Advanced Ceramics: Materials with Excellent Prospects

2014 ANNUAL REVIEW

CeramTec
THE CERAMIC EXPERTS

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CeramTec is a leading global developer, manufacturer and supplier of advanced ceramic products.

Our ceramic products are made from highly specialized materials characterized by their superior biological, mechanical, electrical, thermal and chemical properties.

Our operations are divided into two business segments:
Medical Applications and Industrial Applications.

The Medical Applications segment focuses on ceramic components for medical implants. Due to their biocompatibility, high wear resistance and manufacturing precision and quality, BIOLOX®-based implants have a positive effect on patients' lives and create real added value for healthcare systems compared to their metal-based counterparts.
The Industrial Applications segment develops and supplies a broad range of highly specialized, performance-critical components for myriad applications in the automotive, electronic and consumer goods, machinery and chemicals industries.
Our success is based on market leadership in medical implants and highly specialized industrial niches, our sustained technological edge thanks to continuous advancements, long-standing customer relationships and our global commercial and technical expertise.

Dr. Ulf-D. Zimmermann
CEO

"We got off to a successful start in 2014 and will continue on this successful course in 2015."

Advanced Ceramics – Fascinating Material for the Future

Advanced ceramic materials play an increasingly important role in our modern world. They are an indispensable part of many application areas in daily life, for example as joint replacements in medical technology. And they are also at work in industrial applications as part of complex technical systems – often behind the scenes. The variety of application possibilities never ceases to amaze me. Due to their unique properties, advanced ceramics are a crucial component of the latest, state-of-the-art technologies. Cooperation with our customers shows us clearly every day: This material offers incredible potential for the future in more and more fields of application around the world.

Milestone 2014

2014 marks the first full year of business under the ownership of our new shareholder CINVEN. And we are proud to say that we successfully mastered the challenges of being a "stand-alone company" and achieved our ambitious goals. Therefore, in light of a possible IPO, we are also confident in our ability to continue to profitably position and align our company for this upcoming step.

Medical Applications Segment Celebrates Record Year

Once again, we were able to celebrate a record year in the Medical Products Division, both in terms of components produced and sales generated with arthroplasty components for hip joint replacements. More than 10 million BIOLOX® components have already been implanted worldwide. This underscores our market leadership position in ceramic applications in medical engineering for arthroplasty. To drive new advancements and satisfy the growing demand for our orthopedic products in the Medical Products Division, we expanded production capacities at our Marktredwitz and Lauf sites in September 2014. We invested in new buildings and expanding production capacity for BIOLOX® hip joint components at the Marktredwitz site. At our Lauf site, we are working on a range of projects that take an entirely fresh approach to implants. We want to transfer the success of our BIOLOX® advanced ceramics to other implant components such as shoulder prostheses, spinal column implants and small joints, and see further potential here for profitability and growth.

Growth in Industrial Applications Segment

In Industrial Applications, we were able to record profitable growth in virtually all of our business divisions. We took advantage of new materials and manufacturing methods to develop innovative ceramic applications that meet our industrial customers' growing demands. For example, we put a new production line into operation for ceramic bearing rollers that meet the highest standards in terms of materials and geometries. We are well-positioned to address the growing demands for high-end solutions.

Expanding the Product Portfolio and R&D Activities

We expect the demand for our advanced ceramics to continue to rise as a result of new applications – both in existing and new markets. Innovation drivers include pioneering technologies and the targeted expansion of our research and development activities, in particular in close collaboration with our international customers.

Fostering Customer Relationships and Strengthening Brand Recognition

International customer orientation is at the heart of all we do. We are present on site to offer our expertise in the respective markets. Our intensive efforts to jointly develop products with our customers help address their specific requirements. We plan to continue this approach in the future. We are attuned to our customers' needs and strengths, so we are able to offer them continuous improvements to technologies and processes that reflect the very latest innovations.

Presence in Fast-growing Emerging and Asian Markets

The demand for technical ceramics is rising steadily in emerging and Asian markets. We are forging ahead with our plans to expand and capture new shares of these markets. China is one of the fastest-growing markets in the world for hip replacement operations. Our Chinese subsidiary just had the most successful sales year in its history. Yet another growth market is India, where the establishment of our subsidiary CeramTec India offers us further valuable opportunities.
Our local presence with production capacity, sales and technical expertise will enable us to benefit from growth in the new markets in Asia and expand our customer portfolio worldwide.

Focus on Cash Flow and Creating Shareholder Value

We have a proven track record when it comes to profitability, and we want to take advantage of improved cash flow to create shareholder value. We are confident that the variety of new products and innovative application solutions we offer for many industries and markets will help generate and translate sales growth into profitability and cash generation.

Employees as a Success Factor – Outlook

Our employees have made the most significant contribution to our success with their commitment and dedication. I wish to extend my personal thanks to them for their determination and enthusiasm. I also want to welcome our new CeramTec CFO, Dominique Janbon, who took over this position at the beginning of the third quarter. He will contribute his vast experience in the financial markets to help pave the way for our IPO and play a key role in shaping CeramTec's future. I would further like to express my appreciation once again to Rolf-Michael Müller for his service over the course of 22 years, which has made a lasting impression on this company. Last year in particular we proved our ability to achieve our ambitious goals. If we continue to focus on our core competencies, drive innovations and further develop our strengths, I am convinced that our future will be successful and marked by growth and enhanced value.

Dr. Ulf-D. Zimmermann | CEO

CINVEN

CeramTec is a portfolio company of the European private equity firm Cinven, which acquired the business from the American chemicals group Rockwood in mid-2013. CeramTec is a portfolio company of the Fifth Cinven Fund.

Cinven invests in successful, high-quality enterprises and works closely with these companies to help them grow and develop. Cinven was founded in 1977 and focuses on six key business segments: services, consumer goods, financial services, healthcare, industry and technology, media and telecommunications (TMT). Cinven has offices in Guernsey, London, Frankfurt, Paris, Milan, Luxembourg and Hong Kong.

Cinven employs proven value enhancing strategies in its support for portfolio companies. In the case of CeramTec, the focus is on global growth development and successful expansion in Asia and North America. Cinven follows a responsible, long-term approach, in particular with respect to employees, suppliers, the local community, the environment and society.

Cinven

CeramTec – Exciting Prospects for the Future

The Path to Growth with Advanced Ceramics

Companies like CeramTec that are active in many of the fields of the future will benefit greatly from the megatrends of the 21st century: Our innovative solutions made from advanced ceramics play a key role in daily life – from life sciences and medical engineering to mobility and electronics all the way to mechanical and plant engineering, energy, chemicals and optics. This offers enormous potential for dynamic growth and enhancing the value of the company.

