2021 ANNUAL REPORT

CeramTec
THE CERAMIC EXPERTS

KEY FIGURES

	2021	2020	2019
Total Revenue	**641.7** €	**552.7** €	**620.4** €
Revenue Medical Markets*	309.1 €	265.1 €	282.6 €
Revenue Industrial Markets*	333.0 €	287.9 €	338.1 €
EBITDA	242.1 €	190.5 €	222.7 €
Management Adjusted EBITDA	**258.9** €	**213.1** €	**244.3** €
Management Adjusted EBITDA margin (%)	40.3 %	38.6 %	39.4 %
Capital Expenditures (net)	47.4 €	36.7 €	43.6 €
Cash Conversion Ratio [1] (%)	81.7 %	82.8 %	82.1 %
Employees	3,468	3,420	3,525
Net Debt	**1,326.5** €	**1,360.3** €	**1,379.5** €
Leverage [2]	**5.1 x**	**6.4 x**	**5.6 x**

(1) Management Adjusted EBITDA minus Capital Expenditures (net), divided by Management Adjusted EBITDA
(2) Defined as Net Debt divided by Management Adjusted EBITDA
* Historically, the performance of the Group was monitored based on a Business Unit / legal entity view. In that structure Medical Products includes Orthopaedic and Dental implants only. All other products 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, and leads to some products previously shown in the Industrial business but sold to medical customers now being classified in the Medical Markets.

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

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

Our performance and operations are driven by two end markets: Medical Markets and Industrial Markets.

The Medical Markets business focuses, among others, on BIOLOX®, DENSILOX®, and ZERAMEX® ceramic components for medical implants. Due to their biocompatibility, high wear resistance, manufacturing precision and quality, our implants have a positive effect on patients' lives and create real added value for healthcare systems. Furthermore, we develop a number of Medical Equipment products, including medical sensors for Medical Markets.

The Industrial Markets business develops and supplies a broad range of highly specialized, performance-critical components for a myriad of applications in the Electronics, Measurement, Semiconductor, Automotive, Aeronautics/Defence, Machinery, Chemical, and other industries.

Our success is based on market leadership in ceramic hip components and highly specialized industrial niches, our sustained technological edge underpinned by continuous advancements, long-standing customer relationships, and our global commercial, operational and technical expertise.

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OWNERSHIP

BC Partners is a leading investment firm with over €40 billion in assets under management across private equity, private credit, and real estate strategies. Established in 1986, BC Partners has played an active role for over three decades in the European buyout market. Today BC Partners investment teams operate as cross-office, integrated transatlantic teams aligned across our core sectors. To date, BC Partners has completed over 120 private equity investments in companies in its four core sectors – TMT, Industrial & Business Services, Healthcare and Consumer, with a total enterprise value of over €160 billion and is currently investing its eleventh private equity buyout fund. For more information, please visit www.bcpartners.com.

The Public Sector Pension Investment Board (PSP Investments) is one of Canada's largest pension investment managers. It manages a diversified global portfolio composed of investments in public financial markets, private equity, real estate, infrastructure, natural resources and private debt. Established in 1999, PSP Investments manages net contributions to the pension funds of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force. Headquartered in Ottawa, PSP Investments has its principal business office in Montréal and offices in New York, London and Hong Kong. For more information, visit https://www.investpsp.com.

The Ontario Teachers' Pension Plan (Ontario Teachers') is Canada's largest single-profession pension plan. It holds a diverse global portfolio of assets. Ontario Teachers' is an independent organization headquartered in Toronto. Its Asia-Pacific region office is located in Hong Kong and its Europe, Middle East & Africa region office is in London. The defined-benefit plan, which is fully funded, invests and administers the pensions of the province of Ontario's active and retired teachers. For more information, visit https://www.otpp.com.

The Executive Board*

Dr. Hadi Saleh
Chief Executive Officer

Richard Boulter***
President Industrial

Eric Oellerer
Chief Financial Officer

The Supervisory Board**

Dr. Günter von Au
Chairman of the Supervisory Board

Roland Nosko (1)
District Manager of the Industrial Union for Mining, Chemicals and Energy (IG BCE), Nuremberg

Guiliano Bidoli
BC Partners

Moritz Elfers
BC Partners

Jürgen Haas
Vice-Chairman of the CeramTec Works Council in Lauf and Chairman of the CeramTec Central Works Council

Gabriel Hahn
BC Partners

Gerd Hammerl
Vice Chairman IG BCE Bavaria

Thomas Heise
Global Sales Director Electronic Devices

Prof. Dr. Jürgen Huber
Honorary Professor at the TU Braunschweig and consultant

Falco Pichler
BC Partners

Alexander Schätz
Chairman of the CeramTec Works Council in Lauf

Monika Träger
Chairwoman of the Works Council at the CeramTec site in Marktredwitz

* Executive Board of the CeramTec Group

** Supervisory Board of CeramTec GmbH. Various members of the Supervisory Board hold further mandates in other Boards.

*** Until December 31, 2021

(1) Deputy Chairman of the Supervisory Board

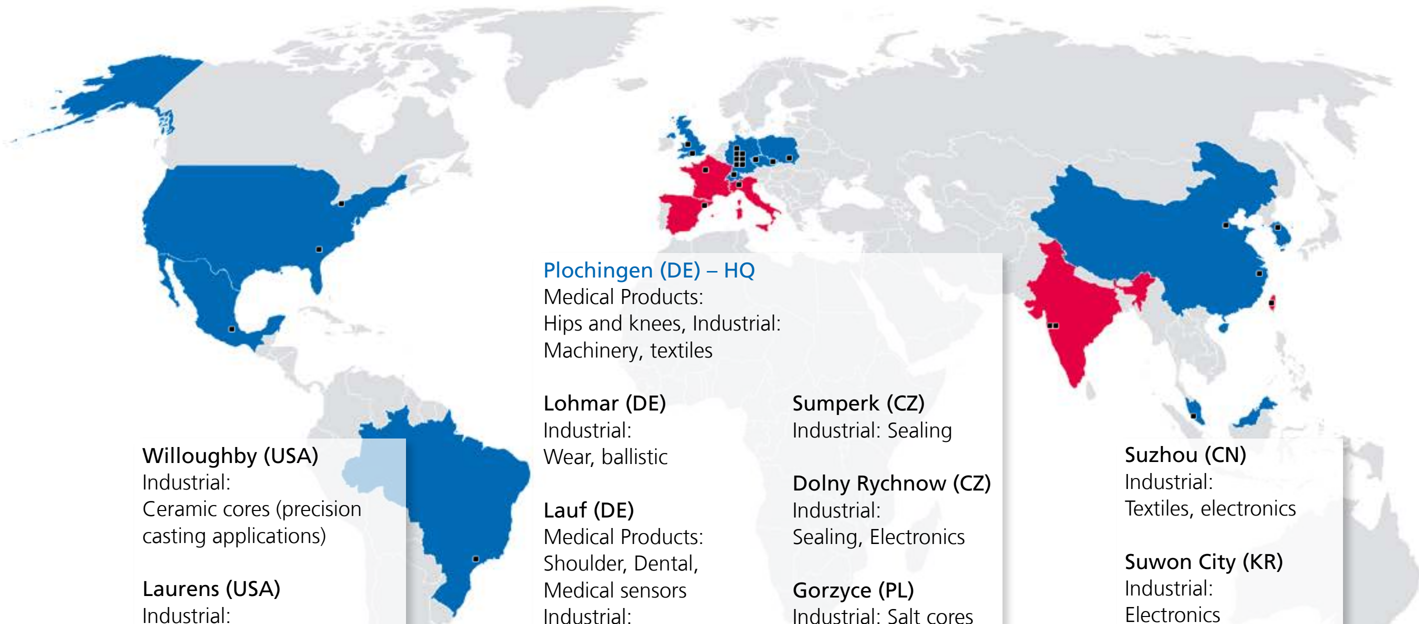
Growing Beyond Borders

CeramTec is one of the leading international technology providers with a global presence.
We are expanding into emerging markets and Asia.

AMERICAS
USA, Brazil, Mexico

EUROPE
Germany, France, UK, Italy, Poland, Spain, Czech Republic, Switzerland

ASIA
China, Korea, Malaysia, India, Taiwan



Willoughby (USA)
Industrial:
Ceramic cores (precision casting applications)

Laurens (USA)
Industrial:
Hermetic seals components

Puebla (MX)
Industrial:
Salt cores

Nova Odessa (BR)
Industrial:
Salt cores

Plochingen (DE) – HQ
Medical Products:
Hips and knees, Industrial:
Machinery, textiles

Lohmar (DE)
Industrial:
Wear, ballistic

Lauf (DE)
Medical Products:
Shoulder, Dental,
Medical sensors
Industrial:
Sanitary discs, piezo-ceramics

Ebersbach (DE)
Industrial:
Cutting materials and tools

Marktredwitz (DE)
Medical Products:
Hips
Industrial:
Electronics, Chemical Products

Wilhermsdorf (DE)
Industrial: Salt cores

Wittlich (DE)
Industrial:
Faucet cartridges

Sumperk (CZ)
Industrial: Sealing

Dolny Rychnow (CZ)
Industrial:
Sealing, Electronics

Gorzyce (PL)
Industrial: Salt cores

Ruabon (UK)
Industrial:
Piezo-ceramics
Medical Products:
Medical sensors

Southhampton (UK)
Industrial:
Piezo-ceramics

Spreitenbach (CH)
Medical Products:
Dental

Suzhou (CN)
Industrial:
Textiles, electronics

Suwon City (KR)
Industrial:
Electronics

Seremban (MY)
Medical Products:
Glove formers

Patiala (IN)
Industrial:
Salt cores

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MANAGEMENT REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. Following completion of the transaction, CeramTec TopCo is indirectly jointly owned by CPP Investments and BC Partners Fund XI ("BC XI") as of March 16, 2022. Under this ownership structure, CPP Investments and BC XI, together with co-investors, each hold equal stakes in the CeramTec TopCo. CeramTec TopCo is the ultimate parent and has historically prepared the consolidated financial statements of the CeramTec Group.

