest expenses from syndicated loan and bond. The financial expenses of € 28.2 million include € 17.4 million of interest expenses from syndicated loan, revolving credit line and bond, € 4.4 million of interest expenses from a former shareholder loan, € 3.2 million exchange rate losses, € 2.0 million of expenses from the effective interest rate method and € 1.2 million of other interest expenses.

Income Tax Expenses

Income tax expenses were € 5.6 million for the three months ended March 31, 2022, compared to tax expenses of € 6.7 million for the three months ended March 31, 2021. This decrease was due to higher current tax expenses mainly resulting from the German Tax Group combined with higher deferred tax income mainly resulting from the valuation of derivatives.

Net Profit / Loss

As a result of the developments described above, net income was € 7.1 million for the three months ended March 31, 2022, a decrease of € 9.3 million compared to a net profit of € 16.4 million for the three months ended March 31, 2021.

Financial Condition, Liquidity and Capital Resources

As of March 31, 2022, the gross financial debt, the cash balance as well as the undrawn Revolving Credit Facility were as follows (all figures are unaudited in € million as reported):

| | As of March 31, 2022 <i>(in € million)</i> |
|---|--|
| Gross financial debt (without accrued transaction costs)..... | 1,952.5 |
| <i>thereof bond</i> | 465.0 |
| <i>thereof term loans</i> | 1,480.0 |
| <i>thereof revolver</i> | 0.0 |
| <i>thereof ancillary line</i> | 0.0 |
| <i>thereof other bank loans</i> | 1.0 |
| <i>thereof accrued interest</i> | 6.5 |
| Cash..... | 41.4 |
| Net debt | 1,911.1 |
| | |
| Undrawn Revolving Credit Facility..... | 245.0 |
| Undrawn Ancillary Line..... | 5.0 |

The management-adjusted EBITDA for the last twelve months ended March 31, 2022, was € 261.4 million, leading to the net debt leverage ratio of 7.3x, compared to the management-adjusted EBITDA for the last twelve months ended March 31, 2021, of € 219.9 million and the net debt leverage ratio of 6.4x, respectively.

The change in the net debt leverage ratio is reflecting the new financing entered in connection with the transaction.

Cash Flow Statement

The following table shows the cash flow statement for the three-month period ended March 31, 2022. All figures are unaudited in € million as reported.

| | Three months Ended March 31, 2022 <i>(in € million)</i> | Three months Ended March 31, 2021 <i>(in € million)</i> |
|---|---|---|
| Net profit / (loss) for the period | 7.1 | 16.4 |
| Income tax expenses / benefit (-) | 5.6 | 6.7 |
| Interest result | 23.9 | 19.8 |
| Amortization, depreciation and impairment changes of non-current assets | 27.8 | 27.2 |
| Gain (-) / Loss on disposal of fixed assets | 0.1 | 0.0 |
| Increase / decrease (-) in provisions (excluding deferred taxes) | 1.4 | 3.5 |
| Income tax refund / (payment) | -7.5 | -9.0 |
| Other non-cash expenses / income (-), net | -2.2 | -1.3 |
| Increase (-) / decrease in inventories | -7.1 | -3.8 |
| Increase (-) / decrease in trade receivables | -37.3 | -30.5 |
| Increase (-) / decrease in other receivables and (financial) assets | -2.7 | 0.7 |
| Increase / decrease (-) in trade payables | 6.7 | -3.1 |
| Increase / decrease (-) in other (financial) liabilities | 3.2 | 5.3 |
| Cash flow from operating activities | 18.9 | 32.0 |
| | | |
| Cash received from disposals of property, plant and equipment | 0.0 | 0.2 |
| Cash paid (-) for investments in property, plant and equipment | -6.6 | -9.3 |
| Cash received from grants | 0.0 | 0.0 |
| Cash paid (-) for investments in intangible assets | -0.7 | -0.7 |
| Cash paid (-) for the acquisition of entities | -1,833.8 | -50.0 |
| Cash flow from investing activities | -1,841.1 | -59.9 |
| | | |
| Cash received from contribution to capital reserve | 1,608.1 | 0.0 |
| Cash received from issuance of bond | 453.0 | 0.0 |
| Repayment (-) of former bond | -411.3 | 0.0 |
| Cash received from syndicated loan | 1,442.5 | 0.0 |
| Repayment (-) of former syndicated loan | -1,205.0 | 0.0 |
| Interest paid (-) | -21.7 | -15.9 |
| Cash received from drawing / repayment (-) of revolver loan | 0.0 | 0.0 |
| Repayment (-) of former shareholder loan | -293.0 | 0.0 |
| Cash paid for capitalized leases (right-of-use assets) | -0.8 | -0.9 |
| Cash flow from financing activities | 1,571.8 | -16.7 |
| | | |
| Change in cash and cash equivalents | -250.4 | -44.7 |
| Net foreign exchange difference | 0.4 | 1.1 |
| Cash and cash equivalents at the beginning of the period | 291.4 | 244.1 |
| Cash and cash equivalents at the end of the period | 41.4 | 200.6 |

Cash flows from operating activities decreased from € 32.0 million for the three months ended March 31, 2021, to € 18.9 million for the three months ended March 31, 2022. Despite a solid operative working capital management and a strong adjusted EBITDA level the cash flow from operating activities is affected by transaction related expenses as well as an increase in safety stock for some raw materials and work in progress in order to reduce long lead times for some products and increase the capability to react to fluctuating customer demand flexibly.