Improving Health

Life expectancy is steadily increasing around the globe, engendering a greater need for medical care. Medical products and solutions such as implants and other medical engineering applications made from advanced ceramics enable CeramTec to help more and more people maintain and improve their quality of life.

Driving Miniaturization

The miniaturization trend sets the pace for innovations in every sector of business. Today's electronics are more powerful, faster and deliver more features in a compact form than ever before. Microelectronics with sensors and actuators are developing into microsystems. The future belongs to nanotechnologies. Information and communications technology is everywhere we look, from everyday objects to Industry 4.0. Advanced ceramics from CeramTec deliver better performance in the smallest of spaces.

Making Mobility Even More Efficient

Intelligent, highly efficient digitally networked mobility systems – the mobility of the future is perfectly attuned to individual users. Information, communication and sensor systems play an essential role here, as do driver assistance systems and the latest safety features fully integrated in modern vehicle concepts. Advanced ceramics from CeramTec can be found everywhere. Hybridization, electrification, reductions in emissions, energy consumption and vehicle weight with composites and lightweight solutions offer growing opportunities for applications based on CeramTec solutions.

Protecting Energy, the Environment and Resources

Challenges such as global climate change and stricter environmental and legal requirements are increasing the pressure to innovate faster. Optimized technologies, methods and materials are needed for eco-friendly energy technologies, increased utilization of renewable energy sources and more efficient use of energy supplies. CeramTec advanced ceramics make a major contribution to saving energy and protecting the environment in all of these areas.

FACTORS THAT WILL DRIVE SUCCESSFUL GROWTH IN THE FUTURE

- There is a rising demand for advanced ceramics in high-performance applications
- The need for medical products is growing worldwide
- Global rise in miniaturization in electronics and electrical engineering for components, devices, equipment and systems
- Increasing integration of electronic components and systems in automotive applications worldwide
- Dynamic advances in environmental engineering have resulted in a growing need for innovation

Worldwide Growth Potential: Advanced Ceramics from CeramTec

Used around the world: Advanced ceramics from CeramTec. The material of the 21st century – A material that will shape our success in the future.

As one of the global leaders and pioneers in technical ceramics development, we offer a variety of solutions made from highly specialized ceramic materials for an increasingly broad range of sophisticated application areas. We are present in virtually every area of life, work and technology: from industry, medical engineering, aerospace applications and vehicle engineering all the way to hip replacements.

Our advanced ceramics are often unseen, but almost always indispensable – in cars, devices, machines, plants and even in the human body. More and more, they are used where materials such as metals or plastics do not ideally fulfill existing requirements or when application challenges cannot be overcome with conventional materials. High-tech solutions from CeramTec offer more potential for outstanding performance. Thanks to their tailored profile of mechanical, electrical, thermal and biochemical property combinations, our advanced ceramics enable one-of-a-kind, highly innovative solutions approaches. From customized, single-unit productions to series productions with millions of units, CeramTec delivers the highest quality.

We are highly sought-after around the world as an innovation partner for solution design in a growing number of applications. With over 20,000 products, CeramTec has excellent growth prospects for a dynamic future – in two areas of application:

Medical Applications

Industrial Applications

In Medical Applications – orthopedics – and in Industrial Applications – vehicle and automotive engineering, electronics, energy and environmental engineering, equipment and mechanical engineering – CeramTec is a leading company in advanced technical ceramics business. We drive pioneering developments that bring businesses and people lasting benefits and success.

Our business anchors us in a number of industries and growth markets, giving us the stability to weather market fluctuations and simultaneously take advantage of every opportunity that arises. We are the market leader in many niche markets.

CeramTec – Our Strengths

- Market leadership in medical implants and highly specialized industrial niches based on high-performance products tailored to customer requirements
- Sustained technological advantage based on continuous development of new customer-specific products and material and production processes expertise
- Experienced R&D team with 300 employees
- Deep material and manufacturing process expertise and protected intellectual property with over 1,200 patents
- Long-term customer relationships and brand recognition with over 300 brands
- Experienced global sales and technical support teams

Medical Applications and Industrial Applications: Drivers for Growth

Medical Applications

Medical Applications: A Healthy Boost to Success

Our advanced ceramics are innovative and optimized in terms of their functionality, biocompatibility, reliability and cost. They will play an increasingly important role in the future of medical engineering and arthroplasty. The market continues to grow as life expectancy increases around the globe and demographics develop in industrialized countries. Biocompatible, low-wear and extremely durable advanced ceramics from CeramTec enable doctors to provide their patients with optimal care and thus make an invaluable contribution to maintaining and enhancing the quality of life. More than 10 million BIOLOX® components have been implanted worldwide to date. For over four decades our BIOLOX® advanced ceramics have set standards in orthopedics and are constantly being enhanced and improved for use in countless new applications. This will give CeramTec the opportunity to tap even more growth potential in the future.