The purpose of this Operational and Financial Review is to show the development of the financial results of the CeramTec Group for the twelve-month period ended December 31, 2021, in comparison to the twelve-month period ended December 31, 2020. The financial data for both periods have been derived from the interim condensed consolidated financial statements.

The following discussion should be read in conjunction with the information contained in our consolidated financial statements for the twelve-month period ended December 31, 2021, including the notes thereto. In the following, we 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.).

The figures in this review have not been adjusted for any purchase price accounting or other acquisition accounting adjustments or adjustments to reflect the new financing entered in connection with these transactions.

Business Overview

We are a leading global med-tech platform with a focus on high performance ceramics ("HPC") solutions. Our HPC solutions are made of advanced ceramics, which are highly specialized materials with superior biological, mechanical, thermal, chemical, electric, magnetic, or optical properties compared to competing products made from metal, alloys of cobalt and chrome or polymers (plastics). We have been engaged in the HPC industry for over 100 years, with operational expertise and experience in creating innovative system solutions for longstanding customers at an industrial scale. We offer hip joint prostheses components, dental implants and a growing range of other adjacent medical products to serve our Medical Markets.

We believe that our BIOLOX® brand has become the "gold-standard" for ceramic hip replacement implants. Based on the number of implants sold globally, a hip joint replacement with a BIOLOX® component on average is implanted every 30 seconds.

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 actuators in engine valves for fuel injection systems, high-end substrates for power electronics, high-speed cutting tools and sensoring solutions for different applications.

Our end-market driven approach in our Industrial Markets strives to actively focus on themes 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 Products focuses on the development and manufacturing of ceramic components for orthopaedics, 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 restauration.

In the twelve-month period ended December 31, 2021, this business generated 48.2% of our sales.

High-performance ceramics (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 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 industries including automotive, defence, electronics and industrial machinery. In the twelve-month period ended December 31, 2021, 51.8% of our revenue was generated by our Industrial business.

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 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.

Key Factors Affecting Results of Operations and Financial Condition

Hip Replacement Market Growth and Ceramic Hip Implant Components Penetration

We are the innovation leader of ceramic components for medical implants. The global addressable orthopedics implant market, consisting of hip, spine, knee and shoulder and veterinarian orthopedic implants, amounted to € 3.5 billion in 2019, according to a leading international consultancy firm, and its growth is driven by an aging population, increasing life expectancy, increasing prevalence of overweight and chronic diseases, increasing access to healthcare, favorable demographics factors and increasing number of pet owners (for veterinarian implants), among others. The total addressable markets for hips and inserts are expected to grow with the number of total hip replacement procedures, a key driver of demand for ceramic ball heads and inserts. Further, ceramic as a material is increasingly used in revisions and partial hip replacement.

The ceramic components we manufacture include ball heads, cup inserts and option heads (used for revisions). To date, more than 21 million of our BIOLOX® ceramics components have been implanted in patients globally. In 2021, we sold more than 1.9 million BIOLOX® hip implant components.

Additionally, there are indications that the younger population, those who are less than 65 years old, are electing to have primary hip replacements earlier in life so that they can maintain and enjoy an active lifestyle. Such younger patients are taking advantage of improvements in technology leading to better wearability and increased life spans of hip implant prostheses.

Similarly, growth in artificial hip joints in emerging markets also stems from an aging population and, in some countries, increased obesity. However, in developing countries there are additional drivers of growth, such as the proliferation of osteoarthritis and osteonecrosis (reduced blood flow to bones), improved availability of medical care and prosthetic procedures coupled with increased household incomes and broader access to funded healthcare.

We also have a highly defensible position in dental implants. With the acquisition of Dentalpoint in 2021, we have added ZERAMEX®, a well-established, certified implant systems brand with a long-standing clinical history, to our high-quality, innovative ceramic implants brand, DENSILOX®. Both DENSILOX® and ZERAMEX® are 100 percent metal- and cementless solutions.

Our Position as Supplier of Choice for Ceramic Hip Implant Components

We have a solid market position in ceramic components for hip replacements. We estimate nearly one in two hip joint implant systems sold worldwide include at least one ceramic component. We have longstanding relationships with key hip replacement implant OEMs, including the top orthopedic implant OEMs who together have a strong presence in the global hip implant market.

General Macroeconomic and Other Developments in our Key Geographical Target Markets

Our sales to our customers are mostly concentrated in Europe and specifically in Germany. However, although our customers are concentrated in Europe, many of them, especially medical and automotive customers, are export-oriented global companies. Consequently, we view our business as globally diversified. We believe that our business is more exposed to North America, Asia and other regions than indicated by the split of revenues by geography. We estimate that the underlying demand outside Europe drives approximately 40% of our revenue.

We believe that, in the long-term, revenue in both our Industrial and Medical Markets is not materially influenced by macroeconomic trends.

Demand Cycles in Various End Markets Supplied by our Industrial Markets

In addition to the overall GDP growth rate influencing the results of operations of our Industrial Markets business, each of our industrial markets is also influenced by separate and distinct factors and has a different economic cycle. In particular, the automotive, electronics, textile and other industrial end markets we serve are cyclical and subject to technological changes. Demand for our products is also significantly affected by the business success of our OEM customers as well as end users that purchase products from those OEM customers. For example, overall economic conditions can affect new car sales, impacting our automotive customers and thereby also influencing demand for our ceramic components in automobiles and engines.

By revenue, the automotive market is the largest single end market for our Industrial business, followed by the electronics market, textile, construction, and various other industrial niche markets. Particularly for the automotive end market, but also various other industrial end markets such as construction, the economic developments in Germany and Europe have a significant effect on our revenue, with Asian markets, especially China, gaining importance. For example, effects of government regulation and subsidies on new car sales have materially affected the automobile sector in the past, specifically in Germany and other European countries. In addition, we have in the past been affected by political and fiscal decisions, for example by decisions of the Chinese government that had an impact on the textile industry in China.

Development of New Products, Materials and Processing Technologies and Regulatory Know-How

As a manufacturer of HPC products we believe that our continued emphasis on research and development is key to our future profitability and our reputation as a technology leader in HPC. To ensure the sustainability of our business, we continuously research and develop materials as well as manufacturing and coating processes for new products in established and in new markets. Our product development is mainly focused on delivering customer-driven innovations and next generation solutions. We invest in the development of new materials and processes.

In our Medical Markets business, we continue to invest among others into new solutions for various joint replacements, such as hips, knees, shoulders, spinal implants, and ceramic dental applications. Our Industrial business delivers numerous new products every year, recent examples being new generation substrates, sensors for various applications and piezo-based innovations for several end markets. We believe that such growth investments are crucial to continued success in our target markets.

Our leading R&D infrastructure with over 600 patents and over 200 trademarks, as well as more than 150 scientists and engineers who work in modern laboratory facilities and collaborate with leading research institutions globally enables us to stay at the forefront of innovation. We have a strong centralized R&D infrastructure. In 2021, our R&D expenses were € 22.9 million, equal to 3.6% of revenue. Our innovations play a fundamental role in our ability to maintain and grow our global market share in the different markets in which we operate. We expect that modification, innovation and new product design will continue to be a key driver of our success.

We have built up and continue to invest into a strong regulatory team with a deep understanding of all relevant regulatory requirements for medical implants in all key markets. Our understanding of these requirements and ability to support our customers in these matters is highly valued in all regions.

Expansion through Acquisitions and Growth Investment

We have in the past years engaged in M&A activity to strategically grow our business. In April 2017, we acquired the UK electro-ceramics business from Morgan Advanced Materials plc, which produces integrated piezo components. In January 2021, we acquired the Swiss specialist for ceramic dental implants, Dentalpoint AG, one of the innovation-leading suppliers in the field of metal-free two-piece ceramic implants. In addition to growth through strategic acquisitions, we continue to invest in our operations excellence, including infrastructure and machinery, in order to maintain and expand our production capabilities and to realize continuous productivity improvements. A further focus of our investment strategy are various digitalization initiatives.

Cost Effectiveness through Simplification of Industrial Business and Business Excellence Initiatives

We operate our company on a lean management, flat hierarchy philosophy and have not substantially increased the size of our administrative team for many years despite our growth in revenue. We have a centrally coordinated, structured program in place, that focuses primarily on our European operations and that aims continuously to improve our product quality, productivity, and the efficiency of our manufacturing processes as well as to improve the cost effectiveness of research and development, sales, and administrative functions. In addition, we have implemented commercial excellence initiatives to improve customer focus, cross-selling and commercial delivery through implementation of a structured opportunity management process, including the implementation of a customer relationship management system and the education of our sales force. CeramTec continues to implement solutions for an enhanced customer experience. To allow provision of automized and customized bids as well as the opportunity to submit requests for certain industrial products, CeramTec's CeramCreator tool was launched mid-2021.

Price Development

With respect to our core Medical Products market, our position is that of an innovation leader with unrivalled clinical and quality track record, allowing us to obtain appropriate pricing for our quality products. We benefit from close relationships with our customers and significant loyalty of medical professionals to our proven product solutions as well as our strong regulatory understanding of all relevant processes. We are also among the strong players in many of the industrial niche markets that we target. Our main HPC competitors either target different markets or have a different geographical focus. Additionally, we are the sole supplier of certain specialized products in certain niche areas. However, specifically in the automotive and electronics market our customers regularly stipulate annual cost improvements.

In 2021, we saw increased volatility in energy costs and, as a consequence, we have initiated appropriate surcharges or price adjustments where necessary and possible. In addition, we have further increased our activities to reduce our energy consumption and enable us to achieve further compensating through productivity improvements.

Seasonality

Our business is – under normal circumstances – moderately affected by seasonal volatility in order volumes. We register a slight slowdown of new orders in the summer months and in December, related mainly to procurement and supply chain management of our customers, mainly Medical OEMs. The fluctuations in revenue we experience over the course of a year are similar from year to year and are moderately low. Our revenue is usually strongest in the first quarter of a year and lowest in the fourth quarter.