Cash flows used in investing activities increased from € 59.9 million for the three months ended March 31, 2021, to € 1,841.1 million for the three months ended March 31, 2022, the deviation of € 1,781.2 million is mainly driven by the transaction.

Cash flows used in financing activities changed from an outflow of € 16.7 million for the three months ended March 31, 2021, to an inflow of € 1,571.8 million for the three months ended March 31, 2022, reflecting the new financing entered in connection with the transaction.

Capital Expenditures

The following table provides an overview of our capital expenditures for the three months ended March 31, 2022, and 2021.

| | Three months Ended March 31, 2022 | Three months Ended March 31, 2021 |
|--|--|--|
| Additions to intangible assets..... | 0.7 | 0.7 |
| Additions to property, plant and equipment | 6.3 | 5.5 |
| Capital expenditures (gross) | 7.0 | 6.2 |
| Government grants | 0.0 | 0.0 |
| Capital expenditures (net) | 7.0 | 6.2 |
| Additions from business acquisitions..... | 0.0 | 0.0 |

In general, our capital investment is split evenly between maintenance and growth projects. The increased investment spending in the year ended March 31, 2022, is affected by the long-term capacity increase projects, necessary maintenance activities, and selected digitalization and ESG projects. Cash outflow for the three months ended March 31, 2021, for intangible assets amounts to € 0.7 million and for tangible assets amounts to € 6.6 million.

Employees

As of March 31, 2022, the CeramTec Group employed 3,515 people, an increase of +1.3% compared to the previous year.

| Headcount | March 31, 2022 | March 31, 2021 |
|-------------------------------|---------------------------|---------------------------|
| Total Employees | 3,515 | 3,471 |
| <i>Thereof by region</i> | | |
| Europe (w/o Germany) | 640 | 669 |
| Germany..... | 2,028 | 1,971 |
| North and South America..... | 304 | 311 |
| Asia | 543 | 520 |
| <i>Thereof by function</i> | | |
| Manufacturing..... | 2,756 | 2,740 |
| Sales | 311 | 306 |
| Research and development..... | 179 | 167 |
| Administration..... | 269 | 258 |

In addition, 117 apprentices were employed by the CeramTec Group as of March 31, 2022.

Recent Developments

There were no significant events after the reporting date.

Plochingen, 15 June 2022

CTEC I GmbH

The Management

Dr. Hadi Saleh

CTEC I GmbH
Plochingen

Interim Condensed
PRO-FORMA
Consolidated Financial Statements
for the period ended
31 March 2022

CTEC I GmbH, Plochingen

Interim condensed PRO-FORMA consolidated statement of financial position as at 31 March 2022

| Assets | Notes | 31 March 2022 | 31 December 2021 |
|-------------------------------|-------|------------------|------------------|
| | | EUR k | EUR k |
| Goodwill | 4.1 | 2,775,411 | 898,226 |
| Other intangible assets | 4.1 | 922,090 | 938,609 |
| Property, plant and equipment | 4.2 | 291,442 | 294,431 |
| Other financial assets | 4.3 | 15,150 | 14,195 |
| Other assets | 4.4 | 8,147 | 3,884 |
| Deferred tax assets | | 827 | 926 |
| Non-current assets | | 4,013,067 | 2,150,271 |
| Inventories | | 110,780 | 103,695 |
| Trade receivables | 4.5 | 97,350 | 60,036 |
| Income tax receivables | | 3,590 | 3,658 |
| Other financial assets | 4.3 | 2,264 | 1,836 |
| Other receivables and assets | 4.4 | 9,666 | 9,597 |
| Cash and cash equivalents | 4.6 | 41,403 | 291,404 |
| Current assets | | 265,053 | 470,226 |
| Total Assets | | 4,278,120 | 2,620,497 |

CTEC I GmbH, Plochingen

Interim condensed PRO-FORMA consolidated statement of financial position as at 31 March 2022

| Equity and Liabilities | Notes | 31 March 2022 | 31 December 2021 |
|--|-------|------------------|------------------|
| | | EUR k | EUR k |
| Issued capital | 4.7 | 25 | 25 |
| Capital reserves | 4.7 | 1,879,616 | 780,371 |
| Accumulated losses | 4.7 | -44,652 | -552,728 |
| Accumulated other comprehensive income | 4.7 | 678 | 1,096 |
| Equity | | 1,835,667 | 228,764 |
| Provisions for pension obligations | | 96,671 | 118,657 |
| Other provisions | | 2,435 | 2,371 |
| Financial liabilities to affiliates | | 0 | 288,596 |
| Financial liabilities to third parties | 4.8 | 1,909,655 | 1,605,422 |
| Other liabilities | 4.9 | 271 | 0 |
| Deferred tax liabilities | | 261,351 | 263,434 |
| Non-current liabilities | | 2,270,383 | 2,278,480 |
| Other provisions | | 19,750 | 18,642 |
| Provision for taxes | | 10,529 | 3,870 |
| Financial liabilities to third parties | 4.8 | 21,917 | 33,242 |
| Trade payables | | 91,333 | 34,977 |
| Other liabilities | 4.9 | 28,541 | 22,522 |
| Current liabilities | | 172,070 | 113,253 |
| Total liabilities | | 2,442,453 | 2,391,733 |
| Total equity and liabilities | | 4,278,120 | 2,620,497 |