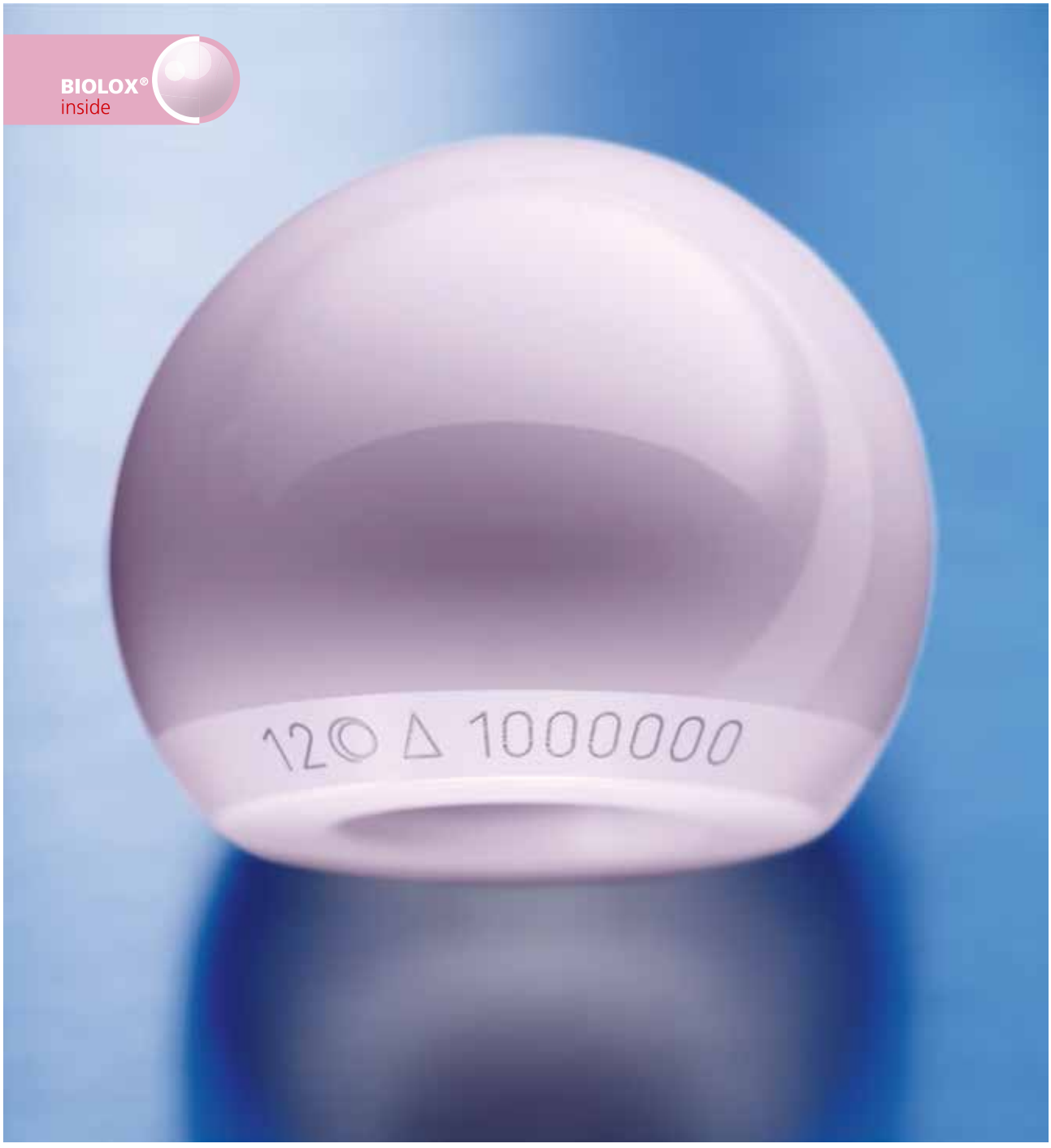
Industrial Applications

Industrial Applications: Greater Productivity, Better Results

Our experts' know-how in advanced ceramics make a major contribution in increasing the safety, reliability, efficiency and intelligent networking of processes in virtually every area of Industrial Applications – with increased operating and service life for systems, machines and tools. Technical ceramics with specific property profiles are in especially high demand wherever conventional materials reach their limits. We accelerate progress in vehicle and automotive engineering. We ensure process-reliable, sustainable performance in chemical, energy and environmental engineering. We overcome wear and performance limits in equipment, mechanical and plant engineering. And in the field of electronics, our advanced ceramics have become an established part in everything from telecommunications, optoelectronics, measurement and control technology to aerospace technology. Every day our advanced ceramics push the limits of performance and enable innovations that make our customers more successful.

> More information is available at: www.ceramtec.com

Medical Applications
Millions of People Count on Us



BIOLOX® ball head for hip joint replacement systems

BIOLOX® – The Edge in Orthopedics

It would be difficult to imagine modern orthopedics without CeramTec BIOLOX® bioceramics. After all, 100% quality-certified BIOLOX® ceramic components offer distinct advantages over other materials and help prevent subsequent operations.

- Lowest wear compared to other wear couples
- Reduced risk of osteolysis and mechanical loosening due to particle abrasion
- Excellent biocompatibility: BIOLOX® ceramics are non-allergenic and reduce the risk of infections
- BIOLOX® ceramics extend the life of the entire hip replacement

BIOLOX® ceramics: The leader in hip replacements for over 40 years

Today, a hip joint replacement featuring CeramTec BIOLOX® components is implanted every 30 seconds by doctors around the world. CeramTec components are used in half of all hip implant procedures. We produce over one million components each year. Over 10 million of our BIOLOX® components have already been implanted in hip joint replacements around the globe. As the international market leader with over 40 years of experience, we set the bar when it comes to innovative materials technologies in arthroplasty.

Even More Potential: BIOLOX® Ceramics for Knees and Shoulders

We expand upon the advantages of the materials used in hip replacements and apply them to other implants like knee and shoulder joints. We have longstanding relationships with international knee and shoulder replacement manufacturers and have worked on a number of promising projects. This has helped us broaden the material's spectrum in Medical Applications and capture new shares in additional markets. Knee and shoulder implants offer amazing growth potential:

- Around two million knee operations are performed each year. Knee patients who are allergic to metal particle abrasion can open the door to this market.
- Each year 160,000 shoulder operations are performed – with an annual growth rate of 15%, this market offers great potential for CeramTec.

Advanced Ceramics Are Used to Perform Operations Around the World

BIOLOX® ceramics for shoulder joint replacement systems

BIOLOX® Contoura: anatomically designed hip joint ball head

BIOLOX® component for knee joint replacement systems

Introducing BIOLOX® Contoura

CeramTec presented the anatomically contoured femoral head BIOLOX® Contoura for the first time at the annual congress of the American Academy of Orthopaedic Surgeons (AAOS). Large diameter femoral ball heads with the BIOLOX® Contoura design help reduce the risk of dislocation thanks to their soft-tissue-friendly design.

Production capacity expanded in Marktredwitz

CeramTec significantly expanded the capacity of its Marktredwitz plant in 2014 in order to satisfy the rising global demand for medical engineering products. The new building has increased the size of the Medical Products Division by over 4,500 square meters and more than doubled the production area, creating a high number of new jobs in the process. BIOLOX® hip joint components are manufactured on state-of-the-art production lines, ensuring that CeramTec is ideally poised to capitalize on future growth potential.

Expansion of Medical Engineering at the Lauf site

The new office space of the Medical Engineering business area was officially inaugurated at the end of the third quarter. This area will focus on driving implant component innovations including shoulder prostheses, spinal column implants and small joints. A team of around 20 international, highly qualified professionals is working hard on future projects to develop new applications for advanced ceramics.

Titanium-coated BIOLOX®*delta* ceramic receives the Stuttgart surface technology award

Artificial joint components made from titanium-coated BIOLOX®*delta* from CeramTec earned second place among the most innovative surfaces of 2014 recognized by the Fraunhofer Institute for Manufacturing Engineering and Automation (IPA) Stuttgart surface technology prize. The titanium coating on the outside promotes the colonization of cells that support bone growth. This reduces the wall thickness of the joint replacement when compared to conventional modular systems. Less bone material needs to be removed in order to position the implant.