Results of Operations

The following table sets forth amounts from our income statement along with the percentage change for the twelve-month period ended December 31, 2021, compared to the twelve-month period ended December 31, 2020. All figures are unaudited in € million, as reported.

	Twelve Months Ended December 31,		
	2021	**2020**	**Change**
	(in € million)	*(in € million)*	*(%)*
Revenue	641.7	552.7	+16.1
Cost of sales	364.8	334.9	+8.9
Gross profit	**276.9**	**217.8**	**+27.1**
Selling costs	96.1	87.3	+10.1
Research and development costs	22.9	20.6	+10.8
General administrative costs	28.8	24.5	+17.3
Other income and expenses (-), net	2.1	-139.0	N/A
Operating income	**131.2**	**-53.6**	**N/A**
Interest income and other finance income	19.4	6.8	+183.7
Interest expenses and other finance costs	87.0	99.5	-12.6
Financial result	**-67.6**	**-92.7**	**-27.1**
Profit/(Loss) before income tax	**63.6**	**-146.3**	**N/A**
Income tax expense	-24.4	-2.8	+757.4
Net profit/(loss) for the period	**39.2**	**-149.2**	**N/A**

Our management considers the results of operations on the 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.

	Twelve Months Ended December 31,		
	2021	**2020**	**Change**
	(in € million)	*(in € million)*	*(%)*
Revenue	641.7	552.7	+16.1
Cost of sales*	303.1	273.0	+11.0
Gross profit*	**338.6**	**279.7**	**+21.1**
Selling costs*	41.1	35.4	+16.2
Research and development costs*	18.4	17.4	+5.9
General administrative costs*	20.9	18.1	+15.7
Other income and expenses (-), net*	0.7	4.2	-83.6
Management Adjusted EBITDA	**258.9**	**213.1**	**+21.5**
- Exceptional items	16.8	22.6	-25.6
EBITDA	**242.1**	**190.5**	**+27.1**
- Amortization, Depreciation and Impairment charges on non-current assets	110.9	244.2	-54.7
Operating Income	**131.2**	**-53.6**	**N/A**

** Excluding depreciation, amortization and exceptional items*

The following table provides a breakdown of our exceptional items for the twelve months ended December 31, 2021, compared to the twelve months ended December 31, 2020.

	Twelve Months Ended December 31,	
	2021	**2020**
	(in € million)	*(in € million)*
Restructuring costs	3.5	5.9
Other non-recurring	9.2	10.4
Foreign exchange conversion effects	-1.8	0.9
Additional contribution related to pensions	0.5	0.1
Acquisition costs	1.6	1.4
Transaction related costs	1.5	0.4
PPA on Inventories	1.6	0.8
Start-up losses	2.1	1.3
Discontinued operations	-1.4	1.4
Total Exceptional Items	**16.8**	**22.6**

Restructuring costs in 2021 and 2020 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 2021 mainly are comprised of non-recurring consulting and litigation expenses, Covid-19 costs for measures to safeguard employees' health, additional IT spending to adjust to changed work environment, costs of plant shutdown following partly government-imposed plant closures or closures related to customers closing their facilities as well as short-time working impact.

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

Additional contribution related to pensions represent the expenses relating to the pension plan at Pensionskasse Dynamit Nobel VVaG, which was closed at the end of 2014 but with a continuing contractual obligation to cover potential underfunding. On July 20, 2016, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) approved the solvency plan dated June 24, 2016, in favor of Pensionskasse Dynamit Nobel VVaG. The provision was based on the planned payments until 2021. Additional contributions for 2021 are based on annual projection by the German Federal Financial Supervisory Authority.

Acquisition costs in 2021 and 2020 represent acquisition-related consulting expenses.

Transaction-related costs comprise certain impacts due to the 2018 acquisition by BC Partners and its co-investors of the CeramTec Group with effectiveness of March 8, 2018, and 2021 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. 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.

Start-up losses reflect the ramp up cost of our knee and dental businesses in Medical.

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

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 twelve months ended December 31, 2021, compared to the twelve months ended December 31, 2020.

	Twelve Months Ended December 31,		
	2021	**2020**	**Change**
	(in € million)	*(in € million)*	*(%)*
Medical Markets	309.1	265.1	+16.6
Industrial Markets	333.0	287.9	+15.7
Others	-0.4	-0.3	N/A
Total Revenue	**641.7**	**552.7**	**+16.1**

Total revenue for the twelve months ended December 31, 2021, was € 641.7 million, an increase of € 89.0 million or 16.1%, as compared to € 552.7 million for the twelve months ended December 31, 2020.

Revenue in our Medical Markets business was € 309.1 million for the twelve months ended December 31, 2021, an increase of € 44.0 million or 16.6%, as compared to € 265.1 million for the twelve months ended December 31, 2020. Revenues were impacted by strongly increased order income following recovery from the Covid-19 pandemic.

Revenue in our Industrial Markets business was € 333.0 million for the twelve months ended December 31, 2021, an increase of € 45.1 million or 15.7%, as compared to € 287.9 million for the twelve months ended December 31, 2020. This increase was mostly due to higher volumes across most product groups and markets and due to higher demand from customers following recovery from the Covid-19 pandemic.

The following table provides a breakdown of our revenue for the twelve months ended December 31, 2021, compared to the twelve months ended December 31, 2020, by region. The split is mainly unchanged between the periods.

	Twelve Months Ended December 31,		
	2021	**2020**	**Change**
	(in € million)	*(in € million)*	*(%)*
Europe (excluding Germany)	279.1	233.7	+19.4
Germany	125.8	111.7	+12.6
Asia	119.8	105.4	+13.6
North America (*)	111.8	98.1	+14.0
Other regions	5.1	3.8	+36.7
Total Revenue	**641.7**	**552.7**	**+16.1**

(*) North America includes sales to USA, Canada and Mexico

Cost of Sales and Gross Profit

The following table shows a break-down of our cost of sales for the twelve-month periods ended December 31, 2020, and 2021, respectively. All figures are unaudited in € million as reported.

	Twelve Months Ended December 31,			
	2021		2020	
	(in € million)	*(% of sales)*	*(in € million)*	*(% of sales)*
Personnel expenses	134.0	20.9	124.4	22.5
Material and packaging costs	120.7	18.8	101.5	18.4
Amortization and Depreciation	57.2	8.9	55.8	10.1
Other cost of sales	53.0	8.3	53.2	9.6
Total cost of sales	**364.8**	**56.9**	**334.9**	**60.6**

Cost of sales was € 364.8 million (56.9% of revenue) for the twelve months ended December 31, 2021, an increase of € 29.9 million or 8.9%, as compared to € 334.9 million (60.6% of revenue) for the twelve months ended December 30, 2020. Excluding amortization and depreciation and non-recurring items such as additional contribution to a pension fund, consulting costs and severance payments, our adjusted cost of sales increased by 11.0 % from € 273.0 million or 49.4 % of revenue for the twelve months ended December 31, 2020, to € 303.1 million or 47.2% of revenue for the twelve months ended December 31, 2021.

Gross profit was € 276.9 million for the twelve months ended December 31, 2021, an increase of € 59.1 million or 27.1%, as compared to € 217.8 million for the twelve months ended December 31, 2020. Our Adjusted gross profit margin increased to 52.8% for the twelve months ended December 31, 2021, from 50.6% for the twelve months ended December 31, 2020, gaining from a better fixed cost absorption and a higher productivity due to shortfall of most Covid-19 impacts affecting 2020, as well as from a strong pipeline of productivity improvement projects which were successfully executed.

Selling Costs

Selling costs were € 96.1 million (15.0% of revenue) for the twelve months ended December 31, 2021, an increase of € 8.8 million or 10.1%, as compared to € 87.3 million (15.8% of revenue) for the twelve months ended December 31, 2020. Excluding amortization and depreciation and non-recurring items such as non-recurring litigation costs, additional contribution to a pension fund, consulting costs and severance payments, our adjusted selling costs increased to € 41.1 million or 6.4% of revenue for the twelve months ended December 31, 2021, from € 35.4 million or 6.4% of revenue for the twelve months ended December 31, 2020.

Research and Development Costs

Research and development costs were € 22.9 million (3.6% of revenue) for the twelve months ended December 31, 2021, an increase of € 2.2 million or 10.8%, as compared to € 20.6 million (3.7% of revenue) for the twelve months ended December 31, 2020.

Excluding amortization and depreciation and non-recurring items, such as additional contribution to a pension fund and severance payments, our adjusted research and development costs increased to € 18.4 million or 2.9% of revenue for the twelve months ended December 31, 2021, from € 17.4 million or 3.1% of revenue for the twelve months ended December 31, 2020.

General Administrative Costs

General administrative costs were € 28.8 million (4.5% of revenue) for the twelve months ended December 31, 2021, an increase of € 4.3 million or 17.3%, as compared to € 24.5 million (4.4% of revenue) for the twelve months ended December 31, 2020. Excluding amortization and depreciation and non-recurring items such as acquisition consulting and severance payments, our Adjusted general administrative costs increased to € 20.9 million or 3.3% of revenue for the twelve months ended December 31, 2021, from € 18.1 million or 3.3% of revenue for the twelve months ended December 31, 2020.

Other Income and Expenses

Other income, net, amounted to € 2.1 million for the twelve months ended December 31, 2021, an increase of € 141.1 million compared to other expenses, net, of € 139.0 million for the twelve months ended December 31, 2020. Excluding non-recurring items such as impairment expenses, transaction related expenses and foreign exchange effects, our Adjusted other income, net, were € 0.7 million for the twelve months ended December 31, 2021, a deviation of €3.5 million as compared with Adjusted other income, net, of € 4.2 million for the twelve months ended December 31, 2020.