CTEC I GmbH, Plochingen

Interim condensed PRO-FORMA consolidated statement of comprehensive income

from 1 January to 31 March 2022

| | Notes | 1 January to 31 March 2022 | 1 January to 31 March 2021 |
|--|-------|-------------------------------|-------------------------------|
| | | EUR k | EUR k |
| Revenue | 3.1 | 185,090 | 168,428 |
| Cost of sales | 3.2 | 104,005 | 93,188 |
| Gross profit | | 81,085 | 75,240 |
| Selling costs | 3.3 | 24,662 | 25,289 |
| Research and development costs | 3.4 | 5,852 | 5,933 |
| General administrative costs | 3.5 | 7,540 | 5,916 |
| Other income and expenses (-), net | 3.6 | -11,652 | 1,353 |
| Operating income | | 31,379 | 39,455 |
| Interest income and other finance income | | 9,488 | 5,851 |
| Interest expenses and other finance costs | | 28,159 | 22,164 |
| Financial result | 3.7 | -18,671 | -16,313 |
| Profit before income tax | | 12,708 | 23,142 |
| Income tax expense | | -5,607 | -6,695 |
| Net profit for the period | | 7,101 | 16,447 |
| Items that will not be reclassified through profit or loss | | | |
| Income / expenses (-) from the remeasurement of pension provisions | | 14,352 | 14,464 |
| Deferred taxes | | -4,250 | -4,179 |
| | | 10,102 | 10,285 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Losses (-) / gains on cash flow hedges | | -447 | 288 |
| Deferred taxes | | 129 | -83 |
| | | -318 | 205 |
| Exchange differences on translation of foreign operations | | -101 | -490 |
| Other comprehensive income, net of income tax | | 9,683 | 10,000 |
| Total comprehensive income | | 16,784 | 26,447 |

Interim condensed PRO-FORMA consolidated statement of cash flows
 from 1 January to 31 March 2022

| | 1 January to 31 March 2022 EUR k | 1 January to 31 March 2021 EUR k |
|---|--|--|
| Net profit for the period | 7,101 | 16,447 |
| Income tax expense | 5,607 | 6,695 |
| Interest result (without changes in fair value of derivatives) | 23,906 | 19,837 |
| Amortisation, depreciation and impairment charges of non-current assets | 27,805 | 27,221 |
| Loss on disposal of property, plant and equipment and intangible assets | 102 | 6 |
| Increase in provisions (excluding deferred taxes) | 1,357 | 3,470 |
| Income tax payment (-) | -7,541 | -8,995 |
| Other non-cash income (-), net | -2,234 | -1,319 |
| Increase (-) in inventories | -7,085 | -3,811 |
| Increase (-) in trade receivables | -37,314 | -30,491 |
| Increase (-) / decrease in other receivables and (financial) assets | -2,662 | 715 |
| Increase / decrease (-) in trade payables | 6,693 | -3,091 |
| Increase in other (financial) liabilities | 3,179 | 5,308 |
| Cash flow from operating activities | <u>18,914</u> | <u>31,992</u> |
| Cash received from disposals of property, plant and equipment | 25 | 170 |
| Cash paid (-) for investments in property, plant and equipment | -6,592 | -9,322 |
| Cash paid (-) for investments in intangible assets | -686 | -729 |
| Cash paid (-) for the acquisition of entities | -1,833,833 | -50,027 |
| Cash flow from investing activities | <u>-1,841,086</u> | <u>-59,908</u> |
| Cash received from contribution to capital reserve | 1,608,096 | 0 |
| Cash received from issuance of bond | 453,006 | 0 |
| Repayment (-) of former bond | -411,331 | 0 |
| Cash received from syndicated loan | 1,442,508 | 0 |
| Repayment (-) of former syndicated loan | -1,204,972 | 0 |
| Interest paid (-) | -21,737 | -15,892 |
| Repayment (-) of former shareholder loan | -292,985 | 0 |
| Cash paid for capitalized leases (right-of-use assets) | -773 | -851 |
| Cash flow from financing activities | <u>1,571,812</u> | <u>-16,743</u> |
| Change in cash and cash equivalents | <u>-250,360</u> | <u>-44,659</u> |
| Net foreign exchange difference | 359 | 1,139 |
| Cash and cash equivalents at the beginning of the period | 291,404 | 244,118 |
| Cash and cash equivalents at the end of the period | <u>41,403</u> | <u>200,598</u> |

Please refer to notes, section 5

CTEC I GmbH
Plochingen

Selected explanatory notes to the
Interim Condensed
PRO-FORMA
Consolidated Financial Statements
for the period ended
31 March 2022

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1 General

1.1 Corporate information and purpose of the Company

CTEC I GmbH (hereinafter "CTEC I") and its subsidiaries (hereinafter "CTEC I 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 endoprosthesis. 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.