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Industrial Applications:
Advanced Ceramics Boost Productivity

Cyrol® bearing rollers made from silicon nitride

Innovation for More Productivity

We offer solutions using advanced ceramics that offer impressive engineering and productivity gains for nearly all types of industrial applications. We collaborate closely with our customers to develop solutions that will shape success in the future.

Equipment and Mechanical Engineering Running Smoothly

Our ceramic bearings and components are used in areas subject to extreme stresses in the field of equipment and mechanical engineering. Our Cyrol® bearing rollers made from silicon nitride make it easier to find solutions for difficult bearing situations than with standard steel roller bearings. They reduce friction and wear, cut maintenance costs and expenditure and open up entirely new fields of application in a number of industries and high-end markets.

High-performance Cutting

In metalworking SPK® cutting ceramics and precision tools improve process reliability and maximize machining performance. The expanded portfolio of high-performance crystalline boron nitride (CBN) cutting materials is yet another growth driver in the field of cutting tools.

Automotive Business is Booming

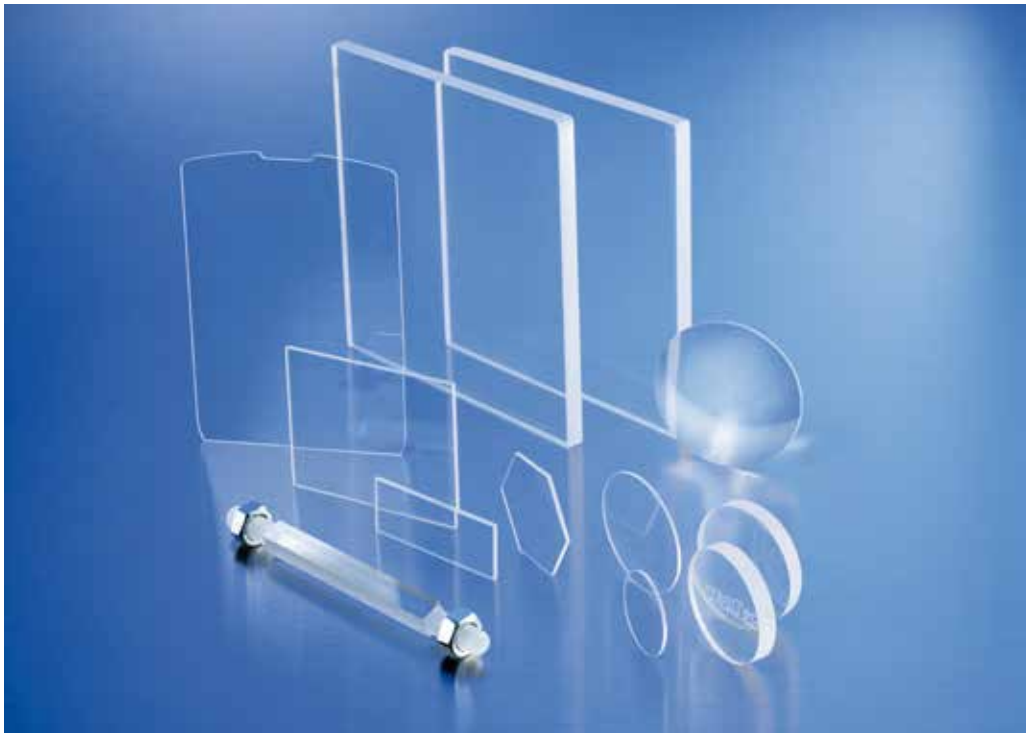
Advanced ceramics play a vital role in increasing safety, cost-effectiveness, environmental friendliness and comfort in vehicle and automotive engineering – for example in exhaust control valves, fuel injection systems, lambda probes, distance sensors and ABS systems.

Chemical Processes in Flow

Many intermediate and final products in the chemicals industry can only be produced with the help of ceramic catalysts – as the demand for chemical products rises so does the need for ceramic catalyst carriers.

Inserts for turning and milling cast iron and hardened steel

Catalyst carriers for the chemicals industry



PERLUCOR® transparent ceramics unite the optical properties of glass with the extraordinary mechanical properties of advanced ceramics

For an Extreme Advantage: PERLUCOR®

CeramTec's PERLUCOR® technology makes us the first European manufacturer to produce a transparent ceramic material with tremendous mechanical strength: It is a mechanically, chemically, thermally and optically perfected solution for transparent applications in extreme conditions. PERLUCOR® opens up entirely new fields of application everywhere glass and specialty glass reach their limits – and this is a huge growth market.

CeramCool® heat-sinks for high-power LED lighting systems

Shaping the Light of the Future

The future belongs to high-performance LED lighting systems. Our innovative Plug & Light concept features CeramBright modules, combining perfect cooling, a translucent design and cost-optimized modular functionality for countless applications. CeramCool® Liquid Cooling is one of the most efficient and reliable liquid cooling systems on the market. Our developments help bring light to entirely new areas of application.

CeramTec Receives Preferred Supplier Status from Robert Bosch GmbH

The CeramTec Group is now a "Preferred Supplier" of Robert Bosch GmbH. The Stuttgart-based technology and services company has presented CeramTec "Preferred Supplier Status" in the field of non-metallic materials.

Technical ceramics used for the Olympic ski jumps in Sochi

Both the standard and large ski jumps are equipped with ALOSIDE® ICE technology from CeramTec and have delivered convincing performance during the Olympic Games. The inrun track system allows athletes to jump in perfect conditions no matter what the weather.

Piezo-ceramic multilayer actuators on board the "Rosetta" space probe

On November 12, 2014 "Philae" separated from the "Rosetta" ESA comet probe and landed on the 67P/Churyumov–Gerasimenko comet around 500 million kilometers from earth and after over ten years of flight. On board: eight piezo-ceramic multi-layer actuators delivered by CeramTec. They position the measuring needles of the MIDAS high-resolution scanning electron microscope used to analyze comet dust with an accuracy of four millionths of a millimeter.

Technical Ceramics from CeramTec on a mission to space

CeramTec manufactured highly sophisticated components made of silicon nitride ceramics for specimen holders used to analyze material science experiments for a space system that was integrated into the International Space Station (ISS) in 2014.

Expansion of the CeramTec North America site in Laurens County

A total of $13.2 million was invested and around 40 new jobs were created in the process. The expansion also included construction of a clean room to manufacture ceramic membrane components used in the production of an inhalation aerosol for antibiotics.

Growing Beyond Borders

CeramTec is one of the leading international technology providers with a global presence and is known for its innovative and competitive solutions based on advanced ceramics. We are expanding into growth markets, emerging markets and throughout Asia, and we are broadening our product portfolio in a variety of new application areas and sectors. We continuously invest in research and development, and our skilled and dedicated employees play a key part in developing the technologies of the future. The numbers speak for themselves.