Interest Income and Other Finance Income

Interest income and other finance income was € 19.4 million for the twelve months ended December 31, 2021, an increase of € 12.6 million or 183.7%, as compared to € 6.8 million for the twelve months ended December 31, 2020. This increase was mainly due to fair value gains on derivatives compared to losses in the twelve months ended December 31, 2020, partly compensated by a lack of exchange rate gains.

Interest Expenses and Other Finance Costs

Interest expenses and other finance costs were € 87.0 million for the twelve months ended December 31, 2021, a decrease of € 12.5 million or 12.6%, as compared to € 99.5 million for the twelve months ended December 31, 2020. This decrease was mainly due to a lack of fair value losses on derivatives of € 22.7 million for the twelve months ended December 31, 2020, partly compensated by higher interest expenses from syndicated loan and from a shareholder loan and exchange rate losses compared to exchange rate gains for the twelve months ended December 31, 2020. The financial expenses of € 87.0 million include € 52.8 million of interest expenses from syndicated loan, revolving credit line and bond, € 20.2 million of interest expenses from a shareholder loan, € 8.1 million of expenses from the effective interest rate method, 3.8 exchange rate losses and € 2.1 million of other interest expenses.

Income Tax Expenses

Income tax expenses were € 24.4 million for the twelve months ended December 31, 2021, compared to tax expenses of € 2.8 million for the twelve months ended December 31, 2020. This increase was due to higher current tax expenses mainly resulting from the German Tax Group combined with lower deferred tax income mainly resulting from the valuation of derivatives.

Net Profit / Loss

As a result of the developments described above, net income was € 39.2 million for the twelve months ended December 31, 2021, an increase of € 188.4 million compared to a net loss of € 149.2 million for the twelve months ended December 31, 2020.

Financial Condition, Liquidity and Capital Resources

As of December 31, 2021, 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 December 31, 2021 *(in € million)*
Gross debt (without accrued transaction costs)	**1,617.9**
thereof Bond	406.0
thereof Term loans	1,200.5
thereof Other	0.7
thereof Accrued interest	10.8
Cash	291.4
Net debt	**1,326.5**
Undrawn Revolving Credit Facility	67.0

The management-adjusted EBITDA for the last twelve months ended December 31, 2021, was € 258.9 million, leading to the net debt leverage ratio of 5.1x, compared to the management-adjusted EBITDA for the last twelve months ended December 31, 2020, of € 213.1 million and the net debt leverage ratio of 6.4x, respectively.

In October 2021, a shareholder loan repayment of € 5.1 million was made, consisting of a nominal repayment of € 4.8 million and interest of € 0.3 million.

Cash Flow Statement

The following table shows the cash flow statement for the twelve-month period ended December 31, 2021. All figures are unaudited in € million as reported.

	Twelve Months Ended December 31,	
	2021	**2020**
	(in € million)	*(in € million)*
Net profit / net loss (-) for the period	39.2	-149.2
Income tax expense / benefit (-)	24.4	2.8
Interest result	80.4	74.9
Amortisation, depreciation and impairment charges of non-current assets	110.9	244.2
Gain (-) / loss on disposal of property, plant and equipment and intangible assets	0.8	0.8
Decrease (-) in provisions (excluding deferred taxes)	4.0	-3.5
Income tax payment (-)	-36.7	-28.8
Other non-cash income (-) / expenses, net	-15.3	11.7
Increase (-) / decrease in inventories	-7.9	5.5
Increase (-) / decrease in trade receivables	-7.5	0.9
Increase (-) / decrease in other receivables and (financial) assets	0.2	-4.0
Increase / decrease (-) in trade payables	5.8	0.3
Increase / decrease (-) in other (financial) liabilities	2.5	7.8
Cash flow from operating activities	**200.9**	**163.4**
Cash received from disposals of property, plant and equipment	0.4	0.6
Cash paid (-) for investments in property, plant and equipment	-43.8	-34.3
Cash paid (-) for investments in intangible assets	-4.1	-3.9
Cash paid (-) for the acquisition of entities	-49.0	0.0
Cash flow from investing activities	**-96.4**	**-37.6**
Cash received from syndicated loan	0.0	168.2
Interest paid (-)	-51.2	-90.8
Repayment (-) of shareholder loan	-4.8	-19.6
Cash paid for capitalized leases (right-of-use assets)	-3.3	-2.9
Cash flow from financing activities	**-59.3**	**54.8**
Increase in cash and cash equivalents	45.1	180.6
Net foreign exchange difference	2.2	-0.9
Cash and cash equivalents at the beginning of the period	244.1	64.4
Cash and cash equivalents at the end of the period	**291.4**	**244.1**

Cash flows from operating activities increased from € 163.4 million for the twelve months ended December 31, 2020, to € 200.9 million for the twelve months ended December 31, 2021. The increase is driven by a strong EBITDA level compared to 2020 following recovery from Covid-19 pandemic as well as solid operative working capital management.

Cash flows used in investing activities increased from € 37.6 million for the twelve months ended December 31, 2020, to € 96.4 million for the twelve months ended December 31, 2021, the deviation of € 58.8 million is mainly driven by € 49.0 million for the acquisition of Dentalpoint and € 9.8 million for property, plant and equipment and intangible assets.

Cash flows used in financing activities changed from an inflow of € 54.8 million for the twelve months ended December 31, 2020, to an outflow of € 59.3 million for the twelve months ended December 31, 2021, mainly driven by an increase of the syndicated loan with nominal € 175.0 million in 2020.

Capital Expenditures

The following table provides an overview of our capital expenditures for the twelve months ended December 31, 2020 and 2021.

	2021	2020
	(in € million)	*(in € million)*
Additions to intangible assets	4.1	3.9
Additions to property, plant and equipment	43.3	32.8
Capital expenditures (gross)	**47.4**	**36.7**
Government grants	-	-
Capital expenditures (net)	**47.4**	**36.7**
Additions from business acquisitions	54.6	-

In general, our capital investment is split evenly between maintenance and growth projects. The increased investment spending in the year ended December 31, 2021, is affected by the long-term capacity increase projects, necessary maintenance activities, and selected digitalization and ESG projects. Cash outflow for the twelve months ended December 31, 2021, for intangible assets amounts to € 4.1 million and for tangible assets amounts to € 43.8 million.

Additions from the Dentalpoint AG acquisition of € 54.6 million consisting of goodwill in the amount of € 23.6 million, intangibles of € 26.7 million and PPE of € 4.3 million. Furthermore, short-term assets of € 6.2 million as well as liabilities of € 10.9 million were acquired, resulting in a purchase price of € 49.9 million.

Employees

By the end of the financial year 2021, the CeramTec Group employed 3,468 people, an increase of 1.4% from the previous year.

	2021	2020
Total Employees	**3,468**	**3,420**
Thereof by region		
Europe (excluding Germany)	636	629
Germany	2,006	1,975
North and South America	295	303
Asia	531	513
Thereof by function		
Manufacturing	2,730	2,717
Sales	304	289
Research and development	170	161
Administration	264	253

In addition, 140 apprentices were employed by the CeramTec Group as of December 31, 2021.

Contractual Obligations

The following table summarizes our payments due by period from our contractual obligations as of December 31, 2021.

Payments due by period *(in € million)*		**Payments**					
	NBV 2021	**2022**	**2023**	**2024**	**2025**	**2026**	**After 2026**
Trade payables	35.0	35.0	-	-	-	-	-
Liabilities to banks	1,178.0	31.4	32.6	32.0	1,202.4	-	-
Bond liabilities	420.8	21.3	21.3	21.3	434.4	-	-
Liabilities to affiliates	288.6	-	-	-	-	-	475.9
Lease liabilities	11.6	2.3	2.6	1.1	0.9	0.6	5.6
Other financial liabilities	13.5	13.5	-	-	-	-	-
Total	1,947.4	103.8	55.7	54.7	1,637.8	0.9	481.8
Derivatives with a negative fair value: currency swaps..............	0.1	0.1	-	-	-	-	-
Derivatives with a negative fair value: interest cap	1.7	1.7	-	-	-	-	-

Pension Commitments

We provide our employees with various defined benefit and defined contribution pension plans in relation to retirement, disability, and death benefits. The promised benefits differ from country to country depending on the legal, tax and economic conditions. Furthermore, the existing plans are subject to the respective local requirements as well as the financing and the plan assets of pension plans. The following table shows the pension obligations and market value of the plan assets of the defined benefit plans at the beginning and at the end of the financial year 2021.

	Year Ended December 31, 2021		
	German plans	**Foreign plans**	**Total**
	(in € million)	*(in € million)*	*(in € million)*
Benefit obligations at the beginning of the year	**120.6**	**12.8**	**133.4**
Addition due to changes to the consolidation group	0.0	4.3	4.3
Service costs	3.9	0.3	4.2
Participants' contributions	0.0	0.1	0.1
Interest expenses	0.6	0.2	0.8
Remeasurements	-6.1	-1.1	-7.1
Foreign currency translation	0.0	1.1	1.1
Benefits paid	-2.4	-0.5	-2.9
Benefit obligations at the end of the year	**116.6**	**17.3**	**133.9**
Market value of plan assets at the beginning of the financial year	**0.0**	**9.1**	**9.1**
Addition due to changes to the consolidation group	0.0	3.7	3.7
Interest income from plan assets	0.0	0.1	0.1
Expense for managing the plans	0.0	-0.1	-0.1
Employer contributions	0.0	0.6	0.6
Participants' contributions	0.0	0.1	0.1
Remeasurements	0.0	1.3	1.3
Foreign currency translation	0.0	0.9	0.9
Benefits paid	0.0	-0.5	-0.5
Market value of the plan assets at the end of the year	**0.0**	**15.2**	**15.2**
Net obligation amount for pension benefits	**116.6**	**2.0**	**118.7**

The actuarial decrease is primarily due to changes in financial assumptions. The expected contributions to the defined benefit plans by the employer until December 31, 2022, amount to € 0.5 million.