CTEC I'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 267745. The purpose of CTEC I 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.

CTEC I is the parent company of the Group and the ultimate German parent, which prepares exempting consolidated financial statements. CTEC Global S.à.r.l., Luxembourg (in the following "CTEC Global"), is the direct parent company of CTEC I, and does not prepare consolidated financial statements.

The management of CTEC I approved the interim condensed PRO-FORMA consolidated financial statements for the period ended 31 March 2022 on 15 June 2022.

1.2 Basis of preparation

For the period 1 January 2022 to 28 February 2022 and the prior fiscal year the operating entities were presented in the consolidated group of the former ultimate parent CeramTec TopCo GmbH (in the following "CeramTec TopCo"), Plochingen. With the acquisition as at 2 March 2022 the operating entities are presented in the consolidated group of the ultimate parent CTEC I. The interim condensed PRO-FORMA consolidated financial statements are an aggregation of these two analysis periods.

The interim condensed PRO-FORMA consolidated financial statements for the period ended 31 March 2022 are prepared in accordance with IFRS/IAS. These interim condensed PRO-FORMA consolidated financial statements do not include all of the information and disclosures required in the legal interim condensed consolidated financial statements according to IAS 34 Interim Financial Reporting.

The interim condensed PRO-FORMA consolidated financial statements give a true and fair view of the results of operations and financial position of the Group.

The interim condensed PRO-FORMA consolidated financial statements are presented in Euro. The amounts are in thousands of Euros (EUR k). All amounts are rounded using standard commercial principles. In some cases, adding single values to the total values may therefore lead to differences.

Assets and liabilities are broken down into current and non-current items. Assets and liabilities are classified as current if they are expected to be realized within twelve months from the reporting date. The expense recognized in profit or loss is broken down using the cost of sales method. In the statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method.

1.3 Going concern

The director has, at the time of approving the interim condensed PRO-FORMA consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the interim condensed PRO-FORMA consolidated financial statements.

1.4 Changes to the consolidated group

CTEC III (in the following "CTEC III") acquired with effectiveness 2 March 2022 100 % of the shares of CeramTec TopCo and its subsidiaries. CTEC III is a 100% subsidiary of CTEC II (in the following "CTEC II"), which is itself a 100% subsidiary of CTEC I. CTEC I is the ultimate parent, for which consolidated financial statements will be prepared at year-end.

At the end of the interim reporting period as of 31 March 2022, the accounting for this business combination is preliminary, as the purchase price allocation is pending because of the very tight period between acquisition date and reporting date. Rather the following figures show the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

| | preliminary Fair Value EUR k |
|--|------------------------------------|
| Customer relationships | 590,871 |
| Patents and other intellectual property / Trade Names and Trademarks | 330,081 |
| Other intangible assets | 6,741 |
| Intangible Assets | <u>927,693</u> |
| Land and Buildings | 84,192 |
| Machinery and equipment | 154,644 |
| Furniture and Fix | 8,102 |
| Construction in Progress | 33,408 |
| Right-of-Use Assets | 11,224 |
| Property, plant & equipment | <u>291,571</u> |
| Deferred taxes and current taxes | 4,379 |
| Inventories | 106,284 |
| Trade receivables | 82,815 |
| Financial assets to third parties | 9,432 |
| Other assets | 13,321 |
| Cash and Cash equivalents | 276,150 |
| Assets | <u><u>1,711,645</u></u> |
| Deferred taxes and current taxes | 272,765 |
| Provisions | 122,215 |
| Bank loans and other financial liabilities | 1,636,911 |
| Shareholder loan | 292,985 |
| Trade payables | 28,200 |
| Other liabilities | 28,610 |
| Liabilities | <u><u>2,381,686</u></u> |
| Total net | -670,041 |
| Total consideration transferred | <u>2,105,370</u> |
| Goodwill from the acquisition | <u><u>2,775,411</u></u> |

Total consideration transferred of EUR 2,105,370k includes non-cash capital contributions of EUR 271,470k.

As the purchase price allocation is not finalized yet the allocation of the goodwill to the groups of cash-generating units ("CGU") Medical and the CGU Industrial has not been performed yet.

The fair value of purchased receivables equals the gross amount of contractual receivables as we believe the receivables can be fully recovered.

The goodwill resulting from the acquisition reflects market position, assembled workforce, CeramTec's growth strategy, supporting the launch of new product initiatives in key growth markets as medical implants and investing in the expansion of production facilities.

The acquisition took place to accelerate CeramTec's growth strategy, supporting the launch of new product initiatives in key growth markets as medical implants and investing in the expansion of production facilities.