3200

Around the world **3,200** qualified **employees** in our company's business divisions in Germany and our many subsidiaries and offices are dedicated to achieving success for our customers. Of these employees, 2,100 work in Germany alone. Over 300 employees are hard at work in our R&D department developing the technologies of the future.

111

A 111-year success story

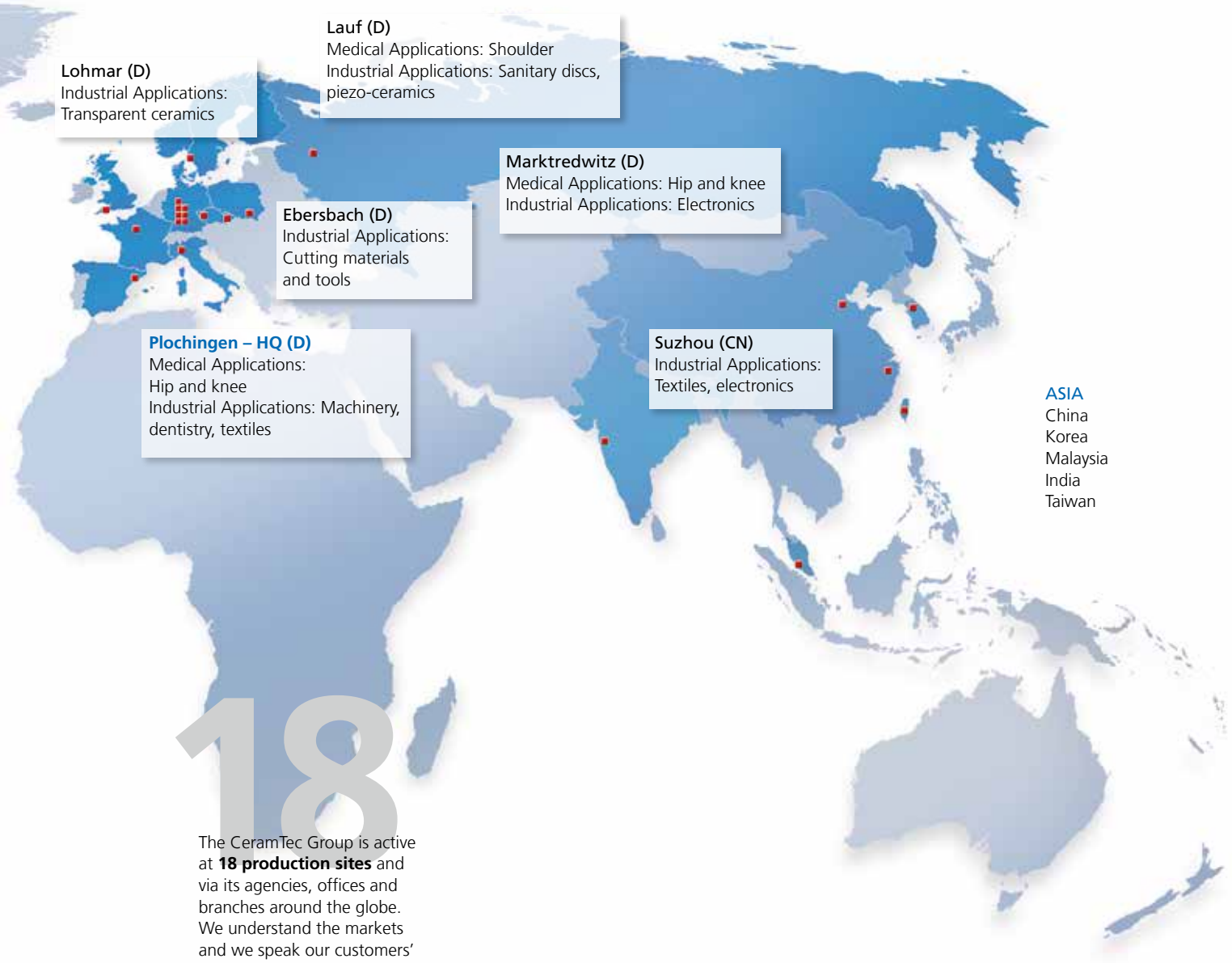
What began as a porcelain manufacturing business 111 years ago is now a materials specialist for advanced technical ceramics with a global presence.

1903
Thomaswerke
established
in Marktredwitz

1921
Philipp Rosenthal & Co. AG
cooperates with AEG
on technical porcelain /
STEMAG AG (Steatit-Magnesia
Aktiengesellschaft) established

1951
Südplastik und Keramik Gesellschaft (SPK)
established in Plochingen

1954
Feldmühle AG acquires
Südplastik und
Keramik Gesellschaft



18

The CeramTec Group is active at **18 production sites** and via its agencies, offices and branches around the globe. We understand the markets and we speak our customers' language.
Our main sites with production areas are shown on the map.

1971
Rosenthal **Technik AG** established to manufacture technical ceramics

1985
Hoechst AG acquires Rosenthal Technik AG and changes the company name to **Hoechst CeramTec AG**

1991
Feldmühle AG's ceramic operations become an independent business under **Cerasiv GmbH**

1992
Feldmühle AG sells Cerasiv GmbH to **Metallgesellschaft AG,** Frankfurt

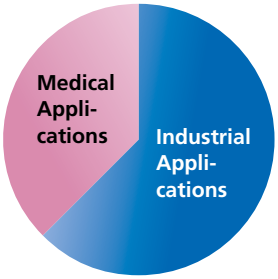
1996
Merger of Cerasiv GmbH and Hoechst CeramTec AG into **CeramTec AG** as part of the **mg technologies AG Group**

2004
CeramTec AG purchased by **Rockwood Holdings Inc.**, Princeton, NJ, USA

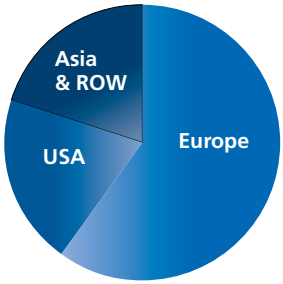
2013
Acquisition of the CeramTec Group by **European private equity firm Cinven**