Contingencies

Group companies are exposed to a limited number of litigation processes linked to the normal business activities mainly related to issues under commercial, product liability and intellectual property. To the extent that quantifiable obligations are expected to arise from these processes, the Group companies establish appropriate provisions on the balance sheet. There are no pending cases that are expected materially to impact the Group's net assets, financial position and/or results of operations.

Critical Accounting Policies and Significant Accounting Estimates

Please refer to notes to our consolidated financial statements for a detailed description of the accounting policies and accounting estimates applied.

Recent Developments

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

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

On 2 March 2022, all requirements for the transfer of ownership of the CeramTec Group to CPP Investments and BC XI were met.

The closing for the transfer of ownership occurred on March 16, 2022.

Upon transfer of ownership, the existing financing was repaid, and negotiated new financing becomes effective. The new financing consists of a term loan with a nominal volume of € 1,480,000k with a variable interest rate (beginning with 3.75%) which matures on March 16, 2029, and a Revolving Credit Facility with a volume of € 250,000k with a variable interest rate (beginning with 3.25%) which can be drawn on demand and which matures on September 16, 2028. Furthermore, a bond was issued with a nominal volume of € 465,000k with a fixed interest rate of 5.25%. The bond matures on February 15, 2030.

Because of war-related events in Ukraine, a comprehensive risk assessment was immediately performed for the CeramTec Group and is continuously being reviewed and updated. It was proactively decided to discontinue any direct and indirect business relationships maintained by all CeramTec companies with Russia and Belarus until further notice. This is not expected to impact our assets, liabilities, financial position, and financial performance significantly, and it is currently impossible to assess the indirect effects of the possible economic impact of the conflict on the world economy. CeramTec complies with all current sanctions against Russia and Belarus, and all applicable laws.

Unaudited Adjusted Financial Information

The following table shows unaudited leverage information for CeramTec AcquiCo GmbH, consistent with the rules set -out in the Senior Facilities Agreement dated December 14, 2017, and the CeramTec BondCo GmbH Prospectus.

	As of December 31, 2021
	(in € million)
Net third party senior secured indebtedness	909.7
Net third party indebtedness	1,315.7
Interest expenses	52.8
Consolidated Pro-Forma EBITDA	267.1
Ratio of net third party senior secured indebtedness to Consolidated Pro Forma EBITDA	3.4x
Ratio of net third party indebtedness to Consolidated Pro Forma EBITDA	4.9x
Ratio of Consolidated Pro Forma EBITDA to interest expense	5.1x

Net third party senior secured indebtedness is defined as third party senior secured indebtedness minus cash and cash equivalents, reflecting the amounts outstanding under the Term Loan Facility (€ equivalent).

Net third party indebtedness is defined as third party indebtedness minus cash and cash equivalents reflecting the amounts outstanding under the Term Loan Facility and the principal amount of the Notes.

Interest expense is defined as interest expense for the period from January 1, 2021, to December 31, 2021, and consists of interest on the Term Loan Facility and the Notes as well as the commitment fees on our undrawn Revolving Credit Facility.

Consolidated Pro-Forma EBITDA is calculated as set out in the Facilities Agreement and is higher than the Management-Adjusted EBITDA presented elsewhere in this Review by € 8.2 million, this amount consisting of certain net pension and other post-employment benefit costs of € 8.1 million, certain restructuring charges of € 0.5m, certain non-cash charges and write-downs of € -1.1 million and other costs related mainly to extraordinary audits and management fees in the amount of € 1.4 million and management EBITDA-adjustments not valid for the calculation of the Consolidated Pro-Forma EBITDA of € -0.7m.

FINANCIAL REPORT

CeramTec TopCo GmbH

Plochingen

Consolidated Financial Statements for the year ended 31 December 2021

CeramTec TopCo GmbH, Plochingen

Consolidated statement of financial position as at 31 December 2021

Assets	Notes	31 December 2021	31 December 2020
		EUR k	EUR k
Goodwill	4.1	898.226	874.613
Other intangible assets	4.1	938.609	976.472
Property, plant and equipment	4.2	294.431	278.689
Other financial assets	4.3	14.195	10.275
Other assets	4.4	3.884	4.078
Deferred tax assets		926	934
Non-current assets		**2.150.271**	**2.145.061**
Inventories	4.5	103.695	91.565
Trade receivables	4.6	60.036	51.880
Income tax receivables		3.658	3.015
Other financial assets	4.3	1.836	3.262
Other receivables and assets	4.4	9.597	8.303
Cash and cash equivalents	4.7	291.404	244.118
Current assets		**470.226**	**402.143**
Total Assets		**2.620.497**	**2.547.204**

CeramTec TopCo GmbH, Plochingen

Consolidated statement of financial position as at 31 December 2021

Equity and Liabilities	**Notes**	**31 December 2021**	**31 December 2020**
		EUR k	EUR k
Issued capital	4.8	25	25
Capital reserves	4.8	780.371	780.371
Accumulated losses	4.8	-552.728	-598.134
Accumulated other comprehensive income	4.8	1.096	-1.305
Equity		**228.764**	**180.957**
Provisions for pension obligations	4.9	118.657	124.350
Other provisions	4.10	2.371	2.761
Financial liabilities to affiliates	4.11	288.596	273.523
Financial liabilities to third parties	4.12	1.605.422	1.597.098
Other liabilities	4.13	0	3.763
Deferred tax liabilities		263.434	270.110
Non-current liabilities		**2.278.480**	**2.271.605**
Other provisions		18.642	15.797
Provision for taxes		3.870	3.929
Financial liabilities to affiliates	4.11	0	312
Financial liabilities to third parties	4.12	33.242	23.973
Trade payables		34.977	29.034
Other liabilities	4.13	22.522	21.597
Current liabilities		**113.253**	**94.642**
Total liabilities		**2.391.733**	**2.366.247**
Total equity and liabilities		**2.620.497**	**2.547.204**

CeramTec TopCo GmbH, Plochingen

Consolidated statement of comprehensive income

from 1 January to 31 December 2021

	Notes	1 January to 31 December 2021	1 January to 31 December 2020
		EUR k	EUR k
Revenue	3.1	641.731	552.702
Cost of sales	3.2	364.843	334.906
Gross profit		**276.888**	**217.796**
Selling costs	3.3	96.100	87.285
Research and development costs	3.4	22.858	20.628
General administrative costs	3.5	28.797	24.542
Other income and expenses (-), net	3.6	2.098	-138.975
Operating income		**131.231**	**-53.634**
Interest income and other finance income		19.432	6.849
Interest expenses and other finance costs		87.026	99.542
Financial result	3.7	**-67.594**	**-92.693**
Profit / loss (-) before income tax		**63.637**	**-146.327**
Income tax expense	3.8	-24.414	-2.848
Net profit / net loss (-) for the period		**39.223**	**-149.175**
Items that will not be reclassified through profit or loss			
Income / expenses (-) from the remeasurement of pension provisions		8.491	-8.638
Deferred taxes		-2.308	2.472
		6.183	**-6.166**
Items that may be reclassified subsequently to profit or loss			
Losses on cash flow hedges		-294	-404
Deferred taxes		85	117
		-209	**-287**
Exchange differences on translation of foreign operations		2.610	-1.884
Other comprehensive income / loss (-), net of income tax		**8.584**	**-8.337**
Total comprehensive income / loss (-)		**47.807**	**-157.512**

CeramTec TopCo GmbH, Plochingen

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

	1 January to 31 December 2021 EUR k	1 January to 31. Dezember 2020 EUR k
Net profit / net loss (-) for the period	39.223	-149.175
Income tax expense	24.413	2.847
Interest result (without changes in fair value of derivatives)	80.381	74.867
Amortisation, depreciation and impairment charges of non-current assets	110.911	244.160
Loss on disposal of property, plant and equipment and intangible assets	779	799
Increase / decrease (-) in provisions (excluding deferred taxes)	3.960	-3.491
Income tax payment (-)	-36.729	-28.832
Other non-cash income (-) / expenses, net	-15.275	11.749
Increase (-) / decrease in inventories	-7.860	5.529
Increase (-) / decrease in trade receivables	-7.454	860
Increase (-) / decrease in other receivables and (financial) assets	174	-3.990
Increase in trade payables	5.825	305
Increase in other (financial) liabilities	2.508	7.805
Cash flow from operating activities	**200.856**	**163.433**
Cash received from disposals of property, plant and equipment	444	625
Cash paid (-) for investments in property, plant and equipment	-43.782	-34.328
Cash paid (-) for investments in intangible assets	-4.146	-3.935
Cash paid (-) for the acquisition of entities	-48.960	0
Cash flow from investing activities	**-96.444**	**-37.638**
Cash received from syndicated loan	0	168.161
Interest paid (-)	-51.166	-90.831
Repayment (-) of shareholder loan	-4.815	-19.599
Cash paid for capitalized leases (right-of-use assets)	-3.341	-2.886
Cash flow from financing activities	**-59.322**	**54.845**
Increase in cash and cash equivalents	**45.090**	**180.640**
Net foreign exchange difference	2.196	-902
Cash and cash equivalents at the beginning of the period	244.118	64.380
Cash and cash equivalents at the end of the period	**291.404**	**244.118**

Please refer to notes, section 5

CeramTec TopCo GmbH, Plochingen

Consolidated statement of changes in equity for the period ended 31 December 2021

	Issued capital	Capital reserves	Accumulated losses	Accumulated other comprehensive income		Equity
				Cash flow hedge reserve	Difference from currency translation	
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
31. Dezember 2019	**25**	**780.371**	**-442.793**	**510**	**355**	**338.468**
Net loss for the period	0	0	-149.175	0	0	-149.175
Other comprehensive loss	0	0	-6.166 1)	-287 2)	-1.884 2)	-8.336
Total comprehensive loss	*0*	*0*	*-155.341*	*-287*	*-1.884*	*-157.511*
31. Dezember 2020	**25**	**780.371**	**-598.134**	**223**	**-1.528,49**	**180.957**
31. Dezember 2020	**25**	**780.371**	**-598.134**	**223**	**-1.528**	**180.957**
Net income for the period	0	0	39.223	0	0	39.223
Other comprehensive income / loss (-)	0	0	6.183 1)	-209 2)	2.610 2)	8.584
Total comprehensive income / loss (-)	*0*	*0*	*45.406*	*-209*	*2.610*	*47.807*
31. Dezember 2021	**25**	**780.371**	**-552.728**	**14**	**1.082**	**228.764**

1) Other comprehensive income that will not be reclassified to profit or loss in the future
2) Other comprehensive income to be reclassified to the income statement in the future under certain conditions

CeramTec TopCo GmbH

Plochingen/Germany

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

1 General

1.1 Corporate information and purpose of the Company

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

CeramTec TopCo's registered office is located at CeramTec-Platz 1-9 in 73207 Plochingen/Germany, and is registered at the Stuttgart local court (*Amtsgericht*) under the number HRB 764651. The purpose of CeramTec TopCo is to render management services as well as administrative, financial and business services in return for remuneration to entities in which it has a direct or indirect controlling shareholding.