The costs associated with the acquisition amounted to EUR 14,468k in total. These are recognized in the interim condensed PRO-FORMA consolidated statement of comprehensive income under the item "Other income / expenses (-), net" (see note 3.6).

1.5 Entities included in the PRO-FORMA Consolidated Financial Statements

In addition to the financial statements of the parent company, the financial statements of the following subsidiaries in which CTEC I has a direct or indirect shareholding are included in the interim condensed PRO-FORMA consolidated financial statements in the reporting period:

| Name of the entity | Share of capital in % 31 March 2022 | Business activities |
|-----------------------------------|--|------------------------|
| CTEC II GmbH, Plochingen | 100.00 | 1 |
| CTEC III GmbH, Plochingen | 100.00 | 1 |
| CeramTec TopCo GmbH, Plochingen | 100.00 | 1 |
| CeramTec BondCo GmbH, Plochingen | 100.00 | 1 |
| CeramTec AcquiCo GmbH, Plochingen | 100.00 | 1 |
| CeramTec Holding GmbH, Plochingen | 100.00 | 1 |
| CeramTec Group GmbH, Plochingen | 100.00 | 1 |
| CeramTec FinCo GmbH, Plochingen | 100.00 | 1 |
| CeramTec GmbH, Plochingen | 100.00 | 2 |

| Name of the entity | Share of capital in % 31 March 2022 | Business activities |
|--|--|------------------------|
| Cerasiv GmbH Innovatives Keramik-Engineering, Plochingen | 100.00 | 1 |
| CeramTec-ETEC GmbH, Lohmar | 100.00 | 3 |
| Emil Müller GmbH, Wilhermsdorf | 100.00 | 3 |
| CeramTec UK Ltd., Southampton/Great Britain | 100.00 | 2 |
| CeramTec Czech Republic s.r.o., Sumperk/ Czech Republic | 100.00 | 3 |
| CeramTec Ibérica Innovative Ceramic Engineering S.L., Vilassar de Mar/Spain | 100.00 | 5 |
| CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd.. Seremban/Malaysia | 100.00 | 4 |
| CeramTec Korea Ltd., Suwon-Si/South Korea | 100.00 | 5 |
| CeramTec Suzhou Ltd., Suzhou/China | 100.00 | 3 |
| PST Press Sintertécnica Brasil Ltda., Nova Odessa/Brazil | 100.00 | 3 |
| CeramTec India Innovative Ceramic Engineering Pvt. Ltd., Panaji - Goa/India | 99.90 | 3 |
| Press and Sinter Technics de Mexico S.A. de C.V., Puebla/Mexico | 100.00 | 3 |
| Dentalpoint AG, Spreitenbach/Switzerland | 100.00 | 4 |
| Dentalpoint Germany GmbH, Lörrach | 100.00 | 5 |
| CeramTec BidCo LLC, Laurens/USA | 100.00 | 1 |
| CeramTec Acquisition LLC, Laurens/USA | 100.00 | 1 |
| CeramTec North America LLC, Laurens/USA | 100.00 | 3 |
| DAI Ceramics LLC, Willoughby/USA | 100.00 | 3 |
| PST Press + Sintertechnik Sp. z.o.o., Gorzyce/Poland | 100.00 | 3 |

- 1 Entities perform the functions of a holding company.
- 2 Manufacturing and distribution companies operate in the Industrial and Medical markets.
- 3 Manufacturing and distribution companies operate in the Industrial markets.
- 4 Manufacturing and distribution companies operate in the Medical markets.
- 5 Distribution companies.

CTEC I has a direct shareholding in CTEC II, and an indirect shareholding in the other subsidiaries.

2 Accounting principles and policies

The accounting policies and the consolidation principles applied in the interim condensed PRO-FORMA consolidated financial statements for 2022 are in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The entity has complied with all the IFRSs adopted by the EU and required to be applied.

For details regarding the accounting principles and policies please refer to the legal interim condensed consolidated financial statements for the period ended 31 March 2022.

Foreign currency translation

The line items included in the interim condensed PRO-FORMA 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 interim condensed PRO-FORMA consolidated financial statements are prepared in euros, the functional and reporting currency of CTEC I.

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 interim condensed PRO-FORMA 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 March 2022 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 interim condensed PRO-FORMA 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:

| | | 31 Mar 2022 | 1 Jan to 31 Mar 2022 | 31 Dec 2021 | 1 Jan to 31 Mar 2021 |
|-----|----------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | | Period-end exchange rate | Average exchange rate | Period-end exchange rate | Average exchange rate |
| USD | USA | 1.1101 | 1.1228 | 1.1334 | 1.2056 |
| CNY | China | 7.0403 | 7.1275 | 7.2230 | 7.8111 |
| GBP | Great Britain | 0.8460 | 0.8364 | 0.8393 | 0.8747 |
| PLN | Poland | 4.6531 | 4.6168 | 4.5960 | 4.5431 |
| CZK | Czech Republic | 24.3750 | 24.6378 | 24.9170 | 26.0648 |

The individual items in the interim condensed PRO-FORMA 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.