Results that Speak for Themselves

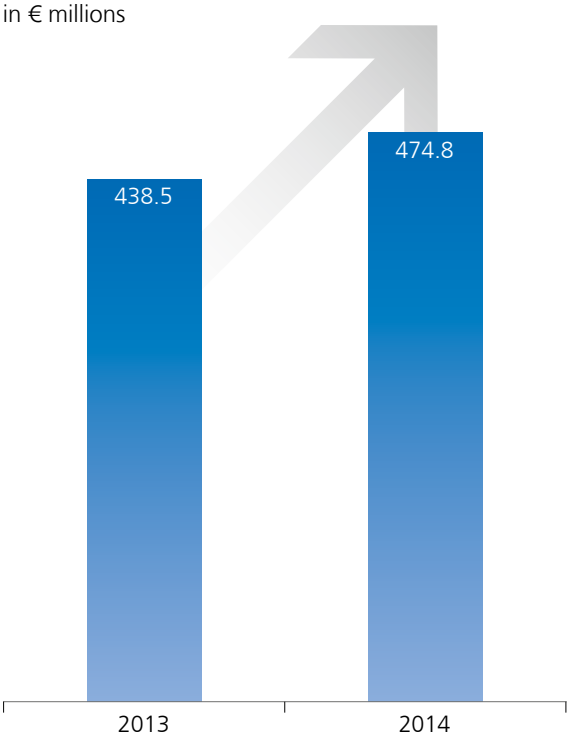
CeramTec revenues
in 2014



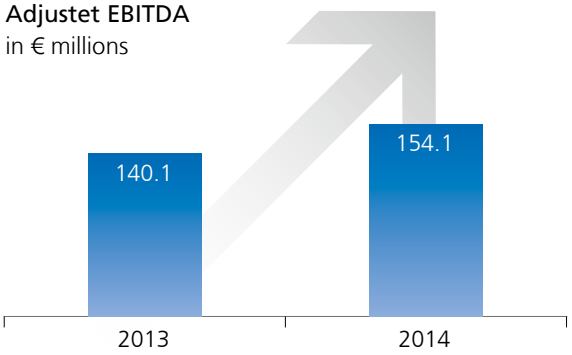
Revenues
by region in 2014*



Net sales CeramTec Group
in € millions



Adjustet EBITDA
in € millions



* estimated

CeramTec

In 2014 we generated net sales of €475 million and adjusted EBITDA of €154 million – representing a 32.4% adjusted EBITDA margin. During the 2013 to 2014 period, our net sales increased by 8.3%, with strong growth in both of our segments: Medical and Industrial were up by 9.3% and 7.7%, respectively. Adjusted EBITDA for the group grew by 9.9%, supported by volume growth, the positive sales mix effect coming from Medical Applications, productivity gains, limited adjusted SG&A growth and positive FX gains. Net CAPEX in 2014 was €46 million, driven by the capacity expansion at the Marktredwitz plant for Medical Applications products. Our cash conversion rate rose to 67%. We are convinced that our business is strong in terms of cash flow underpinned by modest maintenance capital expenditure requirements of approximately €15 million annually.

Medical Applications

Net sales in Medical Applications rose by 9.3% to €177.6 million. We sold 1.26 million hip joint component units in 2014. CeramTec is taking advantage of sustained market growth to increase penetration of existing and emerging markets.

Industrial Applications

Revenues in Industrial Applications grew by 7.7% to €297.2 million, fueled by nearly all of our business divisions. The most powerful growth drivers included the recovery in the automotive and mechanical engineering industries and the replenishment of inventories. CeramTec North America benefited from ongoing positive order volumes for catalyst carriers. CeramTec recorded solid growth with piezo and tape business in the Multifunctional Ceramics Division. The Mechanical Applications Division benefited from positive growth in textiles, dentistry and special applications.

We are seeing delays in introducing new technologies with ceramic bearing rollers in our Mechanical Systems Division; our CeramTec-ETEC subsidiary is still affected by lower demand for ballistic applications due to defense budget cuts.

The CeramTec Group generated €475 million in **revenues** in 2014.

	2014	2013	Change
Net sales Medical Applications	177.6 €	162.5 €	9.3 %
Net sales Industrial Applications	297.2 €	275.9 €	7.7 %
Net sales CeramTec Group	**474.8** €	**438.5**[1] €	8.3 %
Adjusted EBITDA	154.1 €	140.1 €	9.9 %
Adjusted EBITDA in % of sales	32.4 %	32.0 %	
Full Time Equivalents FTE	3214	3172	1.3 %
CAPEX (net)	46.3 €	56.5 €	(18.0) %
Of which CAPEX (net) expansion Medical Applications in Marktredwitz	15.3 €	14.8 €	
Gross debt	**968.8** €	**969.5**[2] €	
Cash	62.2 €	67.0 €	
Net debt	**906.5** €	**902.5** €	
As of Dec. 31, 2014	EUR million	EUR million	

1 Net sales 2013 including normalization adjustments
2 Content of gross debt modified

Our Drivers – Our Values Management Policy

The CeramTec Group aims to achieve profitable, global growth while conserving energy and protecting natural resources. Our objective is to strengthen and advance CeramTec's international leadership position. We have laid the groundwork for this by establishing reliable technical and organizational processes and creating an atmosphere of trust that fairly balances the interests of customers, employees and shareholders. We conduct business according to a set of clearly defined management principles, which we review on an annual basis.

Products
We strive to develop, manufacture and market our high-quality products in the most cost-effective, safe and eco-friendly way while conserving resources.

Customers
We always focus on our customers' needs, creating products tailored to their unique specifications.

Responsibility
We act with a strong commitment to safety, health and the environment. We comply with all applicable standards, laws and regulations in both manufacturing and procurement, and the efficient use and consumption of our energy resources.

Quality
We plan, develop, implement, monitor and continuously improve all of our processes. This applies to quality, work safety, health, environmental protection, information security and energy management.

Targets
We set targets for profitability, quality, safety, health, environmental protection and information security. We are also committed to long-term reductions in energy consumption and increasing our energy efficiency through continuous process improvement (CPI). We make information and resources available to meet these targets and constantly measure our level of success using key metrics to foster the growth of our business.

Employees

Having capable and responsible employees is important to us. We train our employees in ongoing courses focused on quality, work safety, health, environmental protection, information security and energy efficiency. We recognize the success of our employees and encourage them to excel. Every employee is responsible for doing his or her part to meet our quality, work safety, health, environmental protection, information security and resource conservation targets.

Quality Is Firmly Rooted in CeramTec's Mission Statement

For us, quality means meeting and exceeding not only our customers' but also our own requirements and expectations.