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

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

1.2 Basis for the preparation of the consolidated financial statements

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

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

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

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

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

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

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

If the fair value is not available in the form of a market price, it is calculated based on different valuation parameters. Depending on the availability of observable parameters and the significance of these parameters when calculating the fair value in its entirety, the fair value is allocated to level 1, 2 or 3 of the fair value hierarchy. The allocation is based on the following factors:

- Level 1 inputs are quoted (unadjusted) prices in markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable measurement parameters for the asset or liability.

The consolidated financial statements are presented in euros. The amounts are shown in thousands of euros (kEUR) in the consolidated financial statements. All amounts are rounded using standard commercial principles. In individual cases, adding individual values to the total value may therefore lead to differences.

For the purpose of clarity, various items in the consolidated statement of financial position and consolidated statement of comprehensive income were combined and explained accordingly in the notes to the consolidated financial statements. Assets and liabilities are broken down into non-current and current items. Assets and liabilities are classified as current if they are expected to be realized within twelve months from the reporting date. The expense recognized in profit or loss is broken down using the cost of sales method. In the statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method.

1.3 Going concern

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

1.4 Business combination

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

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

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

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

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

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

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

1.5 Entities included in the consolidated financial statements

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

	Share of capital in %		Business activities
Name of the entity	31 December 2021	31 December 2020	
CeramTec BondCo GmbH, Plochingen/Germany	100.00	100.00	1
CeramTec AcquiCo GmbH, Plochingen/Germany	100.00	100.00	1
CeramTec Holding GmbH, Plochingen/Germany	100.00	100.00	1
CeramTec Group GmbH, Plochingen/Germany	100.00	100.00	1
CeramTec FinCo GmbH, Plochingen/Germany	100.00	100.00	1
CeramTec GmbH, Plochingen/Germany	100.00	100.00	2
Cerasiv GmbH Innovatives Keramik-Engineering, Plochingen/Germany	100.00	100.00	1
CeramTec-ETEC GmbH, Lohmar/Germany	100.00	100.00	3
Emil Müller GmbH, Wilhermsdorf/Germany	100.00	100.00	3
CeramTec UK Ltd., Southampton/Great Britain	100.00	100.00	3
CeramTec Czech Republic s.r.o., Sumperk/Czech Republic	100.00	100.00	3

Name of the entity	Share of capital in % 31 December 2021	31 December 2020	Business activities
CeramTec Ibérica Innovative Ceramic Engineering S.L., Vilassar de Mar/Spain	100.00	100.00	5
CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd., Seremban/Malaysia	100.00	100.00	3
CeramTec Korea Ltd., Suwon-Si/South Korea	100.00	100.00	3
CeramTec Suzhou Ltd., Suzhou/China	100.00	100.00	3
PST Press Sintertécnica Brasil Ltda., Nova Odessa/Brazil	100.00	100.00	3
CeramTec India Innovative Ceramic Engineering Pvt. Ltd., Panaji - Goa/India	99.90	99.90	3
Press and Sinter Technics de Mexico S.A. de C.V., Puebla/Mexico	100.00	100.00	3
Dentalpoint AG, Spreitenbach/Switzerland	100.00	0.00	4
Dentalpoint Germany GmbH, Lörrach/Germany	100.00	0.00	5
CeramTec BidCo LLC, Laurens/USA	100.00	100.00	1
CeramTec Acquisition LLC, Laurens/USA	100.00	100.00	1
CeramTec North America LLC, Laurens/USA	100.00	100.00	3
DAI Ceramics LLC, Willoughby/USA	100.00	100.00	3
PST Press + Sintertechnik Sp. z.o.o., Gorzyce/Poland	100.00	100.00	3

1 Entity performing the functions of a holding company.
2 Manufacturing and distribution companies operating in the Industrial and Medical Products segments.
3 Manufacturing and distribution companies operating in the Industrial segment.
4 Manufacturing and distribution companies operating in the Medical Products segment.
5 Distribution companies.

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

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

2 Accounting Principles and Policies

2.1 Basis of consolidation

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

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

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

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

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

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

2.2 Accounting policies

Revenue recognition

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

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

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

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

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

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

Interest income, royalties, dividend income

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

Research and development costs

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

Intangible assets

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

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

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

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

Intangible assets with definite useful lives are amortized on a straight-line basis over their useful life. Intangible assets acquired during the year are amortized pro rata temporis. The useful life and amortization method are reviewed at least annually at the end of each financial year. Changes are treated as changes in accounting estimates. Amortization is recognized in the cost of sales, research and development, general administrative and selling costs. The useful life for technology amounts to 10 to 18 years and for customer relationships it amounts to 5 to 18 years. Intangible assets with definite useful lives are tested for impairment if there is an indication that the asset may be impaired.

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Leases

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

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

Financial assets

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

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

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

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

<u>Classification of financial assets</u>

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

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

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

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

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

<u>Amortized cost and effective interest method</u>

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

For financial assets for which no objective evidence of impairment was present upon their origination or purchase, the effective interest rate is the rate that discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition. For financial assets for which objective evidence of impairment was present upon their origination or purchase, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses.

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

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

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

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

Financial assets at FVTPL

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

Impairment of financial assets

The Group generally recognizes a loss allowance for expected losses on financial investments in debt instruments that are measured at amortized cost or at FVTOCI, finance lease receivables, trade receivables and contract assets. The amount of expected losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation surplus is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation surplus is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Offsetting financial instruments

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

Measurement at fair value

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

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

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

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

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

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

Inventories

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

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

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

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

Cash and cash equivalents

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

Provisions for pension obligations

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

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

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

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

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

Provisions

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

The amount of the provision recognized is the best estimate of the expenditure required to settle the present obligation as of the reporting date. The best estimate must take account of inherent risks and uncertainties. If a provision is measured on the basis of the estimated cash flow required to settle the obligation, these cash flows are discounted in cases where the effect of the time value of money is significant.

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

Contingent liabilities and contingent assets

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

Taxes

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

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

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

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

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

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

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

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

2.3 Estimation uncertainties and exercise of judgment

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

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

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

2.3.1 Critical judgements

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

<u>Allocation of goodwill</u>

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

2.3.2 Key sources of estimation uncertainty

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

Business combinations

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

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

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

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

Impairment of non-financial assets

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

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

Provisions for pension obligations

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

Provisions

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

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

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

Deferred tax assets

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

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

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

The following IFRSs and IFRICs were revised:

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

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

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

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

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

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

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

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 consolidated financial statements of the CeramTec TopCo Group.

3 Notes to the Consolidated Statement of Comprehensive Income

3.1 Revenue

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

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

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

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

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

3.2 Cost of sales

The cost of sales breaks down as follows:

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

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

3.3 Selling costs

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

3.4 Research and development costs

Research and development costs mainly contain personnel expenses.

3.5 General administrative costs

General administrative costs primarily contain personnel expenses.

3.6 Other income / expenses (-), net

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

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

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

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

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

3.7 Financial result

The financial result breaks down as follows:

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

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

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

3.8 Income tax

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

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

CeramTec TopCo also has indirect shareholdings in foreign corporations.

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

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

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

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

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

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

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

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

Deferred taxes

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

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

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

The deferred tax assets and liabilities stem from the following:

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

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

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

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

Unused losses and interest carryforwards

Unused losses and interest carryforwards break down as follows:

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

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

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

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

3.9 Government grants

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

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

3.10 Additional information on the type of expenses

Cost of materials

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

Personnel expenses

Personnel expenses break down as follows:

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

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

Employees

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

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

Amortization, depreciation and impairment

Amortization, depreciation and impairment break down as follows:

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

4 Notes to the Consolidated Statement of Financial Position

4.1 Goodwill and intangible assets

Goodwill and intangible assets break down as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Property, plant and equipment

Property, plant and equipment break down as follows:

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

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

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

4.3 Other financial assets

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

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

The CeramTec TopCo Group has a termination option for the issued bond. This termination option represents an embedded derivative, which is accounted for separately from the underlying instrument. Further explanations can be found in note 4.15.

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

4.4 Other assets

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

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

Other assets mainly include advance payments.

4.5 Inventories

Inventories break down as follows:

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

Other inventories include packaging materials and spare parts for machinery.

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

4.6 Trade receivables

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

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

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

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

* Impairment loss to trade receivables ratio or likelihood of default

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

* Impairment loss to trade receivables ratio or likelihood of default

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

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

Loss allowances are based on information about a customer developed internally or obtained from external sources, and an estimate of the likelihood of default. The loss allowances include, on the one hand, loss allowances for receivables due from customers who have entered into bankruptcy proceedings or who are facing severe financial difficulties (level 3) and, on the other hand, expected loss allowances based on the historical default experience (level 2).

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

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

There was no indication as of the reporting date that the debtors of receivables that were not impaired and not past due would not meet their payment obligations. On average, the Group has recognized loss allowances of around 20% (prior year: around 40%) in relation to all receivables past due more than 60 days.