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

Adoption of the following revised and newly issued IFRSs and IFRICs was not yet compulsory in the fiscal year and/or they had not yet been endorsed by the European Commission for adoption in the European Union. In the fiscal year, these new or amended standards and interpretations were not adopted earlier.

IFRS amended for the first time in the reporting period

| 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 |

The aforementioned changes have no effect on the consolidated financial statements of CTEC I Group.

Revised and newly issued IFRSs and IFRICs not yet compulsory

Adoption of the following revised and newly issued IFRSs and IFRICs was not yet compulsory in the reporting period and/or they had not yet been endorsed by the European Commission for adoption in the European Union. In the reporting period, these new or amended standards and interpretations were not adopted earlier.

| Standards and interpretations | Date of first-time adoption |
|---|-----------------------------|
| IFRS 17: "Insurance Contracts" | 1 January 2023 |
| 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 interim condensed consolidated financial statements of CTEC I Group.

3 Notes to the interim condensed PRO-FORMA consolidated statement of comprehensive income

3.1 Revenue

Revenue results primarily from the sale of goods and merchandise. Revenue breaks down into regions and markets as follows:

| | 1 January to 31 March 2022 EUR k | 1 January to 31 March 2021 EUR k |
|----------------------|--|--|
| Regions | | |
| Europe (w/o Germany) | 81,010 | 71,348 |
| Germany | 36,576 | 34,627 |
| Asia | 36,879 | 33,545 |
| North America | 29,118 | 27,779 |
| Rest of world | 1,507 | 1,129 |
| Total | <u>185,090</u> | <u>168,428</u> |
| Markets | | |
| Medical markets | 93,611 | 82,903 |
| Industrial markets | 91,479 | 85,525 |
| Total | <u>185,090</u> | <u>168,428</u> |

Orders on hand amount to EUR 348,558k as of the balance sheet date, of which EUR 206,925k and EUR 141,633k are attributable to the Industrial and Medical markets respectively.

3.2 Cost of sales

The cost of sales breaks down as follows:

| | 1 January to 31 March 2022 EUR k | 1 January to 31 March 2021 EUR k |
|-----------------------------|--|--|
| Personnel expenses | 36,316 | 34,973 |
| Material and packaging cost | 35,508 | 29,992 |
| Amortization and depreciat. | 14,540 | 13,950 |
| Energy costs | 9,165 | 4,812 |
| Other cost of sales | 8,476 | 9,461 |
| Total | <u>104,005</u> | <u>93,188</u> |

Other costs of sales primarily contain freight costs and maintenance expenses.

3.3 Selling costs

Selling costs primarily contain amortization and depreciation as well as personnel expenses.

3.4 Research and development costs

Research and development costs mainly contain personnel expenses.

3.5 General administrative costs

General administrative costs primarily contain personnel expenses.

3.6 Other income / expenses (-), net

Other income / expenses (-), net, breaks down as follows:

| | 1 January to 31 March 2022 EUR k | 1 January to 31 March 2021 EUR k |
|---|--|--|
| Transaction costs | -14,468 | 0 |
| Foreign currency results | 3,264 | 1,031 |
| Additions to allowance for bad debts | -427 | -22 |
| Losses (-) on disposal of property, plant and equipment | -102 | -6 |
| Income from the reversal of allowances for bad debt | 44 | 23 |
| Sundry other income | 118 | 469 |
| Sundry other expenses | -81 | -142 |
| Total | <u>-11,652</u> | <u>1,353</u> |

The transaction costs occurred within the purchase process of the shares of CeramTec TopCo (please refer to 1.4).

3.7 Financial result

The financial result breaks down as follows:

| | 1 January to 31 March 2022 EUR k | 1 January to 31 March 2021 EUR k |
|--|--|--|
| Gains arising from changes in valuation of derivatives * | 9,056 | 5,456 |
| Interest income from effective interest method | 260 | 373 |
| Other interest and financial income | 172 | 22 |
| | <hr/> | <hr/> |
| Total interest income and other finance income | 9,488 | 5,851 |
| Interest expense from syndicated loan | 8,761 | 7,601 |
| Interest expense from bond | 8,433 | 5,329 |
| Interest expense from shareholder loan | 4,389 | 4,992 |
| Exchange rate losses | 3,203 | 1,724 |
| Expense from unwinding the discount on financial liabilities | 2,026 | 1,947 |
| Interest expense from provision and use of revolving credit line | 225 | 164 |
| Other interest expenses | 1,209 | 604 |
| Interest capitalized | -87 | -197 |
| | <hr/> | <hr/> |
| Total interest expenses and other finance costs | 28,159 | 22,164 |
| | <hr/> | <hr/> |
| Total financial result | <u>-18,671</u> | <u>-16,313</u> |

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

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

The other interest expenses include expenses from unwinding the discount on provisions with an amount of EUR 393k.

4 Notes to the interim condensed PRO-FORMA consolidated statement of financial position

4.1 Goodwill and intangible assets

Goodwill results from the acquisition of CeramTec TopCo and its subsidiaries. The allocation of the goodwill to the CGU Medical and Industrial has not yet taken place as of the balance sheet date, since the acquisition accounting is not yet finalized (please refer to 1.4).