Our certifications attest to our unwavering commitment to quality: DIN ISO 9001, ISO TS 16949, DIN EN ISO 13485, DIN EN ISO 14001, DIN EN ISO 50001, DIN EN ISO/IEC 17025

Dr. Ulf-D. Zimmermann | CEO
CEO

Dominique Janbon | CFO
Member of the Executive Board

Sigurd Adler | CTO
Member of the Executive Board

CeramTec Corporate Social Responsibility Policy

Principles of Sustainable Corporate Responsibility

Sustainability is embedded in our corporate culture and is integral to the worldwide CeramTec Group. Our CSR Policy supports our aim to achieve profitable, global growth, conserving energy and protecting natural resources, while acting in an ethical way with integrity, as outlined in our Management Policy. CeramTec is aware of its corporate social responsibility towards its stakeholders, society and the environment. Sustainable development means taking responsibility for the impact our thoughts and actions have in the

- financial
- environmental
- social

dimensions that affect our natural resources, our employees, our customers, society, financial markets, business partners and neighboring communities – embedded in a Corporate Governance System. CeramTec exerts influence in a positive, ethical and respectful way to strengthen and advance our international leadership position as one of the world's best advanced ceramics producers.

The CeramTec Board sets, reviews and reports on our goals and achievements on an annual basis and assumes ultimate responsibility for the CeramTec Social Responsibility Policy. Our CeramTec Management Policy as well as the laws and regulations that apply worldwide to all of our employees ensure sustainable action in all of our business areas.

Financial Responsibility: For Sustainable Business Development

We aim to achieve sustained, profitable growth for continued successful business development characterized by responsible business practices and integrity. Financial sustainability is the basis for the future of our company and positively affects employees, shareholders, customers, business partners and suppliers. We can only achieve financial success with our customers, which is why the satisfaction of our customers is the core focus of our strategy. We create sustainable demand by offering competitive products with the highest possible quality that are specifically tailored to our customers' needs. Our special focus on customer satisfaction and trust ensures long-term cooperation – it is the cornerstone of our company's stable financial growth.

Environmental Responsibility: For Sustainable Environmental Development

CeramTec is committed to making the world a greener place by keeping our ecological footprint as small as possible. We understand that ecological sustainability is a key component of our corporate social responsibility and strive to keep our own impact on the environment to a minimum by conducting environmentally-friendly, professional and safe operations. This includes conserving scarce resources such as raw materials, energy and water as well as avoiding and reducing CO_2 emissions and waste. Our fair, ethical and environmentally-

friendly approach incorporates everything from the management of our company, the manufacturing of our products to the procurement of resources and even our investments in buildings and facilities. Constantly tracking our efforts enhances our environmental protection and energy management programs while making our methods and processes safer and more efficient. We take various aspects of energy management into consideration when developing materials and products. A unique training concept and regular information on energy management contribute significantly to employee awareness in this area. All employees are actively involved in the various aspects of energy management as part of daily business and thus help us reach our goals and continue to improve our methods and processes. Our efforts pay off worldwide by helping preserve essential resources that form the basis of life for us all.

Social Responsibility: For Sustainable Social Development

We are dedicated to improving society by operating our business in a responsible manner and always acting with integrity in all areas: As an employer, business partner and "good neighbor" and valuable member of the local community at all of our company's sites. For CeramTec, taking responsibility for the people we have direct relationships with is a matter of principle. We are aware that our actions affect more than just the people we deal with directly – we also have a broader impact on society in general. Therefore we strive to be a responsible and prudent business partner who follows sound ethical and moral principles, acts in accordance with the law and lives up to high standards for social responsibility by applying specific rules and guidelines.

Above all, this concerns our employees. Their expertise, technical skills, creativity and dedication are the driving force behind our sustainable global success. The diversity of CeramTec employees is a tremendous asset. CeramTec is committed to providing an equal opportunity in all aspects of employment and requires strict adherence to laws regarding discrimination and harassment in the workplace. We ensure our employees' health and safety through a strictly enforced OHS policy, provide good working conditions and offer opportunities for development and qualification so that they can take advantage of their full potential. Our Continuous Improvement System ensures participation and motivation for ongoing optimization of the company. In our business relations, we want to be the preferred partner by acting in a reliable, respectful and trustworthy manner to achieve sustainable relationships marked by long-term economic success for both parties. We have a global presence and are a good neighbor in the communities where our sites are located by shaping our social surroundings in a positive way. Our involvement includes both indirect contributions such as donations and direct activity in the fields of education and science, arts, culture, sports and in social and humanitarian projects.

Corporate Governance: For Acting with Integrity

CeramTec's Executive Board and Supervisory Board consistently implement principles of responsible corporate governance. Primarily these consist of a compliance management system, an internal control system, and risk management. All are monitored and controlled by audits conducted on a regular base. This also includes management decisions aimed at creating value over the long term, a formal, transparent process for nominating and electing board members, protecting the interests of various groups, targeted collaboration within the company management, monitoring objectives and clear and transparent corporate communications and reporting. We always act in accordance with applicable laws and standards – and often excel. Our CSR Policy stands alongside other policies of the CeramTec Group, among them our Management Policy, our Code of Conduct, the SHE Policy, the Procurement Policy or the Energy Management Policy which ensure our sustainable action.

Sustainable Materials: For Quality of Life and Profitability

Developing products made from advanced ceramics reflects our sense of responsibility when it comes to the future. We create sustainable solutions that are used worldwide in countless industries and fields of application. They improve quality of life, increase efficiency, enhance productivity, save energy and protect the environment – while supporting our customers in reaching their own sustainability targets.

Take Responsibility Seriously and Act Accordingly

Put Responsibility into Practice

We consistently implement our basic principles of sustainable, responsible business management. Our efforts clearly pay off by conserving energy and protecting the environment and our natural resources. This is reflected in our social commitment for people in the community and our employees, in our training programs, equal opportunities, development and growth and health and safety. The primary goal of our DIN ISO 14001-certified environmental management system is to promote environmental protection and prevent environmental pollution in line with financial, social and political requirements. Our energy management system, which is certified according to DIN ISO EN 50001, takes every aspect of the company into account – from processes, methods and materials, to products, buildings and facilities – to increase energy efficiency and sustainably reduce energy consumption.

Our achievements are clearly visible in the key performance indicators outlined in this table. And we will continue to strengthen this commitment in the future.