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

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

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

4.7 Cash and cash equivalents

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

4.8 Equity

Subscribed capital

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

Capital reserve

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

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

Retained earnings and net profit/loss for the period

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

Accumulated other comprehensive income

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

4.9 Provisions for pension obligations

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

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

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

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

The provisions for pension obligations break down as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.10 Provisions

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

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

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

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

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

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

The maturities of the provisions were as follows:

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

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

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

4.11 Financial liabilities to affiliates

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

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

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

4.12 Financial liabilities to third parties

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

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

Liabilities to banks nominally include an EUR tranche of EUR 1,069,000k and two USD tranches of EUR 131,463k. The tranches have variable interest rates and mature on 8 March 2025. Transaction costs of EUR 33,641k associated with the loan are spread over the term of the loan using the effective interest method.

The bond has a fixed interest rate and a nominal volume of EUR 406,000k (31 December 2020: nominal volume of EUR 406,000k). It is due to mature on 15 December 2025. The CeramTec TopCo Group has a termination option for this bond, which is recognized as a separate financial asset (note 4.3). Associated transaction costs of EUR 13,570k are spread over the term of the bond using the effective interest method. Further information on the loans, the bond and derivatives can be found in note 4.15.

4.13 Other liabilities

Other liabilities break down as follows:

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

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

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

4.14 Accounting for leases (IFRS 16)

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

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

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

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

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

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

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

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

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

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

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

4.15 Financial instruments

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

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

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

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

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

If the fair value is not available in the form of a market price, it is calculated based on different valuation parameters. Depending on the availability of observable parameters and the significance of these parameters when calculating the fair value, the fair value is allocated to level 1, 2 or 3 of the fair value hierarchy. The allocation is based on the following factors:

- **Level 1:** Level 1 inputs are quoted (unadjusted) prices in markets for identical assets or liabilities that the entity can access at the measurement date
- **Level 2:** Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Level 3 inputs are unobservable measurement parameters for the asset or liability.

The following table shows the fair value hierarchy for derivative financial instruments that are recognized at fair value in the consolidated financial statements:

	31 Dezember 2021		
	Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
Financial assets			
Separated termination rights	0	12,181	0
Interest rate cap	0	1,898	0
Forward exchange transactions	0	161	0
Financial liabilities			
Separated interest rate floors	0	12,948	0
Interest rate cap	0	1,704	0

	31 December 2020		
	Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
Financial assets			
Separated termination rights	0	10,221	0
Forward exchange transactions	0	314	0
Financial liabilities			
Separated interest rate floors	0	26,079	0
Interest rate cap	0	4,665	0

The following table shows the fair value hierarchy for the financial instruments that are not recognized at fair value in the consolidated financial statements; however, their fair value is provided in the notes to the financial statements. The Group does not disclose the fair values of financial instruments when their carrying amounts are a reasonable approximation of the fair values, such as current trade receivables and payables.

	31 December 2021 Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
Financial liabilities			
Bond liabilities	0	423,256	0
Liabilities to banks	0	1,201,138	0
Liabilities to affiliates	0	0	290,508

	31 December 2020 Level 1 kEUR	Level 2 kEUR	Level 3 kEUR
Financial liabilities			
Bond liabilities	0	421,702	0
Liabilities to banks	0	1,190,326	0
Liabilities to affiliates	0	0	275,595

The fair value of the bond corresponds to the nominal value multiplied by the market value as of the reporting date, plus the separated termination right. Accordingly, the fair value measurement is allocated to level 2 in the fair value hierarchy.

Liabilities to banks are subject to interest based on the interest rates observable on the market, on the basis of which the fair value was also calculated. Accordingly, these are allocated to level 2 of the fair value hierarchy.

The fair values of the separated derivatives are measured using the Black-Scholes/Hull-White valuation model, which considers both the observable yield curves and the fluctuation intensity (volatility) of the currencies concerned. All key input parameters were directly or indirectly derived from observable market data. The fair value measurement is therefore allocated to level 2 in the fair value hierarchy.

The fair value of the interest rate cap is measured using the Black-Scholes/Hull-White valuation model, which considers both the observable yield curves and the fluctuation intensity (volatility) of the currencies concerned. All key input parameters were directly or indirectly derived from observable market data. The fair value measurement is therefore allocated to level 2 in the fair value hierarchy.

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

The fair value of all other financial instruments is calculated using a discounted cash flow method as well as by taking into account measurement parameters that are observable for the assets and liabilities, either directly or indirectly, at the market. Accordingly, these financial instruments were allocated to level 2 in the fair value hierarchy.

For assets and liabilities that are recognized at fair value on a recurring basis, the CeramTec TopCo Group assesses whether a transfer between the levels of the fair value hierarchy took place as of the end of each reporting period (based on the lowest level that is significant to fair value measurement as a whole). There were no transfers between level 1, 2 and 3 during the reporting period.

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

Embedded derivatives

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

5 Notes to the Consolidated Statement of Cash Flows

In the consolidated statement of cash flows, cash flow from operating activities is determined using the indirect method, while cash flow from investing and financing activities is determined using the direct method. The cash and cash equivalents presented in the statement of cash flows correspond to the item of the statement of financial position and comprise cash in hand, bank balances and cash investments with an original term of up to three months. The bank balances are not subject to drawing restrictions.

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

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

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

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

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

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

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

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

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

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

6 Other Notes

6.1 Management of financial risks

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

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

Market risks

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

Foreign currency risk

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

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

	Change in the spot rate	31 December 2021					
	%	USD	GBP	CZK	PLN	CNY	**Total**
Effect on net profit/loss before tax in kEUR	+10%	6,069	-462	198	-92	-1,097	**4,616**
	-10%	-7,417	565	-242	113	1,340	**-5,641**

	Change in the spot rate	31 December 2020					
	%	USD	GBP	CZK	PLN	CNY	**Total**
Effect on net profit/loss before tax in kEUR	+10%	7,046	79	26	-130	-674	**6,347**
	-10%	-8,612	-97	-32	159	824	**-7,757**

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

	31 December 2021	
	Total kEUR	Residual term of up to 1 year kEUR
Nominal value	21,977	21,977
Fair value	188	188
Average rate		
GBP / EUR	0.8431	
USD / GBP	1.3470	
CZK / EUR	25.4197	

	31 December 2020	
	Total kEUR	Residual term of up to 1 year kEUR
Nominal value	21,253	21,253
Fair value	314	314
Average rate		
GBP / EUR	0.9064	
USD / GBP	1.3613	
CZK / EUR	26.3018	

Interest rate risk

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

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

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

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

31 December 2021

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

31 December 2020

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

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

Risk from compliance with financial covenants

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

Liquidity risk

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

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

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

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

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

Default risk

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

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

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

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

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

Trade receivables

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

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

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

Capital management

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

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

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

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

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

6.2 Contingent liabilities, and contingencies and commitments

Contingent liabilities

The entities within the consolidated group are involved as parties in a number of lawsuits. These proceedings are linked to ordinary business activities and mainly relate to commercial, product liability and environmental processes. If a possible cash outflow is deemed to be improbable, no provision is recognized for such obligations. However, the consolidated group recognizes a provision for all obligations arising from lawsuits for which a cash outflow is deemed to be probable and the amount of the potential claim can be sufficiently estimated. For details see explanations in note 4.10.

Contingencies and commitments associated with granted collateral

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

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

6.3 Other financial commitments

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

6.4 Related party disclosures

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

Key management personnel

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

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

Dr. Hadi Saleh
Chief Executive Officer

Richard Boulter
President Industrial until 31 December 2021

Eric Oellerer
Chief Financial Officer

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

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

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

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

Transactions with related parties

Entities and natural persons are deemed to be related parties when they exercise control over the reporting company or over its subsidiaries or when they have a significant influence on the reporting company's financial and business policy. An unsecured loan of EUR 288,596k (31 December 2020: EUR 273,835k), including interest, with a fixed interest rate of 7.3 % p.a. has been obtained from CeramTec TopCo's controlling shareholder, CTEC Acquisition S.à.r.l., Luxembourg. Interest expenses of EUR 20,165k were incurred in the financial year 2021. Unpaid interest is generally added annually to the Company's loan balance on 31 December.

6.5 Share-based remuneration/employee participation program

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

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

6.6 Auditor's fees

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

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

6.7 Events after the reporting period

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

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

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

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

Upon transfer of ownership, existing financing is repaid, and negotiated new financing becomes effective. New financing includes a syndicated loan with a nominal value of EUR 1,480,000k that bears variable interest (initially EURIBOR + 3.75 %) and has a maturity date of 16 March 2029, and a revolving credit facility with a nominal volume of EUR 250,000k that also bears variable

back

interest (initially EURIBOR + 3.25 %) and may be drawn on by 16 September 2028 at the latest, should the need arise. In addition, a fixed-interest bond with a nominal value of EUR 465,000k and an interest coupon of 5.25 % has been issued that will become due as of 15 February 2030.

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

7 Reconciliation to CeramTec BondCo GmbH

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

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

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

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

- Lower current tax assets of EUR 159k (31 December 2020: EUR 0k)
- Lower deferred tax assets of EUR 0k (31 December 2020: EUR 24k)
- Higher receivables from affiliates of EUR 1,591k (31 December 2020: EUR 684k)
- Lower other receivables from tax offices of EUR 7k (31 December 2020: EUR 0k)
- Lower liquid funds of EUR 9k (31 December 2020: EUR 10k)
- Lower capital reserve of EUR 25k (31 December 2020: EUR 25k)
- Lower financial liabilities to third parties of EUR 64k (31 December 2020: EUR 91k).
- Lower trade payables of EUR 582k (31 December 2020: EUR 35k)
- Lower tax liabilities of EUR 14k (31 December 2020: EUR 150k)

- This would have resulted in a EUR 2,077k higher level of group equity for CeramTec BondCo compared to the group equity recognized in these financial statements (31 December 2020: EUR 926k).