The annual goodwill impairment test will be performed in the year-end closing.

During the reporting period, CTEC I Group recognized amortization expenses for intangible assets in the amount of EUR 17,180k (1 January to 31 March 2021: EUR 17,102k), which arise mainly from customer relationships and technology.

CTEC I Group purchased intangible assets at cost of EUR 687k (1 January to 31 March 2021: EUR 729k).

4.2 Property, plant and equipment

During the reporting period, additions to property, plant and equipment amount to EUR 6,814k (1 January to 31 March 2021: EUR 6,438k), from which no subsidies are deducted. Excluding the right-of-use assets CTEC I Group acquired assets at cost of EUR 6,277k (1 January to 31 March 2021: EUR 5,471k).

The recognized depreciation expenses amount to EUR 10,625k (1 January to 31 March 2021: EUR 10,119k).

There were contractual commitments to acquire property, plant and equipment of EUR 31,632k (31 December 2021: EUR 27,795k) as of the reporting date.

4.3 Other financial assets

The following table breaks down other financial assets as follows:

| | 31 March 2022 EUR k | 31 December 2021 EUR k |
|---|------------------------|---------------------------|
| Other financial assets (non-current) | | |
| Derivative financial instruments | 13,057 | 1,898 |
| Separated termination rights | 1,976 | 12,181 |
| Insurance claims | 35 | 35 |
| Minority shareholding without controlling interest | 4 | 4 |
| Sundry financial assets | 78 | 77 |
| | <hr/> | <hr/> |
| Total | <u>15,150</u> | <u>14,195</u> |
| Other financial assets (current) | | |
| Receivables arising from amounts retained by a factor as a security | 1,808 | 1,520 |
| Derivative financial instruments | 258 | 161 |
| Sundry financial assets | 198 | 155 |
| | <hr/> | <hr/> |
| Total | <u>2,264</u> | <u>1,836</u> |

The CTEC I Group has a termination option for the issued bond. This termination option represents an embedded derivative, which is accounted for separately from the underlying transaction.

Because of a low risk of default, in the reporting period no loss allowance for other financial assets was recognized.

4.4 Other receivables and assets

The following table breaks down other assets as follows:

| | 31 March 2022 | 31 December 2021 |
|--|---------------|------------------|
| | EUR k | EUR k |
| Other non-current assets | | |
| Deferred finance costs for the revolving credit line | 4,526 | 259 |
| Sundry assets | 3,621 | 3,625 |
| Total | <u>8,147</u> | <u>3,884</u> |
| Other current assets | | |
| Prepaid insurance | 2,378 | 1,685 |
| VAT receivables | 1,984 | 3,187 |
| Receivables from energy tax refunds | 1,547 | 1,760 |
| Deferred finance costs for the revolving credit line | 0 | 219 |
| Sundry assets | 3,757 | 2,746 |
| Total | <u>9,666</u> | <u>9,597</u> |

Sundry assets mainly include advance payments.

4.5 Trade receivables

At the end of the reporting period, trade receivables amounted to EUR 97,350k (31 December 2021: EUR 60,036k) after taking into account valuation allowance of EUR 1,037k (31 December 2021: EUR 711k). The receivables are seasonally impacted with lower levels in December due to less customer activity and temporary plant shut downs.

A factoring agreement was concluded whereby receivables of EUR 11,705k were sold as of the balance sheet date (31 December 2021: EUR 13,811k). Under the terms of the agreement, EUR 1,808k (31 December 2021: EUR 1,520k) was retained by the factor as of the balance sheet date as a security, and recognized in other short-term financial assets (see note 4.3).

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

| | 31 March 2022 EUR k | 31 December 2021 EUR k |
|---|------------------------|---------------------------|
| thereof not yet due on the reporting date | 82,149 | 47,218 |
| past due up to 30 days | 14,139 | 10,316 |
| past due up to 60 days | 840 | 1,363 |
| past due up to 90 days | 541 | 211 |
| past due more than 90 days | 718 | 1,639 |
| Total | <u>98,387</u> | <u>60,747</u> |

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).

Based on the CTEC I 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.

4.6 Cash and cash equivalents

Cash and cash equivalents contain bank balances of EUR 41,397k (31 December 2021: EUR 291,400k) and cash in hand of EUR 6k (31 December 2021: EUR 4k).

4.7 Equity

The following table breaks down the equity as follows:

| | 31 March 2022 EUR k | 31 December 2021 EUR k |
|--|------------------------|---------------------------|
| Issued capital | 25 | 25 |
| Capital reserves | 1,879,616 | 780,371 |
| Accumulated losses | -44,653 | -552,728 |
| Accumulated other comprehensive income | 678 | 1,096 |
| Total | <u>1,835,667</u> | <u>228,764</u> |

The acquisition of the shares of CeramTec TopCo (please refer to 1.4) was partly financed by equity contributions of the shareholder CTEC Global provided as capital reserves.

4.8 Financial liabilities to third parties

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

| | 31 March 2022 | 31 December 2021 |
|-------------------------------------|------------------|------------------|
| | EUR k | EUR k |
| Non-current financial liabilities | | |
| Liabilities to banks | 1,444,818 | 1,174,549 |
| Liabilities from the bond | 455,474 | 412,775 |
| Lease liabilities | 9,363 | 9,514 |
| Derivative financial instruments | 0 | 8,584 |
| Total | 1,909,655 | 1,605,422 |
| Current financial liabilities | | |
| Discounts and bonuses | 7,858 | 11,000 |
| Liabilities from the bond | 3,933 | 7,993 |
| Derivative financial instruments | 1,923 | 6,209 |
| Liabilities to banks | 3,540 | 3,445 |
| Lease liabilities | 2,082 | 2,045 |
| Other current financial liabilities | 2,581 | 2,550 |
| Total | 21,917 | 33,242 |

Liabilities to banks nominally amount to EUR 1,480,000k from a tranche in EUR (31 December 2021 regarding former syndicated loans: EUR 1,069,000k and two USD tranches of EUR 131,463k). The loan has a variable interest rate and mature on 16 March 2029. Transaction costs associated with the loan of EUR 35,635k 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 465,000k (31 December 2021 regarding former bond: EUR 406,000k). This bond matures on 15 February 2030. The CTEC I Group has a termination option for this bond, which is recognized as a separate financial asset (see note 4.3). Associated transaction costs of EUR 12,364k are spread over the term of the bond using the effective interest method.

4.9 Other liabilities

Other liabilities break down as follows:

| | 31 March 2022 EUR k | 31 December 2021 EUR k |
|--|------------------------|---------------------------|
| Other non-current liabilities | | |
| Contractual liabilities under contracts with customers | 272 | 0 |
| Total | <u>272</u> | <u>0</u> |
| Other current liabilities | | |
| Wages and salaries including taxes | 12,452 | 9,571 |
| Contractual liabilities under contracts with customers | 6,237 | 6,219 |
| Real estate transfer tax | 3,704 | 804 |
| Other current liabilities | 6,148 | 5,928 |
| Total | <u>28,541</u> | <u>22,522</u> |

The contractual liabilities under contracts with customers reported as non-current will be recognized in income from 1 April 2023 to 31 March 2024, while those reported as current will be recognized in income from 1 April 2022 to 31 March 2023.

Other current liabilities are mainly attributable to liabilities to employees and liabilities from social security contributions.

5 Notes to the interim condensed PRO-FORMA consolidated statement of cash flows

In the interim condensed PRO-FORMA consolidated statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method. The cash and cash equivalents presented in the statement of cash flows correspond to the item of the interim condensed statement of financial position and comprise cash in hand, bank balances and cash investments with an original term of up to three months.

Other non-cash income and expenses primarily contain changes in the fair value of financial instruments and foreign exchange gains or losses.

The cash flow from investing activities includes the purchase price payment for transferring the shares of CeramTec TopCo. Within in the Total consideration transferred of EUR 2,105,370k (please refer to 1.4) the purchase price was partly met by non-cash capital contributions of EUR 271,470k resulting in a cash-out for the shares of EUR 1,833,833k after taken into account a currency effect of EUR 67k.

During the financial year, the Group made cash payments for investments in property, plant and equipment in the amount of EUR 4,691k 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 reporting period amounted to EUR 4,377k that will affect cash during the following accounting period.

Interest income of bond liabilities include income of EUR 260k associated with discounting of financial liabilities that arose because the effective interest method was applied.

6 Reconciliation to CTEC II GmbH

If the interim condensed PRO-FORMA consolidated statement of comprehensive income of CTEC II had been prepared instead of the interim condensed PRO-FORMA consolidated statement of comprehensive income of CTEC I, which is presented in these financial statements, this would have resulted in the following changes for the reporting period:

- lower general administrative expenses of EUR 1k
- lower sundry other expenses of EUR 92k

The total comprehensive income of CTEC II would therefore have been EUR 93k higher compared to the total comprehensive income recognized in these financial statements.

If the interim condensed PRO-FORMA consolidated statement of financial position of CTEC II had been prepared instead of the interim condensed PRO-FORMA consolidated statement of financial position of CTEC I, which is presented in these financial statements, this would have resulted in the following changes as of 31 March 2022:

- higher other financial assets long-term of EUR 25k
- lower liquid funds of EUR 3,712k
- higher issued capital of EUR 25k
- lower capital reserves of EUR 3,714k
- lower trade payables of EUR 93k

This would have resulted in a EUR 3,594k lower level of group equity for CTEC II compared to the group equity recognized in these financial statements.

If the interim condensed PRO-FORMA consolidated statement of cash flows of CTEC II had been prepared instead of the interim condensed PRO-FORMA consolidated statement of cash flows of CTEC I, which is presented in these financial statements, this would have resulted mainly in a EUR 3,689k lower cash received from contribution to capital reserve within the cash flow from financing activities.

Plochingen, 15 June 2022

CTEC I GmbH

The management

Dr. Hadi Saleh