Key Figures	Unit	2013	2014
Workforce			
Total workforce (6)	Persons	3,361	3,403
thereof male (6)	Persons	2,109	2,164
thereof female (6)	Persons	1,252	1,239
Apprenticeship rate (3)	%	6.47%	6.46%
Health and Safety			
Staff away sick	%	2.11%	2.04%
Continous Improvement System Suggestions (1)	Total number	10,940	11,117
Lost Time Accident LTAs	Total number	10	10
LTA frequency rate	LTAs*200.000/total hours worked	0.36	0.34
LTA severity rate	Lost days*200.000/total hours worked	4.10	3.13
Environment and Energy			
Energy consumption (2) (4)	MWh	286,931	281,242
Energy consumption/€1m turnover (5)	MWh/€1m	655	592
Water consumption (2) (2.1)	m³	296,493	303,804
Water consumption/€1m turnover (5)	m³/€1m	677	640
Waste (2) (2.2)	Tons	5,306	6,075
Waste/€1m turnover (5)	Tons/€1m	12.11	12.79
CO_2 emissions (2) (2.3) (4)	Tons	92,282	92,575
CO_2 emissions/€1m turnover (5)	Tons/€1m	211	195

(1) not included are the sites in Brasil, India, Korea, Mexico and Poland, as sites are still due to implement the CIP system
(2) consumption for all productions sites, exclusive sales and representative offices
(2.1) total water consumption for all productions sites
(2.2) hazardous and non-hazardous waste
(2.3) related to energy consumption at the productions site, exclusive travel emissions and alike
(3) apprentice model only available in Germany
(4) not included are fuels for car fleets and emergency power supply
(5) based on a turnover of €m 438 in 2013 and €m 475 in 2014
(6) Headcount incl. apprentices, without inactives

Leading the Way – for Social and Community Involvement

We believe that social responsibility is inseparably linked to the success of our business. We have a global presence, so in being a good neighbor, we help shape our social surroundings in a positive way. Our involvement includes both indirect actions such as donations and direct activities for education and science, arts, culture, sports and for social and humanitarian projects. We are also committed to positive social relationships and partnerships with citizens of the communities in which our company sites are located. We take our social responsibility seriously, and this is evident in the many projects in which we are involved, shown in these exemplary projects.

Energy efficiency analysis at the Marktredwitz site

We launched a project titled "Smart Energy" at our Marktredwitz site to identify potential areas where we can improve our energy efficiency here. Initial results of the energy efficiency analysis suggest that it would be possible to lower CO_2 emissions by around 21,000 t/year, provided the full potential of all measures to increase energy efficiency is successfully tapped.

CeramTec hires trainees from a local company that declared bankruptcy

When Centrosolar Glas in Fürth declared bankruptcy in the fall of 2013, the five trainees who worked there suddenly found themselves without a place to complete their apprenticeships. They found a quick, uncomplicated solution to completing their training programs at CeramTec in Lauf. The three machine and equipment operators and two industrial clerks have been a part of the 42-member group of trainees at the Lauf site ever since.

CeramTec involved in charity runs

Running enthusiasts from a number of sites took part in races organized through the company sports program. One such group was the Lauf site's team of runners, who took part in the B2Run company run. As always, the events were all about "being there" and team spirit. What's more, everyone ran for a good cause since part of the entry fee was donated to the charity partner "RTL – We help children".

Help for little ones: Donations given to Lauf City Children's Fund

CTO Sigurd Adler, together with Lauf HR Manager Ruth Librandi and Works Council member Alexander Schätz, presented a donation in the amount of €1,500 to the Lauf Children's Fund. City Mayor Benedikt Bisping accepted the check on behalf of the organization. The money will be used to help children from low-income families, for example to pay for school lunches or school hostel stays.

Sights on Success: Executive Board and Supervisory Board

Sigurd Adler
Member of the Executive Board | CTO
Technology

Degree in Engineering from TU Darmstadt. | Worked for several different global corporations in the mechanical engineering, automotive supply, building materials and specialty chemicals sectors. | Professional Background: Kühnle, Kopp & Kausch AG; Rockwool GmbH; Umicore AG; Vice President of Global Production & Technology and Director South America, responsible for the company's catalytic converter division. Leadership positions in production, product and process development; experience in leading and developing globally oriented businesses operating in highly competitive technological markets. | April 2011: Appointed to CTO of the CeramTec Group.

Dr. Ulf-D. Zimmermann
Chief Executive Officer | CEO

Studied Management Engineering at the Technical University in Berlin; received a Doctorate in Engineering. | Until 1980: Scientific assistant at the TU. | 1980 to 1990: Management Assistant at Flick KGaA, Ratingen; Managing Director of Eichener Maschinenfabrik (Siegerland) and Conti Systembau, Ratingen. | 1990: Managing Director of the Diesel Engines Division of KHD AG in Cologne. | 1996: Division Manager of GEA AG Bochum, Head of WestfaliaSurge Oelde/Chicago. | April 2001: Appointed to the Executive Board of Dynamit Nobel AG Troisdorf. Chairman of the Executive Board of CeramTec, which belonged to the Dynamit Nobel Group at the time. | August 2004: Following the acquisition by the Rockwood Group, Division President of the company headquartered in Princeton, NJ, USA. | 2013: New strategic direction: Rockwood divests the majority of its portfolio, including CeramTec. Dr. Ulf-D. Zimmermann was actively involved in this process and the resulting sale of the Group to Cinven.

Dominique Janbon
Member of the Executive Board | CFO
Finance

Master's degree in Finance and Accounting from the London School of Economics; Master's degree in Economics, Management and Finance from the Institut d'Etudes Politiques de Paris. | To 2012: Leadership positions in the areas of Finance and Business Development at the global pharmaceuticals groups Amgen International and Sanofi S.A. | Since 2012 CFO and Senior Vice President of medical technologies company Gambro AB. Was part of the management team responsible for rolling out a new growth strategy for the company and in this role made a major contribution to successfully transforming Gambro and its later sale to Baxter for $4 billion. | October 1, 2014: Appointed to the CeramTec Group Executive Board.

The CeramTec Group Supervisory Board Committee

Shareholder Representatives

Dr. Günter von Au[1]
Vice-Chairman and non-executive member of the Board of Directors at Clariant International Ltd.

Guy Davison
Cinven Partner and member of the Consumer Sector Team located in London

Prof. Dr. Jürgen Huber
Professor at the Braunschweig Technical University and advisor

Pontus Pettersson
Cinven Partner and member of the Industrials Sector Team located in London

Kevin Sidow
President & CEO Orthopedic Industry, California (USA)

Joseph Wan
Cinven Partner and member of the Portfolio Team located in Hong Kong

Employee Representatives

Roland Nosko[2]
District Manager of the Industrial Union for Mining, Chemicals and Energy (IG BCE), Nuremberg

Matthias Eschle
Head of the Mechanical Applications Division

Jürgen Haas
Chairman of the Works Council at the CeramTec site in Lauf and Chairman of the CeramTec Central Works Council

Jürgen Klemenz
Chairman of the Works Council at the CeramTec site in Plochingen

Franz-Josef Köstler
Chairman of the Works Council at the CeramTec site in Marktredwitz

Astrid Meier
Deputy District Manager of IG BCE, Bavaria

[1] Chairman of the Supervisory Board

[2] Deputy Chairman of the Supervisory Board

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