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

Plochingen/Germany, 13 April 2022

CeramTec TopCo GmbH

The Management

Dr. Hadi Saleh

SUSTAINABILITY

CeramTec's Management Policy – The Mission of the Ceramic Experts

Sustainability is embedded in CeramTec's corporate culture and is integral to the worldwide CeramTec Group. We have implemented a corporate social responsibility that supports our aim to achieve profitable, global growth, conserve energy and protect natural resources.

The CeramTec Group aims to achieve sustained, profitable, global growth for continued successful business development characterized by responsible business practices and integrity. As a customer-oriented manufacturer, we focus on application consulting and on the development of innovative, competitive, and sustainable processes for realizing products consistent with specifications.

We have established a framework with reliable, risk-minimizing technical and organizational processes and creating an atmosphere of trust that fairly balances the interests of customers, business partners, employees, and shareholders, as well as stakeholders such as the local communities and society in general. We conduct business according to a set of clearly defined management principles, which we review on an annual basis. The Executive Board of the CeramTec Group is committed to promoting compliance with these policies, to providing the resources that are required for implementation, and to conducting an annual review. For this, it will give an annual account (status analysis) regarding compliance with these management policies and will review the efficacy of the management systems once a year. As part of this process, special focus will be placed on considering specially approved requirements and binding obligations of our customers, of society/the public, of the government agencies, of external interested parties, and of legislative bodies, as well as on constantly improving our management system and minimizing risks in our processes. In addition, we recently appointed an ESG manager. Together with the Executive Board, the ESG manager will define a sustainability vision and respective key goals for the organization. Moving forward, he will ensure an appropriate ESG ecosystem and reference frameworks are being implemented, reflecting CeramTec's sustainability ambition.

Products – We strive to manufacture and market our high-quality products in the most cost-effective, sustainable, safe and eco-friendly way while conserving resources, taking into account the lifecycle of our products.

Interested parties – All of our efforts center around satisfying the requirements of all of our interested parties.

Responsibility – When it comes to our products, operations and services, we act with a strong commitment to safety, health, the environment, and profitability. We comply with all applicable standards, laws, regulations, in-house rules and designated ethical principles as well as other obligations with regard to the context of the organization. Fair and ethical business practices apply both with respect to our employees and our business partners – from procurement and manufacturing through to delivery to our customers, all while considering the effects on society.

Quality – We plan, develop, implement, monitor and aim to continuously improve all of our processes. We give reasonable consideration to the opportunities/risks of these processes. This applies to quality, work safety, health, environmental protection, and energy management.

Values – Our thinking, actions and behavior are based on mutual convictions of what is good and what is important. These are reflected in our corporate values of Teamwork, Open & positive mindset, Passion, Learn and grow, Customer focus, Accountability, and Integrity. They serve as guiding principles on how we do our jobs, how we act and work together.

Goals – We set goals for ourselves for profitability, quality, safety, health, and environmental protection based on these management policies while considering our strategic context and the most important requirements for our relevant, interested parties. 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, codes of conduct and energy efficiency. We recognize successful performance 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 and resource conservation targets. In addition, we cooperate with high schools and colleges to offer opportunities for vocational education and training.

Sustainability – For CeramTec, sustainability is a holistic concept for the future. In accordance with our corporate social responsibility policy and our code of conduct, we assume responsibility for our thoughts and our actions in economical, ecological, and social dimensions. We follow guidelines and regulations that apply to all employees worldwide to ensure sustainability in all of our business operations.

Corporate Social Responsibility – Our Sustainability Policy

Social Responsibility: For Sustainable Social Development
We are dedicated to improving society by operating our business in a responsible manner and by aiming to always act with integrity in areas including as an employer, business partner and "good neighbor" and as key 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. This is why 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.

Corporate Governance: Acting with Integrity
CeramTec's Executive Board and Supervisory Board consistently implement the principles of responsible corporate governance. These primarily comprise a compliance management system, an internal control system, and risk management. All are managed, monitored, and reviewed in regular audits.

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.

Putting Responsibility into Practice

We consistently strive to 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. Our value system is constantly monitored and updated and is being communicated to employees in order to ensure full alignment to our goals throughout our organization.

We are committed to significantly reduce our environmental footprint and strive to minimize our impact by ensuring our operations are conducted in an environmentally friendly way. For example, the primary goal of our DIN ISO 14001-certified environmental management system is to promote environmental protection, the prevention of environmental pollution, and the application environmentally sensitive approaches in our manufacturing and procurement processes. In addition, we implemented an energy management system, certified according to DIN ISO EN 50001, which assists in the promotion of environmental protection, the prevention of pollution, and the application environmentally sensitive approaches in our manufacturing and procurement processes.

We believe that our achievements are reflected in our key performance indicators, and we will continue to strengthen this commitment in the future.

Key Figures	**Unit**	**2021**	**2020**	**2019**	**2018**
Employees					
Total emloyees [(1)]	Persons	3,468	3,420	3,525	3,589
of which male [(1)]	Persons	2,161	2,154	2,221	2,230
of which female [(1)]	Persons	1,307	1,266	1,304	1,359
Apprenticeship rate [(2)]	%	7.42%	7.06%	6.00%	7.18%
Employee suggestion scheme (IDM)/ idea management [(3)]	Total number	3.422	2.830	3.209	3.323
Health and Safety					
Staff away sick	%	4.03%	3.98%	4.23%	4.22%
Lost time accidents (LTAs)	Total number	5	6	14	16
LTA frequency rate	LTAs*200,000/total hours worked	0.15	0.19	0.41	0.43
LTA severity rate	Lost days*200,000/total hours worked	0.74	2.47	7.76	5.88
Near misses (out of IDM)	Total number	843	648	685	639
Environment and Energy					
Energy consumption	MWh	289,759	272,748	295,917	301,131
Energy consumption/€1m turnover	MWh/€1m	451	493	477	502
Water consumption	m³	279,885	260,864	279,408	294,623
Water consumption/€1m turnover	m³/€1m	436	472	450	491
Waste	Tons	5,773	5,209	5,199	4,840
Waste/€1m turnover	Tons/€1m	8.0	9.4	8.4	8.1
CO_2 emissions	Tons	96,242	96,179	104,356	106,567
CO_2 emissions/€1m turnover	Tons/€1m	150	174	168	178

(1) Headcount excluding inactive employees (2) Apprentice model only used in Germany (3) System applied for German sites

Corporate Governance

Governance, Risk & Compliance

With its governance, risk and compliance structure (GRC), the CeramTec Group coordinates the broad range of corporate governance, enterprise risk management (ERM) and regulatory compliance requirements. The GRC service centre is responsible for assisting the Executive Board in fulfilling its organisational obligations regarding compliance, risk management and internal control. Responsibilities and interfaces have been defined for compliance, risk management and the internal control system, which should thus prevent redundancies. Operationally, the GRC service centre closely collaborates with the Finance, HR, Controlling and Legal departments.

Compliance

All CeramTec employees have the opportunity to submit information about possible compliance breaches within the Company anonymously and confidentially in several languages via an outside web-based reporting system. The helpline can be used by our employees, but also by customers, suppliers and other persons who have a business relationship with CeramTec. Furthermore, the code of conduct reflects newest standards and requirements.

Risk management

The risk management of the CeramTec Group comprises all activities and arrangements made to identify, assess, manage, and monitor risk. A risk is defined as the danger that events or actions might prevent CeramTec from achieving its business objectives or from successfully implementing its strategies. For all identified risks, the probability of occurrence and possible impact on achieving objectives are continually identified, assessed, appropriate action initiated and followed-up on.

Internal control system

The internal control system consists of technological and organizational arrangements and controls that have been systematically designed to ensure compliance with guidelines and to prevent loss or damage that may be caused by the company's employees or by third parties. Controls can be performed both process-dependent or independently of the process. CeramTec's internal control system (ICS) represents the arrangements and controls ensuring the effectiveness and economic efficiency of business operations, as well as regularity and reliability of internal and external accounting, and compliance with statutory regulations relevant to the company.

Conventional femoral BIOLOX®delta and BIOLOX®forte heads and inserts as well as BIOLOX®OPTION products are registered by CeramTec's customers. The BIOLOX CONTOURA® product is registered in the USA by CeramTec's customers. The bicondylar knee implants made of BIOLOX®delta are registered in the EU by CeramTec's customers. The BIOLOX®DUO product is registered by CeramTec's customers only in Japan. The products are not registered / available in all countries. DENSILOX® dental implants are registered by CeramTec's customers in the USA, EU and Switzerland. ZERAMEX® dental implants are registered by CeramTec's subsidiary Dentalpoint AG. The ceramic foam for dental components is under development and is not approved by any authorities.
Caution: All other shown implants (e.g., shoulder, spine, H1 hip resurfacing, direct-to-bone or ceramic foam products) are under development and are not approved by / registered with any authorities.
BIOLOX® and DENSILOX® are registered CeramTec trademarks. ZERAMEX® is a registered trademark of Dentalpoint AG, which is a wholly owned subsidiary of CeramTec.

This report contains statements that constitute forward-looking statements. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of our customers, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to CeramTec. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and other important factors that could cause actual developments or results to differ materially from those expressed in our forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including, among others, the impact of the ongoing COVID-19 pandemic, the overall economic and political situation, the behavior of other participants in the market, our ability to attract and retain customers, adverse medical events, product liability claims and other lawsuit risks, the successful introduction of new products, raw material and energy price fluctuations or supply interruption, interruptions at our production facilities and other manufacturing risks, risks related to our employees and counter-party risk, integration of acquisitions, risks related to changes to or compliance with laws and regulations and the measures carried out by state regulatory authorities. You are cautioned not to place undue reliance on those forward-looking statements which speak only as of the date of this report. CeramTec undertakes no obligation to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events and circumstances after the date of this report, including, without limitation, changes in CeramTec's business strategy or to reflect the occurrence of unanticipated events.